Interim Report

For the six months ended
30 June 2016

Bank of Ireland Group

Bank of Ireland

Interim Report

for the six months ended 30 June 2016

Forward-Looking statement

This document contains certain forward-looking statements with respect to certain of the Bank of Ireland Group's (the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include among others, statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations.

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

- *geopolitical uncertainties which could impact the markets in which the Group operates;*
- *uncertainty following the United Kingdom vote to exit the EU as to the nature, timing and impact of an exit by the United Kingdom, could impact the markets in which the Group operates;*
- *concerns on financial uncertainties in the EU and the potential effects of those uncertainties on the financial services industry and on the Group;*
- *general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;*
- *the ability of the Group to generate additional liquidity and capital as required;*
- *property market conditions in Ireland and the United Kingdom;*
- *the potential exposure of the Group to conduct risk, credit risk and to various types of market risks, such as interest rate risk and foreign exchange rate risk;*
- *the impact on lending and other activity arising from macro prudential policies;*
- *the performance and volatility of international capital markets;*
- *changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the establishment of the Single Resolution Mechanism;*
- *the impact of the continuing implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV, the Capital Requirements Regulation, Solvency II and the Bank Recovery and Resolution Directive;*
- *the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom;*
- *the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom;*
- *the outcome of any legal claims brought against the Group by third parties, legal or regulatory proceedings or regulatory investigations more generally, that may have implications for the Group;*
- *the development, implementation and sustainability of the Group's strategy, including the Group's ability to achieve net interest margin increases and cost reductions;*
- *the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally;*
- *potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations;*
- *the Group's ability to address weaknesses or failures in its internal processes, procedures and controls including information technology issues and equipment failures and other operational risk;*
- *the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding;*
- *the Group's ability to meet rapidly shifting consumer behaviours in device (mobile, tablet, wearable), social analytical and cloud technologies which is reflected in the evolving banking models for consumers and businesses;*
- *failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and*
- *difficulties in recruiting and retaining appropriate numbers and calibre of staff.*

Investors should read 'Principal risks and uncertainties' in this document beginning on page 52 and also the discussion of risk in the Group's Annual Report for the year ended 31 December 2015.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

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Bank of Ireland

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

www.bankofireland.com

Key highlights

Customers

- Strength of our customer franchises reflected in our financial performance.
- Continue to be the largest lender to the Irish economy in H1 2016.
- Growth in core loan books of €1.1bn; New lending up 14% on H1 2015.
- Reduced non-performing loans by €2.1bn in H1 2016 with defaulted loans now c.10% of customer loans.

Profitability

- Underlying profit of €560m; Loan asset spreads in line with H2 2015; NIM of 2.11%.
- Net impairment charge reduced to 21bps (28bps in H2 2015).
- All trading divisions contributing towards the Group's profitability.
- Too early to fully assess the impact of UK's EU referendum result.

Capital

- Fully loaded CET 1 ratio of 10.7%; transitional CET 1 ratio of 12.8%.
- Strong discipline on pricing and risk; priority is to protect and generate capital.
- Market reaction to UK's EU referendum result impacting IAS 19 accounting valuation of pension deficit.
- Aim is to have a sustainable dividend. External factors, including UK's EU referendum result, may impact timing of our ambition to recommence dividends.

Performance summary

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m
Group performance on an underlying[1] basis		
Net interest income (before ELG fees)	1,135	1,219
Eligible Liabilities Guarantee (ELG) scheme fees[2]	(18)	(5)
Other income (net)	470	545
Operating income (net of insurance claims)	1,587	1,759
Operating expenses (before levies and regulatory charges)	(890)	(848)
Levies and regulatory charges	(62)	(27)
Operating profit before impairment charges on financial assets	**635**	**884**
Impairment charges on loans and advances to customers	(93)	(168)
Impairment charges on available for sale (AFS) financial assets	(2)	-
Share of results of associates and joint ventures (after tax)	20	27
Underlying[1] profit before tax	**560**	**743**
Total non-core items (page 17)	(3)	(18)
Profit before tax	**557**	**725**
Group performance		
Net interest margin[3] (%)	2.11%	2.21%
Cost income ratio (excluding levies and regulatory charges) (%)	56%	48%
Gross new lending volumes[4] (€bn)	6.9	6.5
Growth in core loan book (€bn)	1.1	1.1
Impairment charge on loans and advances to customers (bps)	21	36
Return on assets (annualised) (bps)	70	94

For further information on measures referred to in the key highlights and performance summary see page 152.

[1] *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 17 for further information.*
[2] *The Government Guarantee Scheme, the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme) ended for all new liabilities on 28 March 2013. A fee is payable in respect of each liability guaranteed under the ELG Scheme until the maturity of the guaranteed deposit or term funding.*
[3] *The net interest margin is stated before ELG fees and after adjusting for IFRS income classifications see page 12 for further details.*
[4] *Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions which were €0.1 billion in H1 2016 (H1 2015: €0.5 billion). New lending excluding portfolio acquisitions was 14% higher in H1 2016 compared to H1 2015.*

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m
Per unit of €0.05 ordinary stock		
Basic earnings per share[1] (€ cent)	1.2	1.7
Underlying earnings per share[1] (€ cent)	1.2	1.8
Tangible Net Asset Value per share (€ cent)	23	24
Divisional performance[2]		
Underlying profit before tax		
Retail Ireland	309	261
Bank of Ireland Life	54	58
Retail UK	94	99
Retail UK (Stg£ million equivalent)	*72*	*74*
Corporate and Treasury	256	395
Group Centre and other	(153)	(70)
Underlying profit before tax	**560**	**743**

Balance sheet and key metrics	**30 June 2016 €bn**	31 December 2015 €bn
Total assets	126.3	131.0
Average interest earning assets	105.1	108.6
Ordinary stockholders' equity	8.0	8.4
Loans and advances to customers (after impairment provisions)	80.2	84.7
Non-performing loan volumes[3]	9.9	12.0
Defaulted loan volumes[3]	8.7	10.6
Customer deposits	77.5	80.2
Wholesale funding	13.5	14.2
- Wholesale market funding	*12.0*	*12.7*
- Drawings from ECB Monetary Authority	*1.5*	*1.5*
Liquidity		
Liquidity Coverage ratio[4]	116%	108%
Net Stable Funding ratio[5]	119%	120%
Loan to deposit ratio	103%	106%
Capital		
Common equity tier 1 ratio - CRD IV fully loaded	10.7%	11.3%
Common equity tier 1 ratio - CRD IV transitional rules	12.8%	13.3%
Total capital ratio - CRD IV transitional	17.2%	18.0%
Risk weighted assets (€bn)	52.0	53.3

[1] *For basis of calculation of basic earnings per share see note 14 on page 99. Underlying earnings per share excludes non-core items.*
[2] *For more details on the performance of each division see pages 31 to 51.*
[3] *For the definitions of non-performing and defaulted loans see the asset quality section on pages 60 and 61.*
[4] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[5] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*

Group Chief Executive's review

'Our business continued to perform in line with the strategic objectives we have set ourselves. All trading divisions are profitable and have contributed to our solid financial performance during the period. Our core loan books have been growing and we remain the largest lender to the Irish economy. Our stock of non-performing loans and our customer loan impairment charge continue to reduce.

While it is too early to fully assess the impacts of the United Kingdom's EU referendum result on economic and customer activity, the strength of our business model gives us confidence in the Group's prospects. We remain focussed on serving our customers and ensuring that we continue to develop the Group on a sustainable basis so as to protect, grow and, over time, provide income on the capital our shareholders have entrusted to us'.

Profitable and generating capital; non-performing loans continue to fall

€560 million underlying profit before tax

The Group generated an underlying profit before tax of €560 million in the first half of 2016. Strong commercial discipline on lending and deposit margins, reduced loan impairment charges and tight control over costs, whilst continuing to invest in the long term sustainability of the Group, have all contributed to this outturn. All trading divisions are profitable. On a statutory basis, the Group reported a profit before tax of €557 million.

The result includes additional gains amounting to €157 million including €95 million related to the sale of shares in VISA Europe and €54 million related to the rebalancing of our liquid asset portfolio in the early part of the year.

Continued organic generation of capital; IAS 19 accounting standard pension deficit impacted capital ratios

The Group continues to organically generate capital. From a capital ratio perspective, this increase in capital was offset by an increase in the IAS 19 accounting standard defined benefit pension deficit. The UK's EU referendum result has impacted, amongst other factors, foreign exchange rates and interest rates including AA Corporate Bond yields which, under IAS 19 accounting requirements, are used to discount the liabilities in the Group's sponsored defined benefit pension schemes. As a consequence, the net impact has been to increase the IAS 19 accounting standard pension deficit to €1.2 billion at 30 June 2016 from €0.74 billion at December 2015.

Our transitional CET 1 ratio and total capital ratios were 12.8% and 17.2% respectively at 30 June 2016. The Group's fully loaded CET 1 ratio was 10.7% at 30 June 2016.

Aim is to have a sustainable dividend

At the time of our final results earlier this year we provided the following update with respect to our distribution policy:

'Our aim is to have a sustainable dividend. Our ambition is to re-commence dividend payments in respect of financial year 2016, with the initial payment being made in the first half of 2017. We expect dividend payments to re-commence at a modest level, prudently and progressively building, over time, towards a payout ratio of around 50% of sustainable earnings. The dividend level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments'.

Our aim remains unchanged. However, external factors such as the result of the UK's EU referendum may impact on the timing of our ambition to recommence dividend payments.

Maintaining a robust liquidity position

Our liquidity position continues to be robust. Customer deposits fund more than 95% of customer loans and these deposits are predominantly sourced through our retail distribution channels. Our wholesale funding requirement has reduced to €13.5 billion. At the end of June 2016, our net stable funding ratio was 119%, our liquidity coverage ratio was 116% and our loan to deposit ratio was 103%.

Economic backdrop has been positive

Helped by increases in the number of people employed and healthy consumer spending, economic activity in Ireland increased in the opening months of 2016 as did residential and commercial property prices. Consumer spending in the UK was also firm although business investment softened. Looking ahead, uncertainty in the wake of the UK's EU referendum result is impacting financial markets and may weigh on business and consumer confidence. In addition, the actions of Monetary Authorities will impact official interest rates and bond yields. We will continue to monitor developments and assess their impact on our risk profile and potential growth trajectory.

Our core loan books continue to grow and we continue to be the largest lender to the Irish economy

Loan book dynamics remained positive in the first half of 2016. New lending volumes of €6.9 billion were 14% higher than in the same period last year (excluding portfolio acquisitions) and our core loan books grew by €1.1 billion in the period. Bank of Ireland continues to be the largest lender to the Irish economy advancing €3.5 billion in the first half of 2016, up 16% on the same period in 2015.

Gross loan redemptions of €7.1 billion in the first half of 2016 included the impact (total of €1.3 billion) of our successful actions to reduce our non-performing loans together with repayments and redemptions in our Republic of Ireland mortgage tracker book and in our non-core Great Britain business banking loan books.

The weakening of sterling against the euro impacted reported net customer loan volumes by €4.3 billion during the period. As such, and notwithstanding net growth of €1.1 billion in core loan books, overall reported net loans and advances to customers reduced by €4.5 billion to €80.2 billion at the end of June 2016.

Strong commercial discipline being maintained on lending

Reflecting our continuing strong commercial discipline, whilst growing our core loan books and remaining the largest lender into the Irish economy and notwithstanding some impact from lower official interest rates on our reducing book of tracker mortgages, our customer loan asset spread remained broadly stable relative to 2015 at 2.64%. Our liquid assets spread reduced to 0.09% reflecting the rebalancing of our liquid asset portfolio (with the resulting additional gains accounted for in Other income) and lower available yields on liquid assets purchased to replace maturing bonds.

NIM of 2.11% for the period; income impacted by weaker sterling FX rate

Our Net interest margin was 2.11% in the first half of 2016 (compared with 2.17% in the second half of 2015). This margin will be positively impacted by the maturity in late July 2016 of the expensive €1 billion Convertible Contingent Capital Note which has a fixed coupon of 10%.

Reflecting the impact of the low rate environment, lower liquid asset yields (somewhat offset by €54 million additional gains on bond portfolio rebalancing recorded in non-interest income) and, in the first half of 2016, the weakening of sterling versus the euro, reported net interest income of €1,135 million was €100 million lower than for the second half of 2015.

Non-interest business income remained stable

Non-interest income of €470 million was driven by business income of €317 million which was in line with the second half of 2015 and by additional gains of €157 million as outlined earlier.

Costs controlled while continuing to invest in our businesses, people and infrastructure

We have continued to maintain tight control over costs. Our cost-income ratio was 56% in the first half of 2016 (including income from additional gains). Primarily reflecting exchange rate impacts, our operating expenses reduced by €8 million compared to the second half of 2015 notwithstanding our ongoing investment in our people, distribution platforms, infrastructure and technology. Levies and regulatory charges amounted to €62 million in the first half of 2016. We currently expect levies and regulatory charges, including the cost of €38 million associated with the Irish bank levy, to total €110 to €120 million for 2016.

Reduced non-performing loans by a further €2.1 billion

Our asset quality continues to improve. In the first half of 2016, we reduced non-performing loans by €2.1 billion with reductions across all asset classes. We anticipate further reductions in non-performing loans over the second half of 2016 and beyond, with the pace of such reductions being influenced by a range of factors. Defaulted loans also continue to fall. They have reduced by more than 50% since their reported peak 3 years ago and amounted to €8.7 billion at June 2016.

Our restructuring solutions are working and are sustainable

We continue to be very focussed on the resolution of Irish mortgage arrears and SME challenged loans. Non-performing Irish mortgages continued to reduce across all categories and arrears in our Irish mortgage book are less than half of the industry average. Our restructuring solutions are sustainable with more than 9 out of 10 challenged owner occupier Irish mortgage customers with restructuring arrangements continuing to meet the agreed repayments. In our challenged Irish business banking portfolio, we have restructuring and resolution arrangements in place in over 90% of cases. More than 9 out of 10 restructured business banking borrowers continue to meet their agreed arrangements.

Impairment charges continue to fall - €93 million in the first half of 2016

Reflecting the continuing improvement in the credit quality of our loan portfolios and our actions to manage non-performing portfolios, the customer loan net impairment charge reduced to €93 million (21 basis points) in the first half of 2016, down 27% from a net charge of €128 million (28 basis points) in the second half of 2015.

Our Retail Ireland division has delivered a strong performance during the first half of 2016

The Group earns c.70% of its income in Ireland through our Retail Ireland division, our Bank of Ireland Life division and the activities in Ireland of our Corporate and Treasury division.

Enhancing customer propositions and customer experience

Our Retail Ireland division continues to focus on developing relationships with existing and new customers, supporting them in their communities and enterprises, and helping them to be more financially secure and successful. This focus continues to deliver results.

Strong operating performance

Retail Ireland (excluding Bank of Ireland Life) reported underlying profit before tax of €309 million for the period, 18% higher than the same period in 2015. Our Irish consumer businesses performed well with new mortgage lending of €0.6 billion, up 15% relative to the same period in 2015. We continue to be commercially disciplined in a competitive environment and our market share performance in the second half of 2015 has been sustained with a 28% market share in the first quarter of 2016. We have pursued a fixed rate led mortgage pricing strategy which we believe provides value, certainty and stability to our customers and to the Group. Fixed rate products accounted for c.75% of our new lending in the first half of 2016, up from c.30% about 18 months ago.

Ireland's number one business bank

We continue to be the number one bank for Irish businesses, providing over 50% of new business lending in Ireland. Business lending opportunities improved further and our new lending volumes of €1.5 billion were up 19% compared to the first half of 2015. Growth in the agri-sector was more modest in the period while general business sector growth was stronger. Business loans up to €100,000 can be transacted through our centralised direct channel and, reflecting the popularity of this channel with customers, c.80% of new business loans of less than €100,000 were completed via our direct offering. We continue to be the main provider of finance in the motor sector in Ireland, and generated over 60% new business volume growth in the first half of 2016.

Ireland's only bancassurer

Our Bank of Ireland Life division, which includes New Ireland Assurance Company plc (NIAC), is the second largest life assurance company in Ireland. Operating profit was €35 million in the first half of 2016, €13 million lower compared to the same period in 2015, with lower new business levels against a backdrop of the uncertain investment environment which prevailed in the first half of 2016. The business continues to invest in its customer propositions and in its distribution platforms for investment, pensions and protection products.

Our Corporate and Treasury division benefitted from a growing Irish economy and our International Acquisition Finance Business has performed well

Continuing strong new business momentum

Our Corporate and Treasury division provides banking services to our larger business customers. This division also manages the Group's euro area liquid asset portfolio.

Underlying profit before tax was €256 million in the first half of 2016. The fall of €139 million from the equivalent period in 2015 was primarily due to the impact of lower additional gains from bond portfolio rebalancing and asset disposals (c.€95 million) and lower yields on liquid assets due to the low interest rate environment.

Ireland's number one Corporate bank

We continue to be Ireland's number one Corporate bank, with new lending volumes of €1.1 billion in the first half of 2016, an increase of 15% on the same period in 2015. We are supporting general investment activity by the Irish mid-corporate market, a sector we helped support during the downturn. We are also benefiting from refinancing opportunities as international funds look to realise investments. We continue to achieve a strong share (more than 60%) of banking relationships arising from new foreign direct investment in Ireland.

Working with customers to manage market risks

In our treasury business, the first half of 2016 was an active period in particular for customer interest rate hedging where we experienced strong income growth. We are continuing to experience steady growth in customer adoption of FXPay, the Group's online foreign exchange platform which was launched last year. Our focus remains to support our customers' market risk management requirements against the backdrop of uncertain market conditions.

Acquisition finance continues to deliver strong income growth

Our International Acquisition Finance business, which accounts for c.5% of Group income, delivered another strong performance during the first half of the year. This business continues to generate attractive margins and fee income, within a disciplined risk appetite, from a geographically and sectorally diversified portfolio, where we have strong relationships with sponsors who appreciate the clarity of our business model. The credit quality of this book remains strong.

Our Retail UK division's business model benefitted from its partnership relationships

New partnerships supporting our business strategy

Our Retail UK division accounts for c.25% of our total income.

With over 3 million customers, our UK bank is a separately regulated, capitalised and self-funded business. We provide a universal banking offering in Northern Ireland. In Great Britain we are focussed on providing retail banking services to consumers, primarily operating via attractive partnerships including with two of the UK's most trusted brands, the Post Office and the Automobile Association (AA). In addition, we own a successful motor finance business (Northridge Finance). The division generated an underlying profit before tax of £72 million in the first half of 2016 compared to £74 million in the first half of 2015. New mortgage lending of £1.4 billion was slightly up on the same period in 2015. Our partnership and commission based distribution platform continues to provide us with flexibility within the business model to adapt quickly to market developments.

Great Britain business banking loan books, which we are running down under our EU-approved Restructuring Plan, reduced by £0.3 billion during the first half of 2016. The remaining book at June 2016 amounted to £1.0 billion.

Our People are a key differentiator for our business

The skills, focus and drive of my colleagues remains key to the continued success of our business. I would like to extend my gratitude to my colleagues for their ongoing commitment and professionalism as we progress our shared objectives for our customers, and continue to deliver sustainable and profitable growth for the Group.

Our ongoing success depends on equipping colleagues with the professional skills to navigate the commercial, technological and regulatory environment in which we operate, and in all markets in which we do business. Our people development initiatives are also focussed on equipping employees with the capabilities they need to support and serve our customers. So far this year, 1,100 colleagues have achieved professional development qualifications while 600 have been sponsored to commence education programmes. Our 'Be At Your Best' programme continues to support employee engagement and investment in both their professional development and their personal wellbeing.

In February 2016, the Group published its second Responsible Business Report. Following this, a further significant achievement for the Group this year was our accreditation, in the Republic of Ireland, with the Business Working Responsibly Mark. This mark underlines the commitment of the Group and of our people to corporate social responsibility and followed a detailed submission and audit process conducted by Business in the Community Ireland (BITCI) and the National Standards Authority of Ireland (NSAI). This accreditation is a reflection of the positive attitudes of my colleagues, and the high standards to which we hold ourselves to.

We are fortunate to have retained an experienced, resilient Senior Leadership team complemented by the recruitment of experienced colleagues who have brought us some fresh perspectives. This experience is of benefit to the Group as we avail of the opportunities inherent in our disciplined business model and navigate the somewhat more uncertain external environment post the UK's EU referendum.

Protecting capital while delivering attractive sustainable returns for shareholders

In the first half of 2016, we have continued to deliver against the strategic objectives we have set for ourselves and have articulated to our shareholders. The strength of our franchises and the positive impacts of the investments we have been making are reflected in our financial performance. We will continue to invest in our people and businesses, to enhance our customer propositions and customers' experiences and to deliver efficiencies for the Group. Investments in our core infrastructure will be getting even further focus over the next few years.

My colleagues and I remain focussed on professionally serving our customers and ensuring that we continue to develop the Group on a sustainable basis so as to protect, grow and, over time, provide income on the capital our shareholders have entrusted to us.

Richie Boucher
28 July 2016

Basis of presentation

This operating and financial review is presented on an underlying basis. For an explanation of underlying see page 17.

Percentages presented throughout this document are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented. Where the percentages are not measured this is indicated by n/m.

The income statements are presented for the six months ended 30 June 2016 compared to the six months ended 30 June 2015. The balance sheets are presented for 30 June 2016 compared to 31 December 2015.

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

Group income statement

Summary consolidated income statement on an underlying[1] basis

	Table	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net interest income (before ELG fees)	1	1,135	1,219	(7%)
Eligible Liabilities Guarantee (ELG) scheme fees	2	(18)	(5)	n/m
Net other income	3	470	545	(14%)
Operating income (net of insurance claims)		**1,587**	**1,759**	**(10%)**
Operating expenses (before levies and regulatory charges)	4	(890)	(848)	(5%)
Levies and regulatory charges	4	(62)	(27)	(130%)
Operating profit before impairment charges on financial assets		**635**	**884**	**(28%)**
Impairment charges on loans and advances to customers	5,6	(93)	(168)	45%
Impairment charges on available for sale (AFS) financial assets		(2)	-	n/m
Share of results of associates and joint ventures (after tax)		20	27	(26%)
Underlying[1] profit before tax		**560**	**743**	**(25%)**
Non-core items	7	(3)	(18)	83%
Profit before tax		**557**	**725**	**(23%)**
Taxation charge		(118)	(101)	(17%)
Profit for the period		**439**	**624**	**(30%)**
Profit attributable to stockholders		439	617	(29%)
Profit attributable to non-controlling interests		-	7	(100%)
Profit for the period		**439**	**624**	**(30%)**
Key metrics				
Net interest margin[2] (%)		2.11%	2.21%	
Impairment charge on loans and advances to customers (bps)		21	36	

[1] Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 17 for further information.
[2] The net interest margin is stated before ELG fees and after adjusting for IFRS income classifications.

Summary consolidated income statement on an underlying basis (continued)

Profit before tax was €557 million for the six months ended 30 June 2016, a decrease of €168 million or 23% compared to the same period in 2015.

Underlying profit before tax was €560 million for the six months ended 30 June 2016, a decrease of €183 million or 25% on the same period in 2015 with lower operating income and higher costs (including levies and regulatory charges) being partially offset by lower impairment charges.

Total income was €1,587 million for the six months ended 30 June 2016, down €172 million or 10% on the same period in 2015. Net interest income has decreased by €84 million compared to the same period in 2015, primarily reflecting the impact of foreign exchange rates and lower liquid asset income following bond sales completed in 2015 and early 2016, as part of the rebalancing of the liquid asset portfolio and the ongoing impact of the low interest rate environment. Other income was €75 million lower than in 2015, primarily reflecting lower gains arising on transfers from the available for sale reserve on asset disposals.

Operating expenses (before levies and regulatory charges) of €890 million for the six months ended 30 June 2016 were €42 million or 5% higher than the same period in 2015 due to further investment in our people, compliance with the growing regulatory environment, investment in technology and business growth.

The Group has incurred levies and regulatory charges of €62 million in the six months ended 30 June 2016, compared to €27 million in the six months ended 30 June 2015, an increase of 130%. The charge in the six months to June 2016 primarily reflects the Group's full year contributions to the newly established Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) fund, along with the charge for the Financial Services Compensation Scheme (FSCS) levy.

Net impairment charges on loans and advances to customers were €75 million lower, at €93 million, for the six months ended 30 June 2016, compared to €168 million in the same period of 2015. This reduction reflects the strong performance of the Group's loan portfolios, the continued reduction in Non-performing loans, together with actions the Group is taking to appropriately and sustainably support customers who are in financial difficulty and improvements in the economic environment in the countries in which the Group operates.

Income from associates and joint ventures reduced to €20 million for the six months ended 30 June 2016 compared to €27 million for the same period in 2015.

Underlying profit before tax for the six months ended 30 June 2016 includes additional gains of €157 million relating to a gain of €95 million on the sale of shares in VISA Europe, gains of €54 million on the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio, gains of €11 million on the sale of other financial instruments and a loss of €3 million on the disposal and revaluation of investment properties. In the first half of 2015, the Group recognised additional gains of €228 million.

Non-core items were a net charge of €3 million for the six months ended 30 June 2016, primarily reflecting charges of €19 million on liability management exercises and costs associated with the Group's restructuring programme of €10 million, offset by gains relating to movements in the Group's credit spreads of €19 million, gross-up of policyholder tax in the Life business of €5 million and other non-core items of €2 million. There was a net charge of €18 million in the same period in 2015.

Impact of the UK referendum vote to leave the EU

The outcome of the UK's EU referendum has impacted, amongst other factors, foreign exchange rates and interest rates, including AA Corporate Bond yields, which under IAS19 are used to discount the liabilities in the Group-sponsored defined benefit pension schemes.

The reduction in yields has contributed to an increase in the IAS19 pension deficit, to €1.2 billion at 30 June 2016 from €0.74 billion at 31 December 2015. The significant financial assumptions used in measuring the deficit are set out in note 27 on page 107, together with the sensitivity of the deficit to changes in those assumptions. The deficit increase has contributed to the reduction in Stockholders' equity, as set out on page 25, and in the Group's capital position as set out in pages 27 to 29.

The fall in the value of sterling has been the primary factor contributing to the reduction of €4.5 billion in the Group's loan book during the period, and has also contributed to the reduction of €2.7 billion in the Group's customer deposits balance, despite growth in constant currency terms. It has also contributed to the adverse movement of €355 million in the Group's foreign currency translation reserve in the six months ended 30 June 2016, with a corresponding reduction in Stockholders' equity.

The risks and uncertainties arising from the UK referendum are included in the Principal Risks and Uncertainties section from pages 52 to 59.

Operating income (net of insurance claims)

Net interest income

TABLE: 1 Net interest income / net interest margin	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net interest income (before ELG fees)	1,135	1,219	(7%)
IFRS income classifications[1]	(33)	(29)	(14%)
Net interest income (before ELG fees) after IFRS income classifications	**1,102**	**1,190**	**(7%)**
Average interest earning assets (€bn)			
Loans and advances to customers	83	85	(3%)
Other interest earning assets	22	24	(4%)
Total average interest earning assets	**105**	**109**	**(3%)**
Net interest margin[2] (annualised)	**2.11%**	**2.21%**	
Gross yield - customer lending[3]	3.37%	3.58%	
Gross yield - liquid assets[3]	0.82%	1.23%	
Average cost of funds - interest bearing liabilities and current accounts[3]	(0.73%)	(0.89%)	
Average ECB base rate	0.02%	0.05%	
Average 3 month Euribor rate	(0.22%)	0.02%	

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

[2] The net interest margin is stated before ELG fees and after adjusting for IFRS income classifications.

[3] Gross yield and Average cost of funds represents the interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. See page 150 for further information.

Net interest income (before ELG fees) after IFRS income classifications of €1,102 million has decreased by €88 million compared to 2015, primarily reflecting the impact of foreign exchange rates (c.€25 million), lower liquid asset income following bond sales completed in 2015 and early 2016, as part of the rebalancing of the liquid asset portfolio, and the ongoing impact of the low interest rate environment.

The Group's average net interest margin has decreased by 10 basis points to 2.11% for the six months ended 30 June 2016 from 2.21% for the six months ended 30 June 2015 and by 6 basis points from 2.17% for the second half of 2015.

Notwithstanding the low interest rate environment, the Group has maintained strong margin discipline while continuing to make progress on reducing funding costs.

The reduction in average interest earning assets is primarily due to the impact of the weakening of the sterling against the euro.

The annualised average net interest margin (after deducting the cost of ELG fees) decreased by 13 basis points to 2.07% in the six months ended 30 June 2016 compared to 2.20% in the same period in 2015.

Eligible Liabilities Guarantee (ELG) fees

TABLE: 2

ELG	**6 months ended 30 June 2016**	6 months ended 30 June 2015	Change %
ELG fees (€m)	18	5	n/m
Covered liabilities (at period end) (€bn)	0.7	0.7	-
Average fee during period (%)	1.26%	1.24%	2%

ELG fees of €18 million for the six months ended 30 June 2016 are €13 million higher than the same period in 2015. The Group has incurred total ELG charges of c.€1.3 billion between the launch of the scheme in 2010 and the end of 2015. With the Group's involvement in the ELG scheme now drawing to a close, the Group conducted a review of certain technical matters. The charge for the six months includes an amount of €14 million in relation to matters arising from this review together with €4 million of fees arising during the six month period to 30 June 2016 (at an average rate of 1.26%) in respect of covered liabilities outstanding. Total ELG covered liabilities amounted to €0.7 billion at 30 June 2016.

Net other income

TABLE: 3

Net other income	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net other income	470	545	(14%)
IFRS income classifications[1]	33	29	14%
Net other income after IFRS income classifications	**503**	**574**	**(12%)**

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

Net other income (continued)

Net other income after IFRS income classifications	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Business income[1]			
Retail Ireland	156	167	(7%)
Bank of Ireland Life	76	81	(6%)
Retail UK	5	5	-
Corporate and Treasury	86	71	21%
Group Centre and other	(6)	(5)	(20%)
Total business income	**317**	**319**	**(1%)**
Other gains			
Transfer from available for sale reserve on asset disposal	160	206	(22%)
- Sovereign bonds	*54*	*171*	*(68%)*
- Other financial instruments (incl. VISA share disposal)	*106*	*35*	*n/m*
(Loss) / gain on disposal and revaluation of investment properties[2]	(3)	22	n/m
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[3] and other	11	25	(56%)
Fair value movement on Convertible Contingent Capital Note (CCCN) embedded derivative	(1)	(8)	88%
Investment variance - Bank of Ireland Life	(6)	10	n/m
Economic assumptions - Bank of Ireland Life	25	-	100%
Net other income after IFRS income classifications	**503**	**574**	**(12%)**

[1] Business income is net other income after IFRS income classifications before other gains and other valuation items as set out in the table above. This is a measure monitored by management as part of the review of divisional performance.
[2] Includes gains recognised on assets held for sale.
[3] Credit Valuation Adjustment (CVA); Debit Valuation Adjustment (DVA); Funding Valuation Adjustment (FVA).

Net other income after IFRS income classifications for the six months ended 30 June 2016 was €503 million, a decrease of €71 million or 12% on the period ended 30 June 2015.

Business income for the six months ended 30 June 2016 compares to the same period in 2015 as follows:

- business income in Retail Ireland, which includes personal and business current account fees, foreign exchange income, interchange income on credit and debit cards and insurance income was €156 million in the six months ended 30 June 2016, and has decreased by €11 million when compared to the same period in 2015 primarily due to the impact of the new EU credit card interchange caps introduced in December 2015 and the initiatives to pre-advise customers of potential account limit breaches;
- other income in Bank of Ireland Life of €76 million decreased by €5 million reflecting a decrease in new business profits during the period;
- business income in Retail UK, which includes transactional banking fees and interchange income on credit cards less commissions payable to strategic partners was €5 million in the current period;
- business income in Corporate and Treasury of €86 million increased by €15 million compared to the same period in 2015 due to higher fees, along with increased distributions from equity investments; and
- other net charges in Group Centre and other were €6 million for the six months ended 30 June 2016, compared to a charge of €5 million in the same period in 2015.

Other gains included in net other income were as follows:

- a gain of €160 million relating to transfers from the available for sale reserve on asset disposals for the six months ended 30 June 2016 compared to a gain of €206 million in the same period in 2015. These gains in 2016 primarily relate to the completion of the disposal of the VISA Europe equity shares (€95 million) and the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio; and
- a charge of €3 million relating to the disposal and revaluation of investment properties, compared to a gain of €22 million in the same period in 2015.

Other valuation items included in net other income were as follows:

- a gain of €11 million due to valuation adjustments on financial instruments (CVA, DVA, FVA) and other compared to a gain of €25 million in the same period of 2015;
- a charge of €1 million due to the accounting impact of fair value movements on the derivative embedded in the Convertible Contingent Capital Note (CCCN) during the six months ended 30 June 2016 compared to a charge of €8 million in the same period in 2015. The CCCN has a fixed maturity date of 30 July 2016;

Net other income (continued)

- a negative investment variance of €6 million in Bank of Ireland Life in the six months ended 30 June 2016 reflecting unfavourable movements in investment markets during the period. This compares to a positive investment variance of €10 million in the same period of 2015; and
- a gain of €25 million primarily relating to Solvency II transitioning benefits.

Operating expenses

TABLE: 4 **Operating expenses**	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Staff costs (excluding pension costs)	376	365	3%
Pension costs	78	81	(4%)
Other costs	436	402	8%
Operating expenses (before levies and regulatory charges)	**890**	**848**	**5%**
Levies and regulatory charges	62	27	n/m
- Financial Services Compensation Scheme (FSCS) costs	*7*	*18*	*(61%)*
- Deposit Guarantee Scheme (DGS), Single Resolution Fund (SRF) and other regulatory charges	55	9	n/m
Operating expenses (after levies and regulatory charges)	**952**	**875**	**9%**

			Change
Staff numbers at period end	**11,277**	**11,384**	**(107)**
Average staff numbers during the period	**11,169**	**11,273**	**(104)**

Operating expenses (before levies and regulatory charges) of €890 million for the six months ended 30 June 2016 were €42 million or 5% higher than the same period in 2015. Favourable foreign currency movements provided a €12 million benefit during the period.

The Group has continued its focus on tight cost control during the period ended 30 June 2016, while further investing in our people, compliance with the growing regulatory environment, investment in technology and business growth.

Staff costs (excluding pension costs) of €376 million for the six months ended 30 June 2016 are €11 million (3%) higher than the same period in 2015. The Group paid a salary increase averaging 2.2% effective 1 January 2016. The average number of staff employed by the Group has fallen slightly to 11,169 in the six months ended 30 June 2016 compared to 11,273 in 2015. Staff numbers at 30 June 2016 were 11,277, of which c.500 are on fixed term contracts.

