Interim Report

For the six months ended
30 June 2015

Bank of Ireland Group

For small steps, for big steps, for life

Bank of Ireland

Interim Report

for the six months ended 30 June 2015

Forward-Looking statement

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward-looking statements 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,' 'can,' 'might,' 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 risks which could potentially adversely impact the markets in which the Group operates;*
- *concerns on sovereign debt and financial uncertainties in the EU and in member countries such as Greece and the potential effects of those uncertainties 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 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 the emerging macro prudential policies;*
- *the performance and volatility of international capital markets;*
- *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;*
- *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, Solvency II and the 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 or legal or regulatory proceedings or any Irish banking inquiry more generally, that may have implications for the Group;*
- *the development and implementation 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 and procedures including information technology issues and equipment failures and other operational risk;*
- *the Group's ability to meet customers' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors;*
- *uncertainty relating to the forthcoming UK European Union 'In / Out' referendum;*
- *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 50 and also the discussion of risk in the Group's Annual Report and Form 20F for the year ended 31 December 2014.

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. Except as required by applicable law, the Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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www.bankofireland.com

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Key highlights

Business highlights

Customers

Successfully developing customer relationships; Group new lending up 50% on H1 2014.
Continue to be largest lender to the Irish economy in H1 2015.
Restored growth to our UK mortgage business; lending of £1.3 billion vs £0.6 billion in H1 2014.
Reduced defaulted loans by a further €1 billion in H1 2015; now down > 25% from peak level.

Profitability

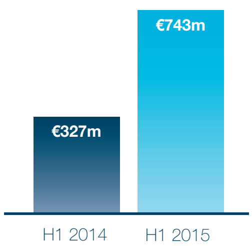
Underlying profit of €743 million; > 100% increase over H1 2014.
Increased total income by c.19%; NIM of 2.21% in H1 2015.
Significantly reduced impairment charge of 36bps (97bps in H1 2014).
Increased Tangible Net Asset Value (TNAV) per share by c.11% to 24.0c; (December 2014: 21.6c).

Capital

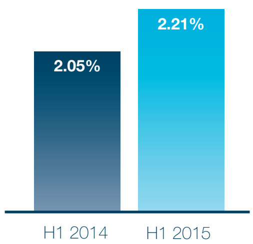
Increased fully loaded CET1 ratio by 180bps to 11.1%, transitional CET1 ratio of 15.9%.
Successful AT1 issuance of €750 million, total capital ratio of 20.7%.
Senior debt upgraded to Investment Grade by Moody's and Standard & Poor's.
On track to derecognise the 2009 Preference Stock.

Financial highlights

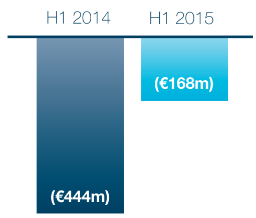
Underlying profit before tax
€m
FY 2014 = €921m



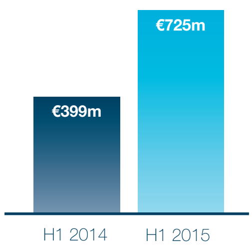
Net interest margin
(before ELG fees) %
FY 2014 = 2.11%



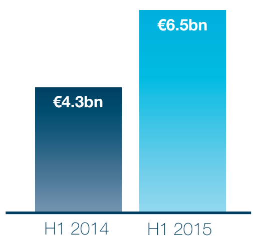
Impairment charges on loans and advances to customers €m
FY 2014 = €542m



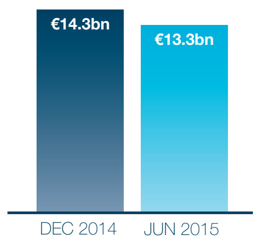
Profit before tax
€m
FY 2014 = €920m



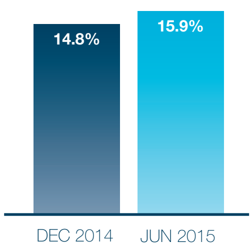
Gross new lending volumes[1]
€bn
FY 2014 = €10.0bn



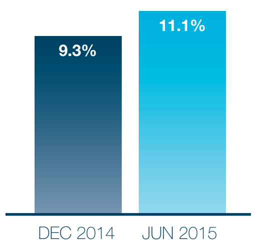
Defaulted loan volumes
€bn



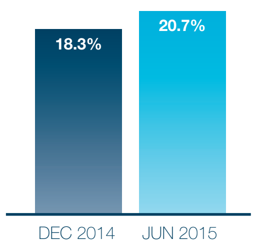
Common equity tier 1[2]
(Basel III transitional) %



Common equity tier 1[3]
(Basel III fully loaded) %



Total capital[2]
(Basel III transitional) %



[1] *Gross new lending volumes in H1 2015 include loan book acquisitions of €0.5 billion.*
[2] *The Common equity tier 1 ratio - Basel III transitional and total capital ratio include the 2009 Preference Stock which the Group intends to derecognise between January and July 2016.*
[3] *The Common equity tier 1 ratio - Basel III fully loaded excludes the 2009 Preference Stock.*

Group Chief Executive's review

'We have made further good progress against our strategic priorities during the first half of 2015, building on the momentum we have established in recent years. We have grown our new lending by 50% and we continue to be the largest lender to the Irish economy. We also generated capital at a significant pace and further improved our asset quality. Our progress is reflected in our financial performance and we have more than doubled our underlying profit before tax, compared to the same period last year.

We continue to be confident in the Group's prospects. The quality of our retail and commercial franchises, the benefits of our diversified business model, our robust capital and funding, our commercially disciplined approach, the stability of our team and our clarity of purpose all combine to give us sustainable competitive advantage. The strength and momentum in our businesses gives us confidence in our ability to continue to meet the needs of our customers and focus on our duty to responsibly deliver attractive and sustainable returns to our shareholders'

We have increased our profitability and substantially improved our capital position

Underlying profit before tax more than doubled to €743 million.

We generated an underlying profit before tax of €743 million in the first half of 2015, which is more than double the equivalent figure in 2014 of €327 million. Higher net interest income, strong growth in other income and significantly reduced loan impairment charges have all contributed to this improvement. The overall result reflects additional gains amounting to €228 million, primarily relating to the rebalancing of our liquid asset portfolio. All of our trading divisions are profitable and contributing to our strong financial performance during the period. On a statutory basis, the Group reported a profit before tax of €725 million.

We increased our fully loaded CET1 ratio by 180 basis points to 11.1%.

The Group continues to generate capital at a significant pace, with a 180 basis points increase to 11.1% in our fully loaded Common equity tier 1 (CET1) ratio (excluding the 2009 Preference Stock) during the first half of 2015. The Group's transitional CET1 ratio increased by 110 basis points to 15.9% at the end of June 2015. The increase in our CET1 ratios mainly reflects profits earned during the period and, to a lesser extent, the €0.2 billion reduction in the IAS 19 defined benefit pension deficit to €0.8 billion. We continue to expect to maintain a buffer above a CET1 ratio of 10%, on a transitional basis, which provides for a meaningful buffer over regulatory requirements.

We have also strengthened our Total capital ratio to 20.7%, compared to 18.3% at the end of 2014. This reflects the improvement in our CET1 position and our successful €750 million Additional tier 1 bond issue in June 2015. This bond was strongly supported by investors and was more than 7 times oversubscribed.

We remain on track to derecognise the 2009 Preference Stock in 2016.

As we have previously stated, we are prioritising the capital we are generating towards facilitating the derecognition of the remaining €1.3 billion 2009 Preference Stock between January 2016 and July 2016. After that, our intention continues to be to progress towards dividend payments.

UK and Irish economies are performing well; outlook remains favourable.

The Irish and UK economies are performing well, providing supportive backdrops for our businesses. In Ireland, the export sector continues to grow and the domestic economy is contributing to growth as the recovery progresses. Rising employment and confidence are supporting consumer spending and investment. Residential and commercial property markets also continue to recover. Overall, Irish GDP is expected to grow by c.5% in 2015. In the UK, GDP is forecast to grow by c.2.5% this year with employment growing and property prices increasing. The outlook for both the Irish and UK economies remains favourable, albeit we continue to be conscious of elevated geopolitical risks.

We delivered a strong new lending performance - up 50%; We continue to be the largest lender to the Irish economy in the first half of 2015.

Gross new lending of €6.5 billion in the first half of 2015 was 50% higher than the first half of 2014.

In Ireland, credit demand is increasing in each of our key businesses and we have completed loan book acquisitions of c.€0.5 billion, which have contributed to our new lending performance. With total new lending of €3.4 billion by our Irish businesses during the period, we continue to be the largest lender to the Irish economy. With our strong franchise positions, we are well positioned to meet credit demand which is recovering as the Irish economy grows and confidence returns.

Our UK business has significant new lending momentum.

In the UK, ongoing investment in our consumer banking business has resulted in a more than doubling of new mortgage lending to €1.8 billion in the six months to June 2015, with new lending exceeding repayments and redemptions in this book for the first time in several years. We have significant momentum in our UK business through our partnerships with the Post Office and others and we are also investing to further strengthen our distribution. This gives us confidence we will deliver further growth in the second half. The recently announced partnership with the AA will give us further impetus over time.

Overall, customer loans increased to €85.3 billion.

Overall, net loans and advances to customers were €85.3 billion at 30 June 2015, an increase of c.€3.2 billion since 31 December 2014. The strengthening of sterling during the period contributed €3.6 billion to this increase. New lending totalled €6.5 billion during the first half of 2015, while redemptions and repayments of €6.9 billion included the results of our successful actions to reduce our defaulted loans, manage our RoI mortgage tracker book (reduced by €0.7 billion during the period) and the run-down of our non-core GB business banking / GB corporate banking book. Together, these items accounted for €1.6 billion of repayments and redemptions.

Our core loan books are now growing and the momentum we are seeing across our businesses gives us confidence that we will continue to make further progress in the second half of the year, and beyond.

Net interest income increased 2% over the second half of 2014, notwithstanding significant liquid asset sales and the impact of the low interest rate environment.

Our net interest income increased modestly in the first half of 2015, compared to the second half of 2014, with a higher net interest margin and higher average interest earning assets both contributing.

Average interest earning assets increased by €1 billion to €109 billion during the first half of the year, partially driven by foreign exchange translation effects.

We earned a net interest margin of 2.21% in the first half of 2015, compared to 2.15% in the second half of 2014. The increase was driven by lower funding costs and the positive impact of new lending, partially offset by the impact of lower yields on liquid assets purchased to replace bonds maturing or sold as part of our liquid asset rebalancing strategy.

Our net interest margin in Q2 2015 was 2.17%, compared to 2.22% in Q4 2014. Three factors have contributed to this change - lower funding costs and the positive impact of new lending have contributed to margin growth, as expected; these positive factors were offset by the volume of bond sales we completed during the first half of 2015. This programme is now largely complete; finally, our Q2 2015 margin was also modestly affected by some build up in our UK deposits to support planned mortgage growth in the second half, but this impact should be reduced as this growth is delivered.

Consequently, over the course of the rest of this year, we expect modest growth in the net interest margin from the Q2 2015 level of 2.17%, with lower funding costs and the margins on new lending more than offsetting the impact of lower liquid asset yields.

Good growth in non-interest income.

Group non-interest income increased to €545 million in the six months to 30 June 2015, compared to €335 million in the same period last year. The increase reflects good momentum in our business income driven by increased customer activity levels, supplemented by gains arising on the rebalancing of our liquid asset portfolio (€171 million) and on the sale and revaluation of investment properties and certain other assets (€57 million).

Maintaining tight control over costs, while continuing to invest in our businesses, people and infrastructure.

We have continued to maintain tight control over costs while investing in our people and infrastructure as well as initiatives to further expand our distribution platforms, improve our customer propositions and enhance our franchises. Our operating expenses increased by approximately €60 million compared to the corresponding period last year. The strengthening in the value of sterling accounted for €23 million of this increase, with investments in our people, infrastructure and technology accounting for the balance. Our cost-income ratio was c.50% in the first half of 2015, albeit this ratio benefitted from the level of additional gains in the period. The annual costs associated with the Irish bank levy of €38 million will be accounted for in the second half of 2015. The timing and quantum of the Group's contributions to the Single Resolution Fund and Deposit Guarantee Scheme remain uncertain.

Reduced defaulted loans by €1.0 billion; Restructuring solutions for challenged loans are working.

Our defaulted loan volumes have continued to fall - by €1 billion in the first half of 2015 - with reductions across all asset classes. The reduction was €1.4 billion on a constant currency basis. Defaulted loans have now fallen by €5 billion or 27% from the reported peak in June 2013. These reductions reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty, the improving economic environment and the ongoing recovery in collateral values. We anticipate further reductions in defaulted loans in the second half of 2015 and beyond, with the pace being influenced by a range of factors.

We continue to be very focused on the resolution of Irish mortgage arrears and SME challenged loans. We are agreeing suitable and sustainable solutions, which work for our customers and are acceptable to the Group. More than 9 out of 10 challenged Owner occupier Irish mortgage customers with restructuring arrangements continue 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.

Customer loan impairment charge reduced by >60%.

Our first half customer loan impairment charge of €168 million reduced by €276 million or more than 60% relative to the first half of 2014, with reductions across all asset classes. The impairment charge amounted to 36 basis points in the period. We expect the impairment charge to remain at broadly similar levels during the second half.

Maintaining a robust liquidity position.

Our liquidity position continues to be robust. Customer deposits account for more than 80% of Group funding and these are predominantly retail oriented. Our wholesale funding requirement has further reduced in the first half of 2015. Our drawings from Monetary Authorities amounted to €1.5 billion at the end of June (December 2014 €4 billion) and all drawings were predominantly covered by the TLTRO. At the end of June 2015, our net stable funding ratio was 118%, our liquidity coverage ratio was 101% and our loan to deposit ratio was 108%. In recent months, the rating agencies Moody's and Standard & Poor's have recognised the progress the Group has made and both agencies have restored our investment grade rating.

Increased our TNAV by c.11%.

As a result of our financial performance, our Tangible Net Asset Value (TNAV) has increased by c.11% in the first half of 2015 to 24 cents per share.

We are successfully investing to enhance our strong franchises

In the first half, we have continued to win new customers and develop our relationships with our existing customers across all our franchises. We are also continuing to invest to meet changing customer propositions and preferences, broaden our distribution platforms and enhance customer experience across all our businesses. We successfully launched a number of new online and mobile customer platforms and apps and further enhanced our strong customer propositions during the period.

We continue to be the number 1 business bank in Ireland.

In Ireland, we continue to be the number 1 bank for businesses, providing over 50% of new business lending. Business lending is continuing to recover and our new lending volumes were up c.20% compared to the first half of 2014. Lending growth is becoming more diversified and applications from smaller businesses have materially increased. Our agricultural, motor finance and commercial finance businesses are sustaining the momentum established in previous periods and we continue to provide over 50% of new agricultural lending. We continue to invest to enhance our customer propositions and all business loans up to €100,000 can now be carried out over the phone, through our centralised direct channel. We have also launched a dedicated business portal, ThinkBusiness.ie, which has been well received by customers. We also completed the acquisition of a c.€250 million performing business banking portfolio from Danske Bank during the first half and we believe there are further opportunities to build new relationships with businesses that are refinancing from other institutions.

Our Irish consumer businesses remain commercially disciplined in the somewhat more competitive environment which we anticipated.

Our Irish consumer businesses performed well in the first half of 2015 with new mortgage lending levels up over 18% compared to the same period last year.

We continue to be commercially disciplined in a somewhat more competitive environment as other incumbents move through their restructuring phases. Our Irish mortgage pricing strategy continues to focus on promoting our fixed rate offerings which we believe provide value and certainty to our customers and to the Group. Fixed rate products accounted for c.45% of our new lending in the first half, up from c.30% a year ago.

We launched revised current account propositions in the first half of 2015, providing savings for customers migrating towards automated and online transactions which deliver efficiencies for the Group. Our digital adoption programmes are helping our customers to have further 24/7 access to their accounts and we have appointed dedicated customer advisors to accelerate this process. This has supported a more than 25% increase in the numbers of our digitally active retail customers at the end of June 2015 compared to a year earlier.

New Ireland performing well and new business levels up 7% with stronger performance in the investment business.

Our life assurance business, New Ireland / Bank of Ireland Life, is the number 2 provider in the life, pensions, protection and investment market in Ireland and Bank of Ireland is the only bancassurer in the market. The business has performed well in the first half of 2015 - overall new business levels were up 7% on the first half of 2014, with a stronger performance in the investment business. Consistent with our bancassurance strategy, we have further enhanced our customer proposition through the launch of Life Online, a new portal that gives customers rich and personalised information on their pension and investment portfolios, all integrated alongside their current account and other banking products.

Partnership with the UK Post Office continuing to develop and grow.

In the UK, through our partnership with the Post Office, we are one of the leading consumer banking franchises with c.2.8 million customers. A key objective for 2015 is to continue to grow our mortgage business, building on the progress we made last year. In the first half of 2015, our new lending was £1.3 billion compared with £0.6 billion for the same period in 2014. We have achieved good momentum through the Post Office direct and intermediary channels, under the highly trusted Post Office Money brand, benefitting from the ongoing network investment by our Post Office partner. We have enhanced our mortgage distribution capability by building a new market leading mortgage platform. This platform was successfully launched for the intermediary channel in June with roll out proceeding in line with our plans. The platform will be made available to other channels in due course. 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.

New partnership with the AA is an important development for the Group.

On 15 July, we announced a new long term financial services partnership with the AA, with customer propositions focused on the provision of credit cards, unsecured personal loans, savings and mortgages in the UK. The partnership is complementary to our partnership with the Post Office and will combine our proven product development capabilities with the strength of the AA brand and its extensive and attractive membership base. The AA is one of the UK's most trusted brands with nearly 4 million members. It is anticipated that product launches will commence in the third quarter of the year.

Continue to safely run down our GB non-core books.

Our GB Corporate and Business Banking loan books, which we are required to run-down under our EU-approved Restructuring Plan, reduced by £0.3 billion during the first half of 2015. The remaining book at June 2015 amounted to £1.6 billion.

Corporate businesses are on track.

Our Corporate and Treasury business delivered a good result. We continue to be Ireland's number 1 corporate bank and new lending in this business was up c.20% compared to the first half of 2014. We also continue to achieve a strong share of banking relationships arising from new foreign direct investment in Ireland. In our treasury business, our foreign exchange volumes were boosted by the volatility in currency markets and increased customer activity. The recent launch of FX Pay, the Group's new online foreign exchange trading platform, has been well received by our customers. Our international Acquisition Finance business has delivered another strong performance during the period.

Our People are a key differentiator for our business

My colleagues continue to be a key differentiator for our businesses. Our success relies on their professionalism and dedication. I am very grateful to them for their continued commitment and focus as we deliver on our shared objectives for our customers and for the Group.

The first half of 2015 saw considerable progress in embedding the new sustainable Group-wide career and reward framework for our employees. This framework, endorsed by our principal employee representative bodies, supports career path transparency, providing career growth options, flexibility and professionalisation opportunities for our people.

Our future success depends on having colleagues who are equipped to effectively navigate the dynamic commercial, technological and regulatory environments in which we operate. We continue to invest in our people to ensure that they are able to further accelerate our growth agenda and effectively support and serve our customers. So far this year, 850 colleagues have achieved professional accredited qualifications while 860 individuals were sponsored to commence education programmes.

We continue to strengthen our employer brand, delivering a portfolio of successful Group-wide engagement and wellbeing programmes aimed at enhancing employee experience across all jurisdictions, while driving through significant change. In the first half of 2015, we have also delivered two Group-wide internal digital platforms: an industry leading career portal to help colleagues in their career development, and a new employee intranet.

On track to deliver attractive and sustainable returns for shareholders

In the first half of 2015, we have continued to deliver against the strategic objectives we 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 and continue to make are reflected in our financial performance in the first half. We will continue to invest in our people, businesses and infrastructure to broaden our distribution platforms, enhance our customer propositions and experiences and deliver efficiencies for the Group.

Whilst geopolitical risks remain, the macroeconomic outlook remains favourable in both Ireland and the UK. The quality of our retail and commercial franchises, the benefits of our diversified business model, our robust capital and funding, our commercially disciplined approach, the stability of our team and our clarity of purpose all combine to give us competitive advantage. The strength and momentum in our businesses gives us confidence in the Group's prospects and in our ability to continue to meet the needs of our customers and focus on our duty to responsibly deliver attractive and sustainable returns to our shareholders.

Richie Boucher
30 July 2015

Performance summary

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m
Group performance on an underlying[1] basis		
Net interest income (before ELG fees)	1,219	1,161
Eligible Liabilities Guarantee (ELG) Scheme fees[2]	(5)	(21)
Other income (net)	545	335
Operating income (net of insurance claims)	1,759	1,475
Operating expenses	(875)	(813)
Operating profit before impairment charges on financial assets	**884**	**662**
Impairment charges on loans and advances to customers	(168)	(444)
Reversal of impairment charges on available for sale financial assets	-	70
Share of results of associates and joint ventures (after tax)	27	39
Underlying[1] profit before tax	**743**	**327**
Total non-core items (page 19)	(18)	72
- Cost of restructuring programme	*(18)*	*(27)*
- (Charge) / gain arising on the movement in the Group's credit spreads	*(8)*	*8*
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	*3*	*87*
- Other non-core items	*5*	*4*
Profit before tax	**725**	**399**
Group performance (underlying[1])		
Net interest margin[3] (%)	2.21%	2.05%
Average interest earning assets (€bn)	109	110
Per unit of €0.05 ordinary stock		
Basic earnings per share (€ cent)	1.7	0.8
Underlying earnings per share (€ cent)	1.8	0.7
Tangible Net Asset Value (€ cent)	24	20
Impairment charges / (reversals) on loans and advances to customers		
Residential mortgages	(35)	88
Non-property SME and corporate	75	128
Property and construction	129	215
Consumer	(1)	13
Impairment charges / (reversals) on loans and advances to customers	**168**	**444**
Impairment charges (bps)	36	97
Divisional performance[4]		
Underlying[1] profit / (loss) before tax		
Retail Ireland	261	(28)
Bank of Ireland Life	58	69
Retail UK	99	57
Retail UK (Stg£ million equivalent)	*74*	*46*
Corporate and Treasury	395	303
Group Centre	(58)	(63)
Other reconciling items[5]	(12)	(11)
Underlying[1] profit before tax	**743**	**327**

1 Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 19 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.
4 For more details on the performance of each division see pages 31 to 49.
5 This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.

Balance sheet and key metrics	**30 June 2015 €bn**	31 December 2014 €bn
Total assets	131	130
Stockholders' equity	9.5	8.8
Return on assets (annualised) (%)[1]	0.94%	0.61%
Loans and advances to customers (after impairment provisions)	85	82
Defaulted loan volumes (€bn)	13.3	14.3
Customer deposits	79	75
Wholesale funding	15	20
Of which:		
Drawings from Monetary Authorities < 1 year to maturity	-	3
Drawings from Monetary Authorities > 1 year to maturity	1	1
Wholesale market funding < 1 year to maturity	4	8
Wholesale market funding > 1 year to maturity	10	8
Liquidity		
Liquidity Coverage ratio	101%	98%
Net Stable Funding ratio[2]	118%	114%
Loan to deposit ratio	108%	110%
Capital[3]		
Common equity tier 1 ratio - Basel III transitional rules	15.9%	14.8%
Common equity tier 1 ratio - Basel III fully loaded (excluding 2009 Preference Stock)	11.1%	9.3%
Total capital ratio	20.7%	18.3%
Risk weighted assets (€bn)	52.6	51.6

[1] *Return on assets is calculated as being net profit (being profit after tax) divided by total assets, in line with the requirement in the European Union (Capital Requirements) Regulations 2014. The current period profit after tax includes the benefits of additional gains of €228 million.*
[2] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the final Basel standard.*
[3] *Unless otherwise stated capital ratios include the 2009 Preference Stock, which the Group intends to derecognise between January and July 2016.*

Operating and financial review *(incorporating risk management)*

Basis of presentation

This operating and financial review is presented on an underlying basis. For an explanation of underlying see page 19.