Pension costs of €78 million for the six months ended 30 June 2016 were €3 million or 4% lower than the same period in 2015. The decrease is due to a reduced defined benefit scheme cost due to lower service costs, partially offset by an increase in the cost of defined contribution schemes.

Other costs including technology, property, outsourced services and other non-staff costs were €436 million for the six months ended 30 June 2016 (of which €65 million related to depreciation / amortisation) compared with €402 million in the same period in 2015. There has been a net increase of €34 million due to investment in strategic initiatives including technology, distribution channels in RoI and UK, customer acquisition and improved propositions, as well as increased costs associated with compliance with regulatory expectations, partially offset by cost savings and efficiencies.

Levies and regulatory charges
As anticipated, levies and regulatory charges have increased compared to the same period in 2015.

The Group has incurred levies and regulatory charges of €62 million in the six months ended 30 June 2016, compared to €27 million in the six months ended 30 June 2015. The charge in the six months to 30 June 2016 primarily reflects the Group's full year contributions to the newly established Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) fund, along with the charge for the FSCS levy.

The Group expects to record a charge of €38 million in H2 2016 in respect of the Irish bank levy.

Impairment charges / (reversals) on loans and advances to customers

TABLE: 5 **Impairment charges / (reversals) on loans and advances to customers**	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Residential mortgages	(77)	(35)	n/m
- Retail Ireland	*(71)*	*(32)*	*n/m*
- Retail UK	*(6)*	*(3)*	*100%*
Non-property SME and corporate	58	75	(23%)
- Republic of Ireland SME	*32*	*46*	*(30%)*
- UK SME	*2*	*(2)*	*n/m*
- Corporate	*24*	*31*	*(23%)*
Property and construction	104	129	(19%)
- Investment	*77*	*94*	*(18%)*
- Land and development	*27*	*35*	*(23%)*
Consumer	8	(1)	n/m
Total impairment charges / (reversals) on loans and advances to customers	**93**	**168**	**(45%)**

Impairment charges on loans and advances to customers of €93 million for the period ended 30 June 2016 were €75 million or 45% lower than the same period in 2015.

The significant reduction in impairment charges in the first half of 2016 reflects the strong performance of the Group's loan portfolios, the continued reductions in both non-performing and defaulted loans, and improvements during the period in the economic environment in the countries in which the Group's portfolios are located.

The significant reductions in both non-performing and defaulted loans reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

The impairment reversal on **Residential mortgages** of €77 million for the period ended 30 June 2016 compares to an impairment reversal of €35 million in the same period in 2015.

The impairment reversal on the **Retail Ireland** mortgage portfolio of €71 million for the period ended 30 June 2016 compares to an impairment reversal of €32 million in the same period in 2015. The impairment reversal in the current period reflects positive underlying book performance and cure activity.

Retail Ireland mortgage default arrears continued to reduce in 2016 in both the Owner occupied and Buy to let market segments. Retail Ireland mortgage default arrears are at their lowest level, in terms of reporting periods, since June 2011, and have reduced by over 50% from peak levels in 2013.

The impairment charge on the **Non-property SME and corporate** loan portfolio of €58 million for the period ended 30 June 2016 has decreased by €17 million or 23% from the same period in 2015. Overall lower impairment charges reflect improved macroeconomic and trading conditions in both the domestic Irish and international markets.

The impairment charge on the **Property and construction** loan portfolio of €104 million for the period ended 30 June 2016 has decreased by €25 million or 19% from the same period in 2015. The impairment charge on the Investment property element of the Property and construction portfolio was €77 million for the period ended 30 June 2016 compared to €94 million in the same period in 2015. The impairment charge on the land and development portion was €27 million for the period ended 30 June 2016 compared to €35 million in the same period in 2015. Similar to the Non-property SME and corporate portfolio, impairment charges in the current period related to individual case specific events and continued resolution activity.

Impairment charges / (reversals) on loans and advances to customers (continued)

TABLE: 6 Impairment charges / (reversals) by nature of impairment provision	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Specific charge individually assessed	172	272	(37%)
Specific charge collectively assessed	(45)	(43)	5%
Incurred but not reported	(34)	(61)	(44%)
Total impairment charges / (reversals)	**93**	**168**	**(45%)**

For details of the impairment provision by the nature of impairment provision see page 70.

Non-core items

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

TABLE: 7 Non-core items	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Gain / (charge) arising on the movement in the Group's credit spreads	19	(8)	n/m
Loss on liability management exercises	(19)	(1)	n/m
Cost of restructuring programme	(10)	(18)	45%
Gross-up for policyholder tax in the Life business	5	10	(50%)
Investment return on treasury stock held for policyholders	2	(1)	n/m
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-	3	(100%)
Payments in respect of the career and reward framework	-	(3)	100%
Total non-core items	**(3)**	**(18)**	**83%**

Gain / (charge) arising on the movement in the Group's credit spreads
A gain of €19 million was recognised in the six months ended 30 June 2016 compared with a charge of €8 million for the same period in 2015. This gain arises from the 'pull to par' effect of cumulative losses reversing over time on the Group's structured deposits that are accounted for at 'fair value through profit or loss' and the widening in credit spreads during the period. These Group liabilities consist of certain structured senior and covered debt and tracker deposits. These gains / (charges) do not impact the Group's regulatory capital.

Loss on liability management exercises
A loss of €19 million on liability management exercises was recognised in the six months ended 30 June 2016 primarily reflecting the repurchase of €0.6 billion nominal value of the Group's senior unsecured debt securities. The repurchase, executed following a balance sheet optimisation review, comprised €0.3 billion of the January 2019 Notes (Yield: 0.306%) and €0.3 billion of the April 2020 Notes (Yield: 0.397%), generating a more cost efficient funding structure.

Cost of restructuring programme
During the six months ended 30 June 2016, the Group recognised a charge of €10 million in relation to its restructuring programme, primarily related to changes in employee numbers. A restructuring charge of €18 million was incurred in the same period of 2015.

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

Non-core items (continued)

Investment return on treasury stock held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland stock held by Bank of Ireland Life for policyholders. There was a gain of €2 million in the six months ended 30 June 2016, compared to a charge of €1 million in the same period of 2015. Units of stock held by Bank of Ireland Life for policyholders at 30 June 2016 were 14 million units (30 June 2015: 17 million units).

Impact of changes to pension benefits in the Group sponsored defined benefit schemes
A gain of €3 million was recognised for the six months ended 30 June 2015, reflecting the impact of changes in pension benefits implemented as part of the 2013 Pension Review. There was no such gain in the current period.

Payments in respect of the career and reward framework
During the year ended 31 December 2014, the Group agreed a new career and reward framework, across the Group, giving transparency and flexibility around change and career development in the Group and consequently a change to certain historical employment contracts and practices. In recognition of the career and reward framework implementation virtually all staff accepted a once off payment. This resulted in a charge of €3 million for the six months ended 30 June 2015. There was no such charge in the current period.

Taxation

The taxation charge for the Group was €118 million for the six months ended 30 June 2016 with an effective taxation rate on a statutory basis of 21%, compared to a taxation charge of €101 million and an effective taxation rate on a statutory basis of 14% for the same period in 2015. On an underlying basis, the effective taxation rate was 20% for the six months ended 30 June 2016 (30 June 2015: 13%). The effective tax rate is influenced by changes in the geographic mix of profits and losses and the sale of shares in VISA Europe. As set out in note 13 on page 98, the deferred tax asset has reduced by €58 million in the period due to the utilisation of brought forward trading losses against current year taxable profits which reduces the amount of tax payable on those profits.

Group balance sheet

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

Summary consolidated balance sheet

Summary consolidated balance sheet	**Table**	**30 June 2016 €bn**	31 December 2015 €bn	Change %
Loans and advances to customers (after impairment provisions)	8	80	85	(5%)
Liquid assets	9	22	24	(7%)
Bank of Ireland Life assets		16	16	-
Other assets	12	8	6	26%
Total assets		**126**	**131**	**(4%)**
Customer deposits	10	78	80	(3%)
Wholesale funding	11	13	14	(5%)
Bank of Ireland Life liabilities		16	16	-
Other liabilities	12	8	10	(16%)
Subordinated liabilities	13	2	2	-
Total liabilities		**117**	**122**	**(4%)**
Stockholders' equity	14	8	8	(5%)
Other equity instruments	15	1	1	-
Total liabilities and stockholders' equity		**126**	**131**	**(4%)**
Liquidity coverage ratio[1]		116%	108%	
Net stable funding ratio[2]		119%	120%	
Loan to deposit ratio		103%	106%	
Common equity tier 1 ratio - CRD IV fully loaded		10.7%	11.3%	
Common equity tier 1 ratio - CRD IV transitional rules		12.8%	13.3%	
Total capital ratio - CRD IV transitional		17.2%	18.0%	

[1] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[2] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*

Loans and advances to customers

TABLE: 8

Loans and advances to customers including held for sale Composition	**30 June 2016 €m**	**30 June 2016 %**	31 December 2015 €m	31 December 2015 %
Residential mortgages	49,373	58%	52,905	59%
- Retail Ireland	*24,576*	*29%*	*24,991*	*28%*
- Retail UK	*24,797*	*29%*	*27,914*	*31%*
Non-property SME and corporate	20,371	24%	20,994	23%
- Republic of Ireland SME	*9,153*	*11%*	*9,285*	*10%*
- UK SME	*2,076*	*2%*	*2,386*	*3%*
- Corporate	*9,142*	*11%*	*9,323*	*10%*
Property and construction	11,748	14%	13,357	15%
- Investment	*10,291*	*12%*	*11,388*	*13%*
- Land and development	*1,457*	*2%*	*1,969*	*2%*
Consumer	3,625	4%	3,339	3%
Total loans and advances to customers	**85,117**	**100%**	**90,595**	**100%**
Less impairment provisions on loans and advances to customers	(4,902)		(5,886)	
Net loans and advances to customers	**80,215**		**84,709**	

The Group's **loans and advances to customers (after impairment provisions)** of €80.2 billion have decreased by €4.5 billion since 31 December 2015, with currency translation accounting for substantially all of this movement.

Gross new lending of €6.9 billion was €0.4 billion or 7% higher than in the same period in 2015 with growth across all of our businesses.

Redemptions and repayments totalled €7.1 billion, broadly in line with the same period in 2015. The Group's success in reducing (through resolution or restructure / cure) defaulted assets, redemptions in the RoI mortgage tracker book and redemptions as part of the run-down of the GB business banking / GB corporate banking book together accounted for €1.3 billion of this figure. Therefore, growth in the Group's core loan books (i.e. excluding redemptions relating to defaulted loans, trackers and GB books in rundown) amounted to €1.1 billion.

The composition of the Group's loans and advances to customers by portfolio at 30 June 2016 was broadly consistent with 31 December 2015.

Non-performing loans (including probationary mortgages) of €9.9 billion at 30 June 2016 have decreased by €2.1 billion or 17% during the first half of 2016. On a constant currency basis, non-performing loans have decreased by c.€1.7 billion. Defaulted loans reduced by €1.9 billion in the period to €8.7 billion at 30 June 2016, representing 10.3% of customer loans. The decreases reflect the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of cash proceeds from property asset sales activity, and, where appropriate, has given rise to the utilisation of provisions.

The stock of impairment provisions on loans and advances to customers of €4.9 billion has decreased by €1.0 billion since 31 December 2015 (c.€0.9 billion on a constant currency basis). The non-performing loans provision coverage ratio at 30 June 2016 is 49% (31 December 2015: 49%).

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section, see pages 60 to 71.

Liquid assets

TABLE: 9

Liquid assets	**30 June 2016 €bn**	31 December 2015 €bn
Cash at banks	3	4
Cash and balances at Central Banks	6	7
- Bank of England	*4*	*5*
- Central Bank of Ireland	*2*	*1*
- US Federal Reserve	*-*	*1*
Government bonds	7	8
- Available for sale	*5*	*6*
- Held to maturity	*2*	*2*
NAMA senior bonds	1	1
Covered bonds	3	2
Senior bank bonds and other	2	2
	22	**24**

The Group's portfolio of liquid assets of €22 billion has decreased by c.€1.7 billion since 31 December 2015, partly reflecting the weakening in sterling vis a vis the euro. The primary reason for this was that, at 31 December 2015, the Group was holding liquid assets to support the planned redemption of the 2009 Preference Stock in January 2016, which was subsequently completed.

Customer deposits

TABLE: 10

Customer deposits	**30 June 2016 €bn**	31 December 2015 €bn
Retail Ireland	40	39
- Deposits	*22*	*22*
- Current account credit balances	*18*	*17*
Retail UK	26	29
Retail UK (Stg£bn equivalent)	21	22
- UK Post Office	*17*	*17*
- Other Retail UK	*4*	*5*
Corporate and Treasury	12	12
Total customer deposits	**78**	**80**
Loan to deposit ratio	**103%**	**106%**
Deposits covered by ELG Scheme	1	1

The Group's customer deposit strategy is to:

- maintain and optimise its stable retail customer deposit base in Ireland and the UK, in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with Basel III / CRD IV specifications.

Group customer deposits (including current accounts with credit balances) have decreased by €2.7 billion to €77.5 billion since 31 December 2015. On a constant currency basis, Group customer deposits increased by €0.8 billion. This comprises of an increase in Retail Ireland Division (€1.0 billion) and in Corporate and Treasury division (€0.2 billion) offset by a decrease in Retail UK Division of €0.4 billion.

In the Retail Ireland Division, customer deposits of €40.0 billion at 30 June 2016 have increased by €1.0 billion since 31 December 2015, with current account credit balance growth of €0.6 billion, and an increase in other deposits of €0.4 billion.

Balances in Retail UK Division decreased by £0.3 billion to £21.3 billion during the period ended 30 June 2016. Deposit balances originated through the Post Office network decreased by £0.5 billion to £16.6 billion as planned reflecting the Group's actions to optimise pricing during the period. Other Retail UK balances, including balances originated through the Group's Northern Ireland branch network and the AA partnership have increased by £0.2 billion.

Deposits increased by €0.2 billion in the Corporate and Treasury Division on a constant currency basis.

Customer deposits of €77.5 billion at 30 June 2016 (31 December 2015: €80.2 billion) do not include €1.7 billion (31 December 2015: €1.9 billion) of savings and investment products sold by Bank of Ireland Life. These products have fixed terms (typically five years) and consequently are an additional source of stable retail funding for the Group.

The Group's Loan to deposit ratio (LDR) improved by 3% to 103% in the six months ended 30 June 2016.

Wholesale funding

TABLE: 11

Wholesale funding sources	**30 June 2016** €bn	**30 June 2016** %	31 December 2015 €bn	31 December 2015 %
Secured funding	9	69%	10	69%
- ECB Monetary Authority	*1*	*11%*	*1*	*11%*
- Covered bonds	*6*	*44%*	*6*	*42%*
- Securitisations	*2*	*14%*	*3*	*16%*
Unsecured funding	4	31%	4	31%
- Senior debt	*2*	*17%*	*3*	*25%*
- Bank deposits	*2*	*14%*	*1*	*6%*
Total wholesale funding	**13**	**100%**	**14**	**100%**
Wholesale market funding < 1 year to maturity	4	34%	2	16%
Wholesale market funding > 1 year to maturity	8	66%	11	84%
ECB Monetary Authority funding < 1 year to maturity	-	-	1	-
ECB Monetary Authority funding > 1 year to maturity	1	-	-	-
Liquidity metrics				
Liquidity Coverage Ratio[1]		116%		108%
Net Stable Funding Ratio[2]		119%		120%
Loan to deposit ratio		103%		106%

[1] The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.
[2] The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.

The Group's wholesale funding of €13.5 billion has decreased by c.€0.7 billion since 31 December 2015, primarily due to a reduction in senior debt funding, following a liability management exercise completed in June 2016.

The Group's funding from the ECB Monetary Authority of €1.5 billion at 30 June 2016 is broadly unchanged from the position at 31 December 2015 and comprises drawings under the Targeted Longer Term Refinancing Operation (TLTRO). In June 2016, the Group replaced €1.5 billion of TLTRO I drawings with €1.5 billion of TLTRO II funding.

At 30 June 2016, €8.0 billion or 66% of wholesale market funding had a term to maturity of greater than one year (31 December 2015: €10.7 billion or 84%). Wholesale market funding with a maturity of less than one year was €4.1 billion (31 December 2015: €2.0 billion). The primary drivers of this increase are maturities falling into the less than one year time period and cash collateral received (due to the weakness in sterling) in relation to net derivative asset postions.

The Group's Liquidity Coverage Ratio (LCR) was 116% at 30 June 2016 (31 December 2015: 108%). Based on the Group's interpretation of the final Basel standard, the Group's Net Stable Funding Ratio (NSFR) was 119% at 30 June 2016 (31 December 2015: 120%). The Group's Loan to Deposit ratio decreased from 106% at 31 December 2015 to 103% at 30 June 2016.

Other assets and other liabilities

TABLE: 12

Other assets and other liabilities	**30 June 2016 €bn**	31 December 2015 €bn
Other assets	7.7	6.1
- Derivative financial instruments	*4.4*	*3.1*
- Net deferred tax asset	*1.4*	*1.4*
- Other assets	*1.9*	*1.6*
Other liabilities	8.0	9.5
- Derivative financial instruments	*3.6*	*3.6*
- 2009 Preference Stock	*-*	*1.4*
- Pension deficit	*1.2*	*0.7*
- Notes in circulation	*1.1*	*1.3*
- Other liabilities	*2.1*	*2.5*

Other assets at 30 June 2016 include **derivative financial instruments** with a positive fair value of €4.4 billion compared to a positive fair value of €3.1 billion at 31 December 2015. Other liabilities at 30 June 2016 include **derivative financial instruments** with a negative fair value of €3.6 billion compared to a negative fair value of €3.6 billion at 31 December 2015. The movement in the fair value of derivative assets and derivative liabilities is due to the impact of the movements in foreign exchange rates (particularly the euro / sterling exchange rate) and in interest rates during the period to 30 June 2016.

At 30 June 2016, the Group's **net deferred tax asset** was €1.4 billion. This compares to a balance of €1.4 billion at 31 December 2015 with €58 million of the deferred tax asset being utilised against profits in the period and the impact of a weakening sterling being offset by movements in reserves. The net deferred tax asset of €1.4 billion at 30 June 2016 includes an amount of €1.3 billion in respect of trading losses which are available to relieve future profits from tax. Of these losses, €1.2 billion relates to Irish tax losses and €0.1 billion relates to UK tax losses. For further details on movements in the net deferred tax asset in the period see note 26 on page 106.

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining **2009 Preference Stock** with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock and pay the final dividend of €116 million. The Group completed the redemption of the 2009 Preference Stock on 4 January 2016 and therefore there is no liability outstanding at 30 June 2016.

At 30 June 2016, the IAS 19 defined benefit **pension deficit** was €1.2 billion, a net increase of €0.45 billion from the position at 31 December 2015. The main drivers of the increase were:

- a reduction in Euro and UK AA Corporate Bond discount rates from 2.30% to 1.60% and 3.80% to 2.75% respectively, partially offset by;
- long-term RoI and UK inflation rate expectations decreasing from 1.60% to 1.30% and 3.30% to 2.85% respectively; and
- Group pension scheme asset returns.

The significant financial assumptions used in measuring the deficit are set out in note 27 on page 107, together with the sensitivity of the deficit to changes in those assumptions.

Subordinated liabilities

TABLE: 13

Subordinated liabilities	**30 June 2016 €m**	31 December 2015 €m
€1,000 million 10% Convertible Contingent Capital Note (CCCN) 2016	998	994
€750 million 4.25% Fixed Rate Notes 2024	769	763
€250 million 10% Fixed Rate Notes 2022	275	266
€1,002 million 10% Fixed Rate Notes 2020	234	234
Undated loan capital	164	180
Other dated capital	3	3
Total	**2,443**	**2,440**

There have been no significant movements in subordinated liabilities during the period ended 30 June 2016. The CCCN, which carries an annual coupon of 10%, has a fixed maturity date of 30 July 2016 and will be settled on 1 August 2016, being the next Target business day.

Stockholders' equity

TABLE: 14

Movements in stockholders' equity	**Six months ended 30 June 2016 €m**	Year ended 31 December 2015 €m
Stockholders' equity at beginning of period	**8,372**	**8,753**
Movements:		
Profit attributable to stockholders	439	940
Reserve for 2009 Preference Stock to be redeemed	-	(1,297)
Dividends on preference stock	(4)	(257)
- Current year dividend payment	*(4)*	*(141)*
- Dividend accrued for payment on 4 January 2016	-	*(116)*
Distribution on other equity instruments - Additional tier 1 coupon	(55)	-
Remeasurement of the net defined benefit pension liability	(394)	91
Available for sale (AFS) reserve movements	(148)	(81)
Cash flow hedge reserve movement	108	(45)
Foreign exchange movements	(355)	255
Other movements	-	13
Stockholders' equity at end of period	**7,963**	**8,372**

Stockholders' equity decreased from €8,372 million at 31 December 2015 to €7,963 million at 30 June 2016.

The **profit attributable to stockholders** of €439 million for the six months ended 30 June 2016 compares to the profit attributable to stockholders of €940 million for the year ended 31 December 2015.

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining **2009 Preference Stock** with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Group's Other liabilities at a fair value of €1,297 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to pay the final dividend payment on 4 January 2016 of €116 million. This was deducted from Retained earnings in the year ended 31 December 2015. The Group completed the redemption of the 2009 Preference Stock on 4 January 2016, see note 28 on page 108 for further details.

On 18 February 2016, the Group paid **dividends** of €2.4 million and £1.1 million on its other euro and sterling preference stock respectively.

On 20 June 2016, the Group paid €55 million relating to the coupon on its Additional tier 1 (AT1) securities. This payment is for the twelve months since issue.

Stockholders' equity (continued)

The **remeasurement of the net defined benefit pension liability** is primarily driven by changes in actuarial assumptions, including the discount rates and inflation rates, and by asset returns.

The **available for sale reserve** movement during 2016 is primarily due to transfers from the available for sale reserve during the period. Gains recognised on transfers from the available for sale reserve during the period are included in other income on page 14.

The **cash flow hedge reserve** movement primarily reflects changes in the mark to market value of cash flow hedge accounted derivatives, driven by market rates and the amortisation of de-designated cash flow hedges. Over time, the reserve will flow through the income statement in line with the underlying hedged items.

Foreign exchange movements are driven by the translation of the Group's net investments in foreign operations. The movement in the period is due primarily to the 13% strengthening of the euro against sterling in the six months ended 30 June 2016. In contrast, the movements in 2015 were due to a weakening of the euro against sterling and the US dollar.

Other equity instruments

TABLE: 15	**30 June 2016 €m**	31 December 2015 €m
Balance at the beginning of the period	740	-
Additional tier 1 securities issued	-	749
Transaction costs (net of tax)	-	(9)
Balance at the end of the period	**740**	**740**

In June 2015, the Group issued AT1 securities, with a par value of €750 million, for a net consideration of €740 million. The securities carry an initial coupon of 7.375%.

Capital

Regulatory capital and key capital ratios

CRD IV Transitional 31 December 2015 €m		CRD IV Transitional[1] 30 June 2016 €m	CRD IV Fully loaded[1] 30 June 2016 €m
	Capital Base		
9,113	Total equity	8,704	8,704
(750)	- less Additional tier 1 capital	(750)	(750)
8,363	**Total equity less equity instruments not qualifying as CET 1**	**7,954**	**7,954**
(509)	**Regulatory adjustments being phased in / out under CRD IV**	**(401)**	**(1,532)**
(134)	*- Deferred tax assets[2]*	*(254)*	*(1,271)*
-	*- 10% / 15% threshold deduction[3]*	*(3)*	*(110)*
391	*- Retirement benefit obligations[4]*	*424*	-
(466)	*- Available for sale reserve[5]*	*(333)*	-
(36)	*- Pension supplementary contributions[4]*	*(22)*	-
(7)	*- Capital contribution on CCCN[4]*	-	-
(257)	*- Other adjustments[6]*	*(213)*	*(151)*
(765)	**Other regulatory adjustments**	**(878)**	**(904)**
(17)	*- Expected loss deduction[7]*	*(38)*	*(64)*
(509)	*- Intangible assets and goodwill*	*(526)*	*(526)*
(30)	*- Dividend / coupon expected on preference stock and other equity instruments[8]*	*(2)*	*(2)*
(160)	*- Cash flow hedge reserve*	*(268)*	*(268)*
13	*- Own credit spread adjustment (net of tax)*	*(4)*	*(4)*
(62)	*- Securitisation deduction*	*(40)*	*(40)*
7,089	**Common equity tier 1**	**6,675**	**5,518**
	Additional tier 1		
817	Additional tier 1[9]	806	750
(9)	**Regulatory adjustments**	**(14)**	**-**
(9)	*- Expected loss deduction[7]*	*(13)*	-
-	*- 10% / 15% threshold deduction[3]*	*(1)*	-
7,897	**Total tier 1 capital**	**7,467**	**6,268**
	Tier 2		
1,280	Tier 2 dated debt	1,161	1,161
126	Tier 2 undated debt	119	156
(9)	**Regulatory adjustments**	**(14)**	**-**
(9)	*- Expected loss deduction[7]*	*(13)*	-
-	*- 10% / 15% threshold deduction[3]*	*(1)*	-
34	Standardised incurred but not reported (IBNR) provisions	27	-
216	Provisions in excess of expected losses on defaulted loans	172	172
32	Other adjustments	11	(80)
1,679	**Total tier 2 capital**	**1,476**	**1,409**
9,576	**Total capital**	**8,943**	**7,677**
53.3	**Total risk weighted assets (€bn)**	**52.0**	**51.8**
	Capital ratios		
13.3%	Common equity tier 1	12.8%	10.7%
14.8%	Tier 1	14.3%	12.1%
18.0%	Total capital	17.2%	14.8%
6.6%	Leverage ratio	6.6%	5.6%

Capital (continued)

Risk weighted assets (RWA)[10,11]

CRD IV Transitional 31 December 2015 €bn		CRD IV Transitional 30 June 2016 €bn	CRD IV Fully loaded 30 June 2016 €bn
44.8	Credit risk	43.1	43.1
3.0	Other assets[12]	3.4	3.2
0.4	Market risk	0.4	0.4
4.8	Operational risk	4.8	4.8
0.3	Credit valuation adjustment	0.3	0.3
53.3	**Total RWA**	**52.0**	**51.8**

CRD IV

The Capital Requirements Directive (CRD) IV legislation commenced implementation on a phased basis from 1 January 2014. The CRD IV transition rules result in a number of new deductions from Common equity tier 1 (CET 1) capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until full implementation by 2019 (with the exception of deferred tax assets (DTA) which were proposed to be phased to 2024. The ECB review of national discretions published in March 2016 will accelerate the DTA phase in to full deduction by 2019 (see details below)).

CRD IV includes requirements for regulatory and technical standards to be published by the European Banking Authority (EBA). CRD IV continues to evolve through amendments to current regulations and the adoption of new technical standards. In addition the Basel Committee is considering a number of proposals, which could result in further changes to CRD IV should they be adopted by the European Commission. The Group will continue to monitor these developments and assess their potential impacts.

The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including the Central Bank of Ireland (CBI) paper 'Implementation of Competent Authority discretions and options in CRD IV and CRR' published on 21 May 2014.

ECB review of national discretions

On the 24 March 2016, the ECB published a regulation and a guide on options and discretions which harmonise the approaches available across its jurisdictions and will come in force on 1 October 2016.

The pro-forma impact of the ECB review of national discretions on the Group's CET 1 on a transitional basis as at 30 June 2016 would, if implemented on that date, result in a net reduction of c.10 basis points to 12.7%. This impact results from increasing the phase in of the DTA deduction (negative 50 basis points) partially offset by the removal of the AFS sovereign filter (positive 40 basis points). The fully loaded ratio would not be impacted.

1 *Capital ratios have been presented including the benefit of the retained profit in the period. Under Article 26 (2) of the CRR, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the European Central Bank, and such permission is being sought.*
2 *Deduction for deferred tax assets (DTA) relates to DTA on losses carried forward, net of certain deferred tax liabilities. The deduction is currently phased at 20% in 2016. (The phase-in rate is due to increase to 40% from 1 October 2016. See 'ECB review of national discretions' above.)*
3 *The 10% / 15% threshold deduction is phased in at 60% in 2016 and increases by 20% per annum thereafter, and is deducted in full from CET 1 under fully-loaded rules.*
4 *Regulatory deductions applicable under CRD and phased out under CRD IV relate primarily to national filters. These will be phased out at 20% per annum until 2018 and are not applicable under fully loaded rules.*
5 *CRD IV transitional rules in 2016 require phasing in 60% of unrealised losses and 60% of unrealised gains. Between 2017 and 2018 unrealised losses and gains will be phased in at the following rates 80%, 100%. The Group has opted to maintain its filter on both unrealised gains or losses on exposures to central governments classified in the 'available for sale' category. The reserve is recognised in capital under fully loaded CRD IV rules. (The sovereign filter will be removed from 1 October 2016, with the 60% phase-in rate applying. See 'ECB review of national discretions' above.)*
6 *Includes technical items such as other national filters and non-qualifying CET 1 items.*
7 *Under CRD IV transitional rules, expected loss is phased in at 60% in 2016. Expected loss not deducted from CET 1 is deducted 50:50 from Tier 1 and Tier 2 capital. It is deducted in full from CET 1 under fully loaded rules.*
8 *Additional tier 1 coupon expected is for the period 18 June to 30 June 2016.*
9 *Non-qualifying Tier 1 hybrid debt is phased out of Additional tier 1 at 40% in 2016 and 10% per annum thereafter. Certain instruments are phased into Tier 2 capital from Tier 1 capital.*
10 *Risk weighted assets (RWA) reflect the application of certain Central Bank of Ireland required Balance Sheet Assessment (BSA) adjustments and the updated treatments of expected loss.*
11 *Further details on RWA as at 31 December 2015 can be found in the Group's Pillar III disclosures for the year ended 31 December 2015, which are available on the Group's website.*
12 *Includes RWA relating to non-credit obligation assets / other assets and RWA arising from the 10% / 15% threshold deduction.*

Capital (continued)

A second consultation document was issued by the ECB in May 2016 focussing on eight options and discretions to be incorporated in the guide.

EU-wide stress tests

The EBA is due to publish the results of the EU-wide stress test on 29 July 2016. While no pass / fail threshold has been set, the results will be used to inform the 2016 Supervisory Review and Evaluation Process (SREP) and will be an input into the 2017 SREP requirement.

Capital requirements / buffers

The Single Supervisory Mechanism (SSM) has advised that the Group's SREP requirement for 2016 is to maintain the CET 1 ratio at a minimum level of 10.25%, calculated on a transitional basis. The Central Bank of Ireland has advised that the Group will be required to maintain an O-SII (Other Systemically Important Institution) buffer, which will be phased in as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. Both the SREP requirement and the O-SII buffer are subject to annual review by the SSM and the Central Bank of Ireland (CBI) respectively.

In addition, both the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0% from 1 January 2016. On the 29 March 2016, the Financial Policy Committee (FPC) announced that it had decided to increase the UK countercyclical capital buffer rate to 0.5% from 29 March 2017. However, on 5 July 2016, the FPC reduced the UK countercyclical capital buffer rate from 0.5% to 0% in respect of banks' UK exposures with immediate effect.

The countercyclical capital buffer is subject to quarterly review by the CBI and FPC. Should the CBI or FPC decide to introduce a countercyclical buffer they must announce this 12 months prior to the buffer increase coming into force (or justify a shorter period on the basis of exceptional circumstances).

The Group expects to maintain sufficient capital to meet at a minimum applicable regulatory capital requirements plus a management buffer of 100 to 150 basis points.

Capital actions

On 23 November 2015, the Group announced that it had received SSM approval to exercise its discretion to redeem the remaining €1.3 billion 2009 Preference Stock, that it would exercise this discretion on the earliest possible date of 4 January 2016 and served notice of redemption to Baggot Securities Limited, as current holder of the stock. The 2009 Preference Stock was derecognised from CET 1 regulatory capital in November 2015. See note 28 on page 108 for further details.

Risk weighted assets

Risk weighted assets (RWA) at 30 June 2016 of €52.0 billion compares to RWA of €53.3 billion at 31 December 2015. The decrease of €1.3 billion in RWA is primarily due to the impact of foreign exchange movements.

Transitional ratio

The CET 1 ratio at 30 June 2016 of 12.8% compares to a pro-forma ratio at 31 December 2015 of 13.3%. The decrease of c.50 basis points is primarily due to the impact of the increase in CRD phasing for 2016 (-c.40 basis points), the transitional impact of an increase in the IAS 19 pension deficit (-c.45 basis points), FX impact (-c.15 basis points) and an increase in constant currency RWA & other movements (-c.20 basis points) partially offset by organic capital generation (+c.70 basis points).

Fully loaded ratio

The Group's fully loaded CET 1 ratio, is estimated at 10.7% as at 30 June 2016, which has decreased from 11.3% as at 31 December 2015. The decrease of c.60 basis points is primarily due to the fully loaded impact of an increase in the IAS 19 pension deficit (-c.80 basis points), FX impact (-c.15 basis points) and an increase in constant currency RWA & other movements (-c.25 basis points) partially offset by organic capital generation (+c.60 basis points).

Leverage ratio[1]

The leverage ratio at 30 June 2016 is 6.6% on a CRD IV transitional basis, 5.6% on a pro-forma fully loaded basis. The Group expects to remain above the Basel committee indicated minimum level leverage ratio of 3%.

The Basel committee is monitoring the proposed 3% minimum requirement for the leverage ratio and have proposed that final calibrations and any further adjustments to the definition of the leverage ratio will be completed by 2017, with a view to migrating to a Pillar I treatment on 1 January 2018.

[1] *The leverage ratio reflects the delegated act implemented on 18 January 2015 which primarily removes Bank of Ireland Life assets from the calculation.*

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Divisional performance

Divisional performance - on an underlying basis

Divisional performance is presented on an underlying basis, which is the measure of profit or loss used to measure the performance of the divisions and the measure of profit or loss disclosed for each division under IFRS (see note 1 on page 85).