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 2015 compared to the six months ended 30 June 2014. The balance sheets are presented for 30 June 2015 compared to 31 December 2014.

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 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income (before ELG fees)	1	1,219	1,161	5%
Eligible Liabilities Guarantee (ELG) fees	2	(5)	(21)	76%
Net other income	3	545	335	63%
Operating income (net of insurance claims)		**1,759**	**1,475**	**19%**
Operating expenses	4	(875)	(813)	(8%)
Operating profit before impairment charges on financial assets		**884**	**662**	**34%**
Impairment charges on loans and advances to customers	5,6	(168)	(444)	62%
Reversal of impairment charges on available for sale financial assets		-	70	n/m
Share of results of associates and joint ventures (after tax)		27	39	(31%)
Underlying[1] profit before tax		**743**	**327**	**127%**
Non-core items	7	(18)	72	n/m
- Cost of restructuring programme		*(18)*	*(27)*	*33%*
- (Charge) / gain arising on the movement in the Group's credit spreads		*(8)*	*8*	*n/m*
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes		*3*	*87*	*n/m*
- Other non-core items		*5*	*4*	*25%*
Profit before tax		**725**	**399**	**82%**
Tax charge		(101)	(55)	84%
Profit for the period		**624**	**344**	**82%**
Profit attributable to stockholders		617	343	80%
Profit attributable to non-controlling interests		7	1	n/m
Profit for the period		**624**	**344**	**82%**

[1] Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 19 for further information.

Summary consolidated income statement on an underlying basis (continued)

Profit before tax was €725 million for the six months ended 30 June 2015, an increase of €326 million or 82% compared to the same period in 2014.

Underlying profit before tax was €743 million for the six months ended 30 June 2015, an increase of €416 million or 127% on the comparative period.

Total income was €1,759 million for the six months ended 30 June 2015, up €284 million or 19% since the same period in 2014. Net interest income has increased by €58 million compared to the same period in 2014 reflecting the expansion of the net interest margin to 2.21% from 2.05% partially offset by lower average interest earning assets. Other income was €210 million higher than the same period in 2014, reflecting higher business income, increased gains arising on transfers from the available for sale reserve on asset disposal and gains on investment property disposals and revaluations. The Group has also benefited from lower ELG fees, which have reduced by €16 million compared to the period ended 30 June 2014.

Impairment charges on loans and advances to customers reduced significantly to €168 million for the six months ended 30 June 2015, compared to €444 million for the same period in 2014. This reduction reflects the performance of the Group's loan portfolios, improvements in the economic environment in the countries in which those portfolios are located, and the continued reduction in defaulted loans together with actions that the Group is taking to appropriately and sustainably support customers who are in financial difficulty.

Underlying profit before tax for the six months ended 30 June 2015 include additional gains of €206 million arising on transfers from the available for sale reserve on asset disposal, primarily relating to gains of €171 million crystallised from the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio and gains on investment property disposals and revaluations of €22 million.

Non-core items are a net charge of €18 million for the six months ended 30 June 2015, reflecting costs associated with the Group's restructuring programme of €18 million and a charge of €8 million relating to movements in the Group's credit spreads, partially offset by a gain of €3 million reflecting the impact of changes in pension benefits implemented as part of the 2013 Pension Review and other non-core items of €5 million. During the six months ended 30 June 2014 non-core items were a net gain of €72 million. This reflected a gain of €87 million relating to the impact in 2014 of changes to pension benefits arising from the 2013 Pension Review, partly offset by costs of €27 million relating to the Group's restructuring programme.

Operating income (net of insurance claims)

Net interest income

TABLE: 1 Net interest income / net interest margin	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income (before ELG fees)	1,219	1,161	5%
IFRS income classifications[1]	(29)	(27)	(6%)
Net interest income (before ELG fees) after IFRS income classifications	**1,190**	**1,134**	**5%**
Average interest earning assets (€bn)			
Loans and advances to customers	85	84	1%
Other interest earning assets	24	26	(6%)
Total average interest earning assets	**109**	**110**	**-**
Net interest margin (annualised)	**2.21%**	**2.05%**	**16bps**
Gross yield - customer lending	3.58%	3.60%	(2bps)
Gross yield - liquid assets	1.23%	1.72%	(49bps)
Gross yield - interest bearing liabilities	(0.89%)	(1.15%)	26bps

[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 interest income (before ELG fees), after IFRS income classifications, of €1,190 million for the six months ended 30 June 2015 has increased by €56 million or 5% on the comparative period for 2014.

The Group's average net interest margin has increased by 16 basis points to 2.21% for the six months ended 30 June 2015 from 2.05% for the six months ended 30 June 2014 and by 6 basis points from 2.15% for the second half of 2014.

Notwithstanding the low interest rate environment the Group has maintained margins on new lending and continued to make progress on repricing deposit portfolios. The Group earned net interest income on its liquid asset portfolio of €88 million in the six months ended 30 June 2015, down from €143 million in the six months ended 30 June 2014. The decrease is primarily due to the lower earnings yields on available for sale liquid assets and cash balances and the impact of the rebalancing of the liquid asset portfolio. In H1 2014, net interest income on the liquid asset portfolio included a gain from re-estimating the timing of cash flows on NAMA senior bonds. ECB rate cuts in 2014 are also impacting earnings on Irish tracker mortgages.

The reduction in average interest earning assets is due to the level of redemptions exceeding the level of new lending in the period, including the impact of the Group's successful actions to reduce the level of defaulted assets, the redemption of NAMA senior bonds and the rebalancing of the liquid asset portfolio substantially offset by the strengthening of the sterling exchange rate against the euro.

The annualised average net interest margin (after deducting the cost of ELG fees) increased by 19 basis points to 2.20% in the six months ended 30 June 2015 compared to 2.01% in the same period in 2014.

Eligible Liabilities Guarantee (ELG) fees

TABLE: 2

ELG	**6 months ended 30 June 2015**	6 months ended 30 June 2014	Change %
ELG fees (€m)	5	21	(76%)
Covered liabilities (at period end) (€bn)	1	4	(75%)
Average fee during period (%)	1.2%	1.0%	n/m

ELG fees of €5 million for the six months ended 30 June 2015 are €16 million lower compared to fees of €21 million for the same period in 2014. Total liabilities covered by the ELG Scheme reduced from €4 billion at 30 June 2014 to €3 billion at 31 December 2014 and were less than €1 billion at 30 June 2015. The ELG Scheme ended for all new liabilities on 28 March 2013. The cost of the ELG Scheme will continue to reduce in line with the maturity of covered liabilities. Final maturity of the covered liabilities is expected by December 2017.

Net other income

TABLE: 3

Net other income	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net other income	545	335	63%
IFRS income classifications[1]	29	27	6%
Net other income after IFRS income classifications	**574**	**362**	**58%**

[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 2015 €m	6 months ended 30 June 2014 €m	Change %
Business income[1]			
Retail Ireland	167	156	7%
Bank of Ireland Life	81	71	14%
Retail UK	5	7	(29%)
Corporate and Treasury	71	66	8%
Group Centre and other	(5)	(17)	71%
Total business income	**319**	**283**	**12%**
Other gains			
Transfer from available for sale reserve on asset disposal	206	89	n/m
- Sovereign bonds	*171*	*80*	*n/m*
- Other financial instruments	*35*	*9*	*n/m*
Gain on disposal and revaluation of investment properties[2]	22	3	n/m
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[3] and other	25	(15)	n/m
Fair value movement on Contingent Capital Note (CCN) embedded derivative	(8)	(21)	62%
Investment variance - Bank of Ireland Life	10	9	11%
Economic assumptions - Bank of Ireland Life	-	14	n/m
Net other income after IFRS income classifications	**574**	**362**	**58%**

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.
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 2015 was €574 million, an increase of €212 million on the period ended 30 June 2014.

Business income for the six months ended 30 June 2015 compares to the same period in 2014 as follows:

- business income in Retail Ireland has increased by €11 million driven by higher retail banking fees and higher foreign exchange income;
- other income in Bank of Ireland Life of €81 million increased by €10 million reflecting an increase in new and existing business profits during the period. Total operating income in Bank of Ireland Life has increased by 4% to €98 million in the six months ended 30 June 2015 compared to the same period in 2014 (see page 36);
- business income in Retail UK of €5 million has decreased by €2 million compared to the previous year;
- business income in Corporate and Treasury of €71 million increased by €5 million compared to the same period in 2014; and
- other net charges in Group Centre are €5 million for the six months ended 30 June 2015, compared to €17 million in the same period in 2014.

Other gains included in net other income are as follows:

- a gain of €206 million relating to transfers from the available for sale reserve on asset disposals for the six months ended 30 June 2015 compared to a gain of €89 million in the same period in 2014. These gains mainly arose from the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio; and
- a gain of €22 million relating to the disposal and revaluation of investment properties, compared to a gain of €3 million in the same period in 2014.

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

- a gain of €25 million due to valuation adjustments on financial instruments (CVA, DVA, FVA) and other compared to a charge of €15 million in the same period of 2014;
- a charge of €8 million due to the accounting impact of fair value movements on the derivative embedded in the Contingent Capital Note (CCN) during the six months ended 30 June 2015 compared to a charge of €21 million in the same period in 2014, the CCN has a fixed maturity date of July 2016;
- a positive investment variance of €10 million in Bank of Ireland Life in the six months ended 30 June 2015 reflecting positive movements in investment markets during the period. This compares to a positive investment variance of €9 million in the same period of 2014; and
- no gain or charge arose as a result of economic assumption changes and interest rate movements in Bank of Ireland Life for the six months ended 30 June 2015 compared to a gain of €14 million in the same period in 2014.

Operating expenses

TABLE: 4 Operating expenses	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Staff costs (excluding pension costs)	365	339	8%
Pension costs	81	70	16%
Other costs	411	386	6%
Operating expenses (before Financial Services Compensation Scheme (FSCS) costs)	**857**	**795**	**8%**
FSCS costs	18	18	-
Operating expenses (after FSCS costs)	**875**	**813**	**8%**
			Change
Staff numbers at period end	**11,384**	**11,386**	**(2)**
Average staff numbers during the period	**11,273**	**11,293**	**(20)**

Operating expenses (before FSCS costs) of €857 million for the six months ended 30 June 2015 were €62 million or 8% higher than the same period in 2014.

The Group has continued its focus on tight cost control during the period ended 30 June 2015. The weakening of the euro against sterling and the US dollar has been a key factor during 2015. Excluding the currency impact of €23 million, total operating costs have increased by 5% to €852 million due to further investment in our people, higher pension costs, business growth and investment in technology.

Staff costs (excluding pension costs) of €365 million for the six months ended 30 June 2015 are €26 million higher than the same period in 2014, €17 million higher on a constant currency basis. During 2014 the Group introduced a new career and reward framework for all employees, part of this framework provided for a salary increase of 1.75% effective July 2014, and a further 2% paid in January 2015. This payment applied to the vast majority of the Group's employees. The average number of staff employed by the Group has remained broadly static at an average of 11,293 in the six months ended 30 June 2014 and 11,273 in 2015. Staff numbers at 30 June 2015 were 11,384. The strengthening of sterling, and to a lesser extent, the US dollar, increased total staff costs by 2% as a result of staff located in the UK and US.

Pension costs of €81 million for the six months ended 30 June 2015 were €11 million higher than the same period in 2014. This is primarily as a result of higher service cost due to lower discount rates at 31 December 2014, partly offset by a reduction in the interest cost, together with an increase in the cost of defined contribution schemes introduced as part of the pension restructuring actions in 2013 and 2014.

Other costs including technology, property and other non-staff costs were €411 million for the six months ended 30 June 2015 compared with €386 million in the same period in 2014. The strengthening of sterling increased costs by €13 million or 3%. Additionally, there has been increased investment in strategic initiatives including new distribution channels, technology, customer acquisition and propositions as well as increased costs associated with regulatory compliance.

FSCS costs of €18 million, reflecting the anticipated full cost for 2015, are in line with the charge for 2014.

Irish bank levy and European resolution and deposit guarantee funds
The Group expects to record a charge of €38 million in H2 2015 in respect of the Irish bank levy.

The timing and quantum of the Group's contributions to the Single Resolution Fund and Deposit Guarantee Scheme remain uncertain.

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 2015 €m**	6 months ended 30 June 2014 €m	Change %
Residential mortgages	(35)	88	n/m
- Retail Ireland	*(32)*	*92*	*n/m*
- Retail UK	*(3)*	*(4)*	*25%*
Non-property SME and corporate	75	128	(41%)
- Republic of Ireland SME	*46*	*64*	*(28%)*
- UK SME	*(2)*	*20*	*n/m*
- Corporate	*31*	*44*	*(30%)*
Property and construction	129	215	(40%)
- Investment	*94*	*135*	*(30%)*
- Land and development	*35*	*80*	*(56%)*
Consumer	(1)	13	n/m
Total impairment charges / (reversals) on loans and advances to customers	**168**	**444**	**(62%)**

Impairment charges on loans and advances to customers of €168 million for the period ended 30 June 2015 were €276 million or 62% lower than the same period in 2014.

The significant reduction in impairment charges in the first half of 2015 reflects the performance of the Group's loan portfolios, improvements in the economic environment in the countries in which those portfolios are located, and the continued reduction in defaulted loans. These reductions 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 €35 million for the period ended 30 June 2015 compares to an impairment charge of €88 million in the same period in 2014. The impairment reversal on the Retail Ireland mortgage portfolio of €32 million for the period ended 30 June 2015 compares to an impairment charge of €92 million in the same period in 2014. The impairment reversal in the current period reflects improvements in book performance, in particular lower default rates and higher cures on foot of resolution activity, and improved economic conditions such as lower unemployment and some improvement in property prices. Retail Ireland mortgage default arrears (based on loan volumes greater than 90 days past due and / or impaired) continued to reduce in 2015 in both the Owner Occupied and Buy to let market segments, with total default arrears at their lowest level, in terms of reporting periods, since December 2011.

The impairment charge on the **Non-property SME and corporate** loan portfolio of €75 million for the period ended 30 June 2015 has decreased by €53 million or 41% from the same period in 2014. Impairment charges have reduced across each of the Group's non-property portfolios, reflecting improved macroeconomic and trading conditions in both the domestic Irish and international markets.

The impairment charge on the **Property and construction** loan portfolio of €129 million for the period ended 30 June 2015 decreased by €86 million or 40% from the same period in 2014. The impairment charge on the Investment property element of the Property and construction portfolio was €94 million for the period ended 30 June 2015 compared to €135 million in the same period in 2014. Lower impairment charges reflect the continued recovery in investment property markets in both RoI and the UK. Current period impairment charges relate to individual case specific events and continued resolution activity. Significantly lower impairment charges on the Land and development element of the Property and construction portfolio reflects the already substantially provisioned nature of this portfolio.

The impairment reversal of €1 million on **Consumer** loans for the period ended 30 June 2015 reflects the benefits of the recovery in macroeconomic conditions in both Ireland and the UK, and thus lower levels of default and higher cures particularly in the Retail Ireland Consumer portfolio.

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 2015 €m	6 months ended 30 June 2014 €m	Change %
Specific charge individually assessed	272	420	(35%)
Specific charge collectively assessed	(43)	40	n/m
Incurred but not reported	(61)	(16)	n/m
Total impairment charges / (reversals)	**168**	**444**	**(62%)**

For details of the impairment provision by the nature of impairment provision see page 62.

Reversal of impairment charge on available for sale financial assets

At the balance sheet date the Group held €281 million (nominal value) of subordinated bonds issued by the National Asset Management Agency (NAMA).

There was no impairment charge on available for sale financial assets for the six months ended 30 June 2015. During the period ended 30 June 2014, the Group recognised a gain of €70 million following the reversal of a previously recognised impairment. This followed NAMA's updated outlook for its long term performance and its payment of a discretionary coupon on these bonds. The Group updated its valuation of the bonds to 92.0% of their nominal value at 30 June 2015 from 82.6% at 31 December 2014, the increase in the valuation has been recognised in other comprehensive income.

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 2015 €m	6 months ended 30 June 2014 €m	Change %
Cost of restructuring programme	(18)	(27)	33%
Gross-up for policyholder tax in the Life business	10	8	25%
(Charge) / gain arising on the movement in the Group's credit spreads	(8)	8	n/m
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	3	87	n/m
Payments in respect of the career and reward framework	(3)	-	n/m
Loss on liability management exercises	(1)	(3)	67%
Investment return on treasury stock held for policyholders	(1)	-	n/m
Loss on disposal of business activities	-	(1)	n/m
Total non-core items	**(18)**	**72**	**n/m**

Non-core items (continued)

Cost of restructuring programme
During the six months ended 30 June 2015, the Group recognised a charge of €18 million in relation to its restructuring programme primarily related to the reduction in employee numbers. A restructuring charge of €27 million was incurred in the same period in 2014.

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.

Charge / gain arising on the movement in the Group's credit spreads
A charge of €8 million was recognised in the six months ended 30 June 2015 compared with a gain of €8 million during the same period in 2014. This charge arises from the impact of narrowing in the credit spreads on the Group's deposits that are accounted for at 'fair value through profit or loss'. The impact of credit spreads has been partially offset by gains arising from the 'pull to par' effect of cumulative losses reversing over time. These Group liabilities consist of certain subordinated debt, certain structured senior and covered debt and tracker deposits. These charges or gains do not impact the Group's regulatory capital.

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 (six months ended 30 June 2014: €87 million).

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 (six months ended 30 June 2014: €nil; 31 December 2014: €32 million).

Loss on liability management exercises
A loss of €1 million on liability management exercises was recognised in the six months ended 30 June 2015 compared with a loss of €3 million in the same period in 2014, reflecting the repurchase of certain Group debt securities.

Investment return on treasury stock held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland stock held by Bank of Ireland Life for policyholders. There was a €1 million charge in the six months ended 30 June 2015, while there was no such charge in the same period in 2014. Units of stock held by Bank of Ireland Life for policyholders at 30 June 2015 were 17 million units (30 June 2014: 19 million units).

Loss on disposal / liquidation of business activities
A loss on disposal of business activities of €1 million was recognised in the six months ended 30 June 2014. There was no such loss in the current period.

Taxation

The taxation charge for the Group was €101 million for the six months ended 30 June 2015 compared to a taxation charge of €55 million in the same period in 2014. Excluding the impact of non-core items, the effective tax rate for the six months ended 30 June 2015 is 13% (taxation charge) which compares with the comparable rate for the same period in 2014 of 12% (taxation charge). The effective tax rate is influenced by changes in the geographic mix of profits and losses.

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 2015 €bn**	31 December 2014 €bn	Change %
Loans and advances to customers (after impairment provisions)		85	82	4%
Liquid assets	8	24	25	(6%)
Bank of Ireland Life assets		16	16	4%
Other assets	11	6	7	(9%)
Total assets		**131**	**130**	**1%**
Customer deposits	9	79	75	6%
Wholesale funding	10	15	20	(24%)
Bank of Ireland Life liabilities		16	16	4%
Other liabilities	11	8	8	(1%)
Subordinated liabilities	12	3	2	-
Total liabilities		**121**	**121**	**3%**
Stockholders' equity	13	9	9	17%
Other equity instruments	14	1	-	n/m
Total liabilities and stockholders' equity		**131**	**130**	**1%**
Loan to deposit ratio		**108%**	**110%**	
Common equity tier 1 ratio - Basel III transitional rules[1]		**15.9%**	**14.8%**	
Total capital ratio[1]		**20.7%**	**18.3%**	

[1] *The Common equity tier 1 ratio - Basel III transitional and the total capital ratio include the 2009 Preference Stock.*

Loans and advances to customers

The Group's **loans and advances to customers (after impairment provisions)** of €85 billion have increased by €3.1 billion or 4% since 31 December 2014. On a constant currency basis, loans and advances to customers have decreased by €0.4 billion or 1% during the six months ended 30 June 2015.

Gross new lending (excluding portfolio acquisitions) of c.€6.0 billion was €1.7 billion or 40% higher than in the same period in 2014 which reflects increased lending primarily in mortgages and business banking in the Republic of Ireland, UK mortgages and Corporate Banking. In addition, during the first six months of the year, the Group completed a number of portfolio and asset acquisitions consistent with its strategy of growing volumes within its product and risk appetite. This included the purchase of a €0.2 billion portfolio of performing Residential mortgages from the Irish Bank Resolution Corporation Limited (in Special Liquidation) and a €0.3 billion portfolio of performing commercial loans from Danske Bank A/S.

Redemptions and repayments totalled c.€6.9 billion, of which the Group's success in progressing (through resolution or cure) a significant volume of 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 c.€1.6 billion of this figure.

The composition of the Group's loans and advances to customers by portfolio and by division at 30 June 2015 was broadly consistent with 31 December 2014.

Defaulted loans of €13.3 billion at 30 June 2015 have decreased by €1.0 billion or 7% during the first half of 2015. On a constant currency basis defaulted loans have decreased by €1.4 billion. The decrease has occurred across all portfolios and is reflective of the actions that the Group is taking to appropriately and sustainably support customers who are in financial difficulty, the improving economic climate, increasing liquidity and improving property market conditions.

Loans and advances to customers (continued)

The stock of impairment provisions on loans and advances to customers of €7.1 billion has decreased by €0.3 billion since 31 December 2014 (€0.5 billion on a constant currency basis). The coverage ratio at 30 June 2015 is 53% (31 December 2014: 52%).

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 55 to 64.

Liquid assets

TABLE: 8

Liquid assets	**30 June 2015 €bn**	31 December 2014 €bn
Cash at banks	5	4
Cash and balances at central banks	5	5
- Bank of England	*4*	*4*
- Central Bank of Ireland and US Federal Reserve	*1*	*1*
Government bonds	7	8
- Available for sale	*5*	*8*
- Held to maturity	*2*	*-*
NAMA senior bonds	2	2
Covered bonds	2	3
Senior bank bonds and other	3	3
	24	**25**

The Group's portfolio of liquid assets of c.€24 billion has decreased by c.€1.5 billion since 31 December 2014, primarily reflecting a decrease in the holdings of sovereign bonds of €1.1 billion and a €0.5 billion redemption of NAMA senior bonds.

During the six months ended 30 June 2015, gains of €206 million relating to transfers from the available for sale reserve on asset disposals were recognised. These gains primarily arose from the sale of sovereign bonds and are included in net other income, see page 16.

Customer deposits

TABLE: 9

Customer deposits	**30 June 2015 €bn**	31 December 2014 €bn
Retail Ireland	38	37
- Deposits	*22*	*22*
- Current account credit balances	*16*	*15*
Retail UK	29	26
Retail UK (Stg£bn equivalent)	21	20
- UK Post Office	*17*	*16*
- Other Retail UK	*4*	*4*
Corporate and Treasury	12	12
Total customer deposits	**79**	**75**
Loan to deposit ratio	**108%**	**110%**
Deposits covered by ELG Scheme	1	1

The Group's strategy for deposits has been to:

- maintain and grow 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 increased by €4.4 billion to €79 billion since 31 December 2014 due to increases in Retail UK (€3.3 billion), Retail Ireland (€0.8 billion), and Corporate and Treasury (€0.2 billion). On a constant currency basis, Group customer deposits increased by €1.5 billion.

In the Retail Ireland Division, customer deposits of €38 billion at 30 June 2015 have increased by €0.8 billion since 31 December 2014, with current account credit balance growth of €1.2 billion partially offset by a decline in other deposits of €0.4 billion.

Balances in Retail UK increased by £0.5 billion to £21 billion for the six months ended 30 June 2015. Deposit balances originated through the Post Office network increased by £0.5 billion to £16.5 billion driven by sales of Fixed Rate Bonds and ISA products. Other Retail UK balances, including balances originated through the Group's Northern Ireland branch network remained broadly unchanged.

Deposits increased by €0.2 billion in the Corporate and Treasury Division largely due to increased deposit balances from existing relationship customers.

Customer deposits of €79 billion for the six months ended 30 June 2015 (31 December 2014: €75 billion) do not include €2.2 billion (31 December 2014: €2.3 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 2% to 108% for the six months ended 30 June 2015. The Group had a requirement under the EU Restructuring Plan for the LDR to be below 116% for the six months ended 30 June 2015. This requirement has been met and there are no further LDR requirements under the EU plan.

The Group's customer deposits are covered by the Irish Deposit Guarantee Scheme in Ireland, the UK Financial Services Compensation Scheme in respect of deposits issued by Bank of Ireland (UK) plc, and the ELG Scheme in respect of eligible term deposits issued on or before the termination of the ELG Scheme and still outstanding.

At 30 June 2015, the majority of personal and SME customer deposits continue to be covered under the deposit protection schemes, while deposit balances covered by the ELG Scheme reduced to €0.8 billion during the six months ended 30 June 2015.

Wholesale funding

TABLE: 10

Wholesale funding sources	**30 June 2015 €bn**	**30 June 2015 %**	31 December 2014 €bn	31 December 2014 %
Secured funding	11	71%	14	72%
- Monetary Authority	*1*	*10%*	*4*	*22%*
- Covered bonds	*6*	*40%*	*6*	*31%*
- Securitisations	*3*	*16%*	*3*	*13%*
- Private market repo	*1*	*5%*	*1*	*6%*
Unsecured funding	4	29%	6	28%
- Senior debt	*3*	*23%*	*5*	*23%*
- Bank deposits	*1*	*6%*	*1*	*5%*
Total Wholesale funding	**15**	**100%**	**20**	**100%**
Wholesale market funding < 1 year to maturity	4	27%	8	48%
Wholesale market funding > 1 year to maturity	10	73%	8	52%
Monetary Authority funding < 1 year to maturity	-	-	3	-
Monetary Authority funding > 1 year to maturity	1	-	1	-
Wholesale funding covered by ELG Scheme	-	-	2	-
Liquidity metrics				
Liquidity Coverage Ratio		101%		98%
Net Stable Funding Ratio		118%		114%
Loan to deposit ratio		108%		110%

The Group's wholesale funding requirement of €15 billion has decreased by c.€5 billion since 31 December 2014 primarily related to the impact of:

- higher customer deposits (c.€4.4 billion); and
- the issuance of AT1 securities of €750 million.

During the six month period ended 30 June 2015, the Group accessed the term debt markets achieving competitive pricing in issuing:

- €750 million of Irish Mortgage Asset Covered Securities (ACS debt) in a five-year transaction in January 2015 at 20 basis points over mid swaps;
- €750 million five-year senior unsecured debt in March 2015 at 100 basis points over mid swaps; and
- €1 billion of Irish Mortgage ACS debt in a seven-year transaction in May 2015 at 5 basis points over mid swaps.

The Group's funding from Monetary Authorities of €1.5 billion at 30 June 2015 has decreased by c.€2.9 billion since 31 December 2014. All ECB Monetary Authority funding is drawn under the Targeted Longer Term Refinancing Operation (TLTRO). At 30 June 2015, €11 billion or 75% of wholesale funding had a term to maturity of greater than one year (31 December 2014: €9.5 billion or 48%). The increase since 31 December 2014 relates to new term issuance during the period. Wholesale market funding with a maturity of less than one year was €4 billion (31 December 2014: €8 billion) of which €2 billion is secured.

All wholesale funding guaranteed under the ELG Scheme as at 31 December 2014 (c.€1.9 billion) matured during the period to 30 June 2015.

The Group's Liquidity Coverage Ratio (LCR) was 101% at 30 June 2015 (31 December 2014: 98%). Based on the Group's interpretation of the final Basel standard, the Group's Net Stable Funding Ratio (NSFR) was 118% at 30 June 2015 (31 December 2014: 114%).

The Group's Loan to Deposit ratio decreased from 110% at 31 December 2014 to 108% at 30 June 2015.

Liquidity Regulation

The Group must comply with regulatory liquidity requirements of the Single Supervisory Mechanism (SSM) and the requirements of local regulators in those jurisdictions where such requirements apply to the Group.

Wholesale funding (continued)

CRD IV regulations introduce minimum liquidity requirements for the Group and licensed subsidiaries including:

- Liquidity Coverage Ratio - The liquidity coverage ratio (LCR) will require banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario. The requirement is being introduced on a phased basis. A minimum 60% ratio will apply from October 2015 rising to a minimum 100% ratio to apply from January 2018;
- Net Stable Funding Ratio - The net stable funding ratio (NSFR) requires banks to have sufficient quantities of funding from stable sources. The ratio is proposed to come into effect from January 2018; and
- Separately the SSM may give rise to additional Pillar II liquidity requirements. The Group will continue to target the maintenance of a buffer above minimum applicable regulatory liquidity requirements.

The Central Bank of Ireland requires that banks have sufficient resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 9 to 30 day time horizon.

The Group has remained in full compliance with regulatory liquidity requirements in the period to 30 June 2015, and as at 30 June 2015 maintained a buffer significantly in excess of regulatory minima.

Bank of Ireland (UK) plc is authorised by the Prudential Regulation Authority (PRA) and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK in the period to 30 June 2015, and as at 30 June 2015 maintains a buffer significantly in excess of regulatory minima.

Other assets and other liabilities

TABLE: 11

Other assets and other liabilities	**30 June 2015 €bn**	31 December 2014 €bn
Other assets	6.4	7.0
- Derivative financial instruments	*3.2*	*3.7*
- Deferred tax asset	*1.6*	*1.6*
- Other assets	*1.6*	*1.7*
Other liabilities	8.2	8.2
- Derivative financial instruments	*4.1*	*4.0*
- Pension deficit	*0.8*	*1.0*
- Other liabilities	*3.3*	*3.2*

Other assets at 30 June 2015 include derivative financial instruments with a positive fair value of €3.2 billion compared to a positive fair value of €3.7 billion at 31 December 2014. Other liabilities at 30 June 2015 include derivative financial instruments with a negative fair value of €4.1 billion compared to a negative fair value of €4.0 billion at 31 December 2014. 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 2015.

At 30 June 2015, the Group's deferred tax asset was €1.6 billion. This compares to a balance of €1.6 billion at 31 December 2014 with utilisation of the deferred tax asset through profits in the period offset by the impact of a strengthening sterling and movements in reserves. The deferred tax asset of €1.6 billion at 30 June 2015 includes an amount of €1.5 billion in respect of operating losses which are available to relieve future profits from tax.

Under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses and based on its estimates of future taxable income the Group has concluded that it is probable that sufficient taxable profits will be generated to recover this deferred tax asset. On that basis the deferred tax asset has been recognised in full.

Other assets and other liabilities (continued)

At 30 June 2015, the pension deficit was €0.8 billion, a net decrease of €0.2 billion from the position at 31 December 2014. The main drivers of this decrease are as follows:

- an increase in discount rates, with the RoI discount rate increasing by 25 basis points to 2.45% at 30 June 2015 from 2.20% at 31 December 2014 and the UK discount rate increasing by 5 basis points to 3.75% at 30 June 2015. This decreased the deficit by c.€0.3 billion; and
- an increase in the value of pension scheme assets during the period of €0.3 billion; partially offset by
- an increase of 30 basis points in the RoI inflation rate and 20 basis points in the UK inflation rate, increasing the deficit by c.€0.2 billion;
- the strengthening of sterling relative to euro, resulting in an increase in sterling liabilities of c.€0.1 billion; and
- interest cost and current service cost increase the deficit by c.€0.1 billion.

Subordinated liabilities

TABLE: 12

Subordinated liabilities	**30 June 2015 €m**	31 December 2014 €m
Contingent Capital Note (CCN)	993	989
€750 million 4.25% Fixed Rate Notes	757	760
€250 million 10% Fixed Rate Notes	262	269
€1,002 million 10% Fixed Rate Notes	235	239
Undated loan capital	184	171
Other	75	72
Total	**2,506**	**2,500**

There have been no significant movements in subordinated liabilities during the period ended 30 June 2015.

Stockholders' equity

TABLE: 13

Movements in stockholders' equity	**6 months ended 30 June 2015 €m**	Year ended 31 December 2014 €m
Stockholders' equity at beginning of period	**8,753**	**7,889**
Movements:		
Profit attributable to stockholders	617	786
Dividends on preference stock	(137)	(141)
Remeasurement of the net defined benefit pension liability	172	(353)
Available for sale reserve movements	(122)	133
Cash flow hedge reserve movement	(79)	159
Foreign exchange movements	334	275
Other movements	(3)	5
Stockholders' equity at end of period	**9,535**	**8,753**

Stockholders' equity (continued)

Stockholders' equity increased from €8,753 million at 31 December 2014 to €9,535 million at 30 June 2015.

The profit attributable to stockholders of €617 million for the six months ended 30 June 2015 compares to the profit attributable to stockholders of €786 million for the year ended 31 December 2014.

During 2015, the Group paid dividends of €133 million on the 2009 Preference Stock. The Group also paid dividends of €2.3 million and £1.2 million on its other euro and sterling preference stock respectively.

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 RoI discount rate has increased by 25 basis points since 31 December 2014, from 2.20% to 2.45%. The impact of this increase was partially offset by an increase in the RoI inflation rate of 30 basis points to 1.80%. The market value of pension scheme assets increased by 4.2% during the six months ended 30 June 2015.

The available for sale reserve movement during 2015 is primarily due to transfers from the available for sale reserve during the period, and the widening of credit spreads, particularly on the portfolio of Irish Government bonds. Gains recognised on transfers from the available for sale reserve during the period are included in other income on page 16.

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 8.7% weakening of the euro against sterling in the six months ended 30 June 2015.

Other equity instruments

TABLE: 14	**30 June 2015 €m**	31 December 2014 €m
Balance at the beginning of the period	-	-
Additional tier 1 securities issued	749	-
Transaction costs (net of tax)	(9)	-
Balance at the end of the period	**740**	**-**

In June 2015, the Group issued Additional tier 1 (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%. See note 30 for further information.

Capital

Regulatory capital and key capital ratios

CRD IV Transitional 31 December 2014 €m		CRD IV Transitional[1] 30 June 2015 €m	CRD IV Fully Loaded[1] (excl. 2009 Preference Stock) 30 June 2015 €m
	Capital Base		
8,747	Total equity	10,276	10,276
-	- less 2009 Preference Stock and associated reserves	-	(1,286)
-	- less Additional tier 1 capital	(750)	(750)
(329)	**Regulatory adjustments being phased in / out under Basel III / CRD IV**	**(523)**	**(1,762)**
-	*- Deferred tax assets[2]*	*(144)*	*(1,442)*
-	*- 10% - 15% threshold deduction[3]*	*-*	*(44)*
714	*- Retirement benefit obligations[4]*	*438*	*-*
(609)	*- Available for sale reserve[5]*	*(444)*	*-*
(56)	*- Pension supplementary contributions[4]*	*(44)*	*-*
(29)	*- Capital contribution on CCN[4]*	*(15)*	*-*
(349)	*- Other adjustments[6]*	*(314)*	*(276)*
(777)	**Other regulatory adjustments**	**(660)**	**(675)**
(10)	*- Expected loss deduction[7]*	*(14)*	*(29)*
(405)	*- Intangible assets and goodwill*	*(429)*	*(429)*
(115)	*- Dividend / coupon expected on preference stock and other equity instruments[8]*	*(48)*	*(48)*
(205)	*- Cash flow hedge reserve*	*(126)*	*(126)*
26	*- Own credit spread adjustment (net of tax)*	*30*	*30*
(68)	*- Securitisation deduction*	*(73)*	*(73)*
7,641	**Common equity tier 1[9]**	**8,343**	**5,803**
	Additional tier 1		
75	Additional tier 1[10]	817	750
(5)	**Regulatory adjustments**	**(7)**	**-**
(5)	*- Expected loss deduction[7]*	*(7)*	*-*
7,711	**Total tier 1 capital**	**9,153**	**6,553**
	Tier 2		
1,525	Tier 2 dated debt	1,404	1,398
113	Tier 2 undated debt	129	174
(5)	**Regulatory adjustments**	**(7)**	**-**
(5)	*- Expected loss deduction[7]*	*(7)*	*-*
44	Standardised incurred but not reported (IBNR) provisions	37	-
-	Provisions in excess of expected losses on defaulted loans	143	143
53	Other adjustments	36	(80)
1,730	**Total tier 2 capital**	**1,742**	**1,635**
9,441	**Total capital**	**10,895**	**8,188**
51.6	**Total risk weighted assets (€bn)**	**52.6**	**52.5**
	Capital ratios		
14.8%	Common equity tier 1	15.9%	11.1%
14.9%	Tier 1	17.4%	12.5%
18.3%	Total capital	20.7%	15.6%
6.4%	Leverage ratio	7.5%	5.4%

Capital (continued)

Risk weighted assets (RWA)[11,12]

CRD IV Transitional 31 December 2014 €bn		CRD IV Transitional[1] 30 June 2015 €bn	CRD IV Fully Loaded[1] (excl. 2009 Preference Stock) 30 June 2015 €bn
46.8	Credit risk[13]	47.7	47.6
0.5	Market risk	0.7	0.7
4.0	Operational risk	4.0	4.0
0.3	Credit valuation adjustment	0.2	0.2
51.6	**Total RWA**	**52.6**	**52.5**

CRD IV

The Capital Requirements Directive (CRD) IV legislation is being implemented on a phased basis from 1 January 2014, with full implementation by 2019. CRD IV includes requirements for regulatory and technical standards to be published by the European Banking Authority (EBA). A number of these have not yet been published and their impact is uncertain. The CRD IV transition rules result in a number of new deductions from CET1 capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until 2018. 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 CBI paper 'Implementation of Competent Authority discretions and options in CRD IV and CRR' published on 21 May 2014.

Capital actions

In June 2015, the Group successfully raised €750 million of new CRD IV compliant AT1 securities at an initial coupon of 7.375%. See note 30 for further information.

Risk weighted assets

Risk weighted assets (RWA) at 30 June 2015 of €52.6 billion compares to RWA of €51.6 billion at 31 December 2014. Increases in RWA are primarily due to the impact of foreign exchange movements and an increase in market risk RWA, partially offset by a reduction in volumes due to redemptions in excess of new lending and an improvement in the credit profile of loans and advances to customers.

Transitional Ratio

The Common equity tier 1 (CET1) ratio at 30 June 2015 of 15.9% compares to the ratio of 14.8% at 31 December 2014. The increase is primarily due to the impact of attributable profits for the period and a decrease in the pension deficit, partially offset by an additional year of phasing of CRD IV deductions.

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 phased at 0% in 2014 and 10% per annum thereafter.*
3 *The 10% / 15% threshold deduction is phased in at 20% in 2014 and increases by 20% per annum thereafter, and is deducted in full from CET1 under fully-loaded rules. The calculation of the 10% / 15% threshold amount includes the benefit of the 2009 Preference Stock on a transitional basis.*
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 2014 require phasing in 20% of unrealised losses and 0% of unrealised gains. Between 2015-2018 unrealised losses and gains will be phased in at the following rates 40%, 60%, 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 recognisable in capital under fully loaded CRD IV rules.*
6 *Includes technical items such as other national filters and non-qualifying CET1 items.*
7 *Under CRD IV transitional rules, expected loss is phased in at 20% in 2014 however, the CBI's implementation of competent authority discretions requires at least 50% of expected loss to be deducted from CET1 overall. Expected loss not deducted from CET1 is deducted 50:50 from Tier 1 and Tier 2 capital. It is deducted in full from CET1 under fully loaded rules.*
8 *Dividends / coupons expected are for the period to 30 June 2015.*
9 *CET1 capital calculated under transitional rules includes the benefits of the 2009 Preference Stock (€1.3 billion outstanding at 30 June 2015). Under CRD IV transitional rules state aid instruments are grandfathered until 31 December 2017. However, as part of the capital package completed in December 2013 the Group advised the Central Bank of Ireland that it is not the Group's intention to recognise the 2009 Preference Stock as regulatory CET1 capital after July 2016, unless derecognition would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements.*
10 *Non-qualifying tier 1 hybrid debt is phased out of Additional tier 1 at 20% in 2014 and 10% per annum thereafter. Certain instruments are phased into Tier 2 capital from Tier 1 capital.*
11 *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.*
12 *Further details on RWA as at 31 December 2014 can be found in the Group's Pillar III disclosures for the year ended 31 December 2014, which are available on the Group's website.*
13 *Includes RWA relating to non-credit obligation assets / other assets and RWA arising from the 10% / 15% threshold deduction.*

Capital (continued)

The Group continues to expect to maintain a buffer above a CET1 ratio of 10%, taking account of the transitional rules and the intention to derecognise the 2009 Preference Stock from regulatory CET1 capital between January and July 2016. This provides for a meaningful buffer over regulatory requirements.

The Total capital ratio at 30 June 2015 of 20.7% compares to 18.3% at 31 December 2014 and reflects the impact of increased CET1 and the issuance of €750 million Additional tier 1 (AT1) capital in June 2015.

Fully Loaded Ratio

The Group's pro forma fully loaded CET1 ratio, excluding the 2009 Preference Stock is estimated at 11.1% as at 30 June 2015, which has increased from 9.3% as at 31 December 2014. The increase is primarily due to the impact of attributable profits for the period, a decrease in the pension deficit and a decrease in RWA on a constant currency basis partially offset by a decrease in the available for sale reserve.

Under CRD IV transitional rules, state aid instruments, including the 2009 Preference Stock, are grandfathered until 31 December 2017. However, as part of the capital package completed in December 2013, the Group announced that, save in certain circumstances (including changes in the regulatory capital treatment of the 2009 Preference Stock or taxation events), it does not intend to redeem the 2009 Preference Stock prior to 1 January 2016. The Group advised the Central Bank of Ireland that it is not the Group's intention to recognise the 2009 Preference Stock as regulatory CET1 capital after July 2016, unless derecognition would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements.

The Group's pro forma fully loaded CET1 ratio, including the 2009 Preference Stock, is estimated to be 13.6% at 30 June 2015 (11.9% at 31 December 2014).

Leverage ratio[1]

The leverage ratio is 7.5% on a CRD IV transitional basis, 5.4% on a pro forma full implementation basis excluding the 2009 Preference Stock and 6.5% including the 2009 Preference Stock. The Group expects to remain above the Basel Committee indicated minimum level leverage ratio of 3%.

The Basel committee will monitor 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.*

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).

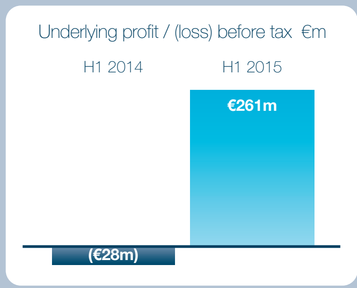
Income statement - underlying profit / (loss) before tax	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Retail Ireland	261	(28)	n/m
Bank of Ireland Life	58	69	(16%)
Retail UK	99	57	75%
Corporate and Treasury	395	303	30%
Group Centre	(58)	(63)	8%
Other reconciling items[1]	(12)	(11)	(9%)
Underlying profit before tax	**743**	**327**	**127%**
Non-core items (see page 19)	(18)	72	n/m
Profit before tax	**725**	**399**	**82%**

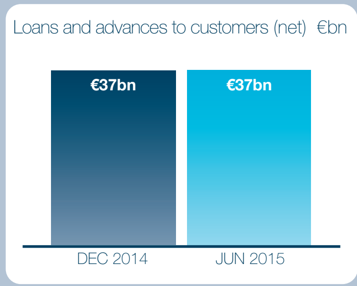
[1] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*

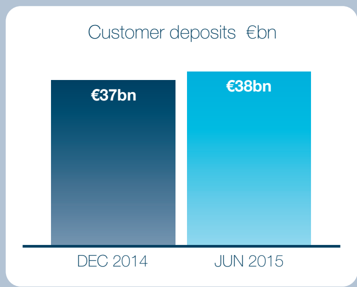
Retail Ireland

Retail Ireland: Income statement	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income	530	485	9%
Net other income	201	157	28%
Operating income	**731**	**642**	**14%**
Operating expenses	(416)	(406)	(2%)
Operating profit before impairment charges on financial assets	**315**	**236**	**33%**
Impairment charges on loans and advances to customers	(59)	(285)	79%
Share of results of associates and joint ventures (after tax)	5	21	(76%)
Underlying profit / (loss) before tax	**261**	**(28)**	**n/m**
Staff numbers at period end	4,664	4,803	

	30 June 2015 €bn	31 December 2014 €bn
Loans and advances to customers (net)	37	37
Customer deposits	38	37







Retail Ireland incorporates the Group's branch network and Direct Channels (mobile, online and phone), Mortgage Business, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland and has a comprehensive suite of retail and business products and services.

Retail Ireland (continued)

Retail Ireland reported an **underlying profit before tax** of €261 million for the six months ended 30 June 2015 compared to a loss of €28 million for the same period in 2014. Operating profit before impairment charges grew €79 million or 33% to €315 million while impairment charges fell by €226 million resulting in underlying profit growth of €289 million.

Loans and advances to customers (after impairment provisions) of €37 billion at 30 June 2015 are in line with the position at 31 December 2014. During the six months ended 30 June 2015, there has been a gross reduction of c.€0.7 billion in Retail Ireland's low yielding tracker mortgage book and of €0.9 billion in Retail Ireland's defaulted loan book.

Customer deposits of €38 billion at 30 June 2015 have increased by €0.8 billion since 31 December 2014. Within deposits, current account credit balances have grown by €1.2 billion while other deposits have declined by €0.4 billion.

The change in 'net interest income' and 'net other income' is impacted by IFRS income classifications between the two income categories (see pages 14 and 15).

Net interest income	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income	530	485	9%
IFRS income classifications	12	1	n/m
Net interest income (after IFRS income classifications)	**542**	**486**	**12%**

Net interest income (after IFRS income classifications) of €542 million for the six month period ended 30 June 2015 was €56 million or 12% higher than the same period in 2014. This increase is primarily driven by the lower cost of customer deposits and other funding sources and the positive impact of margins arising on new lending. These factors have been partially offset by the continued negative impact of historically low official interest rates and lower average loan volumes in the period to 30 June 2015 compared to the same period in 2014.

Retail Ireland (continued)

Net other income	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Net other income	201	157	28%
IFRS income classifications	(12)	(1)	n/m
Net other income (after IFRS income classifications)	**189**	**156**	**21%**

Net other income (after IFRS income classifications)	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Business income	167	156	7%
Financial instrument valuation adjustments (CVA, DVA, FVA) and other	(1)	2	n/m
Gain on disposal and revaluation of investment properties[1]	23	(2)	n/m
Net other income (after IFRS income classifications)	**189**	**156**	**21%**

[1] *Includes gains recognised on assets held for sale.*

Net other income (after IFRS income classifications) of €189 million for the six months ended 30 June 2015 was €33 million or 21% higher than the same period in 2014. Business income has grown by 7%, primarily due to higher foreign exchange income and higher retail banking fees. During the six months ended 30 June 2015 gains on disposal and revaluation of investment properties of €23 million were recognised.