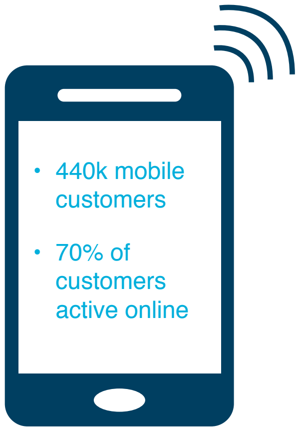
Income statement - underlying profit / (loss) before tax	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change €m
Retail Ireland	309	261	48
Bank of Ireland Life	54	58	(4)
Retail UK	94	99	(5)
Corporate and Treasury	256	395	(139)
Group Centre	(180)	(58)	(122)
Other reconciling items[1]	27	(12)	39
Underlying profit before tax	**560**	**743**	**(183)**
Non-core items (see page 17)	(3)	(18)	15
Profit before tax	**557**	**725**	**(168)**

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

Retail Ireland

Retail Ireland: Income statement	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Net interest income	504	530	(5%)
Net other income	246	201	22%
Operating income	**750**	**731**	**3%**
Operating expenses	(410)	(416)	1%
Operating profit before impairment charges on financial assets	**340**	**315**	**8%**
Impairment charges on loans and advances to customers	(29)	(59)	51%
Share of results of associates and joint ventures (after tax)	(2)	5	n/m
Underlying profit before tax	**309**	**261**	**18%**
Staff numbers at period end	4,300	4,664	

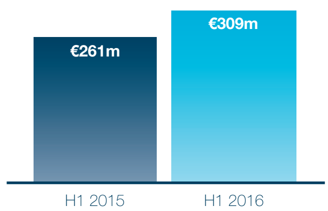
	30 June 2016 €bn	31 December 2015 €bn
Loans and advances to customers (net)	35.7	36.1
Customer deposits	40.0	39.1



Consumer Banking Customers
>1.7 million

Business Banking Customers
>200,000

Underlying profit before tax €m



Retail Ireland offers a broad range of financial products and services to all major sectors of the Irish economy. Through our network of branches in over 250 locations across the Republic of Ireland, we are one of the largest providers of financial services in the country. Our branches, embedded in local communities across Ireland, are complemented by our online, mobile and phone banking services.

Our comprehensive product suite includes deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance, general insurance, life assurance, protection, pensions and investment products.

We continue to focus on getting to know our customers better as individuals, supporting them more in their communities and enterprises, and helping to make them more financially confident. Through our Proactive Care programme we are making customers experiences more effective, transforming perceived ease of use and simplifying banking through a range of touchpoints.

Creating financial confidence
We believe that this serves both the best long-term interests of our customers and those of the Bank. How are we doing this?

- **Certainty in home payments** – we have pursued a fixed rate led mortgage pricing strategy. Fixed rates give certainty and stability to both the customer and the Bank at a time when interest rates are at historic lows. 8 out of 10 mortgages now drawn down are fixed rate mortgages.
- **Continue to make banking easier for businesses** – we launched the first digital account in Ireland for sole-traders. We continue to invest to enhance our customer proposition and all business loans up to €100,000 can now be transacted through our centralised direct channel. This investment has been successful and over 80% of loans are being transacted through this channel.

Retail Ireland (continued)

Knowing our customers and demonstrating this knowledge through our actions

- **Digital adoption programmes** - our innovative digital offerings will be an area of continued focus and investment into the future. In 2016 to date we have launched several digital options including credit card applications through the mobile banking app and loan applications through tablet banking, online solution for Personal Current Accounts, and private video messages via text to customers when we cannot contact them via phone.
- **Youth Proposition** - our approach to Youth is a key investment in our future franchise and we continue to focus on this through our collaborations with CoderDojo, Junk Kouture, Biz World, dedicated Youth Weeks, School banks and Bond Trader to name but a few.

Support for Local Communities
We continue to demonstrate our support through action in the communities we operate in across Ireland.

- **Encouraging enterprise in local communities** - in 2016 we have held over 45 Enterprise Towns continuing to support local communities. National Enterprise Week took place on 13 to 20 May 2016 and we had 750 Events and 2,915 Businesses who 'Showed their Business'.
- **Support for start-ups** - in continuing to provide support to start-ups and recognition for start-up enterprises, we have launched a new start-up proposition 'Everything you need to get your business off the ground' - offering free transaction banking for 2 years and significant value added offerings with key partners.
- **Helping everyone to 'think business'** - ThinkBusiness.ie, a free advice portal and online business reference and support platform for SME's powered by Bank of Ireland, has just recently celebrated its first birthday. In its first year, the site achieved >500,000 unique visits, and >15,000 business templates were downloaded.

Financial performance
Retail Ireland reported an **underlying profit before tax** of €309 million for the six months ended 30 June 2016 which is an increase of 18% on the same period in 2015. The improvement of €48 million was due primarily to a reduction of €30 million in impairment charges and an increase of €25 million in operating profit before impairment charges to €340 million.

Loans and advances to customers (after impairment provisions) are marginally down by €0.4 billion to €35.7 billion at 30 June 2016 when compared to 31 December 2015. This is reflective of a gross reduction of c.€0.6 billion in Retail Ireland's low yielding tracker mortgage book and a further reduction in Retail Ireland's non-performing loan book. Mortgage drawdowns (excluding acquisitions) of €0.6 billion in the first six months of 2016 have increased by 15% and we continued to retain a strong share of new mortgage lending. SME lending approvals are more than 26% higher (at end of May) than for the same period in 2015 while Business Banking new lending of €1.5 billion has increased by 19% when compared to H1 2015.

Customer deposits of €40 billion have increased by €1.0 billion since 31 December 2015. We have a strong customer deposit franchise with 27% market share. Within deposits, current account credit balances have grown by €0.6 billion while other deposits have increased by €0.4 billion.

↑ **Customer deposits**
€1.0bn

Retail Ireland (continued)

The change in ‘net interest income’ and ‘net other income’ is impacted by IFRS income classifications between the two income categories (see pages 12 and 13).

Net interest income	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Net interest income	504	530	(5%)
IFRS income classifications	-	12	(100%)
Net interest income (after IFRS income classifications)	**504**	**542**	**(7%)**

Net interest income (after IFRS income classifications) of €504 million for the six months ended 30 June 2016 is 7% lower than the same period in 2015. The year on year reduction in net interest income is primarily a function of the negative interest rate environment and its impact on earnings associated with credit balances. Lending spreads remain stable and while the lending book has decreased this has largely come through either our lower yielding books e.g. tracker mortgages, or through the reduction in non-performing loans. Similarly, deposit pay rates have reduced in line with the general trend in market deposit rates.

Net other income	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Net other income	246	201	22%
IFRS income classifications	-	(12)	100%
Net other income (after IFRS income classifications)	**246**	**189**	**30%**
Comprised of:			
- Business income	*156*	*167*	*(7%)*
- Transfer from available for sale reserve on asset disposal	*90*	*-*	*100%*
- Financial instrument valuation adjustments (CVA, DVA, FVA) and other	*-*	*(1)*	*100%*
- Gain / (loss) on disposal and revaluation of investment properties	*-*	*23*	*(100%)*

Net other income (after IFRS income classifications) of €246 million for the six months ended 30 June 2016 was 30% higher than the same period in 2015. Business income is down €11 million with the impact of new EU credit card interchange caps introduced in December 2015 and the initiatives to pre-advise customers of potential account limit breaches being a key driver. Overall net other income increased due to the sale of VISA Europe shares.

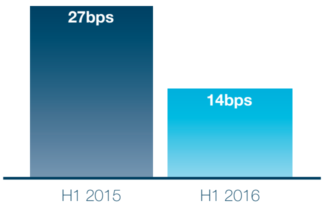
Operating expenses of €410 million for the six months ended 30 June 2016 were 1% lower than the same period in 2015. The impact of lower staff numbers in the first half of 2016 is somewhat offset by increased staff costs agreed as part of the Career and Reward Framework (staff numbers have decreased by 8% from 4,664 at 30 June 2015 to 4,300 at 30 June 2016).

Retail Ireland (continued)

The **share of results of associates and joint ventures (after tax)** was a loss of €2 million for the six months ended 30 June 2016 compared to a gain of €5 million for the same period in 2015.

Impairment charges / (reversals) on loans and advances to customers	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Residential mortgages	(71)	(32)	n/m
Non-property SME and corporate	32	46	(30%)
Property and construction	67	55	22%
Consumer	1	(10)	n/m
Impairment charges / (reversals) on loans and advances to customers	**29**	**59**	**(51%)**

Impairment charges (bps)

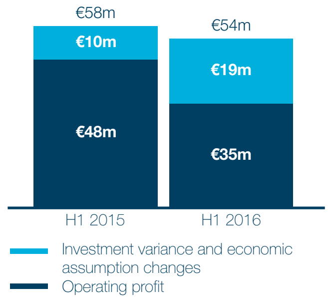


Impairment charges / (reversals) on loans and advances to customers of €29 million for the six months ended 30 June 2016 were 51% lower compared to the same period in 2015. Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 60 to 71 and the supplementary asset quality and forbearance disclosures section on pages 121 to 149.

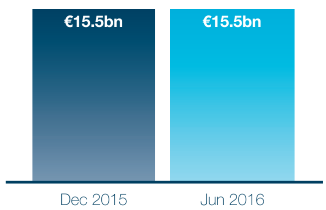
Bank of Ireland Life

Bank of Ireland Life: Income statement (IFRS performance)	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
Net interest income	17	17	-
Net other income	76	81	(6%)
Operating income	93	98	(5%)
Operating expenses	(58)	(50)	(16%)
Operating profit	**35**	**48**	**(27%)**
Investment variance	(6)	10	n/m
Economic assumption changes	25	-	100%
Underlying profit before tax	**54**	**58**	**(7%)**
Staff numbers at period end	940	903	

Underlying profit before tax €m



Assets under management €bn



Bank of Ireland Life's business is to help customers;

- protect themselves and their families against the financial effects of early death and illness;
- manage and invest their savings; and
- manage and protect their income and assets in retirement.

The Group, through Bank of Ireland Life;

- is the second largest life assurance company in the Irish market;
- distributes across three core channels made up of;
  - the Group's branch network;
  - independent financial brokers; and
  - its own tied Financial Advisor network; and
- is the only bancassurer in the Irish Market.

Bank of Ireland Life, which includes New Ireland Assurance Company (NIAC), is focused predominantly on the retail and SME market. Bank of Ireland Life provides a range of protection, investment and pension products offering customers access to a wide range of investment markets and fund managers across its fund platform.

The growing labour market, the ageing population and reducing levels of State and employer led pension provision mean that the underlying individual investment and protection needs of the working population will continue to grow. Recent market volatility and continued low interest rates have had an adverse impact on the market in the first six months of the year. Our pension business however had a more positive trend with the addition of new schemes and new members to existing schemes.

Bank of Ireland Life with c.20% market share, over 500,000 policyholders and in excess of €15 billion in assets under management, is well positioned to benefit from the growing investment and pension market.

The current low interest rate environment along with recent market volatility has resulted in a challenging six month period for the business. New business levels are 13% lower than the previous year, with the investment new lump sum business particularly impacted by market uncertainty. Regular premium pension sales are 7% ahead of the prior year. New sales (APE) in the six months to 30 June 2016 consisted of €54 million of new lump sum business and €61 million of new regular premium business.

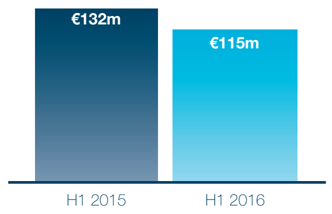
Reflecting the business' customer led proposition, we continue to invest in the business and in our staff to ensure we maintain and enhance our operational and service offering.

Bank of Ireland Life (continued)

Financial performance

Bank of Ireland Life reported an **underlying profit before tax** of €54 million for the six months ended 30 June 2016 compared to an underlying profit before tax of €58 million for the same period in 2015. In the main the fall in total profits reflects the lower levels of new business along with the impact of lower interest rates and higher costs. The total impact of the investment return and interest rates on underlying profits for the six months ended 30 June 2016 was a positive €19 million (30 June 2015: gain €10 million).

New business sales (Annual Premium Equivalent (APE)) €m



New business sales for Bank of Ireland Life fell by 13% over the six months ended 30 June 2016 resulting in a 20% market share of new business. Sales in the broker and bancassurance channel were impacted by the decline in the single premium lump sum investment business, while sales in the smaller Financial Advisor channel were higher compared to the same period in 2015. Regular premium pension sales were ahead of last year across all channels while investment and protection sales were lower. The value of new business is lower than the previous year reflecting the lower volume of new business sales.

Profits from the book of existing business are broadly in line with prior year.

Operating profit of €35 million for the six months ended 30 June 2016 was €13 million or 27% lower than the same period in 2015 due to lower operating income and higher operating expenses.

Operating income of €93 million for the six months ended 30 June 2016 is €5 million lower than the same period in 2015. In new business, market volatility impacted sales of single premium Life, while overall margins were slightly lower.

On the book of existing policies, mortality experience and the positive lapse experience continued to be favourable and in line with the prior year. Lower overall interest rates resulted in a lower return on planned profit.

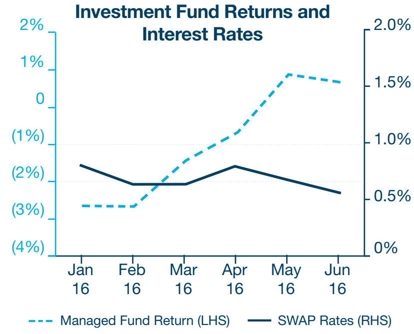
Operating expenses of €58 million for the six months ended 30 June 2016 are €8 million or 16% higher than the same period in 2015. The increase reflects the impact of the new career and reward framework, an increase of €2 million in pension costs together with the investment related to the development of the Life Online customer portal and other technology investments.

During the six months ended 30 June 2016, the investment funds did not outperform the unit growth assumption leading to a negative **investment variance** of €6 million (30 June 2015: gain €10 million).

In 2016 to date there was a significant fall in interest rates and a narrowing of spreads. The overall impact of the change in interest rates, including the impact on the **economic assumptions** was positive, resulting in a €25 million gain for the six months ended 30 June 2016 (30 June 2015: €nil) primarily relating to Solvency II transitioning benefits.

The discount rate applied to future cash flows was 5.62% at 30 June 2016, a decrease of 0.51% when compared to 31 December 2015. The future growth rate on unit linked assets fell by 0.60% to 3.00% at 30 June 2016. These falls were driven by a fall in 10 year swap rates during 2016.

Investment Fund Returns and Interest Rates



Bank of Ireland Life (continued)

Embedded value (EV) performance

Bank of Ireland Life: income statement (Embedded value performance)	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
New business profits	5	17	(71%)
Existing business profits	36	41	(12%)
Expected return	*25*	*28*	*(11%)*
Experience variance	*9*	*8*	*13%*
Assumption changes	*2*	*5*	*(60%)*
Intercompany payments	(6)	(6)	-
Interest payments	(3)	(3)	-
Operating profit	**32**	**49**	**(35%)**
Investment variance	(9)	15	n/m
Economic assumption changes	19	3	n/m
Underlying profit before tax	**42**	**67**	**(37%)**

The Embedded Value method is widely used in the life assurance industry.

Operating profit for the six months ended 30 June 2016 of €32 million was €17 million or 35% lower than the same period in 2015.

New business profits of €5 million are lower than the previous year reflecting the lower volumes particularly in single premium investment and protection.

Existing business profits of €36 million are lower than the prior year reflecting the impact of lower interest rates on the planned profit.

Experience profits are broadly in line with the prior year.

The **underlying profit before tax**, on an embedded value basis, of €42 million for the six months ended 30 June 2016 compares to €67 million for the same period in 2015.

The underlying profit before tax has been impacted by an adverse investment variance arising from investment markets volatility.

The table below summarises the overall balance sheet of Bank of Ireland Life on an EV basis at 30 June 2016 compared to the value at 31 December 2015.

	30 June 2016 €m	31 December 2015 €m
Net assets	515	522
Value of In Force	676	678
Less Tier 2 subordinated capital / debt	(140)	(200)
Less pension scheme deficit	(197)	(147)
Total embedded value	**854**	**853**

The Embedded Value, which does not include an allowance for any future new business, is made up of a significant portion of net assets, the pension scheme deficit, subordinated capital / debt and the value of in force asset. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book. This asset is relatively short in term with 50% of the future cash flows emerging in the next five years, with a further c.30% of the future cash flows emerging in the five to ten years timescale.

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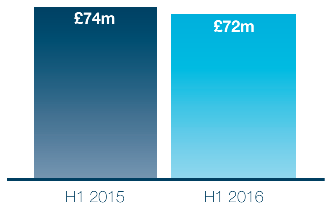
Retail UK (Sterling)

Retail UK: Income statement	6 months ended 30 June 2016 £m	6 months ended 30 June 2015 £m	Change %
Net interest income	251	261	(4%)
Net other income	(1)	1	n/m
Operating income	**250**	**262**	**(5%)**
Operating expenses	(166)	(150)	(11%)
Operating profit before impairment charges on financial assets	**84**	**112**	**(25%)**
Impairment charges on loans and advances to customers	(29)	(54)	46%
Share of results of associates and joint ventures (after tax)	17	16	6%
Underlying profit before tax	**72**	**74**	**(3%)**
Underlying profit before tax (€m equivalent)	**94**	**99**	**(6%)**
Staff numbers at period end	1,841	1,628	

	30 June 2016 £bn	31 December 2015 £bn
Loans and advances to customers (net)	25.9	26.0
Customer deposits	21.3	21.6

Underlying profit before tax £m



c.3.1m
UK customers through consumer banking franchises

>5%
Growth in new mortgage lending

The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI), the Group's business banking business in NI and the Northridge motor and asset finance business. The Group also has a business banking business in Great Britain (GB) which is being run-down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary.

In July 2015, we announced a new long-term financial services partnership with the AA and subsequently successfully launched AA branded credit cards, personal loans and savings products.

Through our partnerships with the Post Office and AA, we have a substantial UK consumer banking franchise with c.3.1 million customers.

A key objective for 2016 is to continue to develop our mortgage business, building on the progress we made over the last two years. For the six months ended 30 June 2016, our new mortgage lending was £1.4 billion compared with £1.3 billion for the same period in 2015. The business continued to enhance its mortgage distribution capability by embedding a new market leading mortgage platform for the intermediary channel in June 2015 with further enhancements during H1 2016.

Our foreign exchange joint venture with the Post Office remains the largest provider of consumer foreign exchange in the UK and our travel money card app has continued to win new customers.

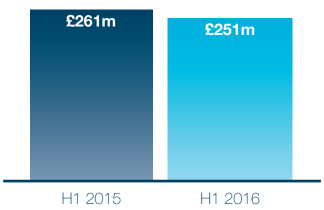
Retail UK (Sterling) (continued)

Financial performance
Retail UK reported an **underlying profit before tax** of £72 million for the six months ended 30 June 2016 compared to a profit of £74 million for the same period in 2015. The decrease of £2 million is primarily driven by an increase in operating expenses of £16 million, partially reflecting certain Group services being billed in euros, and a decrease in operating income of £12 million, partially offset by a reduction in impairment charges of £25 million.

Loans and advances to customers (after impairment provisions) of £25.9 billion are broadly unchanged since 31 December 2015, with a net reduction of £0.1 billion. The decrease in loans and advances to customers reflects continued repayments and redemptions in the NI and GB business banking portfolios, partly offset by an increase in credit card volumes.

Customer deposits of £21.3 billion at 30 June 2016 have decreased by £0.3 billion since 31 December 2015 primarily reflecting the Group's actions to optimise pricing during the period.

Net interest income (£m)



Net interest income of £251 million for the six months ended 30 June 2016 has decreased by 4% compared to the same period in 2015. This is largely due to the impact of back book deleveraging, increasing competition on new lending business and the continued negative impact resulting from historically low interest rates. These elements have been partially offset by a reduction in the cost of deposits.

Net other income	**6 months ended 30 June 2016 £m**	6 months ended 30 June 2015 £m	Change %
Business income	5	2	n/m
Transfer on available for sale reserve on asset disposal	4	-	100%
Financial instrument valuation adjustments (CVA, DVA, FVA) and other	(10)	(1)	n/m
Net other income	**(1)**	**1**	**n/m**

Net other income was a charge of £1 million for the six months ended 30 June 2016 and has decreased by £2 million since the same period in 2015, primarily reflecting higher charges of £9 million for financial instrument valuation adjustments partially offset by a gain of £4 million realised in 2016 following the sale of equity shares in VISA Europe. Business income of £5 million is comprised of higher transaction income partially offset by lower fee income following the sale of the Group's interest in the insurance joint operation in 2015.

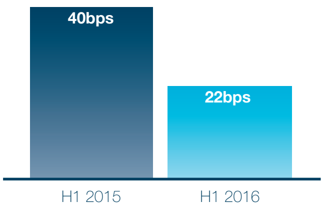
Operating expenses of £166 million for the six months ended 30 June 2016 are £16 million higher than the same period in 2015 primarily reflecting the targeted investment in the consumer banking business through further investment in our people to support the Bank of Ireland (UK) plc strategy and also the impact of certain Group services being billed in euros. The six months to 30 June 2016 also saw specific investment to support the establishment of the partnership with the AA.

Retail UK (Sterling) (continued)

The **share of results of associates and joint ventures (after tax)** of £17 million for the six months ended 30 June 2016 relates to First Rate Exchange Services Limited (FRES), the foreign exchange joint venture with the UK Post Office, and is £1 million higher than the same period in 2015.

Impairment charges / (reversals) on loans and advances to customers	**6 months ended 30 June 2016 £m**	6 months ended 30 June 2015 £m	Change %
Residential mortgages	(5)	(2)	n/m
Non-property SME and corporate	1	(2)	n/m
Property and construction	27	51	(47%)
Consumer	6	7	(14%)
Impairment charges / (reversals) on loans and advances to customers	**29**	**54**	**(46%)**

Impairment charges (bps)



Impairment charges / (reversals) on loans and advances to customers of £29 million for the six months ended 30 June 2016 were £25 million or 46% lower compared to the same period in 2015.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 60 to 71 and the supplementary asset quality and forbearance disclosures section on pages 121 to 149.

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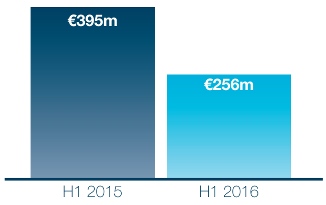
Corporate and Treasury

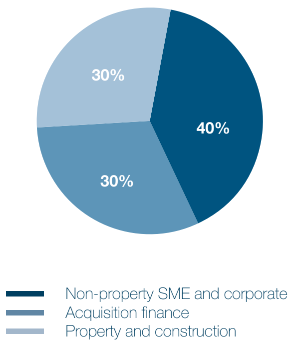
Corporate and Treasury: Income statement	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net interest income	**273**	**299**	**(9%)**
- On liquid asset bond portfolio	*27*	*36*	*(25%)*
- Other net interest income	*246*	*263*	*(6%)*
Net other income	**114**	**226**	**(50%)**
- On liquid asset bond portfolio	*54*	*125*	*(57%)*
- Other	*60*	*101*	*(41%)*
Operating income	**387**	**525**	**(26%)**
- On liquid asset bond portfolio	*81*	*161*	*(50%)*
- Other	*306*	*364*	*(16%)*
Operating expenses	(102)	(96)	(6%)
Operating profit before impairment charges on financial assets	**285**	**429**	**(34%)**
Impairment charges on loans and advances to customers	(27)	(34)	23%
Impairment charges on available for sale (AFS) financial assets	(2)	-	(100%)
Underlying profit before tax	**256**	**395**	**(35%)**
Staff numbers at period end	651	600	

	30 June 2016 €bn	31 December 2015 €bn
Loans and advances to customers (net)	13.0	12.9
Customer deposits	11.6	11.7
Liquid asset bond portfolio	10.4	10.7

Underlying profit before tax €m



Customer lending portfolio composition



+c.17%
New business lending

Corporate and Treasury incorporates the Group's corporate banking, treasury, specialised acquisition finance, large transaction property lending and corporate finance, across the Republic of Ireland, UK and internationally, with offices in eight locations - Dublin, Belfast, London, Bristol, Paris, Frankfurt, Chicago and Stamford, Connecticut. It also manages the Group's euro liquid asset bond portfolio.

Within the Republic of Ireland, Corporate and Treasury enjoys market leading positions in its chosen sectors, including corporate banking, commercial property, foreign direct investment, treasury and corporate finance, while its acquisition finance business is well recognised by sponsors in its targeted segments within the European and US markets.

Corporate Banking

- Continuing strong new business momentum – overall, new lending has increased by 17% vs the same period in 2015;
- Retain our position as Ireland's number one corporate bank and we continue to share in excess of 60% of banking relationships arising from new foreign direct investment in Ireland;
- Corporate Banking won 3 categories ('Large Corporate', 'Public Bodies / PPPs' and 'FDI Financing') in the Loans and Financing section of the Finance Dublin Deals of the Year awards in April 2016;
- Corporate Banking also continues to support the ongoing recovery in the Irish property market and has benefited from re-financing opportunities as international funds look to realise investments; and
- Our international acquisition finance team has delivered another strong performance, selectively growing the loan book in a range of jurisdictions while maintaining asset quality, fees and margins.

Corporate and Treasury (continued)

Treasury

- Supporting customers in evaluating and managing their foreign exchange, interest rate hedging and other treasury needs against the backdrop of uncertain market conditions;
- Continued investment in improving our customers' experience; including enhancements to the FX functionality on our mobile app and currency converter on BOI.com. We also saw increased adoption of and positive customer feedback on FX Pay, our online FX payment platform;
- Bank of Ireland Global Markets was named 'Best Foreign Exchange Provider in Ireland 2016' by Global Finance Magazine; and
- Our Trade Finance business continued to perform well, supporting key Irish export sectors including agribusiness.

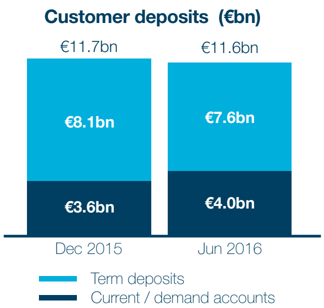
Financial performance

The division reported an underlying profit before tax of €256 million for the six months ended 30 June 2016 a decrease of €139 million or 35% compared to underlying profit of €395 million in the same period of 2015.

Profit from the division's customer facing activities has increased when compared to the same period in 2015.

The overall decrease compared to 2015 is primarily due to lower gains on bond / other asset sales, lower liquid asset net interest income and negative movements in certain valuation items, which from a Group perspective, are largely eliminated on consolidation.

Loans and advances to customers (after impairment provisions) of €13.0 billion at 30 June 2016 were €0.1 billion higher than at 31 December 2015 (€0.5 billion higher on a constant currency basis). The increase is primarily reflective of net new lending, offset by currency translation, the continued deleveraging of non-core loan books and the proceeds of the resolution of impaired loans.



Customer deposits of €11.6 billion were broadly unchanged compared to the position at 31 December 2015. The deposit book primarily comprises a mixture of corporate, State, SME and retail customer accounts.

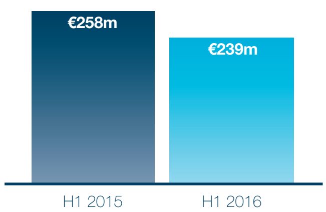
The **liquid asset** bond portfolio of €10.4 billion at 30 June 2016 was €0.3 billion lower than at 31 December 2015, primarily due to lower holdings of sovereign bonds (€0.7 billion) and repayments of €0.6 billion on NAMA senior bonds, partially offset by increased holdings of covered and other senior bonds of €1.1 billion.

Corporate and Treasury (continued)

The change in 'net interest income' and 'net other income' is impacted by IFRS income classifications between the two income categories (see pages 12 and 13).

Net interest income	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net interest income	273	299	(9%)
IFRS income classifications	(34)	(41)	17%
Net interest income (after IFRS income classifications)	**239**	**258**	**(7%)**
Comprised of:			
- On liquid asset bond portfolio	*27*	*36*	*(25%)*
- Other net interest income	*212*	*222*	*(5%)*

Net interest income (€m)



Net interest income (after IFRS classifications) of €239 million for the six months ended 30 June 2016 has decreased by €19 million or 7% compared to the same period in 2015. The decrease in net interest income is primarily due to:

- lower reinvestment rates on liquid assets acquired subsequent to the rebalancing of the liquid asset portfolio in 2015; and
- historically low official interest rates, partially offset by:
- growth in income from customer facing activities.

Net other income	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Net other income	114	226	(50%)
IFRS income classifications	34	41	(17%)
Net other income (after IFRS income classifications)	**148**	**267**	**(45%)**
Comprised of:			
- Business income	*86*	*71*	*21%*
- Financial instrument valuation adjustments (CVA, DVA, FVA) and other	*(3)*	*36*	*n/m*
- Transfer from available for sale reserve on asset disposal;			
- on liquid asset bond portfolio	*54*	*125*	*(57%)*
- on equity investments	*11*	*35*	*(69%)*

Business Income
+21%

Net other income (after IFRS classifications) of €148 million for the six months ended 30 June 2016 has decreased by €119 million or 45% compared to the same period in 2015.

Corporate and Treasury (continued)

The movement in net other income (after IFRS reclassifications) is primarily due to:

- higher business income primarily from higher fees and increased distributions from equity investments;

More than offset by:

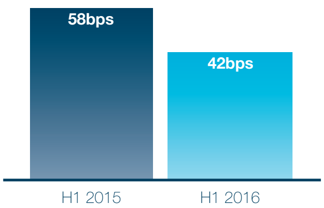
- negative fair value movements on derivatives which economically hedge the Group and are largely eliminated on consolidation;
- lower transfers from the available for sale reserve on the sale of sovereign bonds as part of the rebalancing of the Group's liquid asset portfolio; and
- lower gains on the sale of equity holdings.

Operating expenses of €102 million for the six months ended 30 June 2016 increased by 6%, primarily as a result of:

- additional staff to support the introduction of new regional sectoral strategies;
- increased pension costs; and
- investment in people, infrastructure and technology.

Impairment charges on loans and advances to customers	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Change %
Non-property SME and Corporate	24	31	(23%)
Property and construction	3	3	-
Total impairment charges on loans and advances to customers	**27**	**34**	**(23%)**

Impairment charges (bps)



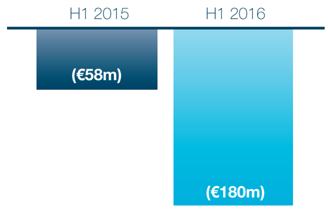
Impairment charges on loans and advances to customers of €27 million for the six months ended 30 June 2016 have decreased by €7 million or 22% compared to the same period in 2015.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 60 to 71 and the supplementary asset quality and forbearance disclosures section on pages 121 to 149.

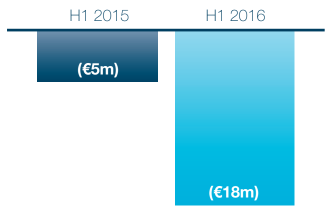
Group Centre

Group Centre: Income statement	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Change %
ELG fees	**(18)**	**(5)**	**n/m**
Other income	9	55	(84%)
Net operating (expense) / income	**(9)**	**50**	**n/m**
Operating expenses (before levies and regulatory charges)	(111)	(84)	(32%)
Levies and regulatory charges	(60)	(24)	n/m
- FSCS costs	*(7)*	*(18)*	*61%*
- DGS, SRF and other regulatory charges	(53)	(6)	n/m
Underlying loss before tax	**(180)**	**(58)**	**n/m**
Staff numbers at period end	3,545	3,589	

Underlying loss before tax €m



ELG fees €m



The Group Centre comprises Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources. The Group's central functions, through Group Centre, establish and oversee policies, and provide and manage certain processes and delivery platforms for the divisions.

Group Centre's income and costs comprises income from capital and other management activities, unallocated Group support costs and the cost associated with schemes such as the ELG Scheme, the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS), along with contributions to the newly established Single Resolution Fund (SRF) and Deposit Guarantee Scheme (DGS) fund.

Financial performance
Group Centre reported an **underlying loss before tax** of €180 million for the six months ended 30 June 2016 compared to a loss of €58 million for the same period in 2015.

Net operating (expense) / income was a charge of €9 million for the six months ended 30 June 2016 compared to a gain of €50 million for the same period in 2015. The decrease of €59 million in the year is driven primarily by the absence of gains realised from the sale of sovereign bonds in the liquid asset portfolio in the six months ending June 2015 and higher ELG fees.

ELG fees of €18 million for the six months ended 30 June 2016 are €13 million higher than the same period in 2015. The Group has incurred total ELG charges of c.€1.3 billion between the launch of the scheme in 2010 and the end of 2015. With the Group's involvement in the ELG scheme now drawing to a close, the Group conducted a review of certain technical matters. The charge for the six months includes an amount of €14 million in relation to matters arising from this review together with €4 million of fees arising during the six month period to 30 June 2016 in respect of covered liabilities outstanding. Total ELG covered liabilities amounted to €0.7 billion at 30 June 2016.

Other income was a gain of €9 million for the six months ended 30 June 2016 and is €46 million lower than the same period in 2015. The decrease is primarily due to gains of €46 million realised on the sale of sovereign bonds as part of the rebalancing of the Group's liquid asset portfolio, in the six months to June 2015, not repeated in the current period.

Operating expenses of €111 million for the six months ended 30 June 2016 are €27 million higher than the same period in 2015. The increase is reflective of investment in strategic initiatives, including technology and infrastructure, along with increased costs associated with compliance with regulatory expectations.

Levies and regulatory charges
As anticipated, levies and regulatory charges have increased compared to the same period in 2015. Group Centre has incurred levies and regulatory charges of €60 million in the six months ended 30 June 2016, compared to €24 million in the six months ended 30 June 2015. The charge in the six months to 30 June 2016 primarily reflects the Group's full year contributions to the newly established Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) fund, along with a reduced charge for the FSCS levy.

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Income statement - Operating segments

6 months ended 30 June 2016	Net interest income €m	Net insurance premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	**Operating profit / (loss) before impairment charges on financial assets €m**	Impairment charge on loans and advances to customers €m	Impairment charge on AFS financial assets €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities €m	**Profit / (loss) before taxation €m**
Retail Ireland	504	-	246	**750**	-	**750**	(410)	**340**	(29)	-	(2)	-	**309**
Bank of Ireland Life	17	558	98	**673**	(561)	**112**	(58)	**54**	-	-	-	-	**54**
Retail UK	323	-	(1)	**322**	-	**322**	(213)	**109**	(37)	-	22	-	**94**
Corporate and Treasury	273	-	114	**387**	-	**387**	(102)	**285**	(27)	(2)	-	-	**256**
Group Centre	1	3	(7)	**(3)**	(6)	**(9)**	(171)	**(180)**	-	-	-	-	**(180)**
Other reconciling items	(1)	-	26	**25**	-	**25**	2	**27**	-	-	-	-	**27**
Group - underlying[1]	**1,117**	**561**	**476**	**2,154**	**(567)**	**1,587**	**(952)**	**635**	**(93)**	**(2)**	**20**	**-**	**560**
Total non-core items													
- (Charge) / gain arising on the movement in the Group's credit spreads	-	-	19	**19**	-	**19**	-	**19**	-	-	-	-	**19**
- (Loss) / gain on liability management exercises			(19)	**(19)**	-	**(19)**	-	**(19)**	-	-	-	-	**(19)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	(10)	**(10)**	-	-	-	-	**(10)**
- Gross-up for policyholder tax in the Life business	-	-	5	**5**	-	**5**	-	**5**	-	-	-	-	**5**
- Investment return on treasury stock held for policyholders	-	-	2	**2**	-	**2**	-	**2**	-	-	-	-	**2**
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-	-	-	**-**	-	**-**	-	**-**	-	-	-	-	**-**
- Payments in respect of the career and reward framework	-	-	-	**-**	-	**-**	-	**-**	-	-	-	-	**-**
Group total	**1,117**	**561**	**483**	**2,161**	**(567)**	**1,594**	**(962)**	**632**	**(93)**	**(2)**	**20**	**-**	**557**

[1] *Underlying performance excludes the impact of non-core items (see page 17).*

Income statement - Operating segments

6 months ended 30 June 2015	Net interest income €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before impairment charges on financial assets €m	Impairment charge on loans and advances to customers €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities €m	Profit / (loss) before taxation €m
Retail Ireland	530	-	201	731	-	731	(416)	315	(59)	5	-	261
Bank of Ireland Life	17	666	391	1,074	(966)	108	(50)	58	-	-	-	58
Retail UK	355	-	2	357	-	357	(205)	152	(75)	22	-	99
Corporate and Treasury	299	-	226	525	-	525	(96)	429	(34)	-	-	395
Group Centre	12	4	32	48	2	50	(108)	(58)	-	-	-	(58)
Other reconciling items	1	-	(13)	(12)	-	(12)	-	(12)	-	-	-	(12)
Group - underlying[1]	1,214	670	839	2,723	(964)	1,759	(875)	884	(168)	27	-	743
Total non-core items												
- Cost of restructuring programme	-	-	-	-	-	-	(18)	(18)	-	-	-	(18)
- Gross-up for policyholder tax in the Life business	-	-	10	10	-	10	-	10	-	-	-	10
- (Charge) / gain arising on the movement in the Group's credit spreads	-	-	(4)	(4)	(4)	(8)	-	(8)	-	-	-	(8)
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-	-	-	-	-	-	3	3	-	-	-	3
- Payments in respect of the career and reward framework	-	-	-	-	-	-	(3)	(3)	-	-	-	(3)
- (Loss) / gain on liability management exercises	-	-	(1)	(1)	-	(1)	-	(1)	-	-	-	(1)
- Investment return on treasury stock held for policyholders	-	-	(1)	(1)	-	(1)	-	(1)	-	-	-	(1)
- Loss on disposal of business activities	-	-	-	-	-	-	-	-	-	-	-	-
Group total	1,214	670	843	2,727	(968)	1,759	(893)	866	(168)	27	-	725

[1] *Underlying performance excludes the impact of non-core items (see page 17).*

Principal risks and uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2016 and key mitigating considerations are detailed below. They comprise key risks arising from the annual risk identification process and other risks and uncertainties that could have a material impact on earnings, capital adequacy and / or on the Group's ability to trade in the future. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks/uncertainties or mitigants. Other factors not yet identified, or not currently material, may adversely affect the Group.

Principal risks and uncertainties	Key mitigating considerations
Credit risk Material adverse changes in the economic and market environment the Group operates in, or in the financial condition or behaviour of customers, clients and counterparties, noting the geographic and portfolio concentrations in the Group's loan book, could reduce the value of the Group's assets and potentially increase write-downs and allowances for impairment losses, adversely impacting profitability and / or capital.	• The Group Credit Policy and the Group Risk Appetite Statement incorporating credit category limits have been approved by the Court. • Management of credit risk concentrations is an integral part of the Group's risk management approach with the Group's Risk Appetite Statement specifying a range of exposure limits for credit concentration risk. • The Group has defined credit processes and controls with well-established governance including credit policies, independent credit risk assurance and defined levels of authority for sanctioning lending. • The Group has dedicated workout structures comprising the Group's Mortgage Arrears Resolution Strategies (MARS) and Challenged Assets Group (CAG) which are focused on Non-performing loans and defaulted loans reduction.
Liquidity risk A sudden and significant withdrawal of customer deposits, disruption to the access of funding from wholesale markets, or a deterioration in either the Group's or the Irish sovereign credit ratings could adversely impact the Group's funding and liquidity position.	• The Court has established a comprehensive liquidity monitoring framework whereby management receives daily, weekly and monthly liquidity metrics, liquidity projections and liquidity stress testing results which are monitored against the Court approved Risk Appetite Statement and suite of Recovery Indicators. • The Group completes a comprehensive and forward looking Individual Liquidity Adequacy Assessment Process (ILAAP) which is approved by the Court and considers the adequacy of the Group's liquidity position. • The Group's funding and liquidity risk framework contains the liquidity policies, systems and controls which the Group has in place to manage funding and liquidity risk within the risk appetite approved by the Court. • The Group has a well-defined strategic plan which among other factors, articulates and quantifies deposit projections, wholesale funding and lending capacity for all divisions. • The Group has a contingency funding plan and recovery plan which sets out the framework and reporting process for identifying the emergence of liquidity concerns and potential options to remediate. • The Group maintains a contingent liquidity buffer available for use with market counterparties and / or in liquidity operations offered by Monetary Authorities.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Market risk The Group is exposed to interest rate, foreign exchange, basis and credit spread risk in its banking and insurance businesses.	`• The management of market risk, including limits, is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Court. • The Court has established a comprehensive monitoring framework whereby management receives daily, weekly and monthly reports to monitor compliance with the Court's market risk appetite limits and more granular market risk limits and other controls. • The Group substantially reduces its market risk through hedging in external markets. • Value at Risk and extensive stress testing are used to quantify market risks.
Operational risk The Group is exposed to a broad range of operational risks as a consequence of conducting its day-to-day business activities. Such risks include the continuity of the Group's operations and services; the availability, resilience, stability and security of core IT systems (including those protecting the Group from cybercrime); risks arising from sourcing arrangements; and the potential for failings in the design or execution of operational controls and customer processes including anti-money laundering. As well as managing these and other factors, the Group also continues to make substantial investment in its IT systems and to experience increased expectations from its regulators and customers. This in turn places incremental operational risk management challenges on the Group.	• The Group utilises a number of available strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions. • The Group continues to significantly enhance and invest in its processes and standards including identification of, and controls for potentially elevated / emerging risks including, information technology, financial crime, payments risk, business disruption and cybercrime. This enhancement and investment is intended to, over time, improve the Group's risk profile. • The Group framework, consisting of processes and standards, aims to embed adequate and effective risk management practices within business units throughout the Group. • The Group Risk Appetite Statement incorporates Operational Risk Appetite Statements and Limits as approved by the Court.
Regulatory risk The Group is regulated by a significant number of regulatory authorities (including prudential, conduct, resolution, accounting, tax, legal, stock exchange, data protection) across each of the geographies in which we operate (Ireland, European Union, United Kingdom, United States). These authorities have issued a considerable array of requirements and expectations that the Group must comply with. Regulatory risk includes both Regulatory Change Risk and Compliance Risk. Regulatory change is the risk that a change in laws and regulations that govern the Group will materially impact the Group's business, profitability, capital, liquidity, products or markets. It also includes the risk that the Group fails to take timely action to remediate issues and / or that the Group fails to effectively manage the regulatory change process. Compliance risk is the risk of failure to comply with existing regulatory / legislative requirements and expectations. It also includes the risk to earnings and capital and the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Group may suffer as a result of non-compliance.	• The Group's objective is to be compliant with its regulatory obligations and it has clearly defined compliance accountabilities and management processes that are designed to support this objective. • Business units and Group functions identify, assess, manage, monitor and report risks and seek to have in place controls mitigating those risks. • Processes support the reporting, investigation, resolution and remediation of incidents of non-compliance. • The Group has adopted a regulatory change framework to support the timely identification and appropriate implementation of regulatory changes. • The Group Risk Appetite Statement incorporates Regulatory Risk Appetite Statements and Limits as approved by the Court.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Life Insurance risk The Group is exposed to volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity, longevity and persistency.	• Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement. • Reinsurance is used to manage the volatility from both individual claims, and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. • Management undertakes a rigorous analysis of claims and persistency experiences on a regular basis, and monitors these against the assumptions embedded in its valuation and pricing bases so that these can be adjusted to reflect experience. Management undertakes pro-active operational initiatives in order to manage persistency risk. • The New Ireland Risk Management Framework contains policies and controls which NIAC have in place to manage life insurance risk within the risk appetite limits. The New Ireland Risk Appetite Statement is approved by the New Ireland Board.
Business and strategic risk Business and strategic risk assesses (1) the Group's current business model on the basis of its ability to generate acceptable returns, given its quantitative performance, key success drivers and dependencies, and business environment and (2) the sustainability of the Group's strategy on the basis of its ability to generate acceptable returns based on its strategic plans and financial forecasts, and an assessment of the business environment.	• Business divisional strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement. These strategies are developed within the divisions and challenged, endorsed, supported and monitored by Group functions. The Court receives regular deep dive presentations on key aspects of the Group's strategy. • The Court receives comprehensive reports setting out the current financial performance against budget, multi-year financial projections, capital plans, the monitoring of risks, updates on the economies in which the Group operates, together with developments in the Group's franchises, operations, people, and other business activities. • An independent Court Risk Report is produced quarterly and reviewed by the Group Risk Policy Committee, the Court Risk Committee and the Court. The content of the report includes an analysis of, and commentary on, the key existing and emerging risk types and also addresses governance, control issues and compliance with risk appetite. • Early warning indicators are constantly tracked as part of the Court Risk Report.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Pension risk The Group sponsored defined benefit pension schemes are currently in deficit under the IAS19 accounting definition, requiring the Group to set aside capital to mitigate these risks. The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's Common equity tier 1 capital ratio.	• To help manage pension risk, defined benefit (DB) schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date. • In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructurings of DB scheme benefits which were accepted by unions and by staff through individual staff member consent. • In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes, and to facilitate a number of de-risking initiatives. • The Group monitors on an ongoing basis the opportunities, at an appropriate cost, of increasing the correlation between the assets and the liabilities of the scheme.
Reputation risk The Group is exposed to the impact of negative public, industry, government or other key external stakeholder opinion arising from how the Group actually conducts, or is perceived to conduct, its business. The Group is also exposed to practices in the banking industry as a whole or in part, and to consumer, political and other issues arising in the external environment. This can negatively impact the Group's reputation leading, potentially, to a loss of business, fines, increased taxation or other penalties.	• The Group has a Court approved Group Communications strategy in place. • The potential impact on reputation is taken into account in decision making throughout the Group. • Irish, UK and international media contact, and government, political and administrative stakeholder engagement, is actively managed by Group Communications. • Print, broadcast and social media coverage is monitored on an ongoing basis to ensure awareness of and appropriate response to relevant coverage. • A Group Corporate Social Responsibility programme is in place. • The Group maintains a strong focus on internal communications to ensure that staff are kept informed of relevant issues and developments. • All staff are required to comply with the Group Code of Conduct.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Conduct risk Conduct risk can arise from a number of areas including selling products to customers which do not meet their needs; failure to be fair and transparent in dealing with customers' complaints effectively; and exhibiting behaviours which do not meet market or regulatory standards.	• The Group has clearly defined expected standards of behaviour, including accountabilities and management processes. These are detailed in the Group Code of Conduct to which all management and staff sign up to adhering. The Group has also put in place a Speak-Up policy which sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group. The Group has put in place a training programme across the Group to support staff and management in this regard. • The Group has a number of strategies to promote and support a customer centric ethos and culture across the Group, including new product / service development, existing product reviews, end-to-end process reviews and customer interaction metrics. • The Group has implemented processes to support the investigation, resolution, remediation and reporting of incidents of poor conduct to ensure timely remedies are implemented and lessons learnt from such incidences to enable improved processes. • The Group Risk Appetite Statement incorporates Conduct Risk Appetite Statements and Limits as approved by the Court.
Capital adequacy The Group's business and financial condition would be affected if the Group was, or was considered to be, insufficiently capitalised. This could be caused by a materially worse than expected financial performance and unexpected increases in risk weighted assets. The regulatory requirements imposed on the Group may change in the future, including as part of the annual SREP review conducted by the SSM. Regulatory requirements including the Capital Requirements Directive (CRD IV), the Capital Requirements Regulation (CRR) and the related regulatory and implementing technical standards, the Bank Recovery and Resolution Directive (BRRD), Solvency II, together with future accounting and regulatory reforms and clarifications under consideration, such as IFRS 9 (2018 implementation date), the review of risk weightings by the Basel Committee as part of the review of the capital framework and the review of national discretions and options by the SSM, have the potential to impact the Group's capital requirements.	• The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and appropriate stakeholder expectations are met. In addition, these metrics are monitored against the Court approved Risk Appetite Statement and suite of Recovery indicators. • Comprehensive stress testing / forward-looking ICAAP processes are prepared, reviewed and challenged by the Group including the Court to assess the adequacy of the Group's capital, liquidity and leverage positions. • The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns including potential options to remediate same.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Economic and geopolitical uncertainty The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, unfavourable exchange rate movements, changes in interest rates, and continuing geopolitical uncertainties. Uncertainty following the UK vote to exit the EU - relating to the nature, timing and impact of withdrawal - could impact the markets in which the Group operates including pricing, partner appetite, customer confidence and demand, and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet and capital. Other impacts may include changes in official interest rate policy in both the UK and Eurozone which can impact the Group's revenues and can also impact the Group's IAS 19 defined benefit pension deficit, the impact of foreign exchange rate changes on the translation of the Group's UK net assets and profits and potential impacts arising from ongoing political uncertainty.	• The Group monitors the risks and impact of changing current and forecast macroeconomic conditions on the likely achievement of the Group's strategy and objectives. • The Group manages its exposures in accordance with key risk policies including maximum single counterparty and defined country limits. • The Group has in place a comprehensive stress and scenario testing process. • The Group is diversified in terms of asset class, industry and funding source. • Bank of Ireland (UK) plc is a separately regulated, capitalized and self-funded business. • The Group's business in the UK is primarily conducted through key partnerships, which reduces the Group's investment in infrastructure and other items of a fixed cost nature. • The Group manages its exposure to interest rate risk, including sterling risk, through the hedging of its fixed-rate customer and wholesale books, the investment of its non-interest bearing liabilities (free funds) and the setting of conservative limits on the assumption of discretionary interest rate risk.
Tax rates, legislation and practice Tax risk is the risk of failure to meet new and existing tax compliance requirements and deadlines. The Group is exposed to the risks associated with a change in tax laws, tax rates, regulations or practice and the risks associated with non-compliance with existing requirements. The Group is also exposed to the risk that tax authorities may take a different view to the Group on the treatment of certain items including those of a judgemental nature. Failure to demonstrate convincing evidence of the availability of future taxable profits, or changes in tax legislation or government policy may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements.	• The Group has clearly defined tax compliance policies and procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in place and operate effectively. • The Group monitors the expected recovery period for deferred tax assets. • The Group monitors possible changes to tax legislation or government policy and considers any appropriate remedial actions that may be available.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Digital Rapidly shifting consumer behaviours and the proliferation of device (mobile, tablet, wearable), social, analytical and cloud technologies are changing the way customers research, purchase and maintain the products and services they consume in their day to day lives, and this is reflected in the evolving banking models for consumers and businesses, both in Ireland and internationally. This not only affects the manner in which customers manage their financial affairs and core products, but money transmission and data driven integrated services are forecast to rapidly evolve in the coming years, underpinned by regulatory developments.	• The Group has an ongoing Court agreed business strategy in place which is typically refreshed on an annual basis and which takes account of digital developments. In the context and of that business strategy, the Group assesses and develops its complementary technology strategy to support and mitigate these risks, which itself is assessed and monitored on an ongoing basis. • The Group's policies, standards, governance and control models undergo ongoing review to reference the Group's digital strategy and solutions.
People risk People risk relates to inability to recruit and / or retain appropriate numbers and / or calibre of staff and specifically the risk of loss of executives.	• The Group has a Court approved HR strategy providing it with a range of strategies to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions imposed by government, tax or regulatory authorities. These include Court Talent Reviews including succession planning, Performance Management Framework, and the career and reward framework. The Group's strategies to attract, retain and align the Group's staff with shareholders' interests are complicated by the ongoing obligations under the undertakings required by and given to the State as part of the support for the Group during the financial crisis.
Risk in relation to Irish Government shareholding The risk that the Irish Government, which has a c.14% discretionary shareholding in the Group via the Ireland Strategic Investment Fund, uses its voting rights in a way that might not be in the best interests of the Group's private sector shareholders.	• The Minster for Finance and the Group entered into a Relationship Framework Agreement dated 30 March 2012, the terms of which were prepared in the context of EU and Irish competition law and to accommodate considerations and commitments made in connection with the EU / IMF Programme for Financial Support for Ireland. • The Framework Agreement provides, inter alia that the Minister will ensure that the investment in the Group is managed on a commercial basis and will engage with the Group in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in the Group.

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Key mitigating considerations
Litigation and regulatory proceedings The Group faces risks surrounding the outcome of disputes, legal proceedings and regulatory investigations as well as potential adverse judgments in litigation or regulatory proceedings.	• The Group has processes in place to seek to ensure the Group's compliance with legal and regulatory obligations, together with clear controls in respect of the management and mitigation of such disputes, proceedings and investigations as may be instigated against the Group from time to time.
Impact of accounting standards IFRS 9 is a new accounting standard to be implemented in 2018. It introduces a forward-looking 'expected credit loss' model, which will lead to changes in the timing of recognition of impairment provisions and charges with a consequent potential impact on capital ratios.	• The implementation of IFRS 9 is a major priority for the Group and a Group IFRS 9 Programme, responsible for its implementation, was established during 2015. The Group IFRS 9 Programme is supported by appropriate external advisors. • The Group continues to assess the impact of implementing IFRS 9, and given the complexity of the standard and scale of IFRS 9 implementation, the quantitative impact on impairment provisions and potential impact on capital on initial application, or potential volatility in impairment provisions and capital thereafter, is difficult to estimate at this stage. • In addition, while IFRS 9 was not incorporated in the EBA 2016 stress tests, the treatment of IFRS 9 in future stress tests is still to be determined.

Asset quality and impairment

Asset quality - loans and advances to customers

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

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

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan (forbearance measure), for reasons relating to the actual or apparent financial stress or distress of that borrower. A loan which has an active forbearance measure is a 'forborne loan'. Loans which do not have an active forbearance measure are 'non-forborne loans'.

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

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

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

'Past due but not impaired' loans, whether forborne or not, are defined as follows:

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

'Impaired' loans are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding Residential mortgages) which are greater than 90 days in arrears. For Residential mortgages, forborne loans with a specific provision attaching to them are reported as both forborne and impaired. Forborne loans (excluding Residential mortgages) with a specific provision attaching to them are reported as impaired and are not reported as forborne.

'Defaulted' loans are defined as follows:

- impaired loans together with Residential mortgages which are greater than 90 days in arrears. Defaulted loans are derived from grades 11 and 12 on the thirteen point grade scale and grades 5 and 6 on the seven point grade scale.

Asset quality - loans and advances to customers (continued)

'Probationary' residential mortgages comprise both 'Self-cure' and 'Forborne' probationary residential mortgages defined as follows:

- 'Self-cure' probationary residential mortgages are non-forborne mortgages which were previously defaulted, did not require forbearance to exit defaulted status, and are now, or will be, subject to the successful completion of a 12 month probation period. Upon successful completion of this probation period, these mortgage loans will be reported as performing loans.
- 'Forborne' probationary residential mortgages are mortgages which were previously defaulted, required forbearance to exit defaulted status, and are now, or will be, subject to the successful completion of a 12 month probation period. Upon successful completion of this probation period, these mortgage loans will be reported as performing loans. 'Forborne' probationary mortgages also includes those mortgage loans which were previously defaulted and which are now in a 'full interest' forbearance arrangement, regardless of whether they have successfully completed a 12 month probation period.

'Non-performing' loans (NPL's) are defined as:

- defaulted loans together with probationary residential mortgages.

'Performing' loans comprise loans that are 'neither past due nor impaired' and loans that are up to and including 90 days past due, excluding any 'probationary' residential mortgages.

Asset quality - loans and advances to customers (continued)

Composition of loans and advances to customers

The tables and analysis below summarise the composition of the Group's loans and advances to customers and includes loans classified as held for sale. Exposures are before provisions for impairment.

Loans and advances to customers including held for sale composition (before impairment provisions)	30 June 2016 €m	30 June 2016 %	31 December 2015 €m	31 December 2015 %
Residential mortgages	49,373	58%	52,905	59%
- Retail Ireland	*24,576*	*29%*	*24,991*	*28%*
- Retail UK	*24,797*	*29%*	*27,914*	*31%*
Non-property SME and corporate	20,371	24%	20,994	23%
- Republic of Ireland SME	*9,153*	*11%*	*9,285*	*10%*
- UK SME	*2,076*	*2%*	*2,386*	*3%*
- Corporate	*9,142*	*11%*	*9,323*	*10%*
Property and construction	11,748	14%	13,357	15%
- Investment	*10,291*	*12%*	*11,388*	*13%*
- Land and development	*1,457*	*2%*	*1,969*	*2%*
Consumer	3,625	4%	3,339	3%
Total loans and advances to customers	**85,117**	**100%**	**90,595**	**100%**

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

The Group's loans and advances to customers before impairment provisions at 30 June 2016 were €85.1 billion compared to €90.6 billion at 31 December 2015, a decrease of €5.5 billion, with currency translation accounting for substantially all of the reduction. New lending during the period was offset by redemptions and repayments.

At 30 June 2016, €45.7 billion or 54% of the Group's loans and advances to customers before impairment provisions related to Ireland[1] (31 December 2015: €46.4 billion or 51%) and €34.9 billion or 41% related to the UK[1] (31 December 2015: €39.8 billion or 44%). Lower UK customer exposure at 30 June 2016 compared to 31 December 2015 reflects the combined impact of sterling depreciation, redemptions and repayments during the period.

The distribution of the Group's loans and advances to customers by loan portfolio was broadly similar at 30 June 2016 and at 31 December 2015.

[1] *The geographical breakdown is primarily based on the location of the customer.*

Asset quality - loans and advances to customers (continued)

For an analysis of the Group's Risk profile of loans and advances to customers (before impairment provisions) between 'non-forborne' and 'forborne' see pages 143 and 144 in the supplementary asset quality and forbearance disclosures.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Risk profile of loans and advances to customers

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

30 June 2016 **Risk profile of loans and advances to customers (before impairment provisions)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total loans and advances to customers €m**	**Total loans and advances to customers %**
Total loans and advances to customers						
High quality	42,565	5,607	2,931	3,190	54,293	64%
Satisfactory quality	1,468	9,139	1,905	219	12,731	15%
Acceptable quality	1,280	2,068	1,401	26	4,775	5%
Lower quality but neither past due nor impaired	487	1,035	1,239	-	2,761	3%
Neither past due nor impaired	**45,800**	**17,849**	**7,476**	**3,435**	**74,560**	**87%**
Past due but not impaired	1,680	121	403	69	2,273	3%
Impaired	1,893	2,401	3,869	121	8,284	10%
Total loans and advances to customers	**49,373**	**20,371**	**11,748**	**3,625**	**85,117**	**100%**

31 December 2015 Risk profile of loans and advances to customers including held for sale (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Total loans and advances to customers						
High quality	45,548	5,508	2,702	2,895	56,653	63%
Satisfactory quality	1,324	9,431	2,163	205	13,123	14%
Acceptable quality	1,289	1,981	1,593	30	4,893	5%
Lower quality but neither past due nor impaired	549	1,240	1,608	-	3,397	4%
Neither past due nor impaired	48,710	18,160	8,066	3,130	78,066	86%
Past due but not impaired	1,994	105	374	73	2,546	3%
Impaired	2,201	2,729	4,917	136	9,983	11%
Total loans and advances to customers	52,905	20,994	13,357	3,339	90,595	100%

Asset quality - loans and advances to customers (continued)

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Loans and advances to customers classified as '**neither past due nor impaired**' amounted to €74.6 billion at 30 June 2016, a reduction of €3.5 billion compared to €78.1 billion at 31 December 2015.

The '**past due but not impaired**' category amounted to €2.3 billion at 30 June 2016 compared to €2.5 billion at 31 December 2015.

'**Impaired**' loans decreased to €8.3 billion at 30 June 2016 from €10.0 billion at 31 December 2015. This reduction in impaired loans reflects the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of cash proceeds from property asset sales activity, and, where appropriate, has given rise to the utilisation of provisions.

For an analysis of the Group's risk profile of loans and advances to customers (before impairment provisions) between 'non-forborne' and 'forborne' see pages 143 and 144 in the supplementary asset quality and forbearance disclosures.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

'Past due and / or impaired'

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

30 June 2016 Risk profile of loans and advances to customers - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Past due up to 30 days	504	86	54	41	685
Past due 31 - 60 days	562	22	259	21	864
Past due 61 - 90 days	164	13	90	7	274
Past due greater than 90 days but not impaired	450	-	-	-	450
Past due but not impaired	**1,680**	**121**	**403**	**69**	**2,273**
Impaired	1,893	2,401	3,869	121	8,284
Total loans and advances to customers - past due and / or impaired	**3,573**	**2,522**	**4,272**	**190**	**10,557**

Asset quality - loans and advances to customers (continued)

31 December 2015 Risk profile of loans and advances to customers including held for sale - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Past due up to 30 days	585	74	51	41	751
Past due 31 - 60 days	631	24	181	23	859
Past due 61 - 90 days	217	7	142	9	375
Past due greater than 90 days but not impaired	561	-	-	-	561
Past due but not impaired	1,994	105	374	73	2,546
Impaired	2,201	2,729	4,917	136	9,983
Total loans and advances to customers - past due and / or impaired	4,195	2,834	5,291	209	12,529

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Loans and advances to customers classified as 'past due and / or impaired' amounted to €10.6 billion at 30 June 2016 compared to €12.5 billion at 31 December 2015. The reduction in 'past due and / or impaired' loans in the period reflects improvements in default arrears and the Group's ongoing progress with restructure and resolution activities.

For an analysis of the Group's risk profile of loans and advances to customers - past due and / or impaired between 'non-forborne' and 'forborne' see pages 145 and 146 in the supplementary asset quality and forbearance disclosures.

Asset quality - loans and advances to customers (continued)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Non-performing loans

The tables below provide an analysis of Non-performing loans and advances to customers by asset classification.

30 June 2016 **Risk profile of loans and advances to customers including held for sale - Non-performing loans**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Total loans and advances to customers					
Probationary mortgages	1,197				
- Self-cure	*626*				
- Forborne	*571*				
Defaulted loans	2,343	2,401	3,869	121	8,734
- Past due greater than 90 days but not impaired	*450*	*-*	*-*	*-*	*450*
- Impaired	*1,893*	*2,401*	*3,869*	*121*	*8,284*
Total loans and advances to customers - Non-performing	**3,540**	**2,401**	**3,869**	**121**	**9,931**

31 December 2015 Risk profile of loans and advances to customers including held for sale - Non-performing loans	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Probationary mortgages	1,429				
- Self-cure	789				
- Forborne	640				
Defaulted loans	2,762	2,729	4,917	136	10,544
- Past due greater than 90 days but not impaired	561	-	-	-	561
- Impaired	2,201	2,729	4,917	136	9,983
Total loans and advances to customers - Non-performing	4,191	2,729	4,917	136	11,973

Asset quality - loans and advances to customers (continued)

Composition and impairment

The table below summarises the composition, non-performing loans and impairment provisions of the Group's loans and advances to customers.

30 June 2016 **Total loans and advances to customers including held for sale Composition and impairment**	**Advances (pre-impairment) €m**	**Non-performing loans[1] €m**	**Non-performing loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of non-performing loans %**
Residential mortgages	49,373	3,540	7.2%	1,133	32%
- Retail Ireland	*24,576*	*2,619*	*10.7%*	*1,056*	*40%*
- Retail UK	*24,797*	*921*	*3.7%*	*77*	*8%*
Non-property SME and corporate	20,371	2,401	11.8%	1,308	55%
- Republic of Ireland SME	*9,153*	*1,834*	*20.0%*	*978*	*53%*
- UK SME	*2,076*	*182*	*8.8%*	*92*	*50%*
- Corporate	*9,142*	*385*	*4.2%*	*238*	*62%*
Property and construction	11,748	3,869	32.9%	2,334	60%
- Investment	*10,291*	*2,720*	*26.4%*	*1,473*	*54%*
- Land and development	*1,457*	*1,149*	*78.9%*	*861*	*75%*
Consumer	3,625	121	3.3%	127	106%
Total loans and advances to customers	**85,117**	**9,931**	**11.7%**	**4,902**	**49%**

31 December 2015 Total loans and advances to customers including held for sale Composition and impairment	Advances (pre-impairment) €m	Non-performing loans[1] €m	Non-performing loans as % of advances %	Impairment provisions €m	Impairment provisions as % of non-performing loans %
Residential mortgages	52,905	4,191	7.9%	1,297	31%
- Retail Ireland	*24,991*	*3,049*	*12.2%*	*1,199*	*39%*
- Retail UK	*27,914*	*1,142*	*4.1%*	*98*	*9%*
Non-property SME and corporate	20,994	2,729	13.0%	1,445	53%
- Republic of Ireland SME	*9,285*	*2,038*	*21.9%*	*1,059*	*52%*
- UK SME	*2,386*	*264*	*11.1%*	*135*	*51%*
- Corporate	*9,323*	*427*	*4.6%*	*251*	*59%*
Property and construction	13,357	4,917	36.8%	3,001	61%
- Investment	*11,388*	*3,248*	*28.5%*	*1,737*	*53%*
- Land and development	*1,969*	*1,669*	*84.8%*	*1,264*	*76%*
Consumer	3,339	136	4.1%	143	105%
Total loans and advances to customers	90,595	11,973	13.2%	5,886	49%

[1] *'Non-performing' loans includes probationary residential mortgages of €1,197 million (31 December 2015: €1,429 million) across Retail Ireland €640 million (31 December 2015: €727 million) and Retail UK €557 million (31 December 2015: €702 million). Retail Ireland probationary residential mortgages comprise €139 million 'Self-cure' and €501 million 'Forborne' probationary mortgages (31 December 2015: €171 million and €556 million respectively). Retail UK probationary residential mortgages comprise €487 million 'Self-cure' and €70 million 'Forborne' probationary mortgages (31 December 2015: €618 million and €84 million respectively).*

Asset quality - loans and advances to customers (continued)

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Loans and advances to customers (pre-impairment) at 30 June 2016 were €85.1 billion compared to €90.6 billion at 31 December 2015, a decrease of €5.5 billion, with currency translation accounting for substantially all of the reduction.

Non-performing loans decreased to €9.9 billion at 30 June 2016 from €12.0 billion at 31 December 2015, with reductions evident across all of the Group's portfolios. Non-performing loans at 30 June 2016 comprise defaulted loans of €8.7 billion, compared to €10.6 billion at 31 December 2015, and probationary mortgages of €1.2 billion, compared to €1.4 billion at 31 December 2015.

The reduction in non-performing loans, and consequently defaulted loans, in the period reflects the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of cash proceeds from property asset sales activity, and, where appropriate, has given rise to the utilisation of provisions.

The stock of **impairment provisions** decreased from €5.9 billion at 31 December 2015 to €4.9 billion at 30 June 2016. Impairment provisions of €4.9 billion at 30 June 2016 are after provisions utilised in the year of €1.0 billion as set out in note 19 on page 102.

The Group's non-performing loans **provision coverage ratio** has remained unchanged from 31 December 2015 at 49%. The Group's provision cover at 30 June 2016 reflects a combination of the significant reduction in the Group's non-performing and defaulted loans, impairment charges recognised during the period, and provision utilised activity.

Included in the above table is €34.9 billion of UK customer exposure[1] at 30 June 2016. Of this €24.8 billion relates to Retail UK mortgages, €4.2 billon non-property SME and corporate, €4.0 billion property and construction, and €1.9 billion Consumer.

Of the €4.2 billion non-property SME and corporate exposure (€2.1 billion SME and €2.1 billion corporate) at 30 June 2016, €0.2 billion is non-performing, primarily related to UK SME. UK non-property SME and corporate non-performing loans provision coverage ratio is 54% at 30 June 2016.

Of the €4.0 billion Property and construction exposure (€3.7 billion Investment and €0.3 billion Land and development) at 30 June 2016, €1.1 billion is non-performing (€0.8 billion Investment and €0.3 billion Land and development). At 30 June 2016 UK Investment non-performing loans provision coverage ratio is 44% and UK Land and development non-performing loans provision coverage ratio is 67%.

Of the €1.9 billion UK Consumer lending at 30 June 2016, €25 million is non-performing, with a provision coverage ratio of 162%. High provision cover reflects the unsecured nature of this lending and the inclusion of IBNR provisions.

[1] *The geographical breakdown is primarily based on the location of the customer.*

Asset quality - loans and advances to customers (continued)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

The tables below summarise the composition, defaulted loans and total impairment provisions of the Group's loans and advances to customers.

30 June 2016 **Total loans and advances to customers including held for sale Composition and impairment**	**Advances (pre-impairment) €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Residential mortgages	49,373	2,343	4.7%	1,133	48%
- Retail Ireland	*24,576*	*1,979*	*8.1%*	*1,056*	*53%*
- Retail UK	*24,797*	*364*	*1.5%*	*77*	*21%*
Non-property SME and corporate	20,371	2,401	11.8%	1,308	55%
- Republic of Ireland SME	*9,153*	*1,834*	*20.0%*	*978*	*53%*
- UK SME	*2,076*	*182*	*8.8%*	*92*	*50%*
- Corporate	*9,142*	*385*	*4.2%*	*238*	*62%*
Property and construction	11,748	3,869	32.9%	2,334	60%
- Investment	*10,291*	*2,720*	*26.4%*	*1,473*	*54%*
- Land and development	*1,457*	*1,149*	*78.9%*	*861*	*75%*
Consumer	3,625	121	3.3%	127	106%
Total loans and advances to customers	**85,117**	**8,734**	**10.3%**	**4,902**	**56%**

31 December 2015 Total loans and advances to customers including held for sale Composition and impairment	Advances (pre-impairment) €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Residential mortgages	52,905	2,762	5.2%	1,297	47%
- Retail Ireland	*24,991*	*2,322*	*9.3%*	*1,199*	*52%*
- Retail UK	*27,914*	*440*	*1.6%*	*98*	*22%*
Non-property SME and corporate	20,994	2,729	13.0%	1,445	53%
- Republic of Ireland SME	*9,285*	*2,038*	*21.9%*	*1,059*	*52%*
- UK SME	*2,386*	*264*	*11.1%*	*135*	*51%*
- Corporate	*9,323*	*427*	*4.6%*	*251*	*59%*
Property and construction	13,357	4,917	36.8%	3,001	61%
- Investment	*11,388*	*3,248*	*28.5%*	*1,737*	*53%*
- Land and development	*1,969*	*1,669*	*84.8%*	*1,264*	*76%*
Consumer	3,339	136	4.1%	143	105%
Total loans and advances to customers	90,595	10,544	11.6%	5,886	56%

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

The movements in defaulted loans in the period are consistent with the movements in non-performing loans as set out on page 67. The Group's defaulted loans provision coverage ratio has remained unchanged from 31 December 2015 at 56%.