Operating expenses of €416 million for the six months ended 30 June 2015 were €10 million higher than the same period in 2014. The impact of lower staff numbers is offset by investment associated with strategic initiatives such as 'Smarter Banking', 'Enterprise Towns' and 'ThinkBusiness.ie'. Staff numbers have decreased by 3% from 4,803 at 30 June 2014 to 4,664 at 30 June 2015.

The **share of results of associates and joint ventures (after tax)** was a gain of €5 million for the six months ended 30 June 2015 compared to €21 million for the same period in 2014. The gain in the prior year was primarily due to the sales of an international investment property and venture capital investments, in addition to increases in the value of other investment properties and investment funds.

Impairment charges / (reversals) on loans and advances to customers	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Residential mortgages	(32)	92	n/m
Non-property SME and corporate	46	64	(28%)
Property and construction	55	120	(54%)
Consumer	(10)	9	n/m
Impairment charges / (reversals) on loans and advances to customers	**59**	**285**	**(79%)**

Impairment charges / (reversals) on loans and advances to customers of €59 million for the six months ended 30 June 2015 were €226 million or 79% lower compared to the same period in 2014.

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 55 to 64 and the supplementary asset quality and forbearance disclosures section on pages 111 to 134.

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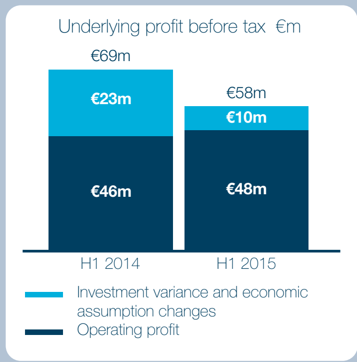
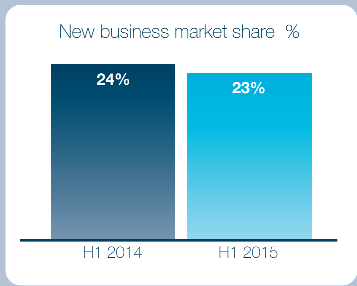
Bank of Ireland Life

Bank of Ireland Life: Income statement (IFRS performance)	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income	17	23	(26%)
Net other income	81	71	14%
Operating income	98	94	4%
Operating expenses	(50)	(48)	(4%)
Operating profit	**48**	**46**	**4%**
Investment variance	10	9	n/m
Economic assumption changes	-	14	n/m
Underlying profit before tax	**58**	**69**	**(16%)**
Staff numbers at period end	903	931	





Bank of Ireland Life is the only bancassurer in the Irish market and comprises the life assurer, New Ireland Assurance Company plc (NIAC), which distributes protection, investment and pension products to the Irish market through independent brokers, its tied financial advisors and the Group's branch network.

Bank of Ireland Life reported an **underlying profit before tax** of €58 million for the six month period ended 30 June 2015 compared to an underlying profit before tax of €69 million in the same period in 2014 and reflects a consistent business performance, and positive markets offset by a reduced benefit from economic assumption changes and higher interest costs following the capital restructuring in 2014.

New business sales for Bank of Ireland Life grew by 7% over the six month period year ended 30 June 2015 resulting in a 23% market share of new business. Sales were ahead in each channel compared to the previous year with single premium investment (through the iFunds range) and regular premium pension sales in particular showing strong growth.

The value of new business is up 21% compared to the same period in 2014 reflecting an increase in the value of new business sales and constant initial expenses.

Profits from the book of existing business were broadly neutral with increases in respect of persistency and operating assumption changes offsetting lower profits from risk experience and planned profit.

As part of the Group's capital programme the Life company undertook a capital restructuring exercise in 2014. This involved the introduction of an amount of subordinated debt together with a financial reinsurance arrangement secured against a defined block of in force policies. The interest cost relating to these transactions has reduced operating profit in Bank of Ireland Life in the six months ended 30 June 2015 by €3 million (30 June 2014: €nil). As some of the debt issued is held by the Group, the impact of the transactions at a Bank of Ireland Group level is to reduce operating profit by €1 million in 2015 as compared with the same period in 2014.

Operating profit of €48 million for the six months ended 30 June 2015 was €2 million or 4% higher than the same period in 2014 with income growth partly offset by an increase in operating expenses over the period.

Operating income of €98 million for the six months ended 30 June 2015 is €4 million or 4% higher than the same period in 2014. In new business, the strong growth in single premium Life and regular premium pension sales offset the reduction in protection volumes, while overall margins remained stable over the period.

On the book of existing policies, mortality experience continued to be favourable and the positive lapse experience improved further offsetting the impact of lower interest rates on the return on shareholder funds.

Bank of Ireland Life (continued)

Operating expenses of €50 million for the six months ended 30 June 2015 are €2 million or 4% higher than the same period in 2014. In the main, the rise reflects an increase of €1 million in pension costs along with the impact of the payroll increases arising from the new career and reward framework.

During the six months ended 30 June 2015, the growth in equity markets meant that investment funds outperformed the unit growth assumption to give rise to a positive investment variance of €10 million (30 June 2014: €9 million).

The overall impact of the change in interest rates, including the impact on the economic assumptions were broadly neutral in the period, resulting in €nil outturn for the period ended 30 June 2015 (30 June 2014: gain of €14 million).

The discount rate applied to future cash flows was increased to 6.26% at 30 June 2015, an increase of 0.32% when compared to 31 December 2014. The future growth rate on unit linked assets increased by 0.35% to 3.75% at 30 June 2015. These increases were driven by an increase in 10 year swap rates during 2015.

Embedded value (EV) performance

Bank of Ireland Life: income statement (Embedded value performance)	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
New business profits	17	14	21%
Existing business profits	38	39	(3%)
Expected return	*25*	*33*	*(24%)*
Experience variance	*8*	*7*	*14%*
Assumption changes	*5*	*(1)*	*-*
Intercompany payments	(6)	(6)	-
Operating profit	**49**	**47**	**4%**
Investment variance	15	12	25%
Economic assumption changes	3	8	(63%)
Underlying profit before tax	**67**	**67**	**n/m**

The EV method is widely used in the life assurance industry.

Operating profit for the six months ended 30 June 2015 of €49 million was €2 million or 4% higher than the previous year.

New business profits of €17 million were 21% higher than the previous year reflecting the strong growth in pension and single premium life sales.

Existing business profits of €38 million were €1 million lower than the same period in 2014 reflecting the impact of a lower risk discount rate on the planned profit, a lower earned return on shareholder funds and a €3 million interest charge arising from the capital restructure.

Experience profits were broadly flat with a strong improvement in the company's lapse experience, most notably with respect to Protection and single premium life offset by lower risk experience.

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

The underlying profit before tax has benefited from a positive investment variance while the impact of interest rate movements was marginally positive

Bank of Ireland Life (continued)

The table below summarises the overall balance sheet of Bank of Ireland Life on an EV basis at 30 June 2015 compared to the value at 31 December 2014.

	30 June 2015 €m	31 December 2014 €m
Net assets	421	386
Value of In Force	736	710
Less Tier 2 subordinated capital / debt	(200)	(200)
Less pension scheme deficit	(121)	(142)
Total embedded value	**836**	**754**

The EV, 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 In Force or 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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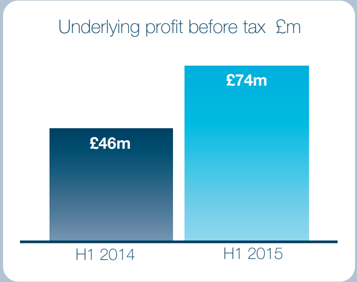
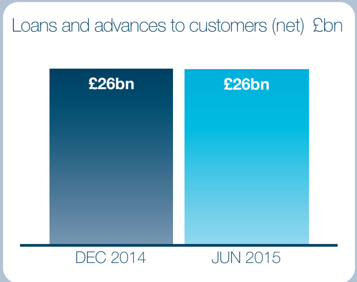
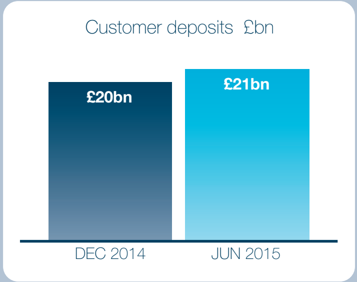
Retail UK (Sterling)

Retail UK: Income statement	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Change %
Net interest income	261	267	(2%)
Net other income	1	2	n/m
Operating income	**262**	**269**	**(3%)**
Operating expenses	(150)	(145)	(3%)
Operating profit before impairment charges on financial assets	**112**	**124**	**(10%)**
Impairment charges on loans and advances to customers	(54)	(93)	42%
Share of results of associates and joint ventures (after tax)	16	15	7%
Underlying profit before tax	**74**	**46**	**61%**
Underlying profit before tax (€m equivalent)	**99**	**57**	**75%**
Staff numbers at period end	1,628	1,429	

	30 June 2015 £bn	31 December 2014 £bn
Loans and advances to customers (net	26	26
Customer deposits	21	20







The Retail UK Division incorporates the exclusive financial services relationship and foreign exchange joint venture with the UK Post Office, the UK residential mortgage business, the Group's branch network in Northern Ireland and the Group's business banking business in Northern Ireland. The Group also has a business banking business in Great Britain which is being run-down, in accordance with the EU Restructuring Plan. 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, Bank of Ireland (UK) plc announced a further strategic alliance with AA plc to provide consumer banking products to current and future AA members for a minimum period of ten years.

Retail UK reported an **underlying profit before tax** of £74 million for the six months ended 30 June 2015 compared to an underlying profit before tax of £46 million in the same period in 2014. The increase of £28 million is driven by lower impairment charges (which have declined by £39 million), an increase of £1 million in the share of results of associates and joint ventures, partially offset by a £12 million reduction in operating profit before impairment charges, which is attributed to a decrease in income of £7 million and an increase in operating expenses of £5 million.

Loans and advances to customers (after impairment provisions) of £26 billion are broadly unchanged since 31 December 2014, with a net reduction of £0.2 billion. The decrease in loans and advances to customers reflects continued repayments and redemptions in the GB business banking portfolio, partially offset by a net increase in UK Mortgages where the volume of new business exceeded redemptions in the period.

Customer deposits of £21 billion have increased by £0.6 billion since 31 December 2014. This increase is due to net growth in Post Office (PO) deposits following the launch of a new online ISA product in the first quarter of 2015 partly offset by a decrease in the other PO deposit accounts.

Retail UK (Sterling) (continued)

Net interest income of £261 million for the six months ended 30 June 2015 is £6 million or 2% lower than the same period in 2014. The decrease is due to the impact of GB deleveraging and the continued negative impact resulting from historically low interest rates, partially offset by a reduction in the cost of deposits.

Net other income	**6 months ended 30 June 2015 £m**	6 months ended 30 June 2014 £m	Change %
Business income	2	5	(60%)
Financial instrument valuation adjustments (CVA, DVA, FVA) and other	(1)	(3)	67%
Net other income	**1**	**2**	**n/m**

Net other income was a gain of £1 million for the six months ended 30 June 2015 and has decreased by £1 million since the same period in 2014.

Operating expenses of £150 million for the six months ended 30 June 2015 are £5 million higher than the same period in 2014 reflecting primarily the targeted investment in the consumer banking business through further investment in our people and IT capability to support the Bank of Ireland (UK) plc mortgage growth strategy. The six months to 30 June 2015 also saw specific investment to support the initial assessment and development of the recently announced partnership with the AA (see note 35 for further details).

The **share of results of associates and joint ventures (after tax)** of £16 million, relates to First Rate Exchange Services Limited (FRES), the foreign exchange joint venture with the UK Post Office, which is £1 million higher than the same period in 2014.

Impairment charges / (reversals) on loans and advances to customers	**6 months ended 30 June 2015 £m**	6 months ended 30 June 2014 £m	Change %
Residential mortgages	(2)	(3)	33%
Non-property SME and corporate	(2)	17	n/m
Property and construction	51	75	(32%)
Consumer	7	4	75%
Impairment charges / (reversals) on loans and advances to customers	**54**	**93**	**(42%)**

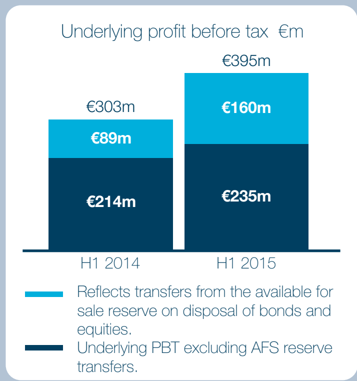
Impairment charges / (reversals) on loans and advances to customers of £54 million for the six months ended 30 June 2015 were £39 million or 42% lower compared to the same period in 2014.

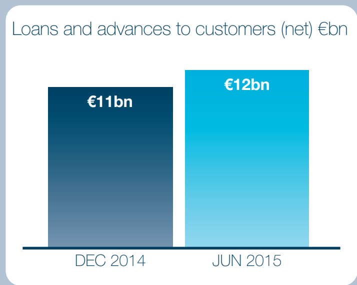
Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 55 to 64 and the supplementary asset quality and forbearance disclosures section on pages 111 to 134.

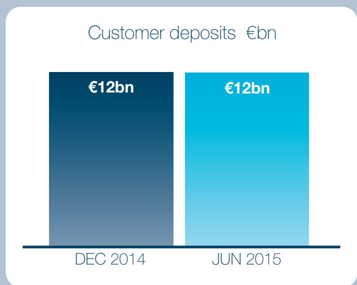
Corporate and Treasury

Corporate and Treasury: Income statement	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Net interest income	299	318	(6%)
Net other income	226	117	93%
Operating income	**525**	**435**	**21%**
Operating expenses	(96)	(86)	(12%)
Operating profit before impairment charges on financial assets	**429**	**349**	**23%**
Impairment charges on loans and advances to customers	(34)	(46)	26%
Underlying profit before tax	**395**	**303**	**30%**
Staff numbers at period end	600	574	

	30 June 2015 €bn	31 December 2014 €bn
Loans and advances to customers (net)	12	11
Customer deposits	12	12
AFS liquid assets	7	11
NAMA bonds	2	2
Held to maturity bonds	2	-







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

The division reported an **underlying profit before tax** of €395 million for the six months ended 30 June 2015 an increase of €92 million or 30% compared to underlying profit of €303 million in the same period in 2014. Of this increase, €71 million is due to gains from the sale of bonds arising through rebalancing of the Group's available for sale liquid asset portfolio and higher equity income.

The remaining increase of €21 million is primarily due to:

- a reduction in the cost of deposits;
- the benefit of the weaker euro on the translation of the income from overseas offices; and
- lower impairment charges; partially offset by
- the negative impact on interest income from crystallised gains driven by the sale of bonds acquired at relatively higher credit spreads and their replacement with bonds at lower current market credit spreads; coupled with
- the continued negative impact of historically low official interest rates.

Loans and advances to customers (after impairment provisions) of €12 billion for the six months ended 30 June 2015 were €0.4 billion higher than at 31 December 2014. The increase is primarily reflective of the translation impact of a weaker euro over the period and net new lending in the acquisition finance loan book, partially offset by continued deleveraging of non-core loan books and the proceeds of the resolution of impaired loans.

Corporate and Treasury (continued)

Customer deposits of €12 billion were €0.2 billion higher than at 31 December 2014, mainly due to higher term deposits somewhat offset by lower current account credit balances. The deposit book primarily comprises a mixture of corporate, State, SME and retail customer accounts.

AFS liquid assets of €7 billion at 30 June 2015 were €3.5 billion lower than 31 December 2014. The decrease is primarily reflective of the transfer of €1.95 billion of liquid assets to a held to maturity portfolio during the six months ended 30 June 2015 and a reduction in the Group's borrowings from Monetary Authorities.

The change in 'net interest income' and 'net other income' is impacted by IFRS income classifications between the two income categories (see pages 14 and 15).

Net interest income	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net interest income	299	318	(6%)
IFRS income classifications	(41)	(28)	(45%)
Net interest income (after IFRS income classifications)	**258**	**290**	**(11%)**

Net interest income (after IFRS classifications) of €258 million for the six months ended 30 June 2015 has decreased by €32 million or 11% compared to the same period in 2014. The decrease in net interest income is primarily due to:

- the impact on liquid asset margins as a result of the rebalancing of the Group's liquid asset portfolio together with lower re-investment rates;
- historically low official interest rates; and
- gains in H1 2014 from re-estimating the timing of cash flows on NAMA senior bonds; partially offset by
- a reduction in the cost of deposits; and
- the benefit of the weaker euro on the translation of the income from overseas offices.

Net other income	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Net other income	226	117	93%
IFRS income classifications	41	28	45%
Net other income (after IFRS income classifications)	**267**	**145**	**83%**

Net other income (after IFRS income classifications)	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Change %
Business income	71	66	8%
Financial instrument valuation adjustments (CVA, DVA, FVA) and other	36	(10)	n/m
Transfer from available for sale reserve on asset disposal	160	89	80%
Net other income (after IFRS income classifications)	**267**	**145**	**83%**

Net other income (after IFRS classifications) of €267 million for the six months ended 30 June 2015 has increased by €122 million or 83% compared to the same period in 2014. This increase is primarily due to:

- higher transfers from the available for sale reserve on asset disposals, including gains crystallised from the sale of sovereign bonds as part of the rebalancing of the Group's liquid asset portfolio and gains on the sale of equity holdings;
- the movement in the value of certain liabilities carried on the balance sheet at fair value through profit and loss and certain derivatives, which did not fully meet the required criteria for hedge accounting; and
- higher fee income.

Corporate and Treasury (continued)

Operating expenses of €96 million for the six months ended 30 June 2015 are €10 million higher than the same period in 2014. Costs have increased reflecting the Group's investment in people, infrastructure and technology. In addition, the weaker euro has had a €3 million impact on the translation of the costs of overseas offices.

Impairment charges on loans and advances to customers	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Non-property SME and Corporate	31	44	(30%)
Property and construction	3	2	n/m
Total impairment charges on loans and advances to customers	**34**	**46**	**(26%)**

Impairment charges on loans and advances to customers of €34 million for the six months ended 30 June 2015 have decreased by €12 million or 26% compared to the same period in 2014. 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 55 to 64 and the supplementary asset quality and forbearance disclosures section on pages 111 to 134.

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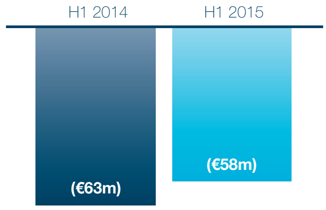
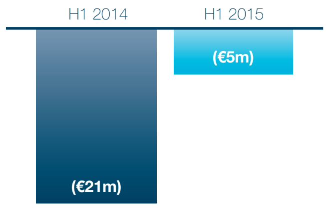
Group Centre

Group Centre: Income statement	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Change %
Other income	55	(16)	n/m
ELG fees	(5)	(21)	76%
Net operating income / (expense)	**50**	**(37)**	**n/m**
Operating expenses	(108)	(96)	(13%)
Reversal of impairment charge on available for sale financial assets	-	70	n/m
Underlying loss before tax	**(58)**	**(63)**	**8%**
Staff numbers at period end	3,589	3,649	

Underlying loss before tax €m



ELG fees €m



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 Deposit Guarantee Scheme (DGS), the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS).

Group Centre reported an **underlying loss before tax** of €58 million for the six months ended 30 June 2015 compared to a loss of €63 million for the same period in 2014.

Net operating income / (expense) was a gain of €50 million for the six months ended 30 June 2015 compared to a charge of €37 million for the same period in 2014. The improvement of €87 million in the period is driven primarily by a combination of lower ELG fees and gains crystallised from the sale of sovereign bonds in the liquid asset portfolio.

ELG fees were €5 million for the six months ended 30 June 2015 compared to €21 million for the same period in 2014. The total liabilities covered by the ELG Scheme are €0.8 billion at 30 June 2015 compared to €3 billion at 31 December 2014. Final maturity of the covered liabilities is expected to occur by December 2017, with c.10% of the covered liabilities of €0.8 billion expected to mature by 31 December 2015.

Other income was a gain of €55 million for the six months ended 30 June 2015 and is €71 million higher than the same period in 2014. The increase is primarily due to gains of €46 million crystallised on the sale of sovereign bonds as part of the rebalancing of the Group's liquid asset portfolio, along with fair value and other valuation adjustments on the Contingent Capital Note embedded derivative and other derivatives that hedge the Group's balance sheet.

Operating expenses of €108 million for the six months ended 30 June 2015 are €12 million higher than the same period in 2014. The higher cost primarily relates to increased regulatory and compliance requirements along with continued investment in people and technology.

The **reversal of an impairment charge on available for sale financial assets** of €70 million during 2014 related to the NAMA subordinated bonds, the valuation of which was updated following the payment of a discretionary coupon on these bonds and NAMA's updated outlook for its long term performance. There was no such reversal in the current period.

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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 19).*

Income statement - Operating segments

6 months ended 30 June 2014	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	Reversal of impairment charge on available for sale 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	485	-	157	642	-	642	(406)	236	(285)	-	21	-	(28)
Bank of Ireland Life	23	652	485	1,160	(1,043)	117	(48)	69	-	-	-	-	69
Retail UK	325	-	4	329	-	329	(177)	152	(113)	-	18	-	57
Corporate and Treasury	318	-	117	435	-	435	(86)	349	(46)	-	-	-	303
Group Centre	(13)	(1)	(26)	(40)	3	(37)	(96)	(133)	-	70	-	-	(63)
Other reconciling items	2	-	(13)	(11)	-	(11)	-	(11)	-	-	-	-	(11)
Group - underlying[1]	1,140	651	724	2,515	(1,040)	1,475	(813)	662	(444)	70	39	-	327
Total non-core items													
- Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	-	(27)
- Gross-up for policyholder tax in the Life business	-	-	8	8	-	8	-	8	-	-	-	-	8
- (Charge) / gain arising on the movement in the Group's credit spreads	-	-	8	8	-	8	-	8	-	-	-	-	8
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-	-	-	-	-	-	87	87	-	-	-	-	87
- (Loss) / gain on liability management exercises	-	-	(3)	(3)	-	(3)	-	(3)	-	-	-	-	(3)
- Loss on disposal of business activities	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Group total	1,140	651	737	2,528	(1,040)	1,488	(753)	735	(444)	70	39	(1)	399

[1] *Underlying performance excludes the impact of non-core items (see page 19).*

Principal risks and uncertainties

Arising from the annual risk identification process, key risks were identified which could have a material impact on earnings, capital adequacy and / or on the Group's ability to trade in the future. These together with other risks and uncertainties facing the Group in the next six months and key mitigating considerations are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below. Further information on these key risks and on other risks and uncertainties facing the Group is set out on pages 55 to 61 of the Group's Annual Report for the year ended 31 December 2014.

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.

Key Risks	Key Mitigating Considerations
Credit risk Any material adverse changes in the economic and market environment we operate 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.	• 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 focussed on defaulted loans reduction.
Liquidity risk A sudden and significant withdrawal of customer deposits, disruption to the access of funding from wholesale markets or Monetary Authorities, 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 early warning indicators. • 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 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 in liquidity operations offered by Monetary Authorities.
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 and employs hedging and other mitigants to control its exposure to the other risks. • Value at Risk and extensive stress testing are used to quantify market risks.