Asset quality - loans and advances to customers (continued)

For an analysis of the composition of the impairment provision on forborne loans and advances, see page 149 in the supplementary asset quality and forbearance disclosures.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

'Impairment provision'
The table below summarises the nature of the impairment provision on loans and advances to customers.

Impairment provision by nature of impairment provision	30 June 2016 €m	31 December 2015 €m
Specific provisions individually assessed	3,828	4,647
Specific provisions collectively assessed	517	628
Incurred but not reported	557	611
Total impairment provision	**4,902**	**5,886**

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Individual and collective specific provisions at 30 June 2016 are after provisions utilised in the period of €1.0 billion as set out in note 19 on page 102.

The decrease in individual specific provisions in 2016 reflects the impact of provisions utilised during the period, partially offset by new, and increases to existing, specific provisions attaching to individually assessed Residential mortgage, Non-property SME and corporate and Property and construction exposures.

The decrease in collective specific provisions in the period reflects the impact of provisions utilised activity in collectively assessed portfolios and to a lesser extent, an increase in the volume of Irish mortgage loans subject to individual, rather than collective, assessment for provisioning.

Incurred but not reported (IBNR) impairment provisions decreased by €54 million to €557 million at 30 June 2016. The reduction in IBNR impairment provisions reflects a combination of the improved risk profile of the non-defaulted book and a decrease in the volume in non-defaulted loans assessed for IBNR provisions.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Geographical and industry analysis of loans and advances to customers including held for sale
The following table provides the geographical and industry breakdown of total loans (before impairment provisions).

30 June 2016 Geographical / industry analysis[1]	RoI €m	UK €m	RoW €m	Total €m
Personal	26,309	26,689	-	52,998
- Residential mortgages	*24,576*	*24,797*	-	*49,373*
- Other consumer lending	*1,733*	*1,892*	-	*3,625*
Property and construction	7,817	3,931	-	11,748
- Investment	*6,812*	*3,479*	-	*10,291*
- Land and Development	*1,005*	*452*	-	*1,457*
Business and other services	5,919	2,151	553	8,623
Manufacturing	3,057	599	579	4,235
Distribution	2,505	166	42	2,713
Agriculture	1,646	329	-	1,975
Transport	1,341	142	91	1,574
Financial	711	71	34	816
Energy	391	44	-	435
Total	**49,696**	**34,122**	**1,299**	**85,117**

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

Asset quality - loans and advances to customers (continued)

31 December 2015 Geographical / industry analysis[1]	RoI €m	UK €m	RoW €m	Total €m
Personal	26,549	29,695	-	56,244
- Residential mortgages	*24,991*	*27,914*	-	*52,905*
- Other consumer lending	*1,558*	*1,781*	-	*3,339*
Property and construction	8,130	5,227	-	13,357
- Investment	*6,884*	*4,504*	-	*11,388*
- Land and development	*1,246*	*723*	-	*1,969*
Business and other services	5,932	2,514	502	8,948
Distribution	2,720	254	20	2,994
Manufacturing	2,881	561	555	3,997
Transport	1,340	134	75	1,549
Financial	839	120	13	972
Agriculture	1,624	412	-	2,036
Energy	463	35	-	498
Total	50,478	38,952	1,165	90,595

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

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 82.

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

The Group’s Residential mortgage portfolio is widely diversified by individual borrower and amounted to 58% of total loans and advances to customers at 30 June 2016 (31 December 2015: 58%). 50% of Residential mortgages related to Ireland (31 December 2015: 47%) and 50% related to the UK at 30 June 2016 (31 December 2015: 53%) with the change in mix driven by the impact of sterling depreciation during the period. At 30 June 2016, the Group’s UK Residential mortgage book (before impairment provisions) amounted to £20.5 billion (31 December 2015: £20.5 billion).

The Property and construction sector accounted for 14% or €11.8 billion of total loans and advances to customers at 30 June 2016 (31 December 2015: 15% or €13.4 billion), reflecting the Group’s ongoing resolution activity in this sector (Property and construction non-performing loans reduced by €1.0 billion in the period). The Group’s Property and construction loan book consists primarily of Investment property loans.

Asset quality - other financial instruments

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

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

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 82.

Asset quality:	30 June 2016		31 December 2015	
Other financial instruments with ratings equivalent to:	**€m**	**%**	€m	%
AAA to AA-	13,980	50%	12,084	44%
A+ to A-	11,045	40%	12,281	45%
BBB+ to BBB-	1,578	5%	1,743	7%
BB+ to BB-	489	2%	561	2%
B+ to B-	494	2%	288	1%
Lower than B-	268	1%	279	1%
Total	**27,854**	**100%**	**27,236**	**100%**

Responsibility Statement
for the six months ended 30 June 2016

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

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 52 to 59); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2016, or material changes to related parties transactions described in the Group's Annual Report for the year ended 31 December 2015.

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

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

Signed on behalf of the Court by
28 July 2016

Archie G Kane	***Patrick Kennedy***	***Richie Boucher***
Governor	*Deputy Governor*	*Group Chief Executive*

Independent Review Report

to the Governor and Company of the Bank of Ireland

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements (the interim financial statements), defined below, in the Interim Report of the Governor and Company of the Bank of Ireland (the 'Bank') for the six months ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland. This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The interim financial statements, which are prepared by the Bank, comprise:

- the Consolidated income statement and Consolidated condensed statement of comprehensive income for the period then ended;
- the Consolidated balance sheet as at 30 June 2016;
- the Consolidated condensed statement of changes in equity for the period then ended;
- the Consolidated condensed cash flow statement for the period then ended;
- the Basis of preparation and accounting policies;
- the Notes to the interim financial statements and
- the information described as being an integral part of the interim financial statements as set out in the Interim financial statements paragraph of the Basis of preparation and accounting policies on page 82.

As disclosed in the Basis of preparation on page 82, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board.

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

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

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

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

PricewaterhouseCoopers
Chartered Accountants
Dublin
28 July 2016

Consolidated interim financial statements and notes
(unaudited)

Consolidated income statement (unaudited)
for the six months ended 30 June 2016

	Note	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Interest income	2	1,481	1,651	3,269
Interest expense	3	(364)	(437)	(825)
Net interest income		**1,117**	**1,214**	**2,444**
Net insurance premium income	4	561	670	1,350
Fee and commission income	5	280	284	561
Fee and commission expense	5	(109)	(117)	(242)
Net trading income	6	6	78	58
Life assurance investment income, gains and losses	7	93	320	334
Other operating income	8	213	278	299
Total operating income		**2,161**	**2,727**	**4,804**
Insurance contract liabilities and claims paid	9	(567)	(968)	(1,511)
Total operating income, net of insurance claims		**1,594**	**1,759**	**3,293**
Other operating expenses	10	(952)	(875)	(1,819)
Cost of restructuring programme	11	(10)	(18)	(43)
Operating profit before impairment charges on financial assets		**632**	**866**	**1,431**
Impairment charges on financial assets	12	(95)	(168)	(296)
Operating profit		**537**	**698**	**1,135**
Share of results of associates and joint ventures (after tax)		20	27	46
Profit on disposal / liquidation of business activities		-	-	51
Profit before tax		**557**	**725**	**1,232**
Taxation charge	13	(118)	(101)	(285)
Profit for the period		**439**	**624**	**947**
Attributable to stockholders		439	617	940
Attributable to non-controlling interests		-	7	7
Profit for the period		**439**	**624**	**947**
Earnings per unit of €0.05 ordinary stock	14	1.2c	1.7c	2.3c
Diluted earnings per unit of €0.05 ordinary stock	14	1.2c	1.7c	2.3c

Consolidated condensed statement of comprehensive income (unaudited) for the six months ended 30 June 2016

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Profit for the period	**439**	**624**	**947**
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss in subsequent periods:			
Available for sale financial assets, net of tax	(148)	(122)	(81)
Cash flow hedge reserve, net of tax	108	(79)	(45)
Foreign exchange reserve	(355)	334	255
Total items that may be reclassified to profit or loss in subsequent periods	**(395)**	**133**	**129**
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of the net defined benefit pension liability, net of tax	(394)	172	91
Revaluation of property, net of tax	(2)	-	11
Total items that will not be reclassified to profit or loss in subsequent periods	**(396)**	**172**	**102**
Other comprehensive income for the period, net of tax	**(791)**	**305**	**231**
Total comprehensive income for the period, net of tax	**(352)**	**929**	**1,178**
Total comprehensive income attributable to equity stockholders	(352)	922	1,171
Total comprehensive income attributable to non-controlling interests	-	7	7
Total comprehensive income for the period, net of tax	**(352)**	**929**	**1,178**

The effect of tax on these items is shown in note 13.

Consolidated balance sheet (unaudited) as at 30 June 2016

	Note	30 June 2016 €m	31 December 2015 €m
Assets			
Cash and balances at central banks		5,990	6,603
Items in the course of collection from other banks		268	294
Trading securities		127	3
Derivative financial instruments		4,436	3,064
Other financial assets at fair value through profit or loss		12,389	12,280
Loans and advances to banks	15	3,784	4,578
Available for sale financial assets	16	10,208	10,128
Held to maturity financial assets		1,897	1,922
NAMA senior bonds	17	801	1,414
Loans and advances to customers	18	80,215	84,689
Assets classified as held for sale		-	20
Interest in associates		53	56
Interest in joint ventures		94	83
Intangible assets		534	526
Investment properties		829	841
Property, plant and equipment		323	334
Current tax assets		4	13
Deferred tax assets	26	1,403	1,453
Other assets		2,909	2,640
Retirement benefit assets	27	3	19
Total assets		**126,267**	**130,960**
Equity and liabilities			
Deposits from banks	20	3,372	952
Customer accounts	21	77,508	80,164
Items in the course of transmission to other banks		445	239
Derivative financial instruments		3,626	3,619
Debt securities in issue	22	10,146	13,243
Liabilities to customers under investment contracts		5,460	5,729
Insurance contract liabilities		10,636	10,403
Other liabilities	23	2,533	4,103
Current tax liabilities		55	35
Provisions	25	100	97
Deferred tax liabilities	26	43	68
Retirement benefit obligations	27	1,196	755
Subordinated liabilities	24	2,443	2,440
Total liabilities		**117,563**	**121,847**
Equity			
Capital stock		2,545	2,558
Stock premium account		571	1,135
Retained earnings		4,194	4,950
Other reserves		662	(260)
Own stock held for the benefit of life assurance policyholders		(9)	(11)
Stockholders' equity		**7,963**	**8,372**
Other equity instruments		740	740
Total equity excluding non-controlling interests		**8,703**	**9,112**
Non-controlling interests		1	1
Total equity		**8,704**	**9,113**
Total equity and liabilities		**126,267**	**130,960**

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2016

	Note	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Capital stock				
Balance at the beginning of the period		2,558	2,558	2,558
Redemption of 2009 Preference Stock	28	(13)	-	-
Balance at the end of the period		**2,545**	**2,558**	**2,558**
Stock premium account				
Balance at the beginning of the period		1,135	1,135	1,135
Redemption of 2009 Preference Stock	28	(564)	-	-
Balance at the end of the period		**571**	**1,135**	**1,135**
Retained earnings				
Balance at the beginning of the period		4,950	4,196	4,196
Profit retained		380	480	683
- Profit for period attributable to stockholders		*439*	*617*	*940*
- Dividends on 2009 Preference Stock		-	*(133)*	*(249)*
- Dividends on other preference equity interests paid in cash		*(4)*	*(4)*	*(8)*
- Distribution on other equity instruments - Additional tier 1 coupon		*(55)*	-	-
Redemption of 2009 Preference Stock	28	(727)	-	-
Transfer to capital reserve		(15)	(40)	(22)
Remeasurement of the net defined benefit pension liability		(394)	172	91
Transfer from share based payment reserve		-	1	1
Other movements		-	(4)	1
Balance at the end of the period		**4,194**	**4,805**	**4,950**
Other Reserves:				
Available for sale reserve				
Balance at the beginning of the period		519	600	600
Net changes in fair value		(20)	67	143
Transfer to income statement (pre tax)				
- On asset disposal		(160)	(203)	(207)
- Amortisation		(8)	(3)	(11)
Deferred tax on reserve movements		40	17	(6)
Balance at the end of the period		**371**	**478**	**519**
Cash flow hedge reserve				
Balance at the beginning of the period		160	205	205
Changes in fair value, net of transfers (to) / from income statement		127	(87)	(58)
Deferred tax on reserve movements		(19)	8	13
Balance at the end of the period		**268**	**126**	**160**

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2016 (continued)

	Note	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Foreign exchange reserve				
Balance at the beginning of the period		(277)	(532)	(532)
Exchange adjustments during the period		(355)	334	249
Transfer to income statement on liquidation of non-trading entities		-	-	6
Balance at the end of the period		**(632)**	**(198)**	**(277)**
Capital contribution		**116**	**116**	**116**
Capital reserve				
Balance at the beginning of the period		502	480	480
Transfer from retained earnings		15	40	22
Redemption of 2009 Preference Stock	28	7	-	-
Balance at the end of the period		**524**	**520**	**502**
Share based payment reserve				
Balance at the beginning of the period		-	1	1
Transfer to retained earnings		-	(1)	(1)
Balance at the end of the period		**-**	**-**	**-**
Revaluation reserve				
Balance at the beginning of the period		17	6	6
Revaluation of property		(2)	-	14
Deferred tax on reserve movements		-	-	(3)
Balance at the end of the period		**15**	**6**	**17**
Reserve for 2009 Preference Stock to be redeemed				
Balance at the beginning of the period		(1,297)	-	-
Redemption of 2009 Preference Stock	28	1,297	-	(1,297)
Balance at the end of the period		**-**	**-**	**(1,297)**
Total other reserves		**662**	**1,048**	**(260)**
Own stock held for the benefit of life assurance policyholders				
Balance at the beginning of the period		(11)	(12)	(12)
Changes in value and amount of stock held		2	1	1
Balance at the end of the period		**(9)**	**(11)**	**(11)**
Total stockholders' equity excluding other equity instruments and non-controlling interests		**7,963**	**9,535**	**8,372**

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2016 (continued)

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Other equity instruments			
Balance at the beginning of the period	740	-	-
AT1 securities issued during the period	-	740	740
Balance at the end of the period	**740**	**740**	**740**
Non-controlling interests			
Balance at the beginning of the period	1	(6)	(6)
Share of net profit	-	7	7
Balance at the end of the period	**1**	**1**	**1**
Total equity	**8,704**	**10,276**	**9,113**

Consolidated condensed cash flow statement (unaudited)
for the six months ended 30 June 2016

	Notes	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Cash flows from operating activities				
Profit before tax		557	725	1,232
Share of results of associates and joint ventures		(20)	(27)	(46)
Profit on disposal / liquidation of business activities		-	-	(51)
Depreciation and amortisation	10	65	61	130
Impairment charges on financial assets	12	95	168	296
Reversal of impairment on property	10	(2)	-	(6)
Revaluation of investment property		(3)	(17)	(80)
Interest expense on subordinated liabilities and other capital instruments		111	110	218
Charge for pension and similar obligations	10	78	81	158
Impact of amendment to defined benefit pension schemes	10	-	(3)	(4)
Loss on liability management exercises	8	19	1	1
Net change in accruals and interest payable		(131)	(212)	(148)
Net change in prepayments and interest receivable		52	71	63
Non-cash and other items		(16)	(185)	(22)
Cash flows from operating activities before changes in operating assets and liabilities		**805**	**773**	**1,741**
Net cash flow from operating assets and liabilities		(726)	(2,179)[1]	(1,888)
Net cash flow from operating activities before tax		**79**	**(1,406)**	**(147)**
Tax paid		(27)	(19)	(67)
Net cash flow from operating activities		**52**	**(1,425)**	**(214)**
Investing activities:				
Net (additions) / disposals of available for sale financial assets		(147)	2,019	1,661
Additions to property, plant and equipment, intangible assets and investment property		(99)	(95)	(305)
Disposal of property, plant and equipment, intangible assets and investment property		1	7	36
Disposal of assets held for sale		17	-	158
Dividends received from joint ventures		-	-	48
Proceeds received from joint ventures		-	127	124
Additions to joint ventures		-	-	(15)
Net change in interest in associates		1	(1)	8
Net proceeds from disposal of business activity		-	-	57
Cash flows from investing activities		**(227)**	**2,057**	**1,772**
Financing activities				
Redemption of 2009 Preference Stock	28	(1,300)	-	-
Interest paid on subordinated liabilities		(59)	(60)	(192)
Dividend paid on 2009 Preference Stock and other preference equity interests		(120)	(137)	(141)
Consideration paid in respect of liability management exercises		(619)	(40)	(46)
Net proceeds from the issue of other equity instruments		-	740	740
Distributions paid on other equity instruments - Additional tier 1 coupon		(55)	-	-
Cash flows from financing activities		**(2,153)**	**503**	**361**
Net change in cash and cash equivalents		**(2,328)**	**1,135**	**1,919**
Opening cash and cash equivalents		10,975	9,457	9,457
Effect of exchange translation and other adjustments		641	(512)[1]	(401)
Closing cash and cash equivalents		**9,288**	**10,080**	**10,975**

[1] *The presentation of foreign exchange translation adjustments in the Consolidated condensed cash flow statement has been amended to more closely reflect how foreign exchange is managed by the Group and as a result the comparative figures for the six months ended 30 June 2015 has been amended accordingly.*

Basis of preparation and accounting policies

Basis of preparation

The interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014, applicable to companies reporting under IFRS and with the European Communities (Credit Institutions: Financial Statement) Regulations, 2015. The version of IAS 39 adopted by the EU currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments - Recognition and Measurement'. The Group has not availed of this, hence these financial statements and the audited financial statements for the year ended 31 December 2015 comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

Statutory financial statements
These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2015 were approved by the Court of Directors on 19 February 2016, contained an unqualified audit report and were filed with the Companies Registration Office on 27 May 2016.

Interim financial statements
The interim financial statements comprise the Consolidated income statement, Consolidated condensed statement of comprehensive income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, Basis of preparation and accounting policies and the Notes to the consolidated interim financial statements on pages 75 to 118. The interim financial statements include the information that is described as being an integral part of the interim financial statements contained in the Asset quality and impairment section of the Operating and financial review. The interim financial statements also include the tables in Other Information - Supplementary Asset Quality and forbearance disclosures described as being an integral part of the interim financial statements as described further at the top of page 121.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for the six months ended 30 June 2016 is a period of twelve months from the date of approval of these interim financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, together with a range of other factors such as the outlook for the Irish economy, taking due account of the availability of collateral to access the Eurosystem along with ongoing developments in the eurozone.

The matters of primary consideration by the Directors are set out below:

Capital
The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity
The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment, including sufficient collateral for funding if required from the relevant Monetary Authorities.

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

Basis of preparation and accounting policies (continued)

Accounting policies

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 175 to 199 of the Group's Annual Report for the year ended 31 December 2015.

New accounting pronouncements

The following amendments to standards have been adopted by the Group during the six months ended 30 June 2016:

- IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception
- IFRS 11 - Accounting for the Acquisition of Interests in Joint Operations
- IAS 1 - Disclosure Initiative
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 27 - Equity Method in Separate Financial Statements
- Annual Improvements 2012 - 2014

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

Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2015, as set out on pages 200 to 202 of the Group's Annual Report for the year ended 31 December 2015, with the exception of the enhancement to the methodology used to determine the Group's IAS 19 discount rate as set out in note 27.

Comparatives

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

The impact of amendments to defined benefit pension schemes, being gains of €3 million for the six months ended 30 June 2015 and gains of €4 million for the year ended 31 December 2015, previously shown on the face of the income statement have been reclassified to other operating expenses in accordance with IAS 1 (note 10).

Notes to the consolidated interim financial statements

1 Operating segments

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

Retail Ireland
Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.

Bank of Ireland Life
Bank of Ireland Life (which includes the Group's life assurance subsidiary New Ireland Assurance Company plc) distributes protection, investment and pension products to the Irish market, through independent brokers, its financial advisors (direct sales force) and the Group's branch network.

Retail UK
The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI), the Group's business banking business in NI and the Northridge motor and asset finance business. The Group also has a business banking business in Great Britain (GB) which is being run-down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary.

Corporate and Treasury
The Corporate and Treasury Division comprises Corporate Banking, Global Markets and IBI Corporate Finance. It also includes the Group's euro liquid asset bond portfolio.

Group Centre
Group Centre comprises capital and other management activities, unallocated Group support costs and the cost associated with schemes such as the Eligible Liabilities Guarantee (ELG) Scheme, the newly established EU Single Resolution Fund (SRF), the Deposit Guarantee Scheme (DGS) fund, the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS).

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

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

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in 'Group accounting policies' on pages 175 to 199 of the Group's Annual Report for the year ended 31 December 2015. On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement.

1 Operating segments (continued)

Gross external revenue comprises interest income, net insurance premium income, fee and commission income, net trading income, life assurance investment income gains and losses, other operating income and share of results of associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

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

- Gain / loss on disposal / liquidation of business activities;
- Cost of restructuring programme;
- Gains / charges arising on the movement in the Group's credit spreads;
- Gross-up for policyholder tax in the Life business;
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes;
- Payment in respect of the career and reward framework;
- Loss / gain on liability management exercises; and
- Investment return on treasury stock held for policyholders.

1 Operating segments (continued)

6 months ended 30 June 2016	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	**504**	**17**	**323**	**273**	**1**	**(1)**	**1,117**
Other income, net of insurance claims	246	95	(1)	114	(10)	26	470
Total operating income, net of insurance claims	**750**	**112**	**322**	**387**	**(9)**	**25**	**1,587**
Other operating expenses	(383)	(56)	(199)	(97)	(154)	2	(887)
- Other operating expenses excluding levies and regulatory charges	(383)	(56)	(197)	(97)	(94)	2	(825)
- Levies and regulatory charges							
- FSCS costs	-	-	-	-	(7)	-	(7)
- DGS, SRF and other regulatory charges	-	-	(2)	-	(53)	-	(55)
Depreciation and amortisation	(27)	(2)	(14)	(5)	(17)	-	(65)
Total operating expenses	**(410)**	**(58)**	**(213)**	**(102)**	**(171)**	**2**	**(952)**
Underlying operating profit / (loss) before impairment charges on financial assets	**340**	**54**	**109**	**285**	**(180)**	**27**	**635**
Impairment charges) on financial assets	(29)	-	(37)	(29)	-	-	(95)
Share of results of associates and joint ventures	(2)	-	22	-	-	-	20
Underlying profit / (loss) before tax	**309**	**54**	**94**	**256**	**(180)**	**27**	**560**

Reconciliation of underlying profit before tax to profit before tax	**Group €m**
Underlying profit before tax	560
Gain / (charge) arising on the movement in the Group's credit spreads	19
(Loss) / gain on liability management exercises	(19)
Cost of restructuring programme	(10)
Gross-up for policyholder tax in the Life business	5
Investment return on treasury stock held for policyholders	2
Profit before tax	**557**

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

1 Operating segments (continued)

6 months ended 30 June 2015	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	530	17	355	299	12	1	1,214
Other income, net of insurance claims	201	91	2	226	38	(13)	545
Total operating income, net of insurance claims	731	108	357	525	50	(12)	1,759
Other operating expenses	(394)	(49)	(187)	(92)	(93)	1	(814)
- Other operating expenses excluding levies and regulatory charges	(393)	(49)	(185)	(92)	(69)	1	(787)
- Levies and regulatory charges							
- FSCS costs	-	-	-	-	(18)	-	(18)
- DGS, SRF and other regulatory charges	(1)	-	(2)	-	(6)	-	(9)
Depreciation and amortisation	(22)	(1)	(18)	(4)	(15)	(1)	(61)
Total operating expenses	(416)	(50)	(205)	(96)	(108)	-	(875)
Underlying operating profit / (loss) before impairment charges on financial assets	315	58	152	429	(58)	(12)	884
Impairment charges on financial assets	(59)	-	(75)	(34)	-	-	(168)
Share of results of associates and joint ventures	5	-	22	-	-	-	27
Underlying profit / (loss) before tax	261	58	99	395	(58)	(12)	743

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	743
Cost of restructuring programme	(18)
Gross-up for policyholder tax in the Life business	10
(Charge) / gain arising on the movement in the Group's credit spreads	(8)
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	3
Payments in respect of career and reward framework	(3)
(Loss) / gain on liability management exercises	(1)
Investment return on treasury stock held for policyholders	(1)
Profit before tax	725

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

1 Operating segments (continued)

Year ended 31 December 2015	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	1,062	34	716	600	22	10	2,444
Other income, net of insurance claims	373	169	(1)	293	20	(26)	828
Total operating income, net of insurance claims	1,435	203	715	893	42	(16)	3,272
Other operating expenses	(783)	(96)	(396)	(185)	(231)	-	(1,691)
- Other operating expenses excluding Irish bank levy and levies and regulatory charges	(781)	(95)	(392)	(185)	(163)	-	(1,616)
- Irish bank levy	-	-	-	-	(38)	-	(38)
- Levies and regulatory charges							
- FSCS costs	-	-	-	-	(15)	-	(15)
- DGS, SRF and other regulatory charges	(2)	(1)	(4)	-	(15)	-	(22)
Depreciation and amortisation	(48)	(4)	(35)	(9)	(34)	-	(130)
Total operating expenses	(831)	(100)	(431)	(194)	(265)	-	(1,821)
Underlying operating profit / (loss) before impairment charges on financial assets	604	103	284	699	(223)	(16)	1,451
Impairment charges on financial assets	(95)	-	(139)	(62)	-	-	(296)
Share of results of associates and joint ventures	(2)	-	48	-	-	-	46
Underlying profit / (loss) before tax	507	103	193	637	(223)	(16)	1,201

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	1,201
Gain on disposal / liquidation of business activities	51
Cost of restructuring programme	(43)
Gain / (charge) arising on the movement in the Group's credit spreads	11
Gross-up for policyholder tax in the Life business	11
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	4
Payment in respect of the career and reward framework	(2)
(Loss) / gain on liability management exercises	(1)
Profit before tax	1,232

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

1 Operating segments (continued)

30 June 2016 **Analysis by operating segment**	**Retail Ireland €m**	**Bank of Ireland Life €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Investment in associates and joint ventures	**53**	**-**	**94**	**-**	**-**	**-**	**147**
External assets	37,070	15,758	38,598	30,586	4,234	21	126,267
Inter segment assets	58,749	1,865	9,933	78,585	19,508	(168,640)	-
Total assets	**95,819**	**17,623**	**48,531**	**109,171**	**23,742**	**(168,619)**	**126,267**
External liabilities	48,486	16,649	28,871	19,373	4,172	12	117,563
Inter segment liabilities	45,892	211	16,665	88,746	17,080	(168,594)	-
Total liabilities	**94,378**	**16,860**	**45,536**	**108,119**	**21,252**	**(168,582)**	**117,563**

Year ended 31 December 2015 Analysis by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	56	-	83	-	-	-	139
External assets	37,616	15,585	44,244	29,416	4,100	(1)	130,960
Inter segment assets	58,336	2,097	11,530	84,297	20,646	(176,906)	-
Total assets	95,952	17,682	55,774	113,713	24,746	(176,907)	130,960
External liabilities	47,947	16,645	32,905	19,971	4,368	11	121,847
Inter segment liabilities	46,673	230	19,656	92,339	17,976	(176,874)	-
Total liabilities	94,620	16,875	52,561	112,310	22,344	(176,863)	121,847

1 Operating segments (continued)

6 months ended 30 June 2016 **Gross revenue by operating segment**	**Retail Ireland €m**	**Bank of Ireland Life €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Gross external revenue	**777**	**713**	**754**	**392**	**43**	**(25)**	**2,654**
Inter segment revenues	348	(6)	(25)	352	181	(850)	-
Gross revenue	**1,125**	**707**	**729**	**744**	**224**	**(875)**	**2,654**
Insurance contract liabilities and claims paid	-	(561)	-	-	(6)	-	(567)
Gross revenue after claims paid	**1,125**	**146**	**729**	**744**	**218**	**(875)**	**2,087**
Capital expenditure	**13**	**4**	**7**	**1**	**60**	**-**	**85**

6 months ended 30 June 2015 Gross revenue by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	789	1,027	760	679	55	(2)	3,308
Inter segment revenues	360	89	74	301	221	(1,045)	-
Gross revenue	1,149	1,116	834	980	276	(1,047)	3,308
Insurance contract liabilities and claims paid	-	(966)	-	-	(2)	-	(968)
Gross revenue after claims paid	1,149	150	834	980	274	(1,047)	2,340
Capital expenditure	14	1	12	2	39	-	68

Year ended 31 December 2015 Gross revenue by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	1,515	1,723	1,548	1,037	103	(9)	5,917
Inter segment revenues	719	62	115	699	421	(2,016)	-
Gross revenue	2,234	1,785	1,663	1,736	524	(2,025)	5,917
Insurance contract liabilities and claims paid	-	(1,504)	-	-	(7)	-	(1,511)
Gross revenue after claims paid	2,234	281	1,663	1,736	517	(2,025)	4,406
Capital expenditure	68	2	29	4	122	-	225

2 Interest income

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Loans and advances to customers	1,312	1,438	2,870
Finance leases and hire purchase receivables	73	65	136
Available for sale financial assets	63	118	198
Loans and advances to banks	16	17	33
Held to maturity financial assets[1]	15	5	21
NAMA senior bonds	2	8	11
Interest income	**1,481**	**1,651**	**3,269**

[1] *Includes €8 million (30 June 2015: €3 million; 31 December 2015: €11 million) of amortisation income transferred from the available for sale reserve in relation to those assets reclassified from available for sale to held to maturity in 2015.*

Interest income recognised on loans and advances to customers

Interest income recognised on loans and advances to customers includes €54 million (six months ended 30 June 2015: €79 million; year ended 31 December 2015: €148 million) of interest recognised on impaired loans and advances to customers on which a specific impairment provision has been recognised at the period end. Of this amount:

- €40 million (six months ended 30 June 2015: €60 million; year ended 31 December 2015: €111 million) relates to loans on which specific provisions have been individually assessed; and
- €14 million (six months ended 30 June 2015: €19 million; year ended 31 December 2015: €37 million) relates to loans on which specific provisions have been collectively assessed.

Interest income received on loans and advances to customers

For the six months ended 30 June 2016, €57 million (six months ended 30 June 2015: €90 million; year ended 31 December 2015: €144 million) of interest income was received in cash on impaired loans and advances to customers on which a specific impairment provision has been recognised at the period end.

3 Interest expense

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Customer accounts	220	242	469
Subordinated liabilities[1]	91	91	179
Debt securities in issue[1]	48	98	164
Deposits from banks	5	6	10
2009 Preference Stock fair value unwind	-	-	3
Interest expense	**364**	**437**	**825**

[1] *Comparative figures for 30 June 2015 have been adjusted to reflect the interest on derivatives which are in a hedging relationship with the relevant liability. An expense of €19 million has been reclassified from interest expense on subordinated liabilities to interest expense on debt securities in issue, with no effect to total interest expense.*

Included within interest expense for the six months ended 30 June 2016 is an amount of €18 million (six months ended 30 June 2015: €5 million; year ended 31 December 2015: €10 million) relating to the cost of the Eligible Liabilities Guarantee (ELG) Scheme. The cost of this scheme is classified as interest expense as it is directly attributable and incremental to the issue of specific financial liabilities. These fees are €13 million higher than the same period in 2015. The Group has incurred total ELG charges of c.€1.3 billion between the launch of the scheme in 2010 and the end of 2015. With the Group's involvement in the ELG scheme now drawing to a close, the Group conducted a review of certain technical matters and the charge in the six months ended 30 June 2016 includes the Group's assessment in relation to matters arising from same, in the amount of €14 million along with €4 million of fees arising during the six month period to 30 June 2016 in respect of covered liabilities outstanding. Total ELG covered liabilities amounted to €0.7 billion at 30 June 2016. Further information on this scheme is outlined in note 32.

4 Net insurance premium income

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Gross premiums written	603	721	1,438
Ceded reinsurance premiums	(39)	(48)	(88)
Net premiums written	564	673	1,350
Change in provision for unearned premiums	(3)	(3)	-
Net insurance premium income	**561**	**670**	**1,350**

5 Fee and commission income and expense

Income	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Retail banking customer fees	223	233	472
Credit related fees	22	16	30
Insurance commissions	9	14	23
Asset management fees	2	2	3
Brokerage fees	1	1	3
Other	23	18	30
Fee and commission income	**280**	**284**	**561**

Expense

Fee and commission expense of €109 million (six months ended 30 June 2015: €117 million; year ended 31 December 2015: €242 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

6 Net trading income

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Financial assets designated at fair value	(1)	-	-
Financial liabilities designated at fair value			
- Credit spreads relating to the Group's liabilities designated at fair value through profit or loss (see table below)	15	(4)	11
- Other	(29)	(48)	(51)
Related derivatives held for trading	(5)	41	9
	(20)	**(11)**	**(31)**
Other financial instruments held for trading	27	85	86
Net fair value hedge ineffectiveness	(2)	4	3
Cash flow hedge ineffectiveness	1	-	-
Net trading income	**6**	**78**	**58**

Net trading income includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €6 million (six months ended 30 June 2015: €14 million; year ended 31 December 2015: €24 million) in relation to net gains arising from foreign exchange.

Net trading income includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on assets held at amortised cost, which are funded by those liabilities, is reported in net interest income.

Net trading income also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €34 million (six months ended 30 June 2015: €30 million; year ended 31 December 2015: €28 million).

Net fair value hedge ineffectiveness reflects a net charge from hedging instruments of €135 million (six months ended 30 June 2015: net gain of €92 million; year ended 31 December 2015: net charge of €24 million) offsetting a net gain from hedged items of €133 million (six months ended 30 June 2015: net charge of €88 million; year ended 31 December 2015: net gain of €27 million).