Principal risks and uncertainties (continued)

Key Risks	Key Mitigating Considerations
Life Insurance risk We are 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.
Regulatory risk Regulatory risk is the risk of failure to meet new or existing regulatory and / or legislative requirements and deadlines, or to embed such requirements into day-to-day business and support unit processes. The Group is exposed to the risks associated with a change in laws and regulations, non-compliance with existing requirements including the potential that the Group and / or its employees conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes. Regulatory failures may give rise to fines, sanctions or other restrictions.	• 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 identify, assess, manage, monitor and report risks and seek to have in place controls mitigating those risks. • The Group has adopted a Regulatory Change framework to support the timely identification and appropriate implementation of regulatory changes. • Processes support the reporting, investigation, resolution and remediation of incidents of non-compliance.
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 sustainability and integrity of the Group's operations; the availability, resilience and security of core IT systems (including against cybercrime); risks arising from outsourcing arrangements; and the potential for failings in customer processes.	• The Group has a number of strategies available in controlling its exposure to operational risk. The primary strategy for the management of operational risk is through management actions and controls. • The Group has put in place specific policies and risk mitigation measures for operational risks, including but not limited to, financial crime, information security, outsourcing, payments risk, and business disruption risks. • The Group framework consisting of processes and standards within business units throughout the Group aims to embed adequate and effective risk management practices. • The Group continues to enhance and invest in its controls for high or emerging risk exposures including, for example, information technology and cybercrime risks.
Business and strategic risk Business risk is the risk that the Group's current business model is not considered viable and is not expected to generate acceptable returns over a short to medium timeframe. Strategic risk is the risk that the Group's Strategy is not considered sustainable in its ability to generate acceptable returns, over an appropriate longer term timeframe.	• The Court receives comprehensive reports at each meeting setting out the current financial performance against budget and multi-year financial projections and 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. • Early warning indicators are continuously tracked as part of the Court Risk Report.

Principal risks and uncertainties (continued)

Key Risks	Key Mitigating Considerations
Pension risk The Group sponsored defined benefit pension funds are currently in deficit requiring the Group to set aside capital. The defined benefit pension funds are subject to market fluctuations and these movements impact on the Group's capital position.	• To help manage pension risk, defined benefit (DB) schemes were closed to new entrants in 2006. • 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 19R deficit reduction arising from the benefit changes, and to facilitate a number of de-risking initiatives. • A new defined contribution scheme was also established for new hires in 2014.
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 damage the Group's reputation leading, potentially, to a loss of business, fines, increased taxation or other penalties.	• The potential impact on reputation is taken into account in decision making throughout the Group. • All domestic, 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. • The Group maintains a strong focus on internal communications to ensure that staff are kept informed on relevant issues and developments.
Capital adequacy The Group's business and financial condition would be affected if the Group was insufficiently capitalised. This could be caused by a materially worse than expected financial performance and unexpected increases in risk weighted assets. The regulatory requirements imposed on the Group may be subject to change in the future. Initiatives including the Capital Requirements Directive (CRD IV), the Capital Requirements Regulation (CRR) and the related regulatory and implementing technical standards, Solvency II, together with further regulatory reforms and clarifications under consideration 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 market expectations are met. • 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.

Principal risks and uncertainties (continued)

Other Risks and Uncertainties	Key Mitigating Considerations
Macroeconomic conditions The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK.	• The Group monitors the impact, risks and opportunities 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 defined country limits. See also 'credit risk' above. • The Group has in place a comprehensive stress and scenario testing process.
Geopolitical uncertainties Geopolitical uncertainties could impact economic conditions in countries where we have exposures, market risk pricing and asset price valuations; potentially reducing returns.	• The Group ensures exposures are managed according to approved risk policies which include maximum single counterparty and country limits. • The Group is diversified in terms of asset class, industry and funding source.
Possible Greek exit Uncertainty relating to Greece could impact financial markets and economic activity across the region, affecting the Group's performance.	• The Group monitors and assesses potential impacts while managing exposures according to current risk policies.
UK European Union referendum Uncertainty relating to the forthcoming UK 'In / Out' referendum could impact the environment in which the Group operates and consequently the Group's performance.	• The Group monitors and assesses potential impacts while managing exposures according to current risk policies.
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 practise 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. 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 procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in pace 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)

Other Risks and Uncertainties	Key Mitigating Considerations
Digital Developments in mobile, social, analytics and cloud technologies have enabled a new breed of 'digital first' propositions, business models and competitors, resulting in evolving customer expectations.	• The Group has an ongoing Court agreed business strategy in place which is typically refreshed on an annual basis. In the context of that business strategy, the Group assesses and develops its complementary technology strategy 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 key senior 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.
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 (ISIF), 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.
Litigation and regulatory proceedings Uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations as well as potential adverse judgments in litigation or regulatory proceedings remains a risk.	• 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 may lead to changes in the timing of recognition of impairment provisions and charges.	• The Group continues to assess the impact of implementing IFRS 9. • It is closely monitoring developments and has commenced implementation planning and preparation, including with appropriate external advisors.

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 73.

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'.

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 outstandings within the seven point scale and external ratings equivalent to B+. In addition, acceptable quality ratings can also apply to certain temporary mortgage forbearance arrangements that are neither past due nor impaired; and
- the lower quality but neither past due nor impaired rating applies to those loans that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. 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 can apply to certain temporary mortgage forbearance arrangements that are neither past due nor impaired and mortgages which are forborne, were previously in default and have had their terms and conditions modified and which are subject to a twelve month probation period under revised contractual arrangements.

'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)

Composition of loans and advances to customers

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

Loans and advances to customers Composition (before impairment provisions)	30 June 2015 €m	30 June 2015 %	31 December 2014 €m	31 December 2014 %
Residential mortgages	53,401	58%	50,983	57%
- Retail Ireland	*25,312*	*27%*	*25,588*	*29%*
- Retail UK	*28,089*	*31%*	*25,395*	*28%*
Non-property SME and corporate	20,731	22%	20,384	23%
- Republic of Ireland SME	*9,468*	*10%*	*9,628*	*11%*
- UK SME	*2,649*	*3%*	*2,498*	*3%*
- Corporate	*8,614*	*9%*	*8,258*	*9%*
Property and construction	15,054	16%	15,219	17%
- Investment	*12,524*	*14%*	*12,522*	*14%*
- Land and development	*2,530*	*2%*	*2,697*	*3%*
Consumer	3,185	4%	2,954	3%
Total loans and advances to customers	**92,371**	**100%**	**89,540**	**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 73.

The Group’s loans and advances to customers before impairment provisions at 30 June 2015 were €92.4 billion compared to €89.5 billion at 31 December 2014 an increase of €2.9 billion. On a constant currency basis, loans and advances to customers (before impairment provisions) have decreased by €0.9 billion or 1%, as new lending and portfolio acquisitions during the period have been offset by redemptions and repayments.

The distribution of the Group’s loans and advances to customers by loan portfolio was broadly similar at 30 June 2015 and at 31 December 2014, with a marginally higher proportion of the Group’s loan book in UK mortgages in the current period.

For an analysis of the Group’s Risk profile of loans and advances to customers (before impairment provisions) between ‘non-forborne’ and ‘forborne’ see table 1 on page 129 and 130 in the supplementary asset quality and forbearance disclosures.

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 129 and 130 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 73.

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 2015 **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	45,947	5,151	2,184	2,680	55,962	61%
Satisfactory quality	1,180	8,999	2,154	215	12,548	14%
Acceptable quality	1,048	2,076	1,786	35	4,945	5%
Lower quality but neither past due nor impaired	378	1,244	1,662	-	3,284	4%
Neither past due nor impaired	**48,553**	**17,470**	**7,786**	**2,930**	**76,739**	**84%**
Past due but not impaired	2,311	158	504	87	3,060	2%
Impaired	2,537	3,103	6,764	168	12,572	14%
Total loans and advances to customers	**53,401**	**20,731**	**15,054**	**3,185**	**92,371**	**100%**

31 December 2014 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	43,344	4,299	1,777	2,429	51,849	58%
Satisfactory quality	994	8,879	2,195	210	12,278	14%
Acceptable quality	914	2,298	2,072	31	5,315	6%
Lower quality but neither past due nor impaired	363	1,398	1,765	-	3,526	3%
Neither past due nor impaired	45,615	16,874	7,809	2,670	72,968	81%
Past due but not impaired	2,584	159	336	95	3,174	4%
Impaired	2,784	3,351	7,074	189	13,398	15%
Total loans and advances to customers	50,983	20,384	15,219	2,954	89,540	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 73.

Loans and advances to customers classified as **'neither past due nor impaired'** amounted to €76.7 billion at 30 June 2015 compared to €73.0 billion at 31 December 2014.

The **'past due but not impaired'** category amounted to €3.1 billion at 30 June 2015, a reduction of €0.1 billion compared to €3.2 billion at 31 December 2014.

'Impaired' loans decreased to €12.6 billion at 30 June 2015 from €13.4 billion at 31 December 2014. This reduction reflects our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of proceeds from property asset sales (and the consequent utilisation of provisions in some cases), aided by the continued recovery in economic and property market conditions.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 73.

'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 2015 **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	572	109	178	49	908
Past due 31 - 60 days	739	35	47	27	848
Past due 61 - 90 days	240	14	279	11	544
	1,551	**158**	**504**	**87**	**2,300**
Past due greater than 90 days but not impaired	760	-	-	-	760
Impaired	2,537	3,103	6,764	168	12,572
Defaulted loans	**3,297**	**3,103**	**6,764**	**168**	**13,332**
Total loans and advances to customers - past due and / or impaired	**4,848**	**3,261**	**7,268**	**255**	**15,632**

Asset quality - loans and advances to customers (continued)

31 December 2014 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	643	93	61	55	852
Past due 31 - 60 days	728	37	242	28	1,035
Past due 61 - 90 days	271	29	33	12	345
	1,642	159	336	95	2,232
Past due greater than 90 days but not impaired	942	-	-	-	942
Impaired	2,784	3,351	7,074	189	13,398
Defaulted loans	3,726	3,351	7,074	189	14,340
Total loans and advances to customers					
- past due and / or impaired	5,368	3,510	7,410	284	16,572

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 73.

Loans and advances to customers classified as 'past due and / or impaired' amounted to €15.6 billion at 30 June 2015 compared to €16.6 billion at 31 December 2014. The significant reduction in 'past due and / or impaired' loans in 2015 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 131 and 132 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 73.

Composition and impairment

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

30 June 2015 **Total loans and advances to customers** **Composition and impairment**	**Advances (pre-impairment) €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Residential mortgages	53,401	3,297	6.2%	1,458	44%
- Retail Ireland	*25,312*	*2,804*	*11.1%*	*1,341*	*48%*
- Retail UK	*28,089*	*493*	*1.8%*	*117*	*24%*
Non-property SME and corporate	20,731	3,103	15.0%	1,614	52%
- Republic of Ireland SME	*9,468*	*2,296*	*24.3%*	*1,184*	*52%*
- UK SME	*2,649*	*369*	*13.9%*	*171*	*46%*
- Corporate	*8,614*	*438*	*5.1%*	*259*	*59%*
Property and construction	15,054	6,764	44.9%	3,880	57%
- Investment	*12,524*	*4,485*	*35.8%*	*2,163*	*48%*
- Land and development	*2,530*	*2,279*	*90.1%*	*1,717*	*75%*
Consumer	3,185	168	5.3%	169	100%
Total loans and advances to customers	**92,371**	**13,332**	**14.4%**	**7,121**	**53%**

31 December 2014 Total loans and advances to customers Composition and impairment	Advances (pre-impairment) €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Residential mortgages	50,983	3,726	7.3%	1,604	43%
- Retail Ireland	*25,588*	*3,219*	*12.6%*	*1,486*	*46%*
- Retail UK	*25,395*	*507*	*2.0%*	*118*	*23%*
Non-property SME and corporate	20,384	3,351	16.4%	1,699	51%
- Republic of Ireland SME	*9,628*	*2,468*	*25.6%*	*1,264*	*51%*
- UK SME	*2,498*	*421*	*16.9%*	*186*	*44%*
- Corporate	*8,258*	*462*	*5.6%*	*249*	*54%*
Property and construction	15,219	7,074	46.5%	3,935	56%
- Investment	*12,522*	*4,660*	*37.2%*	*2,138*	*46%*
- Land and development	*2,697*	*2,414*	*89.5%*	*1,797*	*74%*
Consumer	2,954	189	6.4%	185	98%
Total loans and advances to customers	89,540	14,340	16.0%	7,423	52%

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 73.

Loans and advances to customers (pre-impairment) increased by €2.9 billion or 3% from €89.5 billion at 31 December 2014 to €92.4 billion at 30 June 2015. On a constant currency basis, loans and advances to customers (before impairment provisions) have decreased by €0.9 billion or 1% as new lending and portfolio acquisitions during the period have been offset by redemptions and repayments.

Defaulted loans decreased to €13.3 billion at 30 June 2015 from €14.3 billion at 31 December 2014, with defaulted loans reductions evident across all of the Group's portfolios. The reduction in defaulted loans reflects our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of proceeds from property asset sales (and the consequent utilisation of provisions in some cases), aided by the continued recovery in economic and property market conditions.

The stock of **impairment provisions** decreased from €7.4 billion at 31 December 2014 to €7.1 billion at 30 June 2015, however impairment provisions as a percentage of defaulted loans (total provision cover) increased from 52% at 31 December 2014 to 53% at 30 June 2015. Impairment provisions of €7.1 billion at 30 June 2015 are after provisions utilised in the six months to 30 June 2015 of €0.7 billion as set out in note 22 on page 94.

The Group's **coverage ratio** increased from 52% at 31 December 2014 to 53% at 30 June 2015 reflecting the decrease in the level of defaulted loans and the impact of impairment charges during 2015. Coverage ratios have increased across all of the Group's key portfolios over the period.

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 134 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 73.

'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 2015 €m	31 December 2014 €m
Specific provisions individually assessed	5,696	5,838
Specific provisions collectively assessed	761	878
Incurred but not reported	664	707
Total impairment provision	**7,121**	**7,423**

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 73.

The decrease in individual specific provisions in 2015 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 individual and collective specific provisions at 30 June 2015 are after provisions utilised in the year of €0.7 billion as set out in note 22 on page 94.

The decrease in collective specific provisions in the period reflects the impact of provisions utilised activity in collectively assessed portfolios, the update of collective provisioning model parameters and assumptions (reflecting improved book performance and economic conditions) 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 €43 million to €664 million at 30 June 2015. The reduction in IBNR impairment provisions was primarily related to Retail Ireland Residential mortgages, and reflects the continued improving risk profile of the non-defaulted loan book, including a lower volume of loans assessed for IBNR purposes.

Asset quality - loans and advances to customers (continued)

Geographical and industry analysis of loans and advances to customers

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

30 June 2015 Geographical / industry analysis[1]	**RoI €m**	**UK €m**	**US €m**	**ROW €m**	**Total €m**
Personal	26,806	29,780	-	-	56,586
- Residential mortgages	*25,312*	*28,089*	-	-	*53,401*
- Other consumer lending	*1,494*	*1,691*	-	-	*3,185*
Property and construction	8,588	6,466	-	-	15,054
- Investment	*7,107*	*5,417*	-	-	*12,524*
- Land and Development	*1,481*	*1,049*	-	-	*2,530*
Business and other services	6,024	2,549	244	107	8,924
Manufacturing	2,728	675	440	168	4,011
Distribution	2,598	192	-	-	2,790
Agriculture	1,605	490	-	-	2,095
Transport	1,413	156	73	-	1,642
Financial	664	130	-	31	825
Energy	402	42	-	-	444
Total	**50,828**	**40,480**	**757**	**306**	**92,371**

31 December 2014 Geographical / industry analysis[1]	RoI €m	UK €m	US €m	ROW €m	Total €m
Personal	27,072	26,865	-	-	53,937
- Residential mortgages	*25,588*	*25,395*	-	-	*50,983*
- Other consumer lending	*1,484*	*1,470*	-	-	*2,954*
Property and construction	8,762	6,457	-	-	15,219
- Investment	*7,150*	*5,372*	-	-	*12,522*
- Land and Development	*1,612*	*1,085*	-	-	*2,697*
Business and other services	6,332	2,310	225	74	8,941
Manufacturing	2,798	728	392	133	4,051
Distribution	2,736	147	-	-	2,883
Agriculture	1,454	496	-	-	1,950
Transport	1,267	101	23	-	1,391
Financial	569	87	-	26	682
Energy	456	30	-	-	486
Total	**51,446**	**37,221**	**640**	**233**	**89,540**

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

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

The Group’s Residential mortgage portfolio is widely diversified by individual borrower and amounted to 58% of total loans at 30 June 2015 (31 December 2014: 57%). 47% of Residential mortgages related to Ireland (31 December 2014: 50%) and 53% related to the UK at 30 June 2015 (31 December 2014: 50%) with the change in mix driven by the euro / sterling exchange rate. At 30 June 2015, the Group’s UK Residential mortgage book amounted to £20 billion (31 December 2014: £19.8 billion) (before impairment provisions).

The Property and construction sector accounted for 16% or €15.1 billion of total loans at 30 June 2015 (31 December 2014: 17% or €15.2 billion). This 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.

Asset quality:	**30 June 2015**		31 December 2014	
Other financial instruments with ratings equivalent to:	**€m**	**%**	€m	%
AAA to AA-	10,936	39%	9,817	33%
A+ to A-	14,035	51%	17,781	59%
BBB+ to BBB-	1,536	5%	1,549	5%
BB+ to BB-	460	2%	509	1%
B+ to B-	511	2%	168	1%
Lower than B-	274	1%	246	1%
Total	**27,752**	**100%**	**30,070**	**100%**

Responsibility Statement
for the six months ended 30 June 2015

The Directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34 on Interim Financial Reporting (IAS 34), as adopted by the European Union, International Accounting Standard 34 as issued by the International Accounting Standards Board (IASB), 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 50 to 54); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2015, or material changes to related parties transactions described in the Annual Report for the year ended 31 December 2014.

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
30 July 2015

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 2015. 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, 'Interim Financial Reporting' as adopted by the European Union, 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 2015;
- 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 73.

As disclosed in the Basis of preparation on page 73, 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, 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
30 July 2015

Consolidated interim financial statements and notes
(unaudited)

Consolidated income statement (unaudited)
for the six months ended 30 June 2015

	Note	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Interest income	2	1,651	1,739	3,432
Interest expense	3	(437)	(599)	(1,111)
Net interest income		**1,214**	**1,140**	**2,321**
Net insurance premium income	4	670	651	1,344
Fee and commission income	5	284	270	558
Fee and commission expense	5	(117)	(104)	(214)
Net trading income / expense	6	78	62	(42)
Life assurance investment income, gains and losses	7	320	393	814
Other operating income	8	278	116	270
Total operating income		**2,727**	**2,528**	**5,051**
Insurance contract liabilities and claims paid	9	(968)	(1,040)	(2,079)
Total operating income, net of insurance claims		**1,759**	**1,488**	**2,972**
Other operating expenses	10	(878)	(813)	(1,705)
Impact of amendments to defined benefit pension schemes	29	3	87	93
Cost of restructuring programme	11	(18)	(27)	(56)
Operating profit before impairment charges on financial assets		**866**	**735**	**1,304**
Impairment charges on financial assets	12	(168)	(374)	(472)
Operating profit		**698**	**361**	**832**
Share of results of associates and joint ventures (after tax)		27	39	92
Loss on disposal / liquidation of business activities		-	(1)	(4)
Profit before tax		**725**	**399**	**920**
Taxation charge	13	(101)	(55)	(134)
Profit for the period		**624**	**344**	**786**
Attributable to stockholders		617	343	786
Attributable to non-controlling interests		7	1	-
Profit for the period		**624**	**344**	**786**
Earnings per unit of €0.05 ordinary stock	14	1.7c	0.8c	2.0c
Diluted earnings per unit of €0.05 ordinary stock	14	1.7c	0.8c	2.0c

Consolidated condensed statement of comprehensive income (unaudited) for the six months ended 30 June 2015

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Profit for the period	**624**	**344**	**786**
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	(122)	145	133
Cash flow hedge reserve, net of tax	(79)	110	159
Foreign exchange reserve	334	122	275
Total items that may be reclassified to profit or loss in subsequent periods	**133**	**377**	**567**
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of the net defined benefit pension liability, net of tax	172	(202)	(353)
Revaluation of property	-	-	1
Total items that will not be reclassified to profit or loss in subsequent periods	**172**	**(202)**	**(352)**
Other comprehensive income for the period, net of tax	**305**	**175**	**215**
Total comprehensive income for the period, net of tax	**929**	**519**	**1,001**
Total comprehensive income attributable to equity stockholders	922	518	1,001
Total comprehensive income attributable to non-controlling interests	7	1	-
Total comprehensive income for the period, net of tax	**929**	**519**	**1,001**

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

Consolidated balance sheet (unaudited) as at 30 June 2015

	Note	As at 30 June 2015 €m	As at 31 December 2014 €m
Assets			
Cash and balances at central banks		5,261	4,991
Items in the course of collection from other banks		319	435
Trading securities		158	12
Derivative financial instruments		3,224	3,692
Other financial assets at fair value through profit or loss		12,271	11,528
Loans and advances to banks	15	5,249	4,851
Available for sale financial assets	16	9,699	13,580
Held to maturity financial assets	17	1,946	-
NAMA senior bonds	18	1,896	2,374
Loans and advances to customers	19	85,250	82,118
Interest in associates		58	56
Interest in joint ventures	20	107	233
Intangible assets		433	410
Investment properties		761	701
Assets classified as held for sale	21	159	135
Property, plant and equipment		323	324
Current tax assets		15	11
Deferred tax assets	28	1,598	1,638
Other assets		2,718	2,705
Retirement benefit asset	29	6	6
Total assets		**131,451**	**129,800**
Equity and liabilities			
Deposits from banks	23	2,215	3,855
Customer accounts	24	79,186	74,837
Items in the course of transmission to other banks		387	379
Derivative financial instruments		4,137	4,038
Debt securities in issue	25	12,830	16,040
Liabilities to customers under investment contracts		5,859	5,680
Insurance contract liabilities		10,384	9,918
Other liabilities		2,666	2,628
Current tax liabilities		36	30
Provisions	27	72	85
Deferred tax liabilities	28	82	71
Retirement benefit obligations	29	814	992
Subordinated liabilities	26	2,506	2,500
Liabilities classified as held for sale	21	1	-
Total liabilities		**121,175**	**121,053**
Equity			
Capital stock		2,558	2,558
Stock premium account		1,135	1,135
Retained earnings		4,805	4,196
Other reserves		1,048	876
Own stock held for the benefit of life assurance policyholders		(11)	(12)
Stockholders' equity		**9,535**	**8,753**
Other equity instruments	30	740	-
Total equity excluding non-controlling interests		**10,275**	**8,753**
Non-controlling interests		1	(6)
Total equity		**10,276**	**8,747**
Total equity and liabilities		**131,451**	**129,800**

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2015

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Capital stock	**2,558**	**2,558**	**2,558**
Stock premium account	**1,135**	**1,135**	**1,135**
Retained earnings			
Balance at the beginning of the period	4,196	3,805	3,805
Profit retained	480	206	645
- Profit for period attributable to stockholders	*617*	*343*	*786*
- Dividends on 2009 Preference Stock and other preference equity interests paid in cash	*(137)*	*(137)*	*(141)*
Transfer (to) / from capital reserve	(40)	71	94
Remeasurement of the net defined benefit pension liability	172	(202)	(353)
Transfer from share based payment reserve	1	-	2
Other movements	(4)	4	3
Balance at the end of the period	**4,805**	**3,884**	**4,196**
Other Reserves:			
Available for sale reserve			
Balance at the beginning of the period	600	467	467
Net changes in fair value	67	253	342
Transfer to income statement (pre tax)	(206)	(89)	(192)
Deferred tax on reserve movements	17	(19)	(17)
Balance at the end of the period	**478**	**612**	**600**
Cash flow hedge reserve			
Balance at the beginning of the period	205	46	46
Changes in fair value, net of transfers (to) / from income statement	(87)	125	183
Deferred tax on reserve movements	8	(15)	(24)
Balance at the end of the period	**126**	**156**	**205**

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2015 (continued)

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Foreign exchange reserve			
Balance at the beginning of the period	(532)	(807)	(807)
Exchange adjustments during the period	334	122	275
Balance at the end of the period	**(198)**	**(685)**	**(532)**
Capital contribution	**116**	**116**	**116**
Capital reserve			
Balance at the beginning of the period	480	574	574
Transfer from / (to) retained earnings	40	(71)	(94)
Balance at the end of the period	**520**	**503**	**480**
Share based payment reserve			
Balance at the beginning of the period	1	3	3
Transfer to retained earnings	(1)	-	(2)
Balance at the end of the period	**-**	**3**	**1**
Revaluation reserve			
Balance at the beginning of the period	6	5	5
Revaluation of property	-	-	1
Balance at the end of the period	**6**	**5**	**6**
Total other reserves	**1,048**	**710**	**876**
Own stock held for the benefit of life assurance policyholders			
Balance at the beginning of the period	(12)	(13)	(13)
Changes in value and amount of stock held	1	-	1
Balance at the end of the period	**(11)**	**(13)**	**(12)**
Total stockholders' equity excluding other equity instruments and non-controlling interests	**9,535**	**8,274**	**8,753**
Other equity instruments (see note 30)			
Balance at the beginning of the period	-	-	-
Issued during the period	740	-	-
Balance at the end of the period	**740**	**-**	**-**
Non-controlling interests			
Balance at the beginning of the period	(6)	(6)	(6)
Share of net profit	7	1	-
Balance at the end of the period	**1**	**(5)**	**(6)**
Total equity	**10,276**	**8,269**	**8,747**

Consolidated condensed cash flow statement (unaudited) for the six months ended 30 June 2015

	Notes	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Cash flows from operating activities				
Profit before tax		725	399	920
Share of results of associates and joint ventures		(27)	(39)	(92)
Loss on disposal / liquidation of business activities		-	1	4
Depreciation and amortisation	10	61	59	118
Impairment charges on financial assets	12	168	374	472
Reversal of impairment on property		-	-	(9)
Revaluation of investment property		(17)	-	(94)
Revaluation of assets classified as held for sale		(23)	-	-
Interest expense on subordinated liabilities and other capital instruments	3	110	93	200
Charge for retirement benefit obligation	10	81	70	138
Impact of amendments to defined benefit pension schemes	29	(3)	(87)	(93)
Loss on liability management exercises	8	1	3	5
Credit spreads relating to the Group's liabilities designated at fair value through profit or loss	6	8	(8)	10
Other non-cash items		(311)	(248)	(373)
Cash flows from operating activities before changes in operating assets and liabilities		**773**	**617**	**1,206**
Net cash flow from operating assets and liabilities		(2,314)	(995)	(1,572)
Net cash flow from operating activities before tax		**(1,541)**	**(378)**	**(366)**
Tax paid		(19)	(7)	(25)
Net cash flow from operating activities		**(1,560)**	**(385)**	**(391)**
Investing activities:				
Net disposals / (additions) of available for sale financial assets		2,019	(885)	(624)
Additions to property, plant and equipment, intangible assets and investment property		(95)	(34)	(194)
Disposal of property, plant and equipment, intangible assets and investment property		7	2	142
Proceeds received from joint ventures		127	4	36
Net change in interest in associates		(1)	(5)	72
Net proceeds from disposal of business activity		-	-	223
Cash flows from investing activities		**2,057**	**(918)**	**(345)**
Financing activities				
Net proceeds from issue of new subordinated liabilities		-	747	750
Interest paid on subordinated liabilities		(60)	(28)	(159)
Dividend paid on 2009 Preference Stock and other preference equity interests		(137)	(137)	(141)
Consideration paid in respect of liability management exercises		(40)	(363)	(703)
Net proceeds from the issue of other equity instruments	30	740	-	-
Cash flows from financing activities		**503**	**219**	**(253)**
Net change in cash and cash equivalents		**1,000**	**(1,084)**	**(989)**
Opening cash and cash equivalents		9,457	10,754	10,754
Effect of exchange translation adjustments		(377)	(179)	(308)
Closing cash and cash equivalents		**10,080**	**9,491**	**9,457**

Basis of preparation and accounting policies

Basis of preparation

The interim financial statements for the six months ended 30 June 2015 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 financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards (IFRSs) and the IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS, with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Acts, 2001 to 2007. The version of IAS 39 adopted by the EU currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments - Recognition and Measurement'. The Group has not availed of this, hence these financial statements and the audited financial statements for the year ended 31 December 2014 comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

Statutory accounts

These interim financial statements do not comprise statutory accounts within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 December 2014 were approved by the Court of Directors on 26 February 2015, contained an unqualified audit report and were filed with the Companies Registration Office on 26 June 2015.

Interim financial statements

The interim financial statements comprise the Consolidated income statement, Consolidated condensed statement of comprehensive income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, Basis of preparation and accounting policies and the Notes to the interim Consolidated financial statements on pages 67 to 108. 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 & 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 111.

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 2015 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 ECB and the Central Bank.

Conclusion

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

Basis of preparation and accounting policies (continued)

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 165 to 187 of the Group's Annual Report for the year ended 31 December 2014.

In addition, in accounting for the reclassification of certain securities from available for sale to held to maturity as set out on page 92, the Group has applied the following accounting policies:

Financial assets - Held to maturity
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, other than:
- those that the Group upon initial recognition designates as at fair value though profit or loss;
- those that the Group designates as available for sale; and
- those that meet the definition of loans and receivables.

Purchases and sales of held to maturity financial assets are recorded on trade date. They are initially recognised at fair value plus transaction costs and are subsequently accounted for at amortised cost using the effective interest method.

A sale or reclassification of a more than insignificant amount of held to maturity financial assets would result in the reclassification of all held to maturity financial assets to available for sale financial assets.

Financial assets - Reclassifications
Available for sale financial assets may be reclassified to held to maturity if there is a change in intention or ability to hold those assets to maturity.

When a financial asset is reclassified, the fair value of the asset on that date becomes its new amortised cost. Any previous gain or loss on the asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the asset using the effective interest method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss.

New accounting pronouncements
The Group has not adopted any new or amended accounting pronouncements which have impacted the Interim Financial Statements.

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 2014, as set out on pages 188 to 190 of the Group's Annual Report for the year ended 31 December 2014.

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.

Notes to the consolidated interim financial statements

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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 incorporates the Group’s branch network and Direct Channels (mobile, online and phone), Mortgage Business, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland and has a comprehensive suite of retail and business products and services.

Bank of Ireland Life
Bank of Ireland Life comprises the life assurer, NIAC which distributes protection, investment and pension products to the Irish market, through independent brokers, its financial advisors and the Group’s branch network.

Retail UK
The Retail UK Division incorporates the exclusive financial services relationship and foreign exchange joint venture with the UK Post Office, the UK residential mortgage business, the Group’s branch network in Northern Ireland and the Group’s business banking business in Northern Ireland. The Group also has a business banking business in Great Britain which is being run-down, in accordance with the EU Restructuring Plan. 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 holds the Group’s euro liquid asset portfolio.

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

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 165 to 187 of the Group’s Annual Report for the year ended 31 December 2014. 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. The Group amended the allocation of funding and liquidity costs across the divisions which resulted, in a reduction of net interest income for the six months ended 30 June 2015 in the Retail UK division of €15 million, with a corresponding increase in net interest income in the Retail RoI and Corporate and Treasury divisions of €12 million and €3 million respectively.

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 or loss excludes:

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

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)
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)
Payments in respect of career and reward framework	(3)
Gross-up for policyholder tax in the Life business	10
Charges 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
Loss 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)

6 months ended 30 June 2014	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	485	23	325	318	(13)	2	1,140
Other income, net of insurance claims	157	94	4	117	(24)	(13)	335
Total operating income, net of insurance claims	642	117	329	435	(37)	(11)	1,475
Other operating expenses	(386)	(47)	(161)	(81)	(79)	-	(754)
Depreciation and amortisation	(20)	(1)	(16)	(5)	(17)	-	(59)
Total operating expenses	(406)	(48)	(177)	(86)	(96)	-	(813)
Underlying operating profit / (loss) before impairment charges on financial assets	236	69	152	349	(133)	(11)	662
Impairment (charges) / reversals on financial assets	(285)	-	(113)	(46)	70[2]	-	(374)
Share of results of associates and joint ventures	21	-	18	-	-	-	39
Underlying (loss) / profit before tax	(28)	69	57	303	(63)	(11)	327

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	327
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	87
Gains arising on the movement in the Group's credit spreads	8
Cost of restructuring programme	(27)
Gross-up for policyholder tax in the Life business	8
Loss on liability management exercises	(3)
Loss on disposal of business activity	(1)
Profit before tax	399

[1] This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.
[2] During the six months ended 30 June 2014, NAMA revised its outlook and paid the Group a discretionary coupon of €15 million on the bonds. As a consequence, the Group revised its assumption as to future expected cash flows on the bonds, resulting in a reversal of impairment of €70 million.

1 Operating segments (continued)

Year ended 31 December 2014	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	1,004	43	674	602	(7)	5	2,321
Other income, net of insurance claims	318	186	2	217	(61)	(9)	653
Total operating income, net of insurance claims	1,322	229	676	819	(68)	(4)	2,974
Other operating expenses	(776)	(93)	(332)	(168)	(190)	4	(1,555)
Depreciation and amortisation	(41)	(3)	(32)	(10)	(32)	-	(118)
Total operating expenses	(817)	(96)	(364)	(178)	(222)	4	(1,673)
Underlying operating profit / (loss) before impairment charges on financial assets	505	133	312	641	(290)	-	1,301
Impairment (charges) / reversals on financial assets	(226)	-	(228)	(88)	70[2]	-	(472)
Share of results of associates and joint ventures	49	-	43	-	-	-	92
Underlying profit / (loss) before tax	328	133	127	553	(220)	-	921

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	921
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	93
Cost of restructuring programme	(56)
Payments in respect of the career and reward framework	(32)
Charge arising on the movement in the Group's credit spreads	(10)
Gross-up for policyholder tax in the Life business	14
Loss on disposal / liquidation of business activities	(4)
Loss on liability management exercises	(5)
Investment return on treasury stock held for policyholders	(1)
Profit before tax	920

[1] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*
[2] *During the year ended 31 December 2014, NAMA revised its outlook and paid the Group a discretionary coupon of €15 million on the bonds. As a consequence, the Group revised its assumption as to future expected cash flows on the bonds, resulting in a reversal of impairment of €70 million.*

1 Operating segments (continued)

30 June 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	59	-	106	-	-	-	165
External assets	37,999	15,561	45,390	28,928	3,573	-	131,451
Inter-segment assets	57,936	2,264	12,974	90,585	32,164	(195,923)	-
Total assets	**95,935**	**17,825**	**58,364**	**119,513**	**35,737**	**(195,923)**	**131,451**
External liabilities	46,367	16,798	32,893	22,013	3,105	(1)	121,175
Inter-segment liabilities	48,494	243	22,183	96,397	28,554	(195,871)	-
Total liabilities	**94,861**	**17,041**	**55,076**	**118,410**	**31,659**	**(195,872)**	**121,175**

31 December 2014 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	172	40	77	-	-	-	289
External assets	38,548	14,725	41,735	30,305	4,487	-	129,800
Inter-segment assets	55,875	2,358	13,386	93,762	30,825	(196,206)	-
Total assets	94,423	17,083	55,121	124,067	35,312	(196,206)	129,800
External liabilities	46,817	16,095	29,750	25,336	3,061	(6)	121,053
Inter-segment liabilities	46,749	278	22,433	97,404	29,286	(196,150)	-
Total liabilities	93,566	16,373	52,183	122,740	32,347	(196,156)	121,053

1 Operating segments (continued)

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 before claims paid	**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**

6 months ended 30 June 2014 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	813	1,078	745	677	(34)	(9)	3,270
Inter-segment revenues	429	122	177	447	212	(1,387)	-
Gross revenue before claims paid	1,242	1,200	922	1,124	178	(1,396)	3,270
Insurance contract liabilities and claims paid	-	(1,043)	-	-	3	-	(1,040)
Gross revenue after claims paid	1,242	157	922	1,124	181	(1,396)	2,230
Capital expenditure	6	1	6	2	19	-	34

Year ended 31 December 2014 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	1,618	2,240	1,492	1,213	(80)	(15)	6,468
Inter-segment revenues	829	144	303	841	470	(2,587)	-
Gross revenue	2,447	2,384	1,795	2,054	390	(2,602)	6,468
Insurance contract liabilities and claims paid	-	(2,078)	-	-	(1)	-	(2,079)
Gross revenue after claims paid	2,447	306	1,795	2,054	389	(2,602)	4,389
Capital expenditure	40	1	17	6	73	-	137

2 Interest income

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Loans and advances to customers	1,438	1,464	2,907
Available for sale financial assets	126	202	379
Finance leases and hire purchase receivables	65	53	111
Loans and advances to banks	17	20	35
Held to maturity financial assets	5	-	-
Interest income	**1,651**	**1,739**	**3,432**

Interest income recognised on loans and advances to customers
Interest income recognised on loans and advances to customers includes €79 million (six months ended 30 June 2014: €97 million; year ended 31 December 2014: €201 million) of interest recognised on impaired loans and advances to customers on which a specific impairment provision has been recognised at the period end (discount unwind). Of this amount €60 million (six months ended 30 June 2014: €81 million; year ended 31 December 2014: €157 million) relates to loans on which specific provisions have been individually assessed and €19 million (six months ended 30 June 2014: €16 million; year ended 31 December 2014: €44 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 2015, €90 million (six months ended 30 June 2014: €109 million; year ended 31 December 2014: €213 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 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Customer accounts	242	360	660
Subordinated liabilities	110	93	200
Debt securities in issue	79	111	212
Deposits from banks	6	35	39
Interest expense	**437**	**599**	**1,111**

Included within interest expense for the six months ended 30 June 2015 is an amount of €5 million (six months ended 30 June 2014: €21 million; year ended 31 December 2014: €37 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. Further information on this scheme is outlined in note 33.

4 Net insurance premium income

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Gross premiums written	721	708	1,447
Ceded reinsurance premiums	(48)	(54)	(103)
Net premiums written	673	654	1,344
Change in provision for unearned premiums	(3)	(3)	-
Net insurance premium income	**670**	**651**	**1,344**

5 Fee and commission income and expense

Income	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Retail banking customer fees	233	211	443
Insurance commissions	14	15	26
Credit related fees	16	18	45
Asset management fees	2	2	3
Brokerage fees	1	1	3
Other	18	23	38
Fee and commission income	**284**	**270**	**558**

Expense

Fee and commission expense of €117 million (six months ended 30 June 2014: €104 million; year ended 31 December 2014: €214 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

6 Net trading income / (expense)

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Financial assets designated at fair value	-	2	3
Financial liabilities designated at fair value			
- Credit spreads (charges) / gains relating to the Group's liabilities designated at fair value through profit or loss (see table below)	(4)	7	(16)
- Other fair value movements	(48)	(103)	(136)
Related derivatives held for trading	41	55	64
	(11)	**(39)**	**(85)**
Other financial instruments held for trading	85	100	41
Net fair value hedge ineffectiveness	4	1	1
Cash flow hedge ineffectiveness	-	-	1
Net trading income / (expense)	**78**	**62**	**(42)**

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 €14 million (six months ended 30 June 2014: €5 million; year ended 31 December 2014: €9 million) in relation to net gains arising from foreign exchange.

Net fair value hedge ineffectiveness reflects a net gain from hedging instruments of €92 million (six months ended 30 June 2014: net charge of €125 million; year ended 31 December 2014: net charge of €279 million) offsetting a net charge from hedged items of €88 million (six months ended 30 June 2014: net gain of €126 million; year ended 31 December 2014: net gain of €280 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 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Recognised in			
- Net trading (expense) / income	(4)	7	(16)
- Insurance contract liabilities and claims paid	(4)	1	5
- Other operating income	-	-	1
	(8)	**8**	**(10)**
Cumulative charges arising on the movement in credit spreads relating to the Group's liabilities designated at fair value through profit or loss	(44)	(18)	(36)

7 Life assurance investment income, gains and losses

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Life assurance investment income, gains and losses	320	393	814

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 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Transfer from available for sale reserve on asset disposal (see note 16)	206	89	192
Movement in value of in force asset	13	20	50
Other insurance income	23	9	25
Dividend income	4	5	11
Loss on liability management exercises	(1)	(3)	(5)
Elimination of investment return on treasury stock held for the benefit of policyholders in the Life business	-	-	(1)
Other income	33	(4)	(2)
Other operating income	**278**	**116**	**270**

Other income includes gains on investment property disposals and revaluations of €22 million.

9 Insurance contract liabilities and claims paid

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Claims paid			
Policy surrenders	408	346	785
Death and critical illness claims	67	63	141
Annuity payments	38	35	72
Policy maturities	-	-	1
Other claims	16	5	38
Gross claims paid	**529**	**449**	**1,037**
Recovered from reinsurers	(37)	(37)	(75)
Net claims paid	**492**	**412**	**962**
Change in insurance contract liabilities			
Gross liabilities	466	767	1,416
Reinsured liabilities	10	(139)	(299)
Net change in insurance contract liabilities	**476**	**628**	**1,117**
Insurance contract liabilities and claims paid	**968**	**1,040**	**2,079**

10 Other operating expenses

Administrative expenses and staff costs	**6 months ended 30 June 2015 €m**	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Staff costs excluding cost of restructuring programme	449	409	855
Amortisation of intangible assets	42	41	82
Irish bank levy	-	-	38
FSCS levy	18	18	18
Depreciation of property, plant and equipment	19	18	36
Reversal of impairment of property	-	-	(9)
Other administrative expenses	350	327	685
Total	**878**	**813**	**1,705**
Total staff costs are analysed as follows:			
Total staff costs excluding restructuring	449	409	855
- Wages and salaries	*326*	*305*	*611*
- Social security costs	*35*	*33*	*67*
- Payment in respect of the career and reward framework	*3*	*-*	*32*
- Retirement benefit costs (defined benefit plans) (note 29)	*78*	*70*	*137*
- Retirement benefit costs (defined contribution plans)	*3*	*-*	*1*
- Other staff costs	*4*	*1*	*7*
Staff costs included in cost of restructuring programme (note 11)	17	28	58
Total staff costs	**466**	**437**	**913**
Retirement benefit gain (note 29)	(3)	(87)	(93)
Total staff costs including retirement benefit gain	**463**	**350**	**820**

The Group incurred a cost of €38 million for the year ended 31 December 2014 due to the introduction of an Irish bank levy. A charge is recognised annually on the date on which all criteria set out in the legislation are met. See note 33 for further details.

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 salary once off payment resulting in a charge of €3 million for the six months ended 30 June 2015 (six months ended 30 June 2014: €nil; year ended 31 December 2014: €32 million).

Defined benefit retirement benefit costs of €78 million for the six months ended 30 June 2015 (six months ended 30 June 2014: €70 million; year ended 31 December 2014: €137 million) exclude a gain of €3 million in relation to the impact of amendments to a Group sponsored defined benefit pension scheme (six months ended 30 June 2014: gain of €87 million; year ended 31 December 2014: gain of €93 million) which has been recognised within the income statement as a separate line item, net of any directly related expenses. Further details are set out in note 29.

Defined benefit retirement benefit costs includes no recovery in respect of the Irish pension levy (six months ended 30 June 2014: €nil; year ended 31 December 2014: €4 million in respect of the 2011 and 2012 pension levies for a number of schemes). Further details are set out in note 29.

Staff numbers

At 30 June 2015, the number of staff (full time equivalents) was 11,384 (30 June 2014: 11,386; 31 December 2014: 11,086).

During the period, the average number of staff (full time equivalents) during the year was 11,273 (30 June 2014: 11,293; 31 December 2014: 11,292).

11 Cost of restructuring programme

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Staff costs (note 10)	17	28	58
Property and other	1	(1)	(2)
	18	**27**	**56**

12 Impairment charges on financial assets

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Loans and advances to customers (including assets classified as held for sale) (note 19)	168	444	542
Reversal of impairment charge on available for sale financial assets	-	(70)	(70)
Impairment charges on financial assets	**168**	**374**	**472**

The reversal of an impairment charge on available for sale financial assets of €70 million in 2014 relates to the NAMA subordinated bonds.

13 Taxation

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Current tax			
Irish Corporation Tax			
- Current period	7	8	18
- Adjustments in respect of prior period	2	1	-
- Transfer from deferred tax	-	(7)	(7)
Double taxation relief	-	(1)	(2)
Foreign tax			
- Current period	25	19	34
- Adjustments in respect of prior period	(16)	(1)	(1)
- Transfer from deferred tax	-	(6)	-
	18	**13**	**42**
Deferred tax			
- Current period profits	75	19	55
- Origination and reversal of temporary differences	2	7	38
- Transfer to current tax	-	13	7
- Reassessment of the value of tax losses carried forward	-	-	(12)
- Adjustments in respect of prior period	6	3	4
Taxation charge	**101**	**55**	**134**

The effective taxation rate on a statutory basis for the six months ended 30 June 2015 is 14% (six months ended 30 June 2014: 14%; year ended 31 December 2014: 15%). See note 28 for further information.

13 Taxation (continued)

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

	6 months ended 30 June 2015			6 months ended 30 June 2014			Year ended 31 December 2014		
	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	67	(7)	60	253	(30)	223	342	(41)	301
Transfer to income statement	(206)	24	(182)	(89)	11	(78)	(192)	24	(168)
Net change in reserve	**(139)**	**17**	**(122)**	**164**	**(19)**	**145**	**150**	**(17)**	**133**
Remeasurement of the net defined benefit pension liability	**200**	**(28)**	**172**	**(230)**	**28**	**(202)**	**(396)**	**43**	**(353)**
Cash flow hedge reserve									
Changes in fair value	(481)	59	(422)	(214)	28	(186)	(125)	17	(108)
Transfer to income statement	394	(51)	343	339	(43)	296	308	(41)	267
Net change in cash flow hedge reserve	**(87)**	**8**	**(79)**	**125**	**(15)**	**110**	**183**	**(24)**	**159**
Net change in foreign exchange reserve	**334**	**-**	**334**	**122**	**-**	**122**	**275**	**-**	**275**
Net change in revaluation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Other comprehensive income for the period	**308**	**(3)**	**305**	**181**	**(6)**	**175**	**213**	**2**	**215**

14 Earnings per share

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 2015, six months ended 30 June 2014 and the year ended 31 December 2014 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.

14 Earnings per share (continued)

	6 months ended 30 June 2015 €m	6 months ended 30 June 2014 €m	Year ended 31 December 2014 €m
Basic and diluted earnings per share			
Profit attributable to stockholders	617	343	786
Dividend on 2009 Preference Stock	(67)	(67)	(133)
Dividend on other preference equity interests	(4)	(4)	(8)
Profit attributable to ordinary stockholders	**546**	**272**	**645**
	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[1]	32,346	32,344	32,345
Basic and diluted earnings per share (cent)	**1.7c**	**0.8c**	**2.0c**

[1] *The weighted average number of units of treasury stock and own stock held for the benefit of life assurance policyholders amounted to 39.8 million units (six months ended 30 June 2014: 41.2 million units; year ended 31 December 2014: 40.7 million units).*

As at 30 June 2015, the Convertible Contingent Capital Note and options over 0.01 million units of potential ordinary stock (30 June 2014: 1.1 million units; 31 December 2014: 0.5 million units) could potentially have a dilutive impact in the future, but were anti-dilutive in the six months ended 30 June 2015, the six months ended 30 June 2014 and year ended 31 December 2014.