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

Credit spreads relating to the Group's liabilities designated at fair value through profit or loss	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Recognised in			
- Net trading income	15	(4)	11
- Insurance contract liabilities and claims paid	4	(4)	-
	19	**(8)**	**11**
Cumulative charges arising on the movement in credit spreads relating to the Group's liabilities designated at fair value through profit or loss	(8)	(44)	(27)

7 Life assurance investment income, gains and losses

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Life assurance investment income, gains and losses	93	320	334

Life assurance investment income, gains and losses comprise the investment return, realised gains and losses and unrealised gains and losses which accrue to the Group on all investment assets held by Bank of Ireland Life, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts.

8 Other operating income

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Transfer from available for sale reserve on asset disposal (see note 16)	160	203	207
Other insurance income	49	23	39
Loss on liability management exercises	(19)	(1)	(1)
Movement in value of in force asset	10	13	(3)
Dividend income	9	4	11
Other income	4	36	46
Other operating income	**213**	**278**	**299**

A loss of €19 million on liability management exercises was recognised in the six months ended 30 June 2016 primarily reflecting the repurchase of €0.6 billion nominal value of the Group's senior unsecured debt securities.

Other income includes loss on investment property disposals and revaluations of €3 million (six months ended 30 June 2015: gain €22 million; year ended 31 December 2015: gain €30 million).

9 Insurance contract liabilities and claims paid

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Claims paid			
Policy surrenders	342	408	825
Death and critical illness claims	82	67	143
Annuity payments	38	38	76
Policy maturities	1	-	1
Other claims	21	16	66
Gross claims paid	**484**	**529**	**1,111**
Recovered from reinsurers	(45)	(37)	(84)
Net claims paid	**439**	**492**	**1,027**
Change in insurance contract liabilities			
Change in gross liabilities	233	466	485
Change in reinsured liabilities	(105)	10	(1)
Net change in insurance contract liabilities	**128**	**476**	**484**
Insurance contract liabilities and claims paid	**567**	**968**	**1,511**

10 Other operating expenses

Administrative expenses and staff costs	**6 months ended 30 June 2016 €m**	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Staff costs excluding cost of restructuring programme	454	449	898
Retirement benefit gain	-	(3)	(4)
Levies and regulatory charges	62	27	37
- Financial Services Compensation Scheme (FSCS) costs	*7*	*18*	*15*
- Deposit Guarantee Scheme (DGS), Single Resolution Fund (SRF) and other regulatory charges	*55*	*9*	*22*
Amortisation of intangible assets	48	42	92
Depreciation of property, plant and equipment	17	19	38
Irish bank levy	-	-	38
Reversal of impairment on property	(2)	-	(6)
Other administrative expenses excluding cost of restructuring programme	373	341	726
Total	**952**	**875**	**1,819**
Total staff costs are analysed as follows:			
Wages and salaries	336	326	659
Retirement benefit costs (defined benefit plans) (note 27)	70	78	148
Social security costs	35	35	71
Retirement benefit costs (defined contribution plans)	8	3	10
Payment in respect of the career and reward framework	-	3	2
Other staff expenses	5	4	8
Staff costs excluding cost of restructuring programme	**454**	**449**	**898**
Staff costs included in cost of restructuring programme (note 11)	13	17	47
Total staff costs	**467**	**466**	**945**
Retirement benefit gain	-	(3)	(4)
Total staff costs including retirement benefit gain	**467**	**463**	**941**

10 Other operating expenses (continued)

The Group has incurred levies and regulatory charges of €62 million in the six months ended 30 June 2016. The charge in the six months to 30 June 2016 primarily reflects the Group's full year contributions to the newly established Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) fund, along with the charge for the FSCS levy.

Other administrative expenses includes an amount of €26 million (six months ended 30 June 2015: €28 million; year ended 31 December 2015: €49 million) relating to operating lease payments.

Staff numbers
At 30 June 2016, the number of staff (full time equivalents) was 11,277 (30 June 2015: 11,384; 31 December 2015: 11,145).

During the period, the average number of staff (full time equivalents) was 11,169 (30 June 2015: 11,273; 31 December 2015: 11,302).

11 Cost of restructuring programme

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Staff costs (note 10)	13	17	47
Property and other	(3)	1	(4)
	10	**18**	**43**

12 Impairment charges on financial assets

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Loans and advances to customers	93	168	296
Available for sale financial assets	2	-	-
Impairment charges on financial assets	**95**	**168**	**296**

13 Taxation

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Current tax			
Irish Corporation Tax			
- Current period	36	7	27
- Adjustments in respect of prior period	(1)	2	-
Double taxation relief	(1)	-	(2)
Foreign tax			
- Current period	39	25	64
- Adjustments in respect of prior period	(3)	(16)	(13)
	70	**18**	**76**
Deferred tax			
Current period profits	58	75	116
Origination and reversal of temporary differences	(11)	2	10
Impact of Corporation Tax rate change	-	-	26
Reassessment of the value of tax losses carried forward	-	-	52
Adjustments in respect of prior period	1	6	5
Taxation charge	**118**	**101**	**285**

The effective taxation rate on a statutory profit basis for the six months ended 30 June 2016 is 21% (six months ended 30 June 2015: 14%; year ended 31 December 2015: 23%).

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

	6 months ended 30 June 2016			6 months ended 30 June 2015			Year ended 31 December 2015		
	Pre tax €m	**Tax €m**	**Net of tax €m**	Pre tax €m	Tax €m	Net of tax €m	Pre tax €m	Tax €m	Net of tax €m
Available for sale reserve									
Changes in fair value	(20)	(1)	(21)	67	(7)	60	143	(33)	110
Transfer to income statement									
- On asset disposal (note 8)	(160)	40	(120)	(203)	24	(179)	(207)	26	(181)
- Amortisation (note 2)	(8)	1	(7)	(3)	-	(3)	(11)	1	(10)
Net change in reserve	**(188)**	**40**	**(148)**	**(139)**	**17**	**(122)**	**(75)**	**(6)**	**(81)**
Remeasurement of the net defined benefit pension liability (note 27)	**(439)**	**45**	**(394)**	**200**	**(28)**	**172**	**97**	**(6)**	**91**
Cash flow hedge reserve									
Changes in fair value	1,233	(157)	1,076	(322)[1]	39	(283)	(316)	58	(258)
Transfer to income statement	(1,106)	138	(968)	235[1]	(31)	204	258	(45)	213
Net change in cash flow hedge reserve	**127**	**(19)**	**108**	**(87)**	**8**	**(79)**	**(58)**	**13**	**(45)**
Net change in foreign exchange reserve	**(355)**	**-**	**(355)**	**334**	**-**	**334**	**255**	**-**	**255**
Net change in revaluation reserve	**(2)**	**-**	**(2)**	**-**	**-**	**-**	**14**	**(3)**	**11**
Other comprehensive income for the period	**(857)**	**66**	**(791)**	**308**	**(3)**	**305**	**233**	**(2)**	**231**

[1] *Comparative figures for 30 June 2015 have been adjusted in the cash flow hedge reserve resulting in an increase of €159 million in 'changes in fair value' with an offsetting reduction in 'transfer to income statement'.*

14 Earnings per share

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Basic and diluted earnings per share			
Profit attributable to stockholders	439	617	940
Distribution on other equity instruments - Additional tier 1 coupon	(55)	-	-
Dividend on other preference equity interests	(4)	(4)	(8)
Dividend on 2009 Preference Stock	-	(67)	(135)
Adjustment on redemption of 2009 Preference Stock[1]	-	-	(52)
Profit attributable to ordinary stockholders	**380**	**546**	**745**

	Units (millions)	Units (millions)	Units (millions)
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders[2]	32,347	32,346	32,346
Basic and diluted earnings per share (cent)	**1.2c**	**1.7c**	**2.3c**

[1] *At 31 December 2015, a liability to redeem 1,300,000,000 units of 2009 Preference Stock at par was recognised as disclosed in note 28. This was greater than its carrying value of €0.9577 per unit due to transaction costs and warrants issued on the issue of the stock on 31 March 2009. Under IAS 33, the difference of €52 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary equity holders of the parent entity.*
[2] *The weighted average number of units of treasury stock and own stock held for the benefit of life assurance policyholders amounted to 38.3 million units (year ended 31 December 2015: 39.4 million).*

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

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

For the six months ended 30 June 2016, six months ended 30 June 2015 and the year ended 31 December 2015 there was no difference in the weighted average number of units of stock used for basic and diluted earnings per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive.

The Convertible Contingent Capital Note (CCCN) and options over nil units of potential ordinary stock (30 June 2015: c.9,000 units; 31 December 2015: c.9,000 units) were anti-dilutive in the six months ended 30 June 2016, the six months ended 30 June 2015 and year ended 31 December 2015. The CCCN has a fixed maturity date of 30 July 2016 (note 24).

15 Loans and advances to banks

	30 June 2016 €m	31 December 2015 €m
Placements with other banks	2,127	2,830
Mandatory deposits with central banks	1,333	1,568
Securities purchased with agreement to resell	322	150
Funds placed with the Central Bank not on demand	2	30
Loans and advances to banks	**3,784**	**4,578**

Placements with other banks includes cash collateral of €0.7 billion (31 December 2015: €1.3 billion) placed with derivative counterparties in relation to net derivative liability positions.

Mandatory deposits with central banks includes €1,271 million relating to collateral in respect of the Group's issued bank notes in circulation in Northern Ireland (31 December 2015: €1,437 million).

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 30 June 2016 was €327 million (31 December 2015: €150 million).

Loans and advances to banks of €3,784 million (31 December 2015: €4,578 million) included €287 million (31 December 2015: €341 million) of assets held on behalf of Bank of Ireland Life policyholders.

16 Available for sale financial assets

	30 June 2016 €m	31 December 2015 €m
Government bonds	4,705	5,700
Other debt securities		
- listed	5,185	3,930
- unlisted	285	371
Equity securities		
- unlisted	33	127
Available for sale financial assets	**10,208**	**10,128**

During the six months ended 30 June 2016, the Group recognised a gain of €20 million in other comprehensive income on the revaluation of the Group's shareholding in VISA Europe to €95 million from €75 million at 31 December 2015. Following the completion of the acquisition of VISA Europe by VISA Inc. on 21 June 2016, the Group's shareholding in VISA Europe was disposed of in exchange for cash consideration of €61 million, deferred cash consideration of €5 million and preference stock in VISA Inc. with a fair value of €29 million which has been recognised in other financial assets at fair value through profit or loss. The disposal has resulted in a transfer of €95 million from the available for sale reserve to the income statement (note 8).

During the six months ended 30 June 2016, the Group sold other available for sale financial assets of €1.4 billion (30 June 2015: €2.3 billion; 31 December 2015: €2.7 billion) which resulted in a transfer of €65 million from the available for sale reserve to the income statement (30 June 2015: €203 million; 31 December 2015: €207 million) (note 8).

16 Available for sale financial assets (continued)

Unlisted debt securities include subordinated bonds issued by NAMA with a nominal value of €281 million (31 December 2015: €281 million) and a fair value of €264 million (31 December 2015: €269 million). These bonds represented 5% of the nominal consideration received for assets sold to NAMA in 2010, with the remaining 95% received in the form of NAMA senior bonds. The subordinated bonds are not guaranteed by the State and the payment of interest and repayment of capital is dependent on the performance of NAMA.

At 30 June 2016, available for sale financial assets with a fair value of €0.1 billion (31 December 2015: €0.1 billion) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

17 NAMA senior bonds

	30 June 2016 €m	31 December 2015 €m
NAMA senior bonds	**801**	**1,414**

The Group received as consideration for the assets transferred to NAMA in 2010 a combination of Government guaranteed bonds (NAMA senior bonds) issued by NAMA (95% of the nominal consideration), and non-guaranteed subordinated bonds issued by NAMA (5% of nominal consideration) (note 16).

During the six months ended 30 June 2016, NAMA redeemed senior bonds held by the Group with a nominal value of €615 million (year ended 31 December 2015: €968 million).

At 30 June 2016, the total nominal value of the NAMA senior bonds held was €806 million, of which €710 million (31 December 2015: €nil) was pledged to Monetary Authorities.

The interest rate on the NAMA senior bonds is six month Euribor, set semi-annually on 1 March (March 2016: 0.00%) and 1 September (September 2015: 0.039%). The contractual maturity of these bonds is 1 March 2017. NAMA may, only with the consent of the Group, settle the bonds by issuing new bonds with the same terms and conditions and a maturity date of up to 364 days.

18 Loans and advances to customers

	30 June 2016 €m	31 December 2015 €m
Loans and advances to customers	82,565	88,262
Finance leases and hire purchase receivables	2,552	2,313
	85,117	90,575
Less allowance for impairment charges on loans and advances to customers (note 19)	(4,902)	(5,886)
Loans and advances to customers	**80,215**	**84,689**

19 Impairment provisions

The following tables show the movement in the impairment provisions on loans and advances to customers during the six months ended 30 June 2016 and the year ended 31 December 2015.

30 June 2016	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total impairment provisions €m**
Provision at 1 January 2016	1,297	1,445	3,001	143	5,886
Provisions utilised	(85)	(165)	(725)	(30)	(1,005)
Charge / (reversal) in income statement	(77)	58	104	8	93
Exchange adjustments	(10)	(16)	(92)	(5)	(123)
Other movements	8	(14)	46	11	51
Provision at 30 June 2016	**1,133**	**1,308**	**2,334**	**127**	**4,902**

31 December 2015	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total impairment provisions €m
Provision at 1 January 2015	1,604	1,699	3,935	185	7,423
Provisions utilised	(230)	(429)	(1,357)	(62)	(2,078)
Charge / (reversal) in income statement	(96)	149	246	(3)	296
Exchange adjustments	7	20	81	2	110
Other movements	12	6	96	21	135
Provision at 31 December 2015	1,297	1,445	3,001	143	5,886

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

Provisions utilised reflect impairment provisions which have been utilised against the related loan balance; the utilisation of a provision does not alter a customer’s obligations nor does it impact on the Group’s rights to take relevant enforcement action.

20 Deposits from banks

	30 June 2016 €m	31 December 2015 €m
Securities sold under agreement to repurchase	17	123
- Private market repos	*6*	*103*
- Monetary Authorities	*11*	*20*
TLTRO	1,502	-
Deposits from banks	1,853	829
Deposits from banks	**3,372**	**952**

Deposits from banks include cash collateral of €1.2 billion (31 December 2015: €0.5 billion) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2016			31 December 2015		
Monetary Authority Secured Funding	**TLTRO €m**	**ILTR €m**	**Total €m**	TLTRO €m	ILTR €m	Total €m
Deposits from banks	1,502	11	1,513	-	20	20
Debt securities in issue (note 22)	-	-	-	1,495	-	1,495
Total	**1,502**	**11**	**1,513**	**1,495**	**20**	**1,515**

Index Long Term Repo (ILTR) funding from the Bank of England has a maturity of less than one year.

The Group's secured funding from the ECB Monetary Authority comprises drawings under Targeted Longer Term Refinancing Operation (TLTRO). On 29 June 2016, the Group replaced €1.5 billion of TLTRO I with €1.5 billion of TLTRO II funding. The Group's TLTRO borrowings will be repaid between September 2018 and September 2020, in line with the terms and conditions of the TLTRO facility.

21 Customer accounts

	30 June 2016 €m	31 December 2015 €m
Term deposits and other products	29,440	32,666
Current accounts	24,262	23,552
Demand deposits	23,806	23,946
Customer accounts	**77,508**	**80,164**

Term deposits and other products include €50 million (31 December 2015: €29 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

At 30 June 2016, the Group's largest 20 customer deposits amounted to 4% (31 December 2015: 3%) of customer accounts.

22 Debt securities in issue

	30 June 2016 €m	31 December 2015 €m
Bonds and medium term notes	8,970	10,286
Monetary Authorities (note 20)	-	1,495
Other debt securities in issue	1,176	1,462
Debt securities in issue	**10,146**	**13,243**

The movement on debt securities in issue is analysed as follows:

	30 June 2016 €m	31 December 2015 €m
Opening balance	13,243	16,040
Redemptions	(3,505)	(6,895)
Issued during the period	1,104	4,076
Repurchases	(735)	(45)
Other movements	39	67
Closing balance	**10,146**	**13,243**

A loss of €19 million on liability management exercises was recognised in the six months ended 30 June 2016, primarily reflecting the repurchase of €0.6 billion nominal value of the Group's senior unsecured debt securities (note 8).

23 Other liabilities

	30 June 2016 €m	31 December 2015 €m
2009 Preference Stock	-	1,416
- 2009 Preference Stock to be redeemed	-	*1,300*
- Dividend	-	*116*
Notes in circulation	1,144	1,298
Accrued interest payable	329	406
Sundry creditors	261	306
Accruals and deferred income	157	178
Finance lease obligations	4	4
Other	638	495
Other liabilities	**2,533**	**4,103**

On 4 January 2016, the Group completed the redemption of the 2009 Preference Stock and the liability of €1,416 million recognised at 31 December 2015 was settled in full (note 28).

24 Subordinated liabilities

Subordinated liabilities	30 June 2016 €m	31 December 2015 €m
€1,000 million 10% Convertible Contingent Capital Note (CCCN) 2016	998	994
€750 million 4.25% Fixed Rate Notes 2024	769	763
€250 million 10% Fixed Rate Notes 2022	275	266
€1,002 million 10% Fixed Rate Notes 2020	234	234
Undated loan capital	164	180
Other dated capital	3	3
Total	**2,443**	**2,440**

The principal terms and conditions of all subordinated liabilities are set out in note 43 of the Group's Annual Report for the year ended 31 December 2015.

No subordinated liabilities were issued or redeemed in the six months ended 30 June 2016.

The CCCN, which has a nominal value of €1 billion and an annual coupon of 10%, has a fixed maturity date of 30 July 2016 and will be settled on 1 August 2016, being the next Target business day post maturity.

25 Provisions

	30 June 2016 €m	31 December 2015 €m
Balance at the beginning of the period	97	85
Charge to income statement	31	91
Utilised during the period	(22)	(62)
Unused amounts reversed during the period	(4)	(18)
Exchange adjustment	(2)	1
Balance as at end of period	**100**	**97**

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal matters and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

26 Deferred tax

The deferred tax assets of €1,403 million (31 December 2015: €1,453 million) are shown on the consolidated balance sheet after netting at legal entity level (€1,530 million before netting by legal entity, 31 December 2015: €1,575 million). At 30 June 2016, deferred tax assets include an amount of €1,323 million (31 December 2015: €1,416 million) in respect of operating losses which are available to relieve future profits from tax. Of these losses approximately €1.2 billion relates to Irish tax losses and €0.1 billion relates to UK tax losses.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate of corporation tax to 17% from 1 April 2020 and a further restriction on the proportion of a bank's annual taxable profit that can be offset by pre-April 2015 carried forward losses from 50% to 25% from 1 April 2016. As these changes had not been substantively enacted at the balance sheet date their impacts have not been recognised in the financial statements.

The deferred tax assets have been recognised on the basis that it is probable the tax losses will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised to the extent they have not already reversed. Under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses. The Group expects to recover the majority of the deferred tax asset relating to trading losses within ten years from the balance sheet date. Under accounting standards these assets are measured on an undiscounted basis.

The deferred tax liabilities at 30 June 2016 are €43 million (31 December 2015: €68 million).

27 Retirement benefit obligations

The net pension deficit at 30 June 2016 was €1,193 million (31 December 2015: €736 million). This is shown on the balance sheet as a retirement benefit obligation of €1,196 million (31 December 2015: €755 million) and a retirement benefit asset of €3 million (31 December 2015: €19 million).

The significant financial assumptions used in measuring the Group's defined benefit pension liability under IAS 19 are set out in the table below.

	30 June 2016 % p.a.	31 December 2015 % p.a.
RoI schemes		
Discount rate	1.60	2.30
Inflation rate	1.30	1.60
UK schemes		
Discount Rate	2.75	3.80
Consumer Price Inflation	1.85	2.30
Retail Price Inflation	2.85	3.30

Discount rates are determined in consultation with the Group's independent actuary with reference to market yields at the balance sheet date on high quality corporate bonds (AA rated or equivalent) with a term corresponding to the term of the benefit payments. During 2016 following a detailed review and modelling with independent, international expert advisers, the Group has refined its approach to the determination of the euro discount rate used to value euro denominated liabilities on an IAS19 basis. The Group has enhanced its approach to the determination of the appropriate population of AA-rated bonds and enhanced the curve-fitting and extrapolation methodology used to determine the euro discount rate to be used for pension scheme cashflows. The euro discount rate determined using this enhanced approach was 1.60%. For information, the discount rate under the previous approach would have been 1.45%, which if used, would have increased pension provisions by approximately €210 million at 30 June 2016.

Sensitivity of defined benefit obligation to key assumptions

The table below sets out how the defined benefit obligation would have been affected by changes in the following significant actuarial assumptions that were reasonably possible:

Impact on defined benefit obligation	**Impact on defined benefit obligation Increase / (decrease) 30 June 2016 €m**	Impact on defined benefit obligation Increase / (decrease) 31 December 2015 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(348)	(303)
- Decrease of 0.25%	376	328
RPI inflation		
- Increase of 0.10%	88	75
- Decrease of 0.10%	(95)	(81)
UK schemes		
Discount rate		
- Increase of 0.25%	(75)	(68)
- Decrease of 0.25%	80	73
RPI inflation		
- Increase of 0.10%	21	20
- Decrease of 0.10%	(20)	(19)

27 Retirement benefit obligations (continued)

The table below sets out the estimated sensitivity of plan assets to changes in equity markets and interest rates.

Impact on plan assets	**Impact on plan assets Increase / (decrease) 30 June 2016 €m**	Impact on plan assets Increase / (decrease) 31 December 2015 €m
All schemes		
Sensitivity of plan assets to a fall in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	122	128
- Decrease of 5.00%	(122)	(128)
Sensitivity of liability-matching assets to a 10bps movement in interest rates		
- Increase of 0.10%	(55)	(46)
- Decrease of 0.10%	56	47

Remeasurements of the net defined benefit pension liability, recognised in other comprehensive income, are as follows:

	6 months ended 30 June 2016 €m	6 months ended 30 June 2015 €m	Year ended 31 December 2015 €m
Present value of obligation	(650)	(23)	45
Fair value of plan assets	211	224	52
Total	**(439)**	**201**	**97**

Pensions 2013 Review

The Pensions Review programmes of 2010 and 2013 resulted in significant restructurings of scheme benefits which were accepted by staff and unions through individual member consent. In return for the deficit reductions achieved through these programmes, the Group has agreed to increase its support for the Bank of Ireland Staff Pensions Fund (BSPF) between 2016 and 2020, above existing arrangements, so as to broadly match the IAS 19 deficit reduction. Similar arrangements are also in place for other smaller Group sponsored pension schemes. Future deficit reducing contributions arising from the Pensions 2013 Review in the form of cash and other suitable assets are estimated to be €400 million. These assets will be transferred between 2016 and 2020. The amount transferred in the six months ended 30 June 2016 was c.€6.1 million.

28 Redemption of 2009 Preference Stock

On 23 November 2015, following the receipt of ECB approval, the Group announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to the holders of the stock. As a result, at 31 December 2015, a financial liability was recognised within the Group's Other liabilities at a fair value of €1,297 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. At the same time a liability was also recognised within Other liabilities in respect of the obligation to make a final dividend payment of €116 million on the redemption date of 4 January 2016. This was deducted from retained earnings in the year ended 31 December 2015.

On 4 January 2016, the Group completed the redemption of the 2009 Preference Stock and the liability recognised at 31 December 2015 in Other liabilities was settled in full.

28 Redemption of 2009 Preference Stock (continued)

The following table shows the impact for the six months ended 30 June 2016 of the redemption of the 2009 Preference Stock on Stockholders' equity:

	€m
Reduction in retained earnings	(727)
Reduction in stock premium	(564)
Reduction in capital stock	(13)
Other reserves:	
- Increase in capital reserve	7
- Elimination of reserve for 2009 Preference Stock to be redeemed	1,297
Impact on Stockholders' equity in period to 30 June 2016	**-**

29 Contingent liabilities and commitments

	30 June 2016 €m	31 December 2015 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	607	620
Other contingent liabilities	345	401
Acceptances and endorsements	9	10
	961	**1,031**
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	11,530	12,027
- irrevocable with original maturity of over 1 year	3,149	3,102
Documentary credits and short term trade related transactions	102	77
	14,781	**15,206**

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

At 30 June 2016, the Group continues to monitor an industry-wide issue with respect to technical compliance with the UK Consumer Credit Act and is engaged in an industry-wide mortgage review with respect to compliance with certain contractual and regulatory requirements in Ireland. In accordance with IAS 37.92, the Group has not provided further information on these issues.

Other contingent liabilities primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customers' credit worthiness. The Group is also party to legal, regulatory and other actions arising out of its normal business operations.

30 Liquidity risk and profile

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in Bank of Ireland Life) at 30 June 2016 and 31 December 2015 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,460 million and €10,636 million respectively (31 December 2015: €5,729 million and €10,403 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the table below.

The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 30 June 2016 **Contractual maturity**	**Demand** **€m**	**Up to 3 months** **€m**	**3-12 months** **€m**	**1-5 years** **€m**	**Over 5 years** **€m**	**Total** **€m**
Customer accounts	51,460	12,647	8,621	4,625	453	77,806
Commitments	11,561	24	756	2,440	-	14,781
Debt securities in issue	-	132	1,974	4,731	3,975	10,812
Subordinated liabilities	-	1,100	89	950	1,331	3,470
Deposits from banks	68	1,608	183	-	-	1,859
Monetary Authority secured funding	-	5	6	1,500	-	1,511
Contingent liabilities	548	-	4	-	409	961
Total	**63,637**	**15,516**	**11,633**	**14,246**	**6,168**	**111,200**

As at 31 December 2015 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Customer accounts	51,337	15,343	9,446	4,178	388	80,692
Commitments	11,513	103	883	2,707	-	15,206
Debt securities in issue	-	250	698	6,575	5,294	12,817
Subordinated liabilities	-	18	1,171	1,470	943	3,602
Deposits from banks	76	856	-	-	-	932
Monetary Authority secured funding	-	7	1,513	-	-	1,520
Contingent liabilities	604	-	-	-	427	1,031
Total	63,530	16,577	13,711	14,930	7,052	115,800

31 Fair values of assets and liabilities

Fair value of financial assets and financial liabilities
The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts.

A description of the methods, assumptions and processes used to calculate fair values of these assets and liabilities is set out on pages 279 to 281 of the Group's Annual Report for the year ended 31 December 2015. At 30 June 2016, there has been no significant change to those methods, assumptions or processes.

Sensitivity of level 3 valuations

(a) Derivative financial instruments
Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives would be to increase their fair value by up to €8 million or decrease their fair value by up to €8 million, with a corresponding impact on the income statement. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

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

(b) Available for sale (AFS) financial assets
A small number of assets have been valued using vendor prices, which are not considered to represent observable market data (level 3 inputs).

(c) Interest in associates
Investments in associates which are venture capital investments are accounted for at fair value through profit or loss and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as discounted cash flow analysis and comparison with the earnings multiples of listed comparative companies amongst others. Using reasonably possible alternative assumptions would not have a material impact on the value of the assets. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs.

31 Fair values of assets and liabilities (continued)

(d) Customer accounts and deposits by banks

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

(e) Debt securities in issue

The significant unobservable input is the Group's credit spread, the estimation of which is judgemental. A 1% increase / (decrease) in the estimated credit spread at 30 June 2016 would result in a decrease of €51 million / (increase of €51 million) respectively in the fair value of the liabilities, with a corresponding impact on the income statement.

Fair value on offsetting positions

Where the Group manages certain financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group applies the exception allowed under paragraph 48 of IFRS 13. That exception permits the Group to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

The following table sets out the fair value hierarchy for financial assets and liabilities held at fair value.

	30 June 2016				31 December 2015			
	Level 1 €m	**Level 2 €m**	**Level 3 €m**	**Total €m**	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	127	-	-	127	3	-	-	3
Derivative financial instruments	2	4,317	117	4,436	1	2,899	164	3,064
Other financial assets at FVTPL	11,675	669	45	12,389	11,692	571	17	12,280
AFS financial assets	9,827	323	58	10,208	9,518	409	201	10,128
Interest in associates	-	-	53	53	-	-	56	56
	21,631	**5,309**	**273**	**27,213**	**21,214**	**3,879**	**438**	**25,531**
Financial liabilities held at fair value								
Customer accounts	-	1,843	34	1,877	-	1,903	-	1,903
Derivative financial instruments	2	3,621	3	3,626	1	3,614	4	3,619
Liabilities to customers under investment contracts	-	5,460	-	5,460	-	5,729	-	5,729
Insurance contract liabilities	-	10,636	-	10,636	-	10,403	-	10,403
Short positions included in other liabilities	43	-	-	43	-	-	-	-
Debt securities in issue	-	-	672	672	-	-	685	685
	45	**21,560**	**709**	**22,314**	**1**	**21,649**	**689**	**22,339**

Financial assets held at fair value include derivative financial instruments with a positive fair value of €4.4 billion compared to a positive fair value of €3.1 billion at 31 December 2015. Financial liabilities held at fair value at 30 June 2016 include derivative financial instruments with a negative fair value of €3.6 billion compared to a negative fair value of €3.6 billion at 31 December 2015. The movement in the fair value of derivative assets and derivative liabilities is due to the impact of the movements in foreign exchange rates (particularly the euro / sterling exchange rate) and in interest rates.

31 Fair values of assets and liabilities (continued)

	30 June 2016					31 December 2015				
Movements in level 3 assets	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Available for sale financial assets €m**	**Interest in associates €m**	**Total €m**	Other financial assets at FVTPL €m	Derivative financial instruments €m	Available for sale financial assets €m	Interest in associates €m	Total €m
Opening balance	17	164	201	56	438	17	208	279	56	560
Exchange Adjustment	-	(16)	(1)	-	(17)	-	8	-	-	8
Total gains or losses in:										
Profit or loss;										
- Net trading income / (expense)	(1)	71	-	-	70	-	(39)	-	-	(39)
- Interest income	-	-	-	-	-	-	-	14	-	14
- Impairment charge	-	-	(2)	-	(2)	-	-	-	-	-
- Share of results of associates	-	-	-	(2)	(2)	-	-	-	8	8
- Other operating income	-	-	11	-	11	-	-	34	-	34
Other comprehensive income	-	-	7	-	7	-	-	110	-	110
Additions	29	-	-	6	35	-	-	76	5	81
Disposals	-	(7)	(180)	(7)	(194)	-	(27)	(34)	(13)	(74)
Redemptions	-	-	(4)	-	(4)	-	-	(9)	-	(9)
Transfers out of level 3										
- from level 3 to level 2	-	(104)	-	-	(104)	-	(36)	(269)	-	(305)
Transfers into level 3										
- from level 2 to level 3	-	9	26	-	35	-	50	-	-	50
Closing balance	**45**	**117**	**58**	**53**	**273**	**17**	**164**	**201**	**56**	**438**
Total gains and losses for the period included in profit or loss for assets held in level 3 at the end of the reporting period										
Net trading income / (expense)	(1)	30	-	-	29	-	(57)	-	-	(57)
Other operating income	-	-	-	-	-	-	-	5	-	5
Impairment charge	-	-	(2)	-	(2)	-	-	-	-	-
Share of results of associates	-	-	-	(2)	(2)	-	-	-	8	8

31 Fair values of assets and liabilities (continued)

The transfers from level 3 to level 2 arose as a result of the availability of observable inputs at 30 June 2016 which were unavailable at 31 December 2015.

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

A transfer of €7 million from level 2 to level 1 was a result of the availability of a level 1 pricing source at the balance sheet date for these assets.

	30 June 2016					31 December 2015				
Movements in level 3 liabilities	**Customer accounts €m**	**Derivative financial instruments €m**	**Debt securities in issue €m**	**Subordinated liabilities €m**	**Total €m**	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening balance	-	4	685	-	689	2	11	631	69	713
Exchange adjustments	-	(1)	-	-	(1)	-	-	-	7	7
Total gains or losses in:										
Profit or loss										
- Net trading income / (expense)	(4)	24	30	-	50	-	6	(6)	1	1
Additions	38	-	-	-	38	-	-	165	-	165
Disposals	-	-	43	-	43	-	-	-	-	-
Redemptions and maturities	-	-	(86)	-	(86)	-	(10)	(105)	(77)	(192)
Transfers out of level 3										
- from level 3 to level 2	-	(24)	-	-	(24)	(2)	(3)	-	-	(5)
Closing balance	**34**	**3**	**672**	**-**	**709**	**-**	**4**	**685**	**-**	**689**
Total gains / (losses) for the period included in profit or loss for liabilities held in level 3 at the end of the reporting period										
Net trading income / (expense)	4	(3)	(10)	-	(9)	-	(2)	(17)	-	(19)

The transfers from level 3 to level 2 arose due to the observable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2.

31 Fair values of assets and liabilities (continued)

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

Level 3 assets	Valuation technique	Unobservable input	Fair value 30 June 2016 €m	Fair value 31 December 2015 €m	Range 30 June 2016 %	Range 31 December 2015 %
Derivative financial assets	Discounted cash flow	Credit spread[1]	117	164	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			0% - 4%	0% - 4%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[2]	45	17	Third party pricing	Third party pricing
	Equity value less discount	Discount			0% - 50%	-
AFS financial assets	Discounted cash flow	Discount rate[2]	58	201	Third party pricing	Third party pricing
	Vendor valuations	EBITDA multiple[3]			Third party pricing	Third party pricing
		Liquidity factor			Third party pricing	Third party pricing
Interest in associates	Market comparable companies	Price of recent investment	53	56	Third party pricing	Third party pricing
		Earnings multiple[3]			Third party pricing	Third party pricing
		Revenue multiple[3]			Third party pricing	Third party pricing

Level 3 liabilities	Valuation technique	Unobservable input	Fair value 30 June 2016 €m	Fair value 31 December 2015 €m	Range 30 June 2016 %	Range 31 December 2015 %
Customer accounts	Discounted cash flow	Credit spread[1]	34	-	0% - 4%	-
	Option pricing model					
Derivative financial liabilities	Discounted cash flow	Credit spread[1]	3	4	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			Third party pricing	Third party pricing
Debt securities in issue	Discounted cash flow	Credit spread[1]	672	685	0% - 4%	0% - 4%

[1] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[2] *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
[3] *These represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

31 Fair values of assets and liabilities (continued)

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost, are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included as permitted by IFRS 7.