15 Loans and advances to banks

	30 June 2015 €m	31 December 2014 €m
Placements with other banks	3,407	3,064
Mandatory deposits with central banks	1,451	1,411
Funds placed with the Central Bank	10	349
Securities purchased with agreement to resell	381	27
Loans and advances to banks	**5,249**	**4,851**

Placements with other banks includes cash collateral of €1.8 billion (31 December 2014: €1.3 billion) placed with derivative counterparties in relation to net derivative liability positions.

Mandatory deposits with central banks includes €1,302 million relating to collateral in respect of the Group's issued bank notes in circulation in Northern Ireland (31 December 2014: €1,283 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 2015 was €381 million (31 December 2014: €27 million).

Loans and advances include €351 million (31 December 2014: €349 million) of assets held on behalf of Bank of Ireland Life policyholders.

16 Available for sale financial assets

	30 June 2015 €m	31 December 2014 €m
Government bonds	5,265	8,276
Other debt securities		
- listed	4,088	4,941
- unlisted	300	315
Equity securities		
- listed	2	1
- unlisted	44	47
Available for sale financial assets	**9,699**	**13,580**

During the six months ended 30 June 2015, the Group continued to review its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity. See note 17 for further details.

During the six months ended 30 June 2015, the Group sold available for sale financial assets of €2.3 billion (30 June 2014: €1.7 billion; 31 December 2014: €2.8 billion) which resulted in a transfer of €206 million from the available for sale reserve to the income statement (30 June 2014: €89 million; 31 December 2014: €192 million) (note 8).

Included within unlisted debt securities are subordinated bonds issued by NAMA with a nominal value of €281 million (31 December 2014: €281 million) and a fair value of €259 million (31 December 2014: €232 million). These bonds represented 5% of the nominal consideration received for assets sold to NAMA, 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. The Group updated its valuation of the bonds to 92.0% of their nominal value at 30 June 2015 from 82.6% at 31 December 2014. The increase in the valuation has been recognised in other comprehensive income.

At 30 June 2015, available for sale financial assets with a fair value of €0.9 billion (31 December 2014: €1.6 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 Held to maturity financial assets

	30 June 2015 €m	31 December 2014 €m
Government bonds	1,946	-
Held to maturity financial assets	**1,946**	**-**

During the six months ended 30 June 2015, the Group undertook a review of its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity reflecting, amongst other factors, the underlying investment strategy attaching to that element of the portfolio, and the Group's positive intention and ability to hold these bonds to maturity.

Following the reclassification as held to maturity, the bonds are measured at amortised cost, with their fair value of €1.95 billion at the date of reclassification becoming their new amortised cost at that date. Subsequent changes in the fair values of the bonds are no longer recognised in other comprehensive income.

Further details on the Group's accounting policies for held to maturity financial assets and reclassifications to this category are set out on page 74.

18 NAMA senior bonds

	30 June 2015 €m	31 December 2014 €m
NAMA senior bonds	**1,896**	**2,374**

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).

At 30 June 2015, €nil (31 December 2014: €nil) of NAMA senior bonds had been pledged to Monetary Authorities in sale and repurchase agreements.

The interest rate on the NAMA senior bonds is six month Euribor, set semi-annually on 1 March (March 2015: 0.114%) and 1 September (September 2014: 0.267%). The contractual maturity of these bonds is 1 March 2016. 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.

During the six months ended 30 June 2015, NAMA redeemed senior bonds held by the Group with a nominal value of €484 million (year ended 31 December 2014: €1,602 million).

19 Loans and advances to customers

	30 June 2015 €m	31 December 2014 €m
Loans and advances to customers	90,052	87,707
Finance leases and hire purchase receivables	2,319	1,834
	92,371	89,541
Less allowance for impairment charges on loans and advances to customers	(7,121)	(7,423)
Loans and advances to customers	**85,250**	**82,118**

20 Interest in joint ventures

Joint ventures (JV)	**30 June 2015 €m**	31 December 2014 €m
At beginning of year	233	209
Exchange adjustments	16	9
Share of results after tax	26	51
- First Rate Exchange Services	*21*	*43*
- Property unit trust	*5*	*8*
Dividends received	-	(36)
Disposals	(127)	-
Reclassifications	(41)	-
At end of year	**107**	**233**

During the six months to 30 June 2015, the Group sold the majority of its investment in a UK property unit trust for £93 million. The remaining interest continues to be held by the Group and has been reclassified to other financial assets at fair value through profit or loss.

21 Assets / liabilities classified as held for sale

Assets classified as held for sale	**30 June 2015 €m**	31 December 2014 €m
Assets of SPV Galleri K Retail Aps	159	135
Assets classified as held for sale	**159**	**135**

Liabilities classified as held for sale	**30 June 2015 €m**	31 December 2014 €m
Liabilities of SPV Galleri K Retail Aps	1	-
Liabilities classified as held for sale	**1**	**-**

Following a review of the rental market in Copenhagen, the Group decided during 2014 to sell a Special Purpose Vehicle (SPV), Galleri K Retail Aps, which owns a large block of high street retail investment property in Copenhagen and forms part of the Retail Ireland division. A sale process is at an advanced stage and is expected to be completed in 2015. The property continues to be measured at fair value.

22 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 2015 and the year ended 31 December 2014.

30 June 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
Exchange adjustments	11	23	114	5	153
Charge / (reversal) in income statement	(35)	75	129	(1)	168
Provisions utilised	(127)	(183)	(346)	(30)	(686)
Other movements	5	-	48	10	63
Provision at 30 June 2015	**1,458**	**1,614**	**3,880**	**169**	**7,121**

31 December 2014	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total impairment provisions €m
Provision at 1 January 2014	2,003	1,909	4,118	211	8,241
Exchange adjustments	8	25	90	4	127
Charge / (reversal) in income statement	(148)	219	450	21	542
Provisions utilised	(275)	(456)	(827)	(72)	(1,630)
Other movements	16	2	104	21	143
Provision at 31 December 2014	1,604	1,699	3,935	185	7,423

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.

23 Deposits from banks

	30 June 2015 €m	31 December 2014 €m
Securities sold under agreement to repurchase	1,291	2,899
- Monetary Authorities (see table below)	*577*	*1,724*
- Private market repos	*714*	*1,175*
Deposits from banks	924	956
Deposits from banks	**2,215**	**3,855**

Deposits from banks include cash collateral of €0.5 billion (31 December 2014: €0.6 billion) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2015					31 December 2014				
Monetary Authority Funding	**LTRO €m**	**MRO €m**	**TLTRO €m**	**ILTR €m**	**Total €m**	LTRO €m	MRO €m	TLTRO €m	ILTR €m	Total €m
Of which:										
Deposits from banks	-	-	545	32	577	1,040	100	545	39	1,724
Debt securities in issue (note 25)	-	-	950	-	950	615	1,150	950	-	2,715
Total	**-**	**-**	**1,495**	**32**	**1,527**	**1,655**	**1,250**	**1,495**	**39**	**4,439**

During the six months ended 30 June 2015, the Group's Main Refinancing Operations (MRO) and Long Term Refinancing Operations (LTRO) funding was repaid.

The Group's Targeted Longer Term Refinancing Operations (TLTROs) borrowings will be repaid between September 2016 and September 2018, in line with the terms and conditions of the TLTRO facility.

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

24 Customer accounts

	30 June 2015 €m	31 December 2014 €m
Term deposits and other products	35,182	33,733
Demand deposits	22,482	21,014
Current accounts	21,522	20,090
Customer accounts	**79,186**	**74,837**

Included within Term deposits and other products is €0.2 billion (31 December 2014: €0.6 billion) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

At 30 June 2015, the Group's largest 20 customer deposits amounted to 5% (31 December 2014: 5%) of customer accounts.

25 Debt securities in issue

	30 June 2015 €m	31 December 2014 €m
Bonds and medium term notes	10,185	11,621
Monetary Authorities (note 23)	950	2,715
Other debt securities in issue	1,695	1,704
Debt securities in issue	**12,830**	**16,040**

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

	30 June 2015 €m	31 December 2014 €m
Opening balance	16,040	15,280
Issued during the period	2,835	4,220
Repurchases	(45)	(698)
Redemptions	(6,008)	(2,974)
Other movements	8	212
Closing balance	**12,830**	**16,040**

26 Subordinated liabilities

	30 June 2015 €m	31 December 2014 €m
Opening balance	2,500	1,675
Exchange adjustments	14	10
Issued during the period (net of transaction costs)	-	750
Other movements	(8)	65
Closing balance	**2,506**	**2,500**

27 Provisions

	30 June 2015 €m	31 December 2014 €m
Balance at the beginning of the period	85	90
Charge to income statement	22	84
Exchange adjustment	2	2
Utilised during the period	(28)	(75)
Unused amounts reversed during the period	(9)	(16)
Balance as at end of period	**72**	**85**

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.

28 Deferred tax

The deferred tax assets of €1,598 million (31 December 2014: €1,638 million) are shown on the consolidated balance sheet after netting at legal entity level (€1,688 million before netting by legal entity, 31 December 2014: €1,759 million). At 30 June 2015, deferred tax assets include an amount of €1,548 million (31 December 2014: €1,595 million) in respect of operating losses which are available to relieve future profits from tax. Approximately three quarters of deferred tax assets in respect of operating losses relates to Ireland and one quarter relates to the UK.

The deferred tax asset has 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 a significant portion of the deferred tax asset in a period more than ten years from the balance sheet date, however it expects that the majority of the deferred tax asset will be recovered within ten years of the balance sheet date. Under accounting standards these assets are measured on an undiscounted basis.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The estimated overall effect of these changes, based on information currently available, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by €46 million.

The UK government also announced that a new 8% corporation tax surcharge will apply on the taxable profits of UK banks from 1 January 2016. The surcharge is based on taxable profits prior to the utilisation of brought forward operating losses.

The deferred tax liabilities at 30 June 2015 are €82 million (31 December 2014: €71 million).

29 Retirement benefit obligations

The net pension deficit at 30 June 2015 was €808 million (31 December 2014: €986 million). This is shown on the balance sheet as a retirement benefit obligation of €814 million (31 December 2014: €992 million) and a retirement benefit asset of €6 million (31 December 2014: €6 million).

The principal assumptions used to calculate the value of the pension obligations at 30 June 2015 and at 31 December 2014 are set out in the table below.

	30 June 2015	31 December 2014
RoI Schemes		
Discount rate	2.45%	2.20%
Inflation rate	1.80%	1.50%
UK schemes		
Discount Rate	3.75%	3.70%
Consumer Price Inflation	2.45%	2.25%
Retail Price Inflation	3.45%	3.25%

29 Retirement benefit obligations (continued)

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 actuarial assumptions that were reasonably possible:

Impact on defined benefit obligation	**Change in assumption**	**Impact on actuarial liabilities increase / (decrease) 30 June 2015 €m**	Impact on actuarial liabilities increase / (decrease) 31 December 2014 €m
Discount rate	0.25% decrease	404	407
RPI inflation	0.10% decrease	(95)	(101)

Pension levy

The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). The Finance Act (No.2) 2013 gave effect to an increase in the pension levy by 0.15% to 0.75% in 2014 and introduced a further levy of 0.15% in 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year. The Group has recognised a charge of €8 million through other comprehensive income for the six months ended 30 June 2015 (year ended 31 December 2014: €33 million) in respect of the entire estimated 2015 pension levy as the levy is calculated based on asset values as at no later than 30 June 2015.

Pensions 2013 Review

During 2015, the Group completed a review of a Group sponsored scheme under the Pensions 2013 Review programme and implemented amendments to benefits. Consistent with previous scheme reviews carried out as part of the Pensions 2013 Review, the objectives of this review were to continue to sponsor competitive pension arrangements and benefits and help secure the future viability of the scheme, while recognising the need to reduce the IAS 19 deficit and associated volatility over time.

The impact of the amendment to the Group sponsored scheme in 2015 has been recognised as a negative past service cost of €3 million (year ended 31 December 2014: negative past service cost of €93 million).

The Group has agreed to increase its support for the scheme so as to broadly match the deficit reduction arising from the changes to potential benefits. A similar agreement is in place for the Bank of Ireland Staff Pensions Fund (BSPF) following the Pensions 2013 Review, i.e. the Group has agreed to increase its support for the 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.

30 Other equity instruments - Additional tier 1

	30 June 2015 €m	31 December 2014 €m
Balance at the beginning of the period	-	-
Additional tier 1 securities issued	749	-
Transaction costs (net of tax)	(9)	-
Balance at the end of the period	**740**	**-**

30 Other equity instruments - Additional tier 1 (continued)

In June 2015, the Governor and Company of the Bank of Ireland issued Additional tier 1 (AT1) securities with a par value of €750 million at an issue price of 99.874 per cent.

The principal terms of the AT1 securities are as follows:

- the securities constitute direct, unsecured and subordinated obligations of the Group, rank behind Tier 2 instruments and in priority to ordinary and preference shareholders;
- the securities bear a fixed rate of interest of 7.375% until the first call date (on 18 June 2020). After the initial call date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- the Group may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities have no fixed redemption date, and the security holders will have no right to require the Group to redeem or purchase the securities at any time;
- the Group may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities on the initial call date or semi-annually on any interest payment date thereafter. In addition, the AT1 securities are repayable, at the option of the Group, due to certain regulatory or tax reasons. Any repayments require the prior consent of the regulatory authorities;
- the securities will be written down together with any accrued but unpaid interest if the Group's CET1 ratio or the Governor and Company of the Bank of Ireland's CET1 ratio (calculated on an individual consolidated basis) falls below 5.125%; and
- subsequent to any write-down event the Group may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

31 Contingent liabilities and commitments

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

	30 June 2015 Contract amount €m	31 December 2014 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	13	12
Guarantees and irrevocable letters of credit	724	698
Other contingent liabilities	267	199
	1,004	**909**
Commitments		
Documentary credits and short term trade related transactions	67	113
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	14,765	14,062
- irrevocable with original maturity of over 1 year	3,615	3,469
	18,447	**17,644**

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. At 30 June 2015, the Group is monitoring an industry-wide issue with respect to technical compliance with the UK Consumer Credit Act. In accordance with IAS 37.92, the Group has not provided further information on this issue.

32 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 2015 and 31 December 2014 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 €5,859 million and €10,384 million respectively (31 December 2014: €5,680 million and €9,918 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 2015 **Contractual maturity**	**Demand** **€m**	**Up to 3 months** **€m**	**3-12 months** **€m**	**1-5 years** **€m**	**Over 5 years** **€m**	**Total** **€m**
Deposits from banks	113	1,388	56	91	-	1,648
Drawings from Monetary Authorities (gross)	-	14	18	1,499	-	1,531
Customer accounts	49,070	13,874	11,159	5,060	304	79,467
Debt securities in issue	-	217	1,790	5,905	5,063	12,975
Subordinated liabilities	-	172	91	1,674	1,412	3,349
Contingent liabilities	1,004	-	-	-	-	1,004
Commitments	14,832	-	-	3,615	-	18,447
Total	**65,019**	**15,665**	**13,114**	**17,844**	**6,779**	**118,421**

As at 31 December 2014 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	153	1,486	412	95	-	2,146
Drawings from Monetary Authorities (gross)	-	2,948	20	1,499	-	4,467
Customer accounts	45,290	15,449	8,849	5,283	248	75,119
Debt securities in issue	-	2,149	3,233	4,961	4,154	14,497
Subordinated liabilities	-	21	240	1,537	1,637	3,435
Contingent liabilities	909	-	-	-	-	909
Commitments	14,174	-	-	3,470	-	17,644
Total	60,526	22,053	12,754	16,845	6,039	118,217

33 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 51 of the Group's Annual Report for the year ended 31 December 2014.

(a) Ordinary stock
At 30 June 2015, the State held through the Ireland Strategic Investment Fund (ISIF) 13.95% (31 December 2014: 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. At 30 June 2015, €0.8 billion of eligible liabilities continue to be covered under the ELG Scheme (31 December 2014: €2.8 billion).

A fee is payable in respect of each liability guaranteed under the ELG Scheme. This fee amounted to €5 million for the six months ended 30 June 2015 (six months ended 30 June 2014: €21 million, year ended 31 December 2014: €37 million) (note 3).

(c) Bonds issued by the State
At 30 June 2015, the Group held sovereign bonds issued by the State with a carrying value of €4,996 million (31 December 2014: €6,918 million).

	30 June 2015 €m	31 December 2014 €m
Available for sale financial assets	2,546	6,409
Held to maturity financial assets	1,946	-
Other financial assets at fair value through the profit and loss	504	509
Total	**4,996**	**6,918**

(d) National Asset Management Agency (NAMA)
At 30 June 2015, the Group held bonds issued by NAMA with a carrying value of €2,155 million (31 December 2014: €2,606 million).

	30 June 2015 €m	31 December 2014 €m
NAMA senior bonds (guaranteed by the State) (note 18)	1,896	2,374
NAMA subordinated bonds (note 16)	259	232
Total	**2,155**	**2,606**

(e) National Asset Management Agency Investment Limited (NAMAIL)
On 30 March 2010, the Group, through its wholly-owned subsidiary NIAC, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. Further details are set out in note 51 of the Group's Annual Report for the year ended 31 December 2014.

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 2015 (31 March 2014: €0.5 million).

33 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 2015, the Group held senior bonds with a carrying value of €300 million issued by the following entities which are classified under IAS 24 to be related parties of the Group, as follows:

	30 June 2015 €m	31 December 2014 €m
Allied Irish Banks plc (AIB)	300	753
Permanent TSB Group Holdings plc	-	201
Total	**300**	**954**

At 30 June 2015, the Group also had loans of €23 million to AIB (31 December 2014: €14 million) and €369 million to Permanent TSB Group Holdings plc (31 December 2014: €6 million) which were included within loans and advances to banks.

At 30 June 2015, the Group held deposits from the National Treasury Management Agency (NTMA) of €1.1 billion (31 December 2014: €1.0 billion).

In addition, at 30 June 2015, the Group held accounts from IBRC (in Special Liquidation) and its associates of €78 million (31 December 2014: €158 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 2014 was €38 million and similar costs are expected in October 2015 (see note 10 for further details).

34 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 Group 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.

34 Fair values of assets and liabilities (continued)

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 252 to 255 of the Group's Annual Report for the year ended 31 December 2014. At 30 June 2015, there has been no significant change to those methods, assumptions or processes other than the valuation of NAMA subordinated debt as described in section (b) below.

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 €12 million or decrease their fair value by up to €12 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).

During the six months ended 30 June 2015, securities with terms and conditions similar to the NAMA subordinated debt have been traded in an active market. The quoted price of these securities has been used to value the NAMA subordinated debt at 30 June 2015 (level 2 inputs). At 31 December 2014, NAMA subordinated debt had been valued using a discounted cash flow valuation technique (level 3 inputs).

(c) Interest in associates
Investments in associates which are venture capital investments are accounted for at fair value and using reasonably possible alternative assumptions would not have a material impact on the value of these assets. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs.

(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 and subordinated liabilities
The significant unobservable input is the Group's credit spread, the estimation of which is judgemental in current market circumstances. A 1% increase / (decrease) in the estimated credit spread at 30 June 2015 would result in a decrease of €39 million / (increase of €39 million) in the fair value of the liabilities, with a corresponding impact on the income statement.

34 Fair values of assets and liabilities (continued)

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.

	30 June 2015				31 December 2014			
	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	158	-	-	158	12	-	-	12
Derivative financial instruments	1	3,010	213	3,224	-	3,484	208	3,692
Other financial assets at FVTPL	11,644	610	17	12,271	10,925	586	17	11,528
AFS financial assets	9,250	405	44	9,699	13,096	205	279	13,580
Interest in associates	-	-	58	58	-	-	56	56
	21,053	**4,025**	**332**	**25,410**	**24,033**	**4,275**	**560**	**28,868**
Financial liabilities held at fair value								
Customer accounts	-	1,953	10	1,963	-	1,867	2	1,869
Derivative financial instruments	1	4,135	1	4,137	-	4,027	11	4,038
Liabilities to customers under investment contracts	-	5,859	-	5,859	-	5,680	-	5,680
Insurance contract liabilities	-	10,384	-	10,384	-	9,918	-	9,918
Short positions included in other liabilities	16	-	-	16	-	-	-	-
Debt securities in issue	-	-	580	580	-	-	631	631
Subordinated liabilities	-	-	71	71	-	-	69	69
	17	**22,331**	**662**	**23,010**	**-**	**21,492**	**713**	**22,205**

34 Fair values of assets and liabilities (continued)

	30 June 2015					31 December 2014				
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	208	279	56	560	17	350	175	41	583
Exchange Adjustment	-	11	-	-	11	-	10	-	-	10
Total gains or losses in:										
Profit or loss;										
- Net trading income / (expense)	-	11	-	-	11	-	11	-	-	11
- Interest income	-	-	8	-	8	-	-	25	-	25
- Reversal of impairment charge	-	-	-	-	-	-	-	55	-	55
- Share of results of associates	-	-	-	1	1	-	-	-	11	11
- Other operating income	-	-	35	-	35	-	-	-	-	-
Other comprehensive income - AFS reserve	-	-	23	-	23	-	-	34	-	34
Additions	-	-	2	3	5	-	-	17	11	28
Disposals	-	(23)	(38)	(2)	(63)	-	(69)	(6)	(7)	(82)
Redemptions	-	-	(6)	-	(6)	-	(20)	(20)	-	(40)
Transfers out of level 3										
- from level 3 to level 2	-	(55)	(259)	-	(314)	-	(83)	-	-	(83)
- from level 3 to level 1	-	-	-	-	-	-	-	(1)	-	(1)
Transfers into level 3										
- from level 2 to level 3	-	61	-	-	61	-	9	-	-	9
Closing balance	**17**	**213**	**44**	**58**	**332**	**17**	**208**	**279**	**56**	**560**
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)	-	(25)	-	-	(25)	-	154	-	-	154
Interest income / (expense)	-	-	-	-	-	-	-	50	-	50
Reversal of impairment charge	-	-	-	-	-	-	-	70	-	70
Share of results of associates	-	-	-	1	1	-	-	-	6	6

34 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 the balance sheet date which were unavailable at the previous balance sheet date or as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

The transfer from level 3 to level 1 is a result of the availability of a level 1 pricing source at the balance sheet date for that security.

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 €98 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.

A transfer of €10 million from level 1 to level 2 as a result of the level 1 pricing source becoming unavailable at the balance sheet date for these assets.

	30 June 2015					31 December 2014				
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	2	11	631	69	713	23	81	519	63	686
Exchange adjustments	-	-	-	6	6	-	-	-	8	8
Total gains or losses in:										
Profit or loss										
- Net trading income / (expense)	-	7	(15)	(4)	(12)	4	(54)	65	(2)	13
Additions	-	-	60	-	60	18	1	125	-	144
Disposals	-	(5)	-	-	(5)	-	-	-	-	-
Redemptions and maturities	-	(1)	(96)	-	(97)	-	(9)	(78)	-	(87)
Transfers out of level 3										
- from level 3 to level 2	(2)	(11)	-	-	(13)	(43)	(8)	-	-	(51)
Transfers in to level 3										
- from level 2 to level 3	10	-	-	-	10	-	-	-	-	-
Closing balance	**10**	**1**	**580**	**71**	**662**	**2**	**11**	**631**	**69**	**713**
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)	(1)	(1)	6	3	7	-	(10)	(51)	2	(59)

The transfers from level 3 to level 2 arose due to the availability of observable inputs at the balance sheet date which were unavailable at the previous reporting date.