	30 June 2016		31 December 2015	
Non-trading financial instruments	**Carrying amount €m**	**Fair values €m**	Carrying amount €m	Fair values €m
Assets				
Loans and advances to customers (including assets classified as held for sale)	80,215	75,267	84,709	79,279
NAMA senior bonds	801	806	1,414	1,422
Held to maturity financial assets	1,897	1,950	1,922	1,887
Loans and advances to banks	3,784	3,784	4,578	4,578
Liabilities				
Deposits from banks	3,372	3,372	952	952
Customer accounts	75,631	75,721	78,261	78,316
Debt securities in issue	9,474	9,383	12,558	12,524
2009 Preference Stock and dividend	-	-	1,416	1,416
Subordinated liabilities	2,443	2,478	2,440	2,654

32 Summary of relations with the State

The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

Further details of the Group's relations with the State are set out in note 50 of the Group's Annual Report for the year ended 31 December 2015.

(a) Ordinary stock

At 30 June 2016, the State held through the Ireland Strategic Investment Fund (ISIF) 13.95% (31 December 2015: 13.95%) of the ordinary stock of the Bank.

(b) Guarantee schemes

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme)

The ELG Scheme ended for all new liabilities on 28 March 2013. After this date no new liabilities were guaranteed under the scheme. All qualifying deposits made up to the date of expiry from the ELG Scheme continued to be covered until the date of maturity of the deposit or liability.

A fee is payable in respect of each liability guaranteed under the ELG Scheme. This fee amounted to €18 million for the six months ended 30 June 2016 (six months ended 30 June 2015: €5 million, year ended 31 December 2015: €10 million). See note 3 for further information.

At 30 June 2016, €0.7 billion of eligible liabilities continue to be covered under the ELG Scheme all of which relate to customer deposits (31 December 2015: €0.7 billion).

32 Summary of relations with the State (continued)

(c) Bonds issued by the State

At 30 June 2016, the Group held sovereign bonds issued by the State with a carrying value of €4,229 million (31 December 2015: €5,152 million).

	30 June 2016 €m	31 December 2015 €m
Available for sale financial assets	1,930	2,750
Held to maturity financial assets	1.897	1,922
Other financial assets at fair value through the profit and loss	402	480
Total	**4,229**	**5,152**

(d) National Asset Management Agency (NAMA)

At 30 June 2016, the Group held bonds issued by NAMA with a carrying value of €1,065 million (31 December 2015: €1,683 million).

	30 June 2016 €m	31 December 2015 €m
NAMA senior bonds (guaranteed by the State) (note 17)	801	1,414
NAMA subordinated bonds (note 16)	264	269
Total	**1,065**	**1,683**

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

On 30 March 2010, the Group, through its wholly-owned subsidiary New Ireland Assurance Company plc, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. Further details are set out in note 50 of the Group's Annual Report for the year ended 31 December 2015.

A discretionary non-cumulative dividend on the capital invested may be paid on an annual basis and this is limited to the yield on ten year State bonds. A dividend of €0.1 million was received by the Group on 31 March 2016 (31 March 2015: €0.1 million).

32 Summary of relations with the State (continued)

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

In addition to the matters set out above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks.

At 30 June 2016, the Group had transactions, as set out below, with entities which are classified under IAS 24 to be related parties of the Group, as follows:

At 30 June 2016, the Group held senior bonds with a carrying value of €340 million issued by Allied Irish Bank (AIB) plc (31 December 2015: €328 million).

At 30 June 2016, the Group also had loans of €19 million to AIB (31 December 2015: €33 million) and €298 million to Permanent TSB Group Holdings plc (31 December 2015: €150 million) which were included within loans and advances to banks.

At 30 June 2016, the Group held deposits from the National Treasury Management Agency (NTMA) of €0.3 billion (31 December 2015: €0.4 billion).

At 30 June 2016, the Group had also a number of deposits from the State, its agencies and entities under its control or joint control which are considered to be collectively significant, totaling c.€0.3 billion (31 December 2015: c.€1.2 billion).

In addition, at 30 June 2016, the Group held accounts from IBRC (in Special Liquidation) and its associates of €642 million (31 December 2015: €434 million) which were included in Customer accounts.

(g) Irish bank levy

The Finance Bill (No. 2) 2013 which was enacted on 18 December 2013, introduced a bank levy on certain financial institutions, including the Group. The levy will equal 35% of each financial institution's Deposit Interest Retention Tax (DIRT) payments for 2011 and will be charged for three years, from 2014 to 2016 inclusive. The annual levy paid by the Group on 20 October 2015 was €38 million and similar costs are expected in October 2016. The budget announcement in October 2015 indicated that the bank levy, which was due to expire in 2016, will now be extended to 2021. The method used to calculate the levy will be subject to review but there is currently no detail on how this method may change.

33 Post balance sheet events

There have been no material post balance sheet events that would require disclosure or adjustment to this Interim Report.

34 Approval of Interim Report

The Court of Directors approved the Interim Report on 28 July 2016.

Other information

Other information

1 Supplementary asset quality and forbearance disclosures

1 Supplementary asset quality and forbearance disclosures

The tables below (except for table 3b on pages 125 and 137 and 3b-(i) on page 126) in Other information - Supplementary Asset Quality and forbearance disclosures on pages 121 to 149 form an integral part of the interim financial statements as described in the Basis of preparation on page 82. All other information in Other information - Supplementary Asset Quality and forbearance disclosures is additional information and does not form part of the interim financial statements.

Retail Ireland mortgages

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

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

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

At 30 June 2016, lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- loan to income (LTI) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

TABLE: 1

Retail Ireland mortgages - Volumes (before impairment provisions) by product type	**30 June 2016 €m**	31 December 2015 €m
Owner occupied mortgages	19,794	19,951
Buy to let mortgages	4,782	5,040
Total Retail Ireland mortgages	**24,576**	**24,991**

Retail Ireland mortgages - Volumes (before impairment provisions) by interest rate type	**30 June 2016**		31 December 2015	
	€m	**%**	€m	%
Tracker	12,323	50%	12,949	52%
Variable rates	7,660	31%	8,129	32%
Fixed rates	4,593	19%	3,913	16%
Total Retail Ireland mortgages	**24,576**	**100%**	**24,991**	**100%**

Book composition (continued)

Loan volumes (continued)

Retail Ireland mortgages were €24.6 billion at 30 June 2016 compared to €25.0 billion at 31 December 2015, a decrease of €0.4 billion or 1.6%, which includes a €0.6 billion decrease in the tracker portfolio and a €0.2 billion increase in the combined variable and fixed portfolios. This increase in combined variable and fixed portfolios primarily reflects the strong take up of fixed interest rate mortgages by both existing and new customers. The movement in the book size reflects a combination of factors including new mortgage lending, principal repayments, resolution activity and the acquisition of a mortgage portfolio of €0.1 billion in the period (31 December 2015: €0.3 billion).

The proportion of the Retail Ireland mortgage portfolio on a 'full principal and interest'[1] repayment basis at 30 June 2016 was 92% (31 December 2015: 91%) with the balance of 8% on an 'interest only'[2] repayment basis (31 December 2015: 9%). Of the Owner occupied mortgages of €20 billion, 96% were on a 'full principal and interest' repayment basis (31 December 2015: 95%), while 77% of the Buy to let mortgages of €5 billion were on a 'full principal and interest' repayment basis (31 December 2015: 76%). It is the Group's policy to revert all loans to a 'full principal and interest' basis on expiry of the 'interest only' period.

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

Origination profile

TABLE: 2

30 June 2016 Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)	Total Retail Ireland mortgage loan book		Non-performing loans	
	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	354	13,025	39	867
2001	284	5,324	23	323
2002	525	7,861	58	503
2003	947	11,280	114	872
2004	1,648	15,514	213	1,309
2005	2,734	20,515	391	1,933
2006	4,141	25,972	683	2,831
2007	3,592	21,455	630	2,456
2008	2,488	15,655	332	1,357
2009	1,327	9,719	92	526
2010	964	6,695	22	132
2011	839	5,936	10	66
2012	739	5,283	3	23
2013	700	4,716	2	13
2014	1,103	6,618	1	8
2015	1,542	11,903	5	92
2016	649	4,296	1	5
Total	**24,576**	**191,767**	**2,619**	**13,316**

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition (continued)

Origination profile (continued)

31 December 2015 Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)	Total Retail Ireland mortgage loan book		Non-performing loans	
	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	396	13,930	46	1,039
2001	304	5,700	29	391
2002	563	8,161	68	617
2003	1,006	11,623	139	1,050
2004	1,747	15,965	255	1,554
2005	2,868	21,004	426	2,160
2006	4,314	26,551	802	3,315
2007	3,753	21,848	750	2,885
2008	2,590	15,928	389	1,594
2009	1,385	9,962	100	593
2010	1,004	6,878	22	141
2011	874	6,076	10	56
2012	771	5,391	3	25
2013	730	4,805	2	11
2014	1,134	6,704	2	8
2015	1,552	12,148	6	101
Total	24,991	192,674	3,049	15,540

[1] The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.
[2] The number of accounts does not equate to either the number of customers or the number of properties.

The tables above illustrate that at 30 June 2016, €6.5 billion or 26% of the Retail Ireland mortgage loan book originated before 2006, €10.2 billion or 42% between 2006 and 2008 and €7.9 billion or 32% in the years since 2008. The lending originated in 2016 includes the acquisition of €74 million of a well-seasoned mortgage portfolio, of which there are a small number of non-performing but not impaired mortgages.

Non-performing loans comprise of defaulted loans together with probationary mortgages as described on pages 60 and 61 in the asset quality and impairment section.

At 30 June 2016, total non-performing loans were €2.6 billion (31 December 2015: €3.0 billion) or 11% of the Retail Ireland mortgage loan book, of which €1.6 billion originated between 2006 and 2008. There has been a significant decrease in total non-performing loans in the six month period ending 30 June 2016 reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity supported by improving economic conditions.

At 30 June 2016, impairment provisions were €1.1 billion equating to 40% of non-performing balances on the Retail Ireland mortgage book.

Book composition (continued)

Risk profile

TABLE: 3a

30 June 2016 **Risk profile of Retail Ireland mortgage loan book (before impairment provisions)**	**Owner occupied**		**Buy to let**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Neither past due nor impaired	18,393	93%	3,759	78%	22,152	90%
1-90 days past due but not impaired	321	2%	124	3%	445	2%
Past due greater than 90 days but not impaired	193	1%	92	2%	285	1%
Impaired	887	4%	807	17%	1,694	7%
Total	**19,794**	**100%**	**4,782**	**100%**	**24,576**	**100%**
Non-performing loans						
Probationary mortgages	345	24%	295	25%	640	24%
- Self-cure	*92*	*6%*	*47*	*4%*	*139*	*5%*
- Forborne	*253*	*18%*	*248*	*21%*	*501*	*19%*
Defaulted loans	1,080	76%	899	75%	1,979	76%
- Past due greater than 90 days but not impaired	*193*	*14%*	*92*	*8%*	*285*	*11%*
- Impaired	887	62%	807	67%	1,694	65%
Total	**1,425**	**100%**	**1,194**	**100%**	**2,619**	**100%**

31 December 2015 Risk profile of Retail Ireland mortgage loan book (before impairment provisions)	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Neither past due nor impaired	18,352	92%	3,812	76%	22,164	89%
1-90 days past due but not impaired	362	2%	143	3%	505	2%
Past due greater than 90 days but not impaired	236	1%	124	2%	360	1%
Impaired	1,001	5%	961	19%	1,962	8%
Total	19,951	100%	5,040	100%	24,991	100%
Non-performing loans						
Probationary mortgages	418	25%	309	22%	727	24%
- Self-cure	*111*	*7%*	*60*	*4%*	*171*	*6%*
- Forborne	*307*	*18%*	*249*	*18%*	*556*	*18%*
Defaulted loans	1,237	75%	1,085	78%	2,322	76%
- Past due greater than 90 days but not impaired	*236*	*14%*	*124*	*9%*	*360*	*12%*
- Impaired	*1,001*	*61%*	*961*	*69%*	*1,962*	*64%*
Total	1,655	100%	1,394	100%	3,049	100%

The tables above illustrate that €22.2 billion or 90% of the total Retail Ireland mortgage loan book at 30 June 2016 was classified as 'neither past due nor impaired' compared to €22.2 billion or 89% at 31 December 2015.

The '1-90 days past due but not impaired' category amounted to €0.4 billion or 2% of the total Retail Ireland mortgage loan book at 30 June 2016 compared to €0.5 billion or 2% at 31 December 2015.

The 'past due greater than 90 days but not impaired' category amounted to €0.3 billion or 1% of the total Retail Ireland mortgage loan book at 30 June 2016 compared to €0.4 billion or 1% at 31 December 2015.

The 'impaired' category amounted to €1.7 billion or 7% of the total Retail Ireland mortgage loan book at 30 June 2016 compared to €2.0 billion or 8% at 31 December 2015.

Book composition (continued)

Risk profile (continued)

Total non-performing mortgages reduced significantly by €0.4 billion or 14% to €2.6 billion at 30 June 2016. Within this, probationary mortgages reduced by €0.1 billion or 12% to €0.6 billion at 30 June 2016 (31 December 2015: €0.7 billion) and defaulted loans reduced by €0.3 billion or 15% to €2 billion at 30 June 2016 (31 December 2015: €2.3 billion), reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity supported by improving economic conditions.

There has been a reduction in Owner occupied non-performing loans for the six months ended 30 June 2016, decreasing to €1.4 billion at 30 June 2016 from €1.6 billion at 31 December 2015. This reduction further reflects the ongoing progress the Group is making in effecting its mortgage arrears resolution strategies. This progress is further evident in the reduction of non-performing Buy to let mortgages, decreasing to €1.2 billion at 30 June 2016 from €1.4 billion at 31 December 2015. This reduction reflects the significant progress made by the Group in the ongoing restructure of customer mortgages on a sustainable basis and resolution activity, supported by improved rental market conditions, particularly evident in primary urban areas.

The Retail Ireland Buy to let mortgage loan portfolio reduced by €0.3 billion or 5% for the six months ended 30 June 2016 and the percentage of the Buy to let portfolio on a 'full principal and interest' repayment basis increased from 76% at 31 December 2015 to 77% at 30 June 2016.

Arrears profile

TABLE: 3b *(not an integral part of Interim Financial Statements)*

Mortgage arrears - Greater than 90 days past due (number of accounts)	**30 June 2016 %**	31 December 2015 %	30 June 2015 %
Retail Ireland Owner occupied mortgages	3.3%	3.8%	4.8%
Industry[1] Owner occupied (number of accounts)	n/a	9.5%	10.6%
Retail Ireland Buy to let mortgages	8.0%	9.5%	12.1%
Industry[1] Buy to let (number of accounts)	n/a	19.1%	21.1%

Mortgage arrears - Greater than 90 days past due (value)	**30 June 2016 %**	31 December 2015 %	30 June 2015 %
Retail Ireland Owner occupied mortgages	4.6%	5.4%	6.7%
Industry[1] Owner occupied (value)	n/a	13.8%	15.0%
Retail Ireland Buy to let mortgages	15.5%	17.4%	20.7%
Industry[1] Buy to let (value)	n/a	26.4%	28.7%

The latest information published by the Central Bank of Ireland is for the quarter ended 31 March 2016. This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in default arrears (greater than 90 days past due) consistently remains significantly below the industry average for both Owner occupied (38% of industry average) and Buy to let (47% of industry average) mortgages. At 31 March 2016, 3.52% and 8.78% of Bank of Ireland's Retail Ireland Owner occupied and Buy to let mortgages respectively (by number of accounts) were greater than '90 days past due' compared to 9.28%[1] and 18.74%[1] respectively for the industry.

[1] *Industry source: CBI Mortgage Arrears Statistics Report - adjusted to exclude Bank of Ireland.*

Book composition (continued)

Arrears profile (continued)

TABLE: 3b-(i) *(not an integral part of Interim Financial Statements)*

Mortgage arrears - 720 days past due (number of accounts)	30 June 2016 %	31 December 2015 %	30 June 2015 %
Retail Ireland Owner occupied mortgages	1.8%	2.0%	2.3%
Industry[1] Owner occupied (Number of accounts)	n/a	5.7%	5.8%
Retail Ireland Buy to let mortgages	4.4%	5.0%	5.5%
Industry[1] Buy to let (Number of accounts)	n/a	12.7%	12.8%

Mortgage arrears - 720 days past due (value)	30 June 2016 %	31 December 2015 %	30 June 2015 %
Retail Ireland Owner occupied mortgages	2.9%	3.1%	3.5%
Industry[1] Owner occupied (value)	n/a	9.1%	9.1%
Retail Ireland Buy to let mortgages	8.3%	8.9%	9.2%
Industry[1] Buy to let (value)	n/a	19.0%	19.2%

The latest information published by the Central Bank of Ireland is for the quarter ended 31 March 2016. This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears greater than 720 days past due consistently remains significantly below the industry average for both Owner occupied (34% of industry average) and Buy to let (37% of industry average) mortgages. At 31 March 2016, 1.89% and 4.73% of Bank of Ireland's Retail Ireland Owner occupied and Buy to let mortgages respectively (by number of accounts) were greater than 720 days past due compared to 5.62%[1] and 12.74%[1] respectively for the industry.

[1] *Industry source: CBI Mortgage Arrears Statistics Report - adjusted to exclude Bank of Ireland.*

Loan to value profiles - total loans

TABLE: 3c

30 June 2016

Loan to value (LTV) ratio of total Retail Ireland mortgages	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	4,581	23%	759	16%	5,340	22%
51% to 70%	4,876	24%	753	16%	5,629	22%
71% to 80%	2,977	15%	444	9%	3,421	14%
81% to 90%	2,551	13%	774	16%	3,325	14%
91% to 100%	1,538	8%	584	12%	2,122	9%
Subtotal	**16,523**	**83%**	**3,314**	**69%**	**19,837**	**81%**
101% to 120%	2,359	12%	867	18%	3,226	13%
121% to 150%	803	4%	382	8%	1,185	5%
Greater than 150%	109	1%	219	5%	328	1%
Subtotal	**3,271**	**17%**	**1,468**	**31%**	**4,739**	**19%**
Total	**19,794**	**100%**	**4,782**	**100%**	**24,576**	**100%**
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at year end		71%		87%		74%
New Retail Ireland mortgages during the year		72%		56%		71%

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

Book composition (continued)

Loan to value profiles - total loans (continued)

31 December 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	4,524	23%	741	14%	5,265	21%
51% to 70%	4,779	24%	749	15%	5,528	22%
71% to 80%	2,914	15%	444	9%	3,358	14%
81% to 90%	2,547	13%	796	16%	3,343	13%
91% to 100%	1,588	8%	604	12%	2,192	9%
Subtotal	16,352	83%	3,334	66%	19,686	79%
101% to 120%	2,514	12%	1,029	20%	3,543	14%
121% to 150%	984	5%	450	9%	1,434	6%
Greater than 150%	101	-	227	5%	328	1%
Subtotal	3,599	17%	1,706	34%	5,305	21%
Total	19,951	100%	5,040	100%	24,991	100%
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at year end		72%		89%		76%
New Retail Ireland mortgages during the year		66%		64%		66%

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

The tables on the previous page set out the weighted average indexed LTV for the total Retail Ireland mortgage loan book which showed positive movements during the six months ended 30 June 2016 and was, on average, 74% at 30 June 2016, 71% for Owner occupied mortgages and 87% for Buy to let mortgages. The weighted average indexed LTV for new Residential mortgages written during the first six months of 2016 was 71%, being 72% for Owner occupied mortgages and 56% for Buy to let mortgages. These LTVs include the impact of a loan book acquisition. Excluding this acquisition, the weighted average LTV of new Retail Ireland mortgages during the first six months of 2016 was 73% for Owner occupied (year ended 31 December 2015: 71%), 51% for Buy to let (year ended 31 December 2015: 49%) and 72% at a total level (year ended 31 December 2015: 70%).

Point in time property values are determined by reference to the original or latest property valuations held, indexed to the Residential Property Price Index published by the Central Statistics Office (CSO). The indexed LTV profile of the Retail Ireland mortgage loan book contained in table 3c is based on the CSO Residential Property Price Index, at the applicable reporting date.

The CSO index for May 2016 reported that average national residential property prices were 33% below peak (31 December 2015: 34% below peak), with Dublin residential prices and outside of Dublin residential prices 35% and 36% below peak respectively (31 December 2015: 36% and 35% below peak respectively). For the five months ended 31 May 2016, residential property prices at a national level, increased by 0.4%.

At 30 June 2016, €19.8 billion or 81% of Retail Ireland mortgages were classified as being in positive equity, 83% for Owner occupied mortgages and 69% for Buy to let mortgages.

At 30 June 2016, the total calculated negative equity in the Retail Ireland mortgage loan book was €0.7 billion (31 December 2015: €0.8 billion). The majority of Retail Ireland mortgage borrowers in negative equity continue to meet their mortgage repayments with €0.4 billion negative equity related to loans that were ‘neither past due nor impaired’ at 30 June 2016.

Book composition (continued)

Loan to value profiles - Non-performing loans

TABLE: 3d

30 June 2016

Loan to value (LTV) ratio of total Retail Ireland mortgages - Non-performing loans	**Owner occupied**		**Buy to let**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Less than 50%	150	11%	46	4%	196	8%
51% to 70%	194	13%	86	7%	280	10%
71% to 80%	128	9%	76	6%	204	8%
81% to 90%	148	10%	186	16%	334	12%
91% to 100%	151	11%	124	10%	275	11%
Subtotal	**771**	**54%**	**518**	**43%**	**1,289**	**49%**
101% to 120%	320	23%	326	28%	646	25%
121% to 150%	263	18%	213	18%	476	18%
Greater than 150%	71	5%	137	11%	208	8%
Subtotal	**654**	**46%**	**676**	**57%**	**1,330**	**51%**
Total	**1,425**	**100%**	**1,194**	**100%**	**2,619**	**100%**

31 December 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages - Non-performing loans	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Less than 50%	183	11%	53	4%	236	8%
51% to 70%	220	13%	101	7%	321	11%
71% to 80%	145	9%	76	6%	221	7%
81% to 90%	166	10%	212	15%	378	12%
91% to 100%	175	11%	142	10%	317	10%
Subtotal	889	54%	584	42%	1,473	48%
101% to 120%	370	22%	414	30%	784	26%
121% to 150%	319	19%	253	18%	572	19%
Greater than 150%	77	5%	143	10%	220	7%
Subtotal	766	46%	810	58%	1,576	52%
Total	1,655	100%	1,394	100%	3,049	100%

The tables above illustrate the indexed loan to value ratios at the applicable reporting dates for non-performing Retail Ireland mortgages. The ratios reflect the application of the CSO index at the applicable reporting date to the portfolio.

Of the non-performing Retail Ireland mortgages, €1.3 billion or 49% were classified as being in positive equity (31 December 2015: €1.5 billion or 48%) while €1.3 billion or 51% were classified as being in negative equity at 30 June 2016 (31 December 2015: €1.6 billion or 52%).

For the non-performing category, 54% of the Owner occupied Retail Ireland mortgages (31 December 2015: 54%) and 43% of the Buy to let Retail Ireland mortgages (31 December 2015: 42%) were classified as being in positive equity at 30 June 2016.

Asset quality

Composition and impairment

TABLE: 4a

30 June 2016 **Retail Ireland mortgages**	**Loan volumes €m**	**Non-performing loans €m**	**Non-performing loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of non-performing loans %**
Total Retail Ireland mortgages					
Owner occupied mortgages	19,794	1,425	7.2%	475	33%
Buy to let mortgages	4,782	1,194	25.0%	581	49%
Total	**24,576**	**2,619**	**10.7%**	**1,056**	**40%**

31 December 2015 Retail Ireland mortgages	Loan volumes €m	Non-performing loans €m	Non-performing loans as % of advances %	Impairment provisions €m	Impairment provisions as % of non-performing loans %
Total Retail Ireland mortgages					
Owner occupied mortgages	19,951	1,655	8.3%	535	32%
Buy to let mortgages	5,040	1,394	27.7%	664	48%
Total	24,991	3,049	12.2%	1,199	39%

Non-performing Retail Ireland mortgages at 30 June 2016 were €2.6 billion or 10.7% of advances compared to €3.0 billion or 12.2% of advances at 31 December 2015.

Total non-performing mortgages reduced significantly by €0.4 billion or 12% to €2.6 billion at 30 June 2016 reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis, mortgage resolution activity and improving economic conditions.

There has been a reduction in Owner occupied non-performing loans for the six months ended 30 June 2016, decreasing to €1.4 billion at 30 June 2016 from €1.6 billion at 31 December 2015. This reduction further reflects the ongoing progress the Group is making in effecting its mortgage arrears resolution strategies.

This progress is further evident in the reduction of non-performing Buy to let mortgages, decreasing to €1.2 billion at 30 June 2016 from €1.4 billion at 31 December 2015. This reduction reflects the significant progress made by the Group in the ongoing restructure of customer mortgages on a sustainable basis and resolution activity supported by improved rental market conditions, particularly evident in primary urban areas.

Asset quality (continued)

Composition and impairment (continued)

The tables below summarise the composition, defaulted loans and total impairment provisions of the Retail Ireland mortgage portfolio.

TABLE: 4b

30 June 2016 **Retail Ireland mortgages**	**Loan volumes €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Total Retail Ireland mortgages					
Owner occupied mortgages	19,794	1,080	5.5%	475	44%
Buy to let mortgages	4,782	899	18.8%	581	65%
Total	**24,576**	**1,979**	**8.1%**	**1,056**	**53%**

31 December 2015 Retail Ireland mortgages	Loan volumes €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Total Retail Ireland mortgages					
Owner occupied mortgages	19,951	1,237	6.2%	535	43%
Buy to let mortgages	5,040	1,085	21.5%	664	61%
Total	24,991	2,322	9.3%	1,199	52%

Properties in possession

At 30 June 2016, the Group had possession of properties held as security as follows:

TABLE: 5a

	30 June 2016		31 December 2015	
Properties in possession Retail Ireland mortgages	**Number of properties in possession at balance sheet date**	**Balance[1] outstanding before impairment provisions €m**	Number of properties in possession at balance sheet date	Balance[1] outstanding before impairment provisions €m
Owner occupied	108	30	120	32
Buy to let	46	13	47	14
Total residential properties in possession	**154**	**43**	**167**	**46**

[1] *Gross balance outstanding before value of additional collateral held.*

Asset quality (continued)

Disposals of properties in possession

TABLE: 5b

Disposals of properties in possession Retail Ireland mortgages	30 June 2016 Number of disposals during the year	30 June 2016 Balance[1] outstanding after impairment provisions €m	31 December 2015 Number of disposals during the year	31 December 2015 Balance[1] outstanding after impairment provisions €m
Owner occupied	57	7	137	20
Buy to let	16	2	49	5
Total disposals of properties in possession	**73**	**9**	**186**	**25**

During the six months ended 30 June 2016, the Group disposed of 73 properties (year ended 31 December 2015: 186 properties were disposed).

The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions and net of additional collateral held.

For the six months ended 30 June 2016, the proceeds from disposals of Owner occupied properties were €7 million (year ended 31 December 2015: €20 million).

For the six months ended 30 June 2016, the proceeds from disposals of Buy to let properties before value of additional collateral applied were €2 million (year ended 31 December 2015: €5 million).

In addition, a further 245 Buy to let properties were disposed of by fixed charge receivers during the year ended 30 June 2016 (year ended 31 December 2015: 531).

Retail UK mortgages

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

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

Retail UK mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan. In addition to the above, the credit worthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

At 30 June 2016, lending criteria for the Retail UK mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

TABLE: 1a

Retail UK mortgages - Volumes (before impairment provisions) by product type	**30 June 2016 £m**	31 December 2015 £m
Standard mortgages	10,690	10,355
Buy to let mortgages	7,398	7,562
Self certified mortgages	2,407	2,570
Total Retail UK mortgages	**20,495**	**20,487**

Retail UK mortgages were £20.5 billion at 30 June 2016 compared to £20.5 billion at 31 December 2015.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office, through distribution arrangements with other selected strategic partners and the Group's branch network in Northern Ireland.

Of the £10.7 billion Standard mortgages, 72% are on a 'principal and interest'[1] repayment basis (31 December 2015: 70%). Of the Self certified mortgages of £2.4 billion, 21% are on a 'principal and interest' repayment basis (31 December 2015: 21%). Of the Buy to let mortgages of £7.4 billion, 9% are on a 'principal and interest' repayment basis (31 December 2015: 9%). Overall, 56% of the Retail UK mortgage portfolio at 30 June 2016 is on an 'interest only'[2] repayment basis (31 December 2015: 58%).

The geographic profile[3] of the Retail UK mortgage book at 30 June 2016 is as follows; 21% Greater London, 13% Outer Metropolitan, 10% South East, 5% in Northern Ireland and 4% in each of Wales and Scotland. The remainder of the book relates to the rest of England.

[1] *'Principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was 20 to 30 years.*
[2] *'Interest only' mortgages consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'principal and interest' contracted to be repaid over the agreed term. 'Interest only' on mortgage products offered in the UK may extend for the full period of the mortgage.*
[3] *The geographical profile is primarily based on the location of the property.*

Book composition (continued)

Loan volumes (continued)

TABLE: 1b

Retail UK mortgages - Volumes (before impairment provisions) by interest rate type	**30 June 2016**		31 December 2015	
	£m	**%**	£m	%
Tracker	8,281	40%	8,690	42%
Variable rates	4,450	22%	4,944	24%
Fixed rates	7,764	38%	6,853	34%
Total Retail UK mortgages	**20,495**	**100%**	**20,487**	**100%**

Tracker mortgages were £8.3 billion or 40% of the Retail UK mortgages compared to £8.7 billion or 42% at 31 December 2015, a decrease of £0.4 billion.

Variable rate mortgages were £4.5 billion or 22% of the Retail UK mortgages compared to £4.9 billion or 24% at 31 December 2015, a decrease of £0.4 billion.

Fixed rate mortgages were £7.8 billion or 38% of the Retail UK mortgages compared to £6.9 billion or 34% at 31 December 2015, an increase of £0.9 billion.

Tracker rate mortgages now account for 12% of Standard mortgages (31 December 2015: 13%), 90% of Buy to let mortgages (31 December 2015: 92%) and 15% of Self certified mortgages (31 December 2015: 15%).

Origination profile

TABLE: 2

30 June 2016 **Origination profile of Retail UK mortgage loan book (before impairment provisions)**	**Total Retail UK mortgage loan book**		**Non-performing loans**	
	Balance £m	**Number of accounts[1]**	**Balance £m**	**Number of accounts[1]**
2000 and before	265	7,425	26	588
2001	145	2,368	5	61
2002	189	2,785	7	79
2003	426	5,187	29	257
2004	498	5,719	37	298
2005	1,334	12,587	90	686
2006	1,980	18,134	120	857
2007	3,213	27,859	182	1,320
2008	4,190	35,324	242	1,726
2009	521	4,839	13	120
2010	409	3,452	3	23
2011	307	2,480	2	19
2012	460	3,052	1	10
2013	621	3,737	1	5
2014	1,478	8,789	2	11
2015	3,143	17,612	1	7
2016	1,316	7,267	-	-
Total	**20,495**	**168,616**	**761**	**6,067**

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

Book composition (continued)

Origination profile (continued)

31 December 2015 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Retail UK mortgage loan book		Non-performing loans	
	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]
2000 and before	303	8,373	27	644
2001	159	2,589	6	65
2002	206	2,990	9	93
2003	460	5,551	33	290
2004	535	6,098	43	347
2005	1,416	13,297	100	759
2006	2,110	19,263	127	908
2007	3,406	29,380	198	1,429
2008	4,423	37,062	274	1,942
2009	567	5,151	14	123
2010	470	3,843	3	29
2011	367	2,856	2	19
2012	497	3,240	1	9
2013	698	4,088	1	3
2014	1,673	9,608	1	5
2015	3,197	17,721	-	2
Total	20,487	171,110	839	6,667

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

The tables above illustrate that at 30 June 2016, £2.9 billion or 14% of the Retail UK mortgage loan book originated before 2006, £9.4 billion or 46% between 2006 and 2008 and £8.3 billion or 40% in the years since.

89% of Retail UK mortgages originated since 2010 were standard owner occupied mortgages.

Buy to let book is well seasoned with 88% of these mortgages originated pre 2009.

Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 60 and 61 in the asset quality and impairment section.

Non-performing Retail UK mortgages were £0.8 billion (31 December 2015: £0.8 billion) or 3.7% of the Retail UK mortgage loan book at 30 June 2016, of which £0.5 billion or 2.7% were originated between 2006 and 2008 (31 December 2015: £0.6 billion or 2.9%).

There has been a significant decrease in total Non-performing loans in the six months ended 30 June 2016 reflecting the effectiveness of the Group’s operating infrastructure and resolution activity supported by improving economic conditions.

Book composition (continued)

Risk profile

TABLE: 3a

30 June 2016 Risk profile of Retail UK mortgage loan book (before impairment provisions)	**Standard**		**Buy to let**		**Self certified**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Neither past due nor impaired	10,362	97%	7,149	97%	2,036	84%	19,547	95%
1-90 days past due but not impaired	227	2%	166	2%	255	11%	648	3%
Past due greater than 90 days but not impaired	45	-	36	-	55	2%	136	1%
Impaired	56	1%	47	1%	61	3%	164	1%
Total	**10,690**	**100%**	**7,398**	**100%**	**2,407**	**100%**	**20,495**	**100%**
Non-performing loans								
Probationary mortgages	142	59%	144	63%	175	60%	461	61%
- Self-cure	*118*	*49%*	*134*	*59%*	*150*	*51%*	*402*	*53%*
- Forborne	*24*	*10%*	*10*	*4%*	*25*	*9%*	*59*	*8%*
Defaulted loans	101	41%	83	37%	116	40%	300	39%
- Past due greater than 90 days but not impaired	*45*	*19%*	*36*	*16%*	*55*	*19%*	*136*	*18%*
- Impaired	*56*	*22%*	*47*	*21%*	*61*	*21%*	*164*	*21%*
Total	**243**	**100%**	**227**	**100%**	**291**	**100%**	**761**	**100%**

31 December 2015 Risk profile of Retail UK mortgage loan book (before impairment provisions)	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Neither past due nor impaired	10,018	97%	7,286	96%	2,179	85%	19,483	95%
1-90 days past due but not impaired	230	2%	181	2%	270	11%	681	3%
Past due greater than 90 days but not impaired	46	-	41	1%	60	2%	147	1%
Impaired	61	1%	54	1%	61	2%	176	1%
Total	10,355	100%	7,562	100%	2,570	100%	20,487	100%
Non-performing loans								
Probationary mortgages	159	60%	160	63%	197	62%	516	61%
- Self-cure	*133*	*50%*	*150*	*59%*	*172*	*54%*	*455*	*54%*
- Forborne	*26*	*10%*	*10*	*4%*	*25*	*8%*	*61*	*7%*
Defaulted loans	107	40%	95	37%	121	38%	323	39%
- Past due greater than 90 days but not impaired	*46*	*17%*	*41*	*16%*	*60*	*19%*	*147*	*18%*
- Impaired	*61*	*23%*	*54*	*21%*	*61*	*19%*	*176*	*21%*
Total	266	100%	255	100%	318	100%	839	100%

The above tables illustrate that £19.5 billion or 95% of the total Retail UK mortgage loan book at 30 June 2016 was classified as 'neither past due nor impaired' compared to £19.5 billion or 95% at 31 December 2015.

The '1-90 days past due but not impaired' category amounted to £0.6 billion or 3% of the total Retail UK mortgage loan book at 30 June 2016 compared to £0.7 billion or 3% at 31 December 2015.

The past due greater than 90 days but not impaired category amounted to £0.1 billion or 1% of the total Retail UK mortgage loan book at 30 June 2016 compared to £0.1 billion or 1% at 31 December 2015.

The past due greater than 90 days but not impaired Standard mortgages reduced to £45 million at 30 June 2016 from £46 million at 31 December 2015.

Book composition (continued)

Risk profile (continued)

The past due greater than 90 days but not impaired Buy to let mortgages reduced from £41 million at 31 December 2015 to £36 million at 30 June 2016 reflecting the effectiveness of collection activity supported by economic conditions.

The past due greater than 90 days but not impaired Self certified mortgages decreased to £55 million at 30 June 2016 compared to £60 million at 31 December 2015.

The impaired category amounted to £0.2 billion or 1% of the total Retail UK mortgage loan book at 30 June 2016 compared to £0.2 billion or 1% at 31 December 2015.

Impaired Standard mortgages reduced to £56 million at 30 June 2016 from £61 million at 31 December 2015.

Impaired Buy to let mortgages reduced from £54 million at 31 December 2015 to £47 million at 30 June 2016 reflecting the effectiveness of collection activity supported by economic conditions.

Impaired Self certified mortgages are £61 million at 30 June 2016 compared to £61 million at 31 December 2015.

Total non-performing mortgages reduced by £78 million or 9% to £0.76 billion at 30 June 2016 (31 December 2015: £0.8 billion), reflecting the effectiveness of the Group's operating infrastructure and mortgage collections activity supported by improving economic conditions.

Within this, total defaulted loans reduced by £23 million to £0.3 billion at 30 June 2016 from £0.3 billion at 31 December 2015.

There was a reduction in Standard mortgages Non-performing loans in the six months ended 30 June 2016 to £243 million from £266 million at 31 December 2015.

Non-performing Self certified mortgages reduced from £318 million at 31 December 2015 to £291 million at 30 June 2016.

Non-performing Buy to let mortgages reduced from £255 million at 31 December 2015 to £227 million at 30 June 2016.

These reductions reflect the Group's continuing activity to resolve issues of non-payment through close co-operation with borrowers to reach an acceptable and sustainable outcome.

Book composition (continued)

Arrears profile

TABLE: 3b *(not an integral part of Interim Financial Statements)*

Mortgage arrears - Greater than 90 days past due (number of accounts)	**30 June 2016 %**	31 December 2015 %	30 June 2015 %
Standard mortgages	0.89%	0.93%	1.06%
Buy to let mortgages	0.81%	0.94%	1.05%
Self certified mortgages	3.29%	3.30%	3.31%

Mortgage arrears - Greater than 90 days past due (value)	**30 June 2016 %**	**31 December 2015 %**	30 June 2015 %
Standard mortgages	0.75%	0.73%	1.15%
Buy to let mortgages	0.85%	1.15%	0.99%
Self certified mortgages	4.28%	4.32%	4.41%

Data published by the Council Mortgage Lenders (CML) for March 2016 indicates that the proportion of the Retail UK mortgage book in default (defined for CML purposes as greater than 90 days but excluding possessions and receivership cases) remains below the UK industry average of 1.04% across all segments (Retail UK equivalent: 0.98%).

Loan to value profiles - total loans

TABLE: 3c

30 June 2016	**Standard**		**Buy to let**		**Self certified**		**Total Retail UK mortgage portfolio**	
Loan to value (LTV) ratio of total Retail UK mortgages	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	2,533	24%	2,245	30%	657	27%	5,435	27%
51% to 70%	3,922	36%	2,944	40%	926	39%	7,792	38%
71% to 80%	2,150	20%	1,165	16%	384	16%	3,699	18%
81% to 90%	1,355	13%	739	10%	263	11%	2,357	11%
91% to 100%	438	4%	245	3%	147	6%	830	4%
Subtotal	**10,398**	**97%**	**7,338**	**99%**	**2,377**	**99%**	**20,113**	**98%**
101% to 120%	161	2%	19	-	13	1%	193	1%
121% to 150%	32	-	5	-	9	-	46	-
Greater than 150%	99	1%	36	1%	8	-	143	1%
Subtotal	**292**	**3%**	**60**	**1%**	**30**	**1%**	**382**	**2%**
Total	**10,690**	**100%**	**7,398**	**100%**	**2,407**	**100%**	**20,495**	**100%**
Weighted average LTV[1]:								
Stock of Retail UK mortgages at year end[1]		63%		60%		62%		62%
New Retail UK mortgages during year[1]		70%		63%		n/a		69%

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

Book composition (continued)

Loan to value profiles - total loans (continued)

31 December 2015 Loan to value (LTV) ratio of total Retail UK mortgages	Standard		Buy to let		Self certified		Total Retail UK mortgage portfolio	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	2,253	22%	2,057	27%	615	24%	4,925	24%
51% to 70%	3,462	33%	2,940	39%	951	37%	7,353	36%
71% to 80%	2,277	22%	1,291	17%	434	17%	4,002	19%
81% to 90%	1,478	14%	852	11%	339	13%	2,669	13%
91% to 100%	572	6%	374	5%	195	8%	1,141	6%
Subtotal	10,042	97%	7,514	99%	2,534	99%	20,090	98%
101% to 120%	227	2%	25	1%	18	1%	270	1%
121% to 150%	35	-	5	-	11	-	51	-
Greater than 150%	51	1%	18	-	7	-	76	1%
Subtotal	313	3%	48	1%	36	1%	397	2%
Total	10,355	100%	7,562	100%	2,570	100%	20,487	100%
Weighted average LTV[1]:								
Stock of Retail UK mortgages at year end[1]		65%		61%		64%		63%
New Retail UK mortgages during year[1]		70%		62%		n/a		69%

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

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 62% at 30 June 2016, 63% for Standard mortgages, 62% for Self certified mortgages and 60% for Buy to let mortgages. The weighted average LTV for new Residential mortgages written during for the six months ended 30 June 2016 was 69%, 70% for Standard mortgages and 63% for Buy to let mortgages.

21% of Retail UK mortgages are located in Greater London, 99% of this segment of the portfolio has an LTV <90%, with an average mortgage balance of c.£195,000.

Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

At 30 June 2016, £20.1 billion or 98% of the Retail UK mortgage book was in positive equity (year ended 31 December 2015: £20.1 billion or 98%), comprising £10.4 billion or 97% of Standard mortgages (year ended 31 December 2015: £10.0 billion or 97%), £7.3 billion or 99% of Buy to let mortgages (year ended 31 December 2015: £7.5 billion or 99%) and £2.4 billion or 99% of Self certified mortgages (year ended 31 December 2015: £2.5 billion or 99%). This improvement reflects the upward movement in house prices in the year with house prices increasing by 5.1% on average across the UK, with regional variances, together with capital reductions and principal repayments.

At 30 June 2016, the total calculated negative equity in the Retail UK mortgage book was £29 million, which comprised £24 million (83%) related to mortgages classified as 'past due but not impaired'.

Book composition (continued)

Loan to value profiles - Non-performing loans

TABLE: 3d

30 June 2016

Loan to value (LTV) ratio of total Retail UK mortgages - Non-performing loans	Standard		Buy to let		Self certified		Total	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	69	28%	48	21%	50	17%	167	22%
51% to 70%	72	31%	75	33%	103	34%	250	32%
71% to 80%	35	14%	39	17%	55	19%	129	17%
81% to 90%	25	10%	42	18%	43	15%	110	15%
91% to 100%	22	9%	20	9%	31	11%	73	10%
Subtotal	**223**	**92%**	**224**	**98%**	**282**	**96%**	**729**	**96%**
101% to 120%	15	6%	2	1%	5	2%	22	3%
121% to 150%	3	1%	1	1%	2	1%	6	1%
Greater than 150%	2	1%	-	-	2	1%	4	-
Subtotal	**20**	**8%**	**3**	**2%**	**9**	**4%**	**32**	**4%**
Total	**243**	**100%**	**227**	**100%**	**291**	**100%**	**761**	**100%**

31 December 2015

Loan to value (LTV) ratio of total Retail UK mortgages - Non-performing loans	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	70	26%	46	18%	50	16%	166	20%
51% to 70%	74	28%	82	32%	107	33%	263	31%
71% to 80%	38	14%	46	18%	59	19%	143	17%
81% to 90%	32	12%	49	19%	53	17%	134	16%
91% to 100%	28	11%	27	11%	39	12%	94	11%
Subtotal	242	91%	250	98%	308	97%	800	95%
101% to 120%	18	7%	4	2%	6	2%	28	3%
121% to 150%	4	1%	1	-	3	1%	8	1%
Greater than 150%	2	1%	-	-	1	-	3	1%
Subtotal	24	9%	5	2%	10	3%	39	5%
Total	266	100%	255	100%	318	100%	839	100%

The tables above illustrate the indexed loan to value ratios at the applicable reporting date for non-performing Retail UK mortgages.

The ratios reflect the application of the Nationwide Building Society house price index at the applicable reporting date to the portfolio. Of the non-performing Retail UK standard mortgages, £223 million or 92% are in positive equity (31 December 2015: £242 million or 91%) while £20 million or 8% are in negative equity at 30 June 2016 (31 December 2015: £24 million or 9%).

Of the non-performing Retail UK self-certified mortgages, £282 million or 96% are in positive equity (31 December 2015: £308 million or 97%) while £9 million or 4% are in negative equity at 30 June 2016 (31 December 2015: £10 million or 3%).

Of the non-performing Retail UK Buy to let mortgages, £224 million or 98% are in positive equity (31 December 2015: £250 million or 98%) while £3 million or 2% are in negative equity at 30 June 2016 (31 December 2015: £5 million or 2%).

Asset quality

Composition and impairment

The risk profile of the Group's loans and advances to customers at both 30 June 2016 and 31 December 2015 is outlined in the following tables.

TABLE: 4a

30 June 2016 **Retail UK mortgages**	**Loan volumes £m**	**Non-performing loans £m**	**Non-performing loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of non-performing loans %**
Total Retail UK mortgages					
Standard mortgages	10,690	243	2.3%	24	10%
Buy to let mortgages	7,398	227	3.1%	22	10%
Self certified mortgages	2,407	291	12.1%	18	6%
Total	**20,495**	**761**	**3.7%**	**64**	**8%**

31 December 2015 Retail UK mortgages	Loan volumes £m	Non-performing loans £m	Non-performing loans as % of advances %	Impairment provisions £m	Impairment provisions as % of non-performing loans %
Total Retail UK mortgages					
Standard mortgages	10,355	266	2.6%	29	11%
Buy to let mortgages	7,562	255	3.4%	24	9%
Self certified mortgages	2,570	318	12.4%	19	6%
Total	20,487	839	4.1%	72	9%

Retail UK mortgages were £20.5 billion at 30 June 2016 compared to £20.5 billion at 31 December 2015. The increase of £8 million reflects planned growth in new business generation, offset by continuing attrition of the book. Non-performing Retail UK mortgages were £761 million at 30 June 2016 compared to £839 million at 31 December 2015, attributable to decreases in Standard mortgages of £23 million, Self certified mortgages of £27 million and Buy to let mortgages of £28 million compared to 31 December 2015. The overall impairment provision coverage ratio on the non-performing Retail UK mortgages book has reduced to 8.4% (31 December 2015: 8.6%).

Composition and impairment

The tables below summarise the composition, defaulted loans and total impairment provisions of the Retail UK mortgage portfolio.

TABLE: 4b

30 June 2016 **Retail UK mortgages**	**Loan volumes £m**	**Defaulted loans £m**	**Defaulted loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of defaulted loans %**
Total Retail UK mortgages					
Standard mortgages	10,690	101	0.9%	24	25%
Buy to let mortgages	7,398	83	1.1%	22	26%
Self certified mortgages	2,407	116	4.8%	18	15%
Total	**20,495**	**300**	**1.5%**	**64**	**21%**

Asset quality (continued)

Composition and impairment (continued)

31 December 2015 Retail UK mortgages	Loan volumes £m	Defaulted loans £m	Defaulted loans as % of advances %	Impairment provisions £m	Impairment provisions as % of defaulted loans %
Total Retail UK mortgages					
Standard mortgages	10,355	107	1.0%	29	27%
Buy to let mortgages	7,562	95	1.3%	24	25%
Self certified mortgages	2,570	121	4.7%	19	16%
Total	20,487	323	1.6%	72	22%

Properties in possession

At 30 June 2016, the Group had possession of properties held as security as follows:

TABLE: 5a	**30 June 2016**		31 December 2015	
Properties in possession Retail UK mortgages	**Number of properties in possession at balance sheet date**	**Balance outstanding before impairment provisions £m**	Number of properties in possession at balance sheet date	Balance outstanding before impairment provisions £m
Standard mortgages	32	4	25	4
Buy to let mortgages	25	3	37	4
Self certified mortgages	25	5	25	6
Total residential properties in possession	**82**	**12**	**87**	**14**

Asset quality (continued)

Disposals of properties in possession

TABLE: 5b

Disposals of properties in possession Retail UK mortgages	30 June 2016 Number of disposals during the year	30 June 2016 Balance outstanding after impairment provisions £m	31 December 2015 Number of disposals during the year	31 December 2015 Balance outstanding after impairment provisions £m
Standard mortgages	38	4	106	10
Buy to let mortgages	50	4	135	11
Self certified mortgages	22	4	69	10
Total disposals of properties in possession	**110**	**12**	**310**	**31**

During the six months ended 30 June 2016, the Group disposed of 110 properties (for the year ended 31 December 2015: 310 properties disposed of). The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions.

For the six months ended 30 June 2016, the proceeds from disposals of Standard mortgages was £5 million (year ended 31 December 2015: £12 million).

For the six months ended 30 June 2016, the proceeds from disposals of Buy to let mortgages was £4 million (year ended 31 December 2015: £12 million).

For the six months ended 30 June 2016, the proceeds from disposals of Self certified mortgages was £5 million (year ended 31 December 2015: £11 million).

Group forbearance disclosures

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at 30 June 2016 of €85.1 billion is available on page 63 in the asset quality disclosures. Exposures are before provisions for impairment.

The tables below provide an analysis of loans that are 'neither past due nor impaired', 'past due but not impaired' and 'impaired' by asset classification over the following categories: 'non-forborne' and 'forborne'. In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne.

TABLE: 1

30 June 2016 Risk profile of loans and advances to customers (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Non-forborne loans and advances to customers						
High quality	42,565	5,523	2,781	3,190	54,059	71%
Satisfactory quality	-	8,955	1,670	188	10,813	14%
Acceptable quality	255	1,472	347	14	2,088	3%
Lower quality but neither past due or impaired	-	204	145	-	349	-
Neither past due nor impaired	**42,820**	**16,154**	**4,943**	**3,392**	**67,309**	**88%**
Past due but not impaired	1,315	80	42	65	1,502	2%
Impaired	1,431	2,302	3,742	121	7,596	10%
Total non-forborne loans and advances to customers	**45,566**	**18,536**	**8,727**	**3,578**	**76,407**	**100%**
Forborne loans and advances to customers						
High quality	-	84	150	-	234	3%
Satisfactory quality	1,468	184	235	31	1,918	22%
Acceptable quality	1,025	596	1,054	12	2,687	30%
Lower quality but neither past due or impaired	487	831	1,094	-	2,412	28%
Neither past due nor impaired	**2,980**	**1,695**	**2,533**	**43**	**7,251**	**83%**
Past due but not impaired	365	41	361	4	771	9%
Impaired	462	99	127	-	688	8%
Total forborne loans and advances to customers	**3,807**	**1,835**	**3,021**	**47**	**8,710**	**100%**

Risk profile of forborne loans and advances to customers (continued)

TABLE: 1

31 December 2015 Risk profile of loans and advances to customers including held for sale (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Non-forborne loans and advances to customers						
High quality	45,548	5,473	2,550	2,894	56,465	70%
Satisfactory quality	-	9,122	1,743	155	11,020	14%
Acceptable quality	336	1,328	403	12	2,079	2%
Lower quality but neither past due or impaired	-	285	165	-	450	1%
Neither past due nor impaired	45,884	16,208	4,861	3,061	70,014	87%
Past due but not impaired	1,585	86	86	66	1,823	2%
Impaired	1,712	2,604	4,813	136	9,265	11%
Total non-forborne loans and advances to customers	49,181	18,898	9,760	3,263	81,102	100%
Forborne loans and advances to customers						
High quality	-	35	152	1	188	2%
Satisfactory quality	1,324	309	420	50	2,103	22%
Acceptable quality	953	653	1,190	18	2,814	30%
Lower quality but neither past due or impaired	549	955	1,443	-	2,947	31%
Neither past due nor impaired	2,826	1,952	3,205	69	8,052	85%
Past due but not impaired	409	19	288	7	723	8%
Impaired	489	125	104	-	718	7%
Total forborne loans and advances to customers	3,724	2,096	3,597	76	9,493	100%

Forborne loans and advances to customers classified as ‘neither past due nor impaired’ amounted to €7.3 billion at 30 June 2016 compared to €8.1 billion at 31 December 2015.

Forborne loans and advances to customers classified as ‘past due but not impaired’ were €0.8 billion at 30 June 2016 compared to €0.7 billion at 31 December 2015.

Forborne ‘impaired’ loan volumes were stable at €0.7 billion.

Past due and / or impaired

The Group's total risk profile of loans and advances to customers including held for sale which are past due and / or impaired at 30 June 2016 of €10.6 billion is available on page 64 in the asset quality disclosures. Exposures are before provisions for impairment.

The tables below provide an aged analysis of loans 'past due and / or impaired' by asset classification over the following categories: 'non-forborne' and 'forborne'. Amounts arising from operational and / or timing issues that are outside the control of customers are generally excluded. In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne.

TABLE: 2

30 June 2016 **Risk profile of loans and advances to customers - past due and / or impaired**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Past due up to 30 days	367	61	17	40	485
Past due 31 - 60 days	492	9	11	19	531
Past due 61 - 90 days	133	10	14	6	163
Past due greater than 90 days but not impaired	323	-	-	-	323
Past due but not impaired	**1,315**	**80**	**42**	**65**	**1,502**
Impaired	1,431	2,302	3,742	121	7,596
Total non-forborne loans and advances to customers - past due and / or impaired	**2,746**	**2,382**	**3,784**	**186**	**9,098**
Forborne loans and advances to customers					
Past due up to 30 days	137	25	37	1	200
Past due 31 - 60 days	70	13	248	2	333
Past due 61 - 90 days	31	3	76	1	111
Past due greater than 90 days but not impaired	127	-	-	-	127
Past due but not impaired	**365**	**41**	**361**	**4**	**771**
Impaired	462	99	127	-	688
Total forborne loans and advances to customers - past due and / or impaired[1]	**827**	**140**	**488**	**4**	**1,459**

[1] *The 'past due' classification includes both accounts which were classified as 'past due' prior to the forbearance measure being put in place and also those loans which have moved to 'past due' loans during the year. The 'past due' classification does not indicate that the terms of the forbearance measure are not being met.*

Past due and / or impaired (continued)

The Group's total loans and advances to customers including held for sale which are past due and / or impaired of €12.5 billion at 31 December 2015 are analysed below using the following categories: 'non-forborne' and 'forborne'. Exposures are before provisions for impairment.

31 December 2015 Risk profile of loans and advances to customers including held for sale - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Past due up to 30 days	443	62	12	39	556
Past due 31 - 60 days	554	19	44	19	636
Past due 61 - 90 days	178	5	30	8	221
Past due greater than 90 days but not impaired	410	-	-	-	410
Past due but not impaired	1,585	86	86	66	1,823
Impaired	1,712	2,604	4,813	136	9,265
Total non-forborne loans and advances to customers - past due and / or impaired	3,297	2,690	4,899	202	11,088
Forborne loans and advances to customers					
Past due up to 30 days	142	12	39	2	195
Past due 31 - 60 days	77	5	137	4	223
Past due 61 - 90 days	39	2	112	1	154
Past due greater than 90 days but not impaired	151	-	-	-	151
Past due but not impaired	409	19	288	7	723
Impaired	489	125	104	-	718
Total forborne loans and advances to customers - past due and / or impaired[1]	898	144	392	7	1,441

[1] *The 'past due' classification includes both accounts which were classified as 'past due' prior to the forbearance measure being put in place and also those loans which have moved to 'past due' loans during the year. The 'past due' classification does not indicate that the terms of the forbearance measure are not being met.*

At 30 June 2016, forborne loans and advances to customers classified as 'past due and / or impaired' were broadly unchanged at €1.5 billion.

Forborne Residential mortgages classified as 'past due and / or impaired' decreased by €0.1 billion from €0.9 billion at 31 December 2015 to €0.8 billion at 30 June 2016.

Forborne Property and construction loans classified as 'past due and / or impaired' increased by €0.1 billion from €0.4 billion at 31 December 2015 to €0.5 billion 30 June 2016.

Forborne Non-property SME and corporate loans classified as 'past due and / or impaired' remained unchanged at €0.1 billion.

Forborne Consumer loans that are 'past due and / or impaired' decreased by €3 million from €7 million at 31 December 2015 to €4 million at 30 June 2016.

Non-performing loans

TABLE: 3

30 June 2016 **Risk profile of loans and advances to customers - Non-performing loans**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Probationary mortgages	626				
- Self-cure	*626*				
- Forborne	*-*				
Defaulted loans	1,754	2,302	3,742	121	7,919
- Past due greater than 90 days but not impaired	*323*	*-*	*-*	*-*	*323*
- Impaired	*1,431*	*2.302*	*3.742*	*121*	*7,596*
Total non-forborne loans and advances to customers - non-performing	**2,380**	**2.302**	**3,742**	**121**	**8,545**
Forborne loans and advances to customers					
Probationary mortgages	571				
- Self-cure	*-*				
- Forborne	*571*				
Defaulted loans	589	99	127	-	815
- Past due greater than 90 days but not impaired	*127*	*-*	*-*	*-*	*127*
- Impaired	*462*	*99*	*127*	*-*	*688*
Total forborne loans and advances to customers - non-performing	**1,160**	**99**	**127**	**-**	**1,386**

31 December 2015 Risk profile of loans and advances to customers including held for sale - Non-performing loans	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Probationary mortgages	789				
- Self-cure	*789*				
- Forborne	*-*				
Defaulted loans	2,122	2,604	4,813	136	9,675
- Past due greater than 90 days but not impaired	*410*	*-*	*-*	*-*	*410*
- Impaired	*1,712*	*2,604*	*4,813*	*136*	*9,265*
Total non-forborne loans and advances to customers - non-performing	2,911	2,604	4,813	136	10,464
Forborne loans and advances to customers					
Probationary mortgages	640				
- Self-cure	*-*				
- Forborne	*640*				
Defaulted loans	640	125	104	-	869
- Past due greater than 90 days but not impaired	*151*	*-*	*-*	*-*	*151*
- Impaired	*489*	*125*	*104*	*-*	*718*
Total forborne loans and advances to customers - non-performing	1,280	125	104	-	1,509

Impairment charges / (reversals) on forborne loans and advances to customers

The total impairment charge on loans and advances to customers for the six months ended 30 June 2016 was €93 million (see page 16 in the operating and financial review). Of this, the impairment reversal (net) on forborne loans amounted to €67 million as set out in the table below:

TABLE: 4

30 June 2016 **Impairment charges / (reversals) on forborne loan and advances Composition**	**Specific charge individually and collectively assessed €m**	**Incurred but not reported €m**	**Total impairment charge on forborne loans €m**
Residential mortgages	(32)	(21)	(53)
- Retail Ireland	*(32)*	*(21)*	*(53)*
- Retail UK	-	-	-
Non-property SME and corporate	-	(9)	(9)
- Republic of Ireland SME	-	*(8)*	*(8)*
- UK SME	-	-	-
- Corporate	-	*(1)*	*(1)*
Property and construction	-	(4)	(4)
- Investment	-	*(3)*	*(3)*
- Land and development	-	*(1)*	*(1)*
Consumer	-	(1)	(1)
Total Impairment charge / (reversal) on forborne loans	**(32)**	**(35)**	**(67)**

30 June 2015 Impairment charges / (reversals) on forborne loan and advances Composition	Specific charge individually and collectively assessed €m	Incurred but not reported €m	Total impairment charge on forborne loans €m
Residential mortgages	(23)	(39)	(62)
- Retail Ireland	*(23)*	*(39)*	*(62)*
- Retail UK	-	-	-
Non-property SME and corporate	-	(1)	(1)
- Republic of Ireland SME	-	*(1)*	*(1)*
- UK SME	-	*3*	*3*
- Corporate	-	*(3)*	*(3)*
Property and construction	-	(4)	(4)
- Investment	-	*(3)*	*(3)*
- Land and development	-	*(1)*	*(1)*
Consumer	-	-	-
Total Impairment charge / (reversal) on forborne loans	(23)	(44)	(67)

Impairment reversals on forborne loans and advances

The impairment reversal recognised on Retail Ireland forborne mortgage loans reflects our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers that are in financial difficulty.

In the non-mortgage book, where a specific provision is required the exposure is reported as ‘impaired’ and is not reported as ‘forborne’; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne. The IBNR reversal of €14 million on forborne non-mortgage loans in the year primarily reflects the impact of reductions in the ‘neither past due nor impaired’ forborne Property and construction and Non-property SME and corporate loans.

Impairment provisions on forborne loans and advances to customers

The total impairment provisions on loans and advances to customers for the six months ended 30 June 2016 were €4,902 million (31 December 2015: €5,886 million) (see page 67 in the asset quality disclosures). Of this, the impairment provisions on forborne loans amounted to €511 million (31 December 2015: €545 million) as set out in the tables below:

TABLE: 5

30 June 2016 **Impairment provision on forborne loan and advances Composition**	**Specific provisions individually and collectively assessed €m**	**Incurred but not reported €m**	**Total impairment provision on forborne loans €m**
Residential mortgages	172	231	403
- Retail Ireland	*172*	*229*	*401*
- Retail UK	*-*	*2*	*2*
Non-property SME and corporate	-	34	34
- Republic of Ireland	*-*	*15*	*15*
- UK SME	*-*	*9*	*9*
- Corporate	*-*	*10*	*10*
Property and construction	-	73	73
- Investment	*-*	*68*	*68*
- Land and development	*-*	*5*	*5*
Consumer	-	1	1
Total impairment provision on forborne loans	**172**	**339**	**511**

31 December 2015 Impairment provision on forborne loan and advances Composition	Specific provisions individually and collectively assessed €m	Incurred but not reported €m	Total impairment provision on forborne loans €m
Residential mortgages	186	230	416
- Retail Ireland	*185*	*227*	*412*
- Retail UK	*1*	*3*	*4*
Non-property SME and corporate	-	44	44
- Republic of Ireland	*-*	*23*	*23*
- UK SME	*-*	*10*	*10*
- Corporate	*-*	*11*	*11*
Property and construction	-	83	83
- Investment	*-*	*77*	*77*
- Land and development	*-*	*6*	*6*
Consumer	-	2	2
Total impairment provision on forborne loans	186	359	545

Impairment provision on forborne loans

Specific and Incurred but not reported (IBNR) provisions held against forborne Retail Ireland mortgage loans remained stable during 2016. While the associated forborne loan balances have increased during the year as more customers enter into long-term sustainable forbearance solutions, the provision stock has decreased reflecting a reduction in the volume of non-performing forborne loans.

In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne. IBNR provisions on non-mortgage forborne loans have decreased during the six months ended 30 June 2016, which primarily reflects the impact of reductions in the 'neither past due nor impaired' forborne Property and construction and Non-property SME and corporate loans.

2 Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the six months ended 30 June 2016 and the year ended 31 December 2015. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is outlined on page 12.

Average balance sheet

	Six months ended 30 June 2016			Year ended 31 December 2015		
	Average Balance €m	**Interest[1,2] €m**	**Rate %**	Average Balance €m	Interest[1,2] €m	Rate %
Assets						
Loans and advances to banks	9,207	12[3]	0.26%	9,166	33	0.36%
Loans and advances to customers	82,563	1,385	3.37%	85,120	3,006	3.53%
Available for sale financial assets and NAMA senior bonds	11,451	65	1.14%	12,973	209	1.61%
Held to maturity financial assets	1,908	15	1.58%	1,292	21	1.63%
Total interest earning assets	**105,129**	**1,477**	**2.83%**	**108,551**	**3,269**	**3.01%**
Non interest earning assets	22,454	-	-	22,729	-	-
Total assets	**127,583**	**1,477**	**2.33%**	**131,280**	**3,269**	**2.49%**
Liabilities and stockholders' equity						
Deposits from banks	1,730	1[3]	0.12%	2,519	10	0.40%
Customer accounts[4]	54,352	201	0.74%	55,989[5]	460	0.82%
Debt securities in issue	11,939	48	0.81%	13,706	164	1.20%
Subordinated liabilities	2,372	91	7.72%	2,405	179	7.44%
- Convertible Contingent Capital Note (CCCN) 2016	*987*	*55*	*11.21%*	*967*	*103[6]*	*10.65%*
- Other subordinated liabilities	*1,385*	*36*	*5.23%*	*1,438*	*76[6]*	*5.29%*
Total interest bearing liabilities	**70,393**	**341**	**0.97%**	**74,619**	**813**	**1.09%**
Current accounts	23,847	1	0.01%	21,478[5]	2	0.01%
Total interest bearing liabilities and current accounts	**94,240**	**342**	**0.73%**	**96,097**	**815**	**0.85%**
Non interest bearing liabilities[7]	24,595	-	-	25,897[5]	-	-
Stockholders' equity	8,748	-	-	9,286	-	-
Total liabilities and stockholders' equity	**127,583**	**342**	**0.54%**	**131,280**	**815**	**0.62%**
Euro and sterling reference rates (average)						
ECB base rate			0.02%			0.05%
3 month Euribor rate			(0.22%)			(0.02%)
Bank of England base rate			0.50%			0.50%
3 month LIBOR rate			0.59%			0.57%

[1] Represents interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability.
[2] Excludes the cost of the ELG Scheme of €18 million (31 December 2015: €10 million) which is included within interest expense.
[3] Interest expense of €4 million arising from assets subject to negative interest rates has been reclassified to interest expense in the Consolidated income statement.
[4] Excludes deposits carried at fair value through profit and loss.
[5] Comparative figures have been adjusted to reclassify €1.4 billion from customer accounts to current accounts and to reclassify €1.6 billion from current accounts to non-interest bearing liabilities.
[6] Comparative figures have been adjusted to more appropriately reflect the interest on derivatives which are in a hedging relationship with the relevant liability. An expense of €23 million has been reclassified from the CCCN to other subordinated liabilities with no effect on total interest for subordinated liabilities.
[7] Includes liabilities carried at fair value through profit and loss.

3 Rates of exchange

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

	30 June 2016		30 June 2015		31 December 2015	
	Closing	**Average**	Closing	Average	Closing	Average
€ / US$	1.1102	1.1159	1.1189	1.1158	1.0890	1.1095
€ / Stg£	0.8265	0.7788	0.7114	0.7323	0.7340	0.7259

4 Credit ratings

Ireland - Senior debt	**30 June 2016**	31 December 2015
Standard & Poor's	A+ (Stable)	A+ (Stable)
Moody's	A3 (Positive)	Baa1 (Positive)
Fitch	A (Stable)	A- (Positive)
DBRS	A (High) (Stable)	A (Positive trend)

Bank of Ireland - Senior debt	**30 June 2016**	31 December 2015
Standard & Poor's	BBB- (Positive)	BBB- (Positive)
Moody's	Baa2 (Positive)	Baa2 (Positive)
Fitch	BBB- (Positive)	BBB- (Positive)
DBRS	BBB (High) (Positive)	BBB (High) (Stable trend)

5 Stock Exchange Listings

The Governor and Company of the Bank of Ireland (the 'Bank') is a corporation established in Ireland in 1783 under Royal Charter. Its ordinary stock, of nominal value €0.05 per unit, has a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

6 Glossary

Further information related to certain measures referred to in the Key Highlights and Performance Summary

Average cost of funds represents the interest expense recognised on interest bearing liabilities net of interest on derivatives which are in a hedge relationship with the relevant liability. See page 12 and page 150 for further information.

Business income is net other income after IFRS income classifications before other gains and other valuation items. See page 14 for further details.

Constant currency: To enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:
- For balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- For items relating to the income statement, by reference to the current and prior period average rates.

Cost income ratio is calculated as operating expenses before levies and regulatory charges divided by total income.

Growth in core loan book is gross new lending volumes less redemptions & repayments, excluding those related to (1) the RoI tracker mortgage book, (2) defaulted loans and (3) GB business banking / GB corporate banking books which are being run-down. See page 20 for further details.

Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

Gross yield represents the interest income recognised on interest bearing assets net of interest on derivatives which are in a hedge relationship with the relevant asset. See page 12 and page 150 for further information.

Impairment charge on loans and advances to customers (bps) is the net impairment charge on loans and advances to customers divided by average gross loans and advances to customers (including held for sale).

Liquid assets are comprised of cash and balances at central banks, loans and advances to banks, held to maturity financial assets, NAMA senior bonds and certain available for sale financial assets. See page 21 for further details.

Liquid asset spread is calculated as gross yield on interest bearing liquid assets less the average cost of funds. See page 12 for further detail.

Loan asset spread is calculated as gross yield on loans and advances to customers less the average cost of funds. See page 12 for further detail.

Loan to deposit ratio is calculated as being loans and advances to customers divided by customer deposits.

Net interest margin is stated before ELG fees and after adjusting for IFRS income classifications. See page 12 for further details.

Non-performing loans are defined as defaulted loans together with probationary residential mortgages. See pages 60 and 61 for further information.

Return on assets is calculated as being statutory net profit (being profit after tax) divided by total assets, in line with the requirement in the European Union (Capital Requirements) Regulations 2014.

Tangible Net Asset Value (TNAV) per share is calculated as stockholder equity excluding amounts not attributable to ordinary stockholders and intangible assets divided by the number of ordinary shares in issue and adjusted for own stock held for the benefit of life assurance policyholders.

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 17 for further information.

Wholesale funding is comprised of deposits by banks (including collateral received) and debt securities in issue.