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.

There were no transfers between levels 1 and 2.

34 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 2015 €m	Fair value 31 December 2014 €m	Range 30 June 2015 %	Range 31 December 2014 %
Derivative financial assets	Discounted cash flow	Credit spread[1]	213	208	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]	17	17	Third party pricing	Third party pricing
AFS financial assets	Discounted cash flow	Discount rate[2]	44	279	Third party pricing	10% - 13%
	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	58	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 2015 €m	Fair value 31 December 2014 €m	Range 30 June 2015 %	Range 31 December 2014 %
Customer accounts	Discounted cash flow	Credit spread[1]	10	2	0% - 4%	0% - 4%
Derivative financial liabilities	Discounted cash flow	Credit spread[1]	1	11	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]	580	631	0% - 4%	0% - 4%
Subordinated liabilities	Broker quotes	Credit spread[1]	71	69	Third party pricing	Third party pricing

[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] *The Group's multiples represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

34 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 2015		31 December 2014	
	Carrying amount €m	**Fair values €m**	Carrying amount €m	Fair values €m
Non-trading financial instruments				
Assets				
Loans and advances to customers	85,250	78,759	82,118	74,602
NAMA senior bonds	1,896	1,907	2,374	2,389
Held to maturity financial assets	1,946	1,837	-	-
Liabilities				
Customer accounts	77,223	77,275	72,968	73,152
Debt securities in issue	12,250	12,294	15,409	15,487
Subordinated liabilities	2,434	2,616	2,431	2,594

35 Post balance sheet events

UK budget

On 8 July 2015, the UK government announced changes to UK corporation tax rates and a new corporation tax surcharge which will apply on the taxable profits of UK banks in future periods. See note 28 for further details.

Partnership with AA plc

On 15 July 2015, the Group, through Bank of Ireland (UK) plc, agreed terms with AA plc to enter a new financial services partnership in the UK for a minimum of ten years. This partnership will bring together customer propositions across a product portfolio of credit cards, unsecured personal loans, savings and mortgages.

Bank Recovery and Resolution Directive (BRRD)

The BRRD establishes a framework for the recovery and resolution of credit institutions and investment firms and was transposed into Irish law on 15 July 2015. Under the requirements of the BRRD, the Group along with other Irish authorised banks and investment firms within the scope of the BRRD, will pay a resolution levy to the national resolution fund in 2015 and a European resolution fund from 1 January 2016.

Credit ratings

On 20 July 2015, Standard & Poor's upgraded its rating on Bank of Ireland senior debt to BBB-/A-3 with a positive outlook.

Acquisition of performing commercial loan portfolio

On 30 July 2015, the Group, together with Goldman Sachs and CarVal affiliates, agreed terms to acquire a commercial loan portfolio from Lloyds Banking Group plc. As part of this transaction, the Group will acquire a portfolio of approximately €200 million performing commercial loans, comprising over 650 customers in the SME and CRE sectors.

36 Approval of Interim Report

The Court of Directors approved the Interim Report on 30 July 2015.

Other information

Other information

1 Supplementary Asset Quality and forbearance disclosures

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1 Supplementary Asset Quality and forbearance disclosures

The tables below (except for table 3b and 3b-(i) on page 115) in Other information - Supplementary Asset Quality and forbearance disclosures on pages 111 to 134 form an integral part of the interim financial statements as described in the Basis of preparation on page 73. 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 2015, lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

TABLE: 1

Retail Ireland mortgages - Volumes (before impairment provisions) by product type	**30 June 2015 €m**	31 December 2014 €m
Owner occupied mortgages	19,963	19,943
Buy to let mortgages	5,349	5,645
Total Retail Ireland mortgages	**25,312**	**25,588**

Retail Ireland mortgages - Volumes (before impairment provisions) by interest rate type	**30 June 2015**		31 December 2014	
	€m	**%**	€m	%
Tracker	13,695	54%	14,412	56%
Variable rate	9,043	36%	8,823	35%
Fixed rate	2,574	10%	2,353	9%
Total Retail Ireland mortgages	**25,312**	**100%**	**25,588**	**100%**

Book composition (continued)

Loan volumes (continued)

Retail Ireland mortgages were €25.3 billion at 30 June 2015 compared to €25.6 billion at 31 December 2014, a decrease of €0.3 billion or 1.1%, which includes a €0.7 billion decrease in the tracker portfolio and a €0.4 billion increase in the variable / fixed portfolio. The movement in the book size reflects a combination of factors including principal repayments, resolution activity, the acquisition of mortgage portfolios in the period (€0.2 billion) and new mortgage lending.

The proportion of the Retail Ireland mortgage portfolio on a 'principal and interest'[1] repayment basis at 30 June 2015 was 90% (31 December 2014: 89%) with the balance of 10% on an 'interest only'[2] repayment basis (31 December 2014: 11%). Of the Owner occupied mortgages of €20 billion, 95% were on a 'principal and interest' repayment basis (31 December 2014: 94%), while 73% of the Buy to let mortgages of €5.3 billion were on a 'principal and interest' repayment basis (31 December 2014: 70%). It is the Group's policy to revert all loans to a 'principal and interest' basis on expiry of the 'interest only' period.

[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 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 '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 2015** **Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)**	**Total Retail Ireland mortgage loan book** Balance €m	**Total Retail Ireland mortgage loan book** Number of accounts[2]	**Defaulted loans** Balance €m	**Defaulted loans** Number of accounts[2]
2000 and before	444	15,235	40	840
2001	327	5,908	25	318
2002	606	8,486	62	506
2003	1,075	12,035	126	852
2004	1,860	16,462	243	1,354
2005	3,022	21,707	389	1,829
2006	4,512	27,097	748	2,876
2007	3,922	22,227	700	2,506
2008	2,713	16,263	351	1,323
2009	1,445	10,229	83	468
2010	1,045	7,040	21	115
2011	912	6,211	8	44
2012	801	5,501	2	17
2013	759	4,891	2	7
2014	1,147	6,746	-	1
2015[3]	722	7,793	4	73
Total	**25,312**	**193,831**	**2,804**	**13,129**

[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.
[3] The lending originated in 2015 includes the acquisition in the period of €0.2 billion of well seasoned mortgage portfolios, of which there are a small number of defaulted mortgages.

Book composition (continued)

Origination profile (continued)

31 December 2014 Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)	Total Retail Ireland mortgage loan book		Defaulted loans	
	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	492	16,613	47	1,006
2001	349	6,147	30	381
2002	648	8,787	73	599
2003	1,140	12,397	155	1,007
2004	1,956	16,863	262	1,492
2005	3,146	22,296	432	2,055
2006	4,686	27,495	878	3,350
2007	4,081	22,538	813	2,865
2008	2,817	16,505	409	1,516
2009	1,495	10,417	91	516
2010	1,084	7,215	21	119
2011	942	6,317	7	40
2012	827	5,583	1	12
2013	779	4,948	-	2
2014	1,146	6,781	-	-
Total	25,588	190,902	3,219	14,960

[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 2015, €7.3 billion or 29% of the Retail Ireland mortgage loan book originated before 2006, €11.2 billion or 44% between 2006 and 2008 and €6.8 billion or 27% in the years since 2008.

At 30 June 2015, total defaulted loans were €2.8 billion (31 December 2014: €3.2 billion) or 11% of the Retail Ireland mortgage loan book, of which €1.8 billion originated between 2006 and 2008. There has been a significant decrease in total defaulted loans in the six months ended 30 June 2015 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 2015, impairment provisions were €1.3 billion equating to 48% of defaulted balances on the Retail Ireland mortgage book.

Book composition (continued)

Risk profile

TABLE: 3a

30 June 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	18,136	91%	3,909	73%	22,045	87%
1-90 days past due but not impaired	338	2%	125	2%	463	2%
Defaulted loans	1,489	7%	1,315	25%	2,804	11%
Total	**19,963**	**100%**	**5,349**	**100%**	**25,312**	**100%**

31 December 2014 Risk profile of Retail Ireland mortgage loan book (before impairment provisions)	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Neither past due nor impaired	17,800	89%	3,943	70%	21,743	85%
1-90 days past due but not impaired	458	2%	168	3%	626	2%
Defaulted loans	1,685	9%	1,534	27%	3,219	13%
Total	19,943	100%	5,645	100%	25,588	100%

The tables above illustrate that €22 billion or 87% of the total Retail Ireland mortgage loan book at 30 June 2015 was classified as 'neither past due nor impaired' compared to €21.7 billion or 85% at 31 December 2014.

The '1-90 days past due but not impaired' category amounted to €0.5 billion or 2% of the total Retail Ireland mortgage loan book at 30 June 2015 compared to €0.6 billion or 2% at 31 December 2014.

The 'defaulted' category amounted to €2.8 billion or 11% of the total Retail Ireland mortgage loan book at 30 June 2015 compared to €3.2 billion or 13% at 31 December 2014.

Total defaulted mortgages reduced significantly by €0.4 billion or 13% to €2.8 billion at 30 June 2015 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 defaulted loans in the six months ended 30 June 2015, decreasing to €1.5 billion at 30 June 2015 from €1.7 billion at 31 December 2014. 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 defaulted Buy to let mortgages, decreasing to €1.3 billion at 30 June 2015 from €1.5 billion at 31 December 2014. 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 5.2% in the six months ended 30 June 2015 and the percentage of the Buy to let portfolio on a 'principal and interest' repayment basis increased from 70% at 31 December 2014 to 73% at 30 June 2015.

Book composition (continued)

Arrears profile

TABLE: 3b *(not an integral part of interim financial statements)*

Mortgage arrears - Defaulted loans (number of accounts)	**30 June 2015 %**	31 December 2014 %	30 June 2014 %
Retail Ireland Owner occupied mortgages	5.3%	6.1%	7.0%
Industry[1] Owner occupied (Number of accounts)	Not available	11.6%	13.3%
Retail Ireland Buy to let mortgages	14.2%	16.2%	18.5%
Industry[1] Buy to let (Number of accounts)	Not available	22.8%	23.8%

Mortgage arrears - Defaulted loans (value)	**30 June 2015 %**	31 December 2014 %	30 June 2014 %
Retail Ireland Owner occupied mortgages	7.5%	8.5%	9.5%
Industry[1] Owner occupied (value)	Not available	16.5%	18.3%
Retail Ireland Buy to let mortgages	24.6%	27.2%	29.4%
Industry[1] Buy to let (value)	Not available	31.1%	32.0%

The latest information published by the Central Bank of Ireland is for the quarter ended 31 March 2015. 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 (less than 50% of industry average) and Buy to let (less than 60% of industry average) mortgages. At 31 March 2015, 5.69% and 15.25% 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 and / or impaired' compared to 11.10%[1] and 21.80%[1] respectively for the industry.

[1] *Industry source: CBI Mortgage Arrears Statistics Report - adjusted to exclude Bank of Ireland. Industry statistics do not include impaired loans less than or equal to 90 days past due (all quoted Bank of Ireland statistics include impaired loans less than or equal to 90 days past due).*

TABLE: 3b-(i) *(not an integral part of interim financial statements)*

Mortgage arrears - 720 days past due (number of accounts)	**30 June 2015 %**	31 December 2014 %	30 June 2014 %
Retail Ireland Owner occupied mortgages	2.3%	2.4%	2.5%
Industry[1] Owner occupied (Number of accounts)	Not Available	5.7%	5.5%
Retail Ireland Buy to let mortgages	5.5%	5.8%	6.6%
Industry[1] Buy to let (Number of accounts)	Not Available	12.5%	11.2%

Mortgage arrears - 720 days past due (value)	**30 June 2015 %**	31 December 2014 %	30 June 2014 %
Retail Ireland Owner occupied mortgages	3.5%	3.6%	3.7%
Industry[1] Owner occupied (value)	Not Available	8.8%	8.3%
Retail Ireland Buy to let mortgages	9.2%	9.4%	10.5%
Industry[1] Buy to let (value)	Not Available	19.0%	16.9%

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

Book composition (continued)

Arrears profile (continued)

The latest information published by the Central Bank of Ireland is for the quarter ended 31 March 2015. 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 (40% of industry average) and Buy to let (45% of industry average) mortgages. At 31 March 2015, 2.3% and 5.7% 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 5.7%[1] and 12.7%[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 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Less than 50%	3,921	20%	642	12%	4,563	18%
51% to 70%	4,132	21%	637	12%	4,769	19%
71% to 80%	2,579	13%	423	8%	3,002	12%
81% to 90%	2,477	12%	720	13%	3,197	13%
91% to 100%	1,803	9%	579	11%	2,382	9%
Subtotal	**14,912**	**75%**	**3,001**	**56%**	**17,913**	**71%**
101% to 120%	2,769	14%	1,204	23%	3,973	16%
121% to 150%	1,990	10%	827	15%	2,817	11%
Greater than 151%	292	1%	317	6%	609	2%
Subtotal	**5,051**	**25%**	**2,348**	**44%**	**7,399**	**29%**
Total	**19,963**	**100%**	**5,349**	**100%**	**25,312**	**100%**
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at period end		78%		96%		82%
New Retail Ireland mortgages during the period[2]		65%		72%		65%

[1] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*
[2] *Weighted average LTVs for new Retail Ireland mortgages during the period include the impact of loan book acquisitions, excluding these acquisitions, the weighted average LTV of new Retail Ireland mortgages during the period is 74% for Owner occupied, 50% for Buy to let and 73% at a total level.*

Book composition (continued)

Loan to value profiles - total loans (continued)

31 December 2014

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%	3,749	19%	633	11%	4,382	17%
51% to 70%	3,958	20%	634	11%	4,592	18%
71% to 80%	2,392	12%	420	7%	2,812	11%
81% to 90%	2,489	12%	734	13%	3,223	13%
91% to 100%	1,797	9%	599	11%	2,396	9%
Subtotal	14,385	72%	3,020	53%	17,405	68%
101% to 120%	2,923	15%	1,323	23%	4,246	17%
121% to 150%	2,310	12%	933	17%	3,243	13%
Greater than 151%	325	1%	369	7%	694	2%
Subtotal	5,558	28%	2,625	47%	8,183	32%
Total	19,943	100%	5,645	100%	25,588	100%
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at year end		80%		98%		84%
New Retail Ireland mortgages during the year		70%		50%		69%

[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 first six months of 2015 and was, on average, 82% at 30 June 2015, 78% for Owner occupied mortgages and 96% for Buy to let mortgages. The weighted average indexed LTV for new Residential mortgages written during the first six months of 2015 was 65%, being 65% for Owner occupied mortgages and 72% for Buy to let mortgages.

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

The CSO index for June 2015 reported that average national residential property prices were 37% below peak (31 December 2014: 38% below peak), with Dublin residential prices and outside of Dublin residential prices 38% and 41% below peak respectively (31 December 2014: 38% and 41% below peak respectively). In the six months to June 2015, residential property prices at a national level, increased by 0.3%.

At 30 June 2015, €17.9 billion or 71% of Retail Ireland mortgages were classified as being in positive equity, 75% for Owner occupied mortgages and 56% for Buy to let mortgages.

At 30 June 2015, the total calculated negative equity in the Retail Ireland mortgage loan book was €1.3 billion (31 December 2014: €1.4 billion). The majority of Retail Ireland mortgage borrowers in negative equity continue to meet their mortgage repayments with €0.8 billion negative equity related to loans that were ‘neither past due nor impaired’ at 30 June 2015.

Book composition (continued)

Loan to value profiles - defaulted loans

TABLE: 3d
30 June 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages - defaulted loans	**Owner occupied €m**	**Owner occupied %**	**Buy to let €m**	**Buy to let %**	**Total €m**	**Total %**
Less than 50%	111	7%	41	3%	152	6%
51% to 70%	150	10%	58	5%	208	7%
71% to 80%	99	7%	63	5%	162	6%
81% to 90%	128	9%	148	11%	276	10%
91% to 100%	148	10%	106	8%	254	9%
Subtotal	**636**	**43%**	**416**	**32%**	**1,052**	**38%**
101% to 120%	299	20%	330	25%	629	22%
121% to 150%	394	26%	385	29%	779	28%
Greater than 151%	160	11%	184	14%	344	12%
Subtotal	**853**	**57%**	**899**	**68%**	**1,752**	**62%**
Total	**1,489**	**100%**	**1,315**	**100%**	**2,804**	**100%**

31 December 2014

Loan to value (LTV) ratio of total Retail Ireland mortgages - defaulted loans	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	127	7%	49	3%	176	6%
51% to 70%	163	10%	63	4%	226	7%
71% to 80%	116	7%	74	5%	190	6%
81% to 90%	137	8%	164	11%	301	9%
91% to 100%	152	9%	134	9%	286	9%
Subtotal	695	41%	484	32%	1,179	37%
101% to 120%	341	20%	397	26%	738	23%
121% to 150%	458	27%	448	29%	906	28%
Greater than 151%	191	12%	205	13%	396	12%
Subtotal	990	59%	1,050	68%	2,040	63%
Total	1,685	100%	1,534	100%	3,219	100%

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

Of the defaulted Retail Ireland mortgages €1 billion or 38% are in positive equity (31 December 2014: €1.2 billion or 37%) while €1.8 billion or 62% are in negative equity at 30 June 2015 (31 December 2014: €2 billion or 63%).

For the defaulted category, 43% of the Owner occupied Retail Ireland mortgages (31 December 2014: 41%) and 32% of the Buy to let Retail Ireland mortgages (31 December 2014: 32%) were classified as being in positive equity at 30 June 2015.

Asset quality

Composition and impairment

TABLE: 4

30 June 2015 Retail Ireland mortgages	**Retail Ireland mortgages €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Owner occupied mortgages	19,963	1,489	7.5%	614	41%
Buy to let mortgages	5,349	1,315	24.6%	727	55%
Total Retail Ireland	**25,312**	**2,804**	**11.1%**	**1,341**	**48%**

31 December 2014 Retail Ireland mortgages	Retail Ireland mortgages €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Owner occupied mortgages	19,943	1,685	8.4%	672	40%
Buy to let mortgages	5,645	1,534	27.2%	814	53%
Total Retail Ireland	25,588	3,219	12.6%	1,486	46%

Defaulted Retail Ireland mortgages at 30 June 2015 were €2.8 billion or 11.1% of advances compared to €3.2 billion or 12.6% of advances at 30 December 2014.

Total defaulted mortgages reduced significantly by €0.4 billion or 13% to €2.8 billion at 30 June 2015 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 defaulted loans in the six months ended 30 June 2015, decreasing to €1.5 billion at 30 June 2015 from €1.7 billion at 31 December 2014. 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 defaulted Buy to let mortgages, decreasing to €1.3 billion at 30 June 2015 from €1.5 billion at 31 December 2014. 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)

Properties in possession

At 30 June 2015, the Group had possession of properties held as security as follows:

TABLE: 5a	30 June 2015		31 December 2014	
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	119	34	129	38
Buy to let	55	15	48	14
Total residential properties in possession	**174**	**49**	**177**	**52**

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

Disposals of properties in possession

TABLE: 5b	30 June 2015		31 December 2014	
Disposals of properties in possession Retail Ireland mortgages	**Number of disposals during the period**	**Balance[1] outstanding after impairment provisions €m**	Number of disposals during the year	Balance[1] outstanding after impairment provisions €m
Owner occupied	68	9	144	18
Buy to let	19	1	104	12
Total disposals of properties in possession	**87**	**10**	**248**	**30**

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

During the six months ended 30 June 2015, the Group disposed of 87 properties (year ended 31 December 2014: 248 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 2015, the proceeds from disposals of Owner occupied properties were €9 million (year ended 31 December 2014: €18 million).

For the six months ended 30 June 2015, the proceeds from disposals of Buy to let properties before value of additional collateral applied were €1 million (year ended 31 December 2014: €12 million).

In addition, a further 170 Buy to let properties were disposed of by fixed charge receivers during the six months ended 30 June 2015 (year ended 31 December 2014: 1,103 including the disposal of a portfolio of distressed assets).

Retail UK mortgages

The following disclosures refer to the Retail UK mortgage loan book. These 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 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 2015, 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: 1

Retail UK mortgages - Volumes (before impairment provisions) by product type	**30 June 2015 £m**	31 December 2014 £m
Standard mortgages	9,513	9,114
Buy to let mortgages	7,727	7,778
Self certified mortgages	2,742	2,888
Total Retail UK mortgages	**19,982**	**19,780**

Retail UK mortgages - Volumes (before impairment provisions) by interest rate type	**30 June 2015**		31 December 2014	
	£m	**%**	£m	%
Tracker	9,237	46%	9,453	48%
Variable rate	5,604	28%	6,096	31%
Fixed rate	5,141	26%	4,231	21%
Total Retail UK mortgages	**19,982**	**100%**	**19,780**	**100%**

Retail UK mortgages were £20.0 billion at 30 June 2015 compared to £19.8 billion at 31 December 2014. The increase of £0.2 billion or 1% reflects planned growth in new business generation offset by redemption of the book.

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

Of the £9.5 billion standard mortgages, 65% are on a 'principal and interest'[1] repayment basis (31 December 2014: 63%). Of the Self certified mortgages of £2.7 billion, 21% are on a 'principal and interest' repayment basis (31 December 2014: 22%). Of the Buy to let mortgages of £7.7 billion, 9% are on a 'principal and interest' repayment basis (31 December 2014: 9%). Overall 62% of the UK Retail mortgage portfolio at 30 June 2015 are on an 'interest only'[2] repayment basis (31 December 2014: 64%).

[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.*

Book composition (continued)

Origination profile

TABLE: 2

30 June 2015 **Origination profile of Retail UK mortgage loan book (before impairment provisions)**	**Total Retail UK mortgage loan book** **Balance £m**	**Total Retail UK mortgage loan book** **Number of accounts[1]**	**Defaulted loans** **Balance £m**	**Defaulted loans** **Number of accounts[1]**
2000 and before	355	9,682	23	487
2001	175	2,766	3	31
2002	224	3,190	4	40
2003	503	5,982	16	129
2004	579	6,516	18	142
2005	1,519	14,154	38	276
2006	2,259	20,354	55	353
2007	3,662	31,124	84	590
2008	4,703	38,937	102	681
2009	639	5,638	6	54
2010	585	4,532	1	9
2011	412	3,131	1	13
2012	569	3,591	-	4
2013	791	4,505	-	-
2014	1,742	9,836	-	2
2015	1,265	7,504	-	1
Total	**19,982**	**171,442**	**351**	**2,812**

31 December 2014 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Retail UK mortgage loan book Balance £m	Total Retail UK mortgage loan book Number of accounts[1]	Defaulted loans Balance £m	Defaulted loans Number of accounts[1]
2000 and before	400	10,812	21	506
2001	190	2,958	3	38
2002	239	3,398	7	57
2003	540	6,372	16	131
2004	616	6,879	23	187
2005	1,601	14,912	38	287
2006	2,359	21,206	59	392
2007	3,852	32,606	95	636
2008	4,916	40,542	122	794
2009	711	6,134	7	64
2010	649	4,920	2	16
2011	456	3,394	2	14
2012	637	3,931	-	1
2013	851	4,776	-	-
2014	1,763	9,870	-	1
Total	19,780	172,710	395	3,124

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

The tables above illustrate that at 30 June 2015, £3.4 billion or 17% of the Retail UK mortgage loan book originated before 2006, £10.6 billion or 53% between 2006 and 2008 and £6.0 billion or 30% in the years since.

Defaulted Retail UK mortgages were £0.4 billion (31 December 2014: £0.4 billion) or 2% of the Retail UK mortgage loan book at 30 June 2015, of which £0.2 billion or 1% were originated between 2006 and 2008 (31 December 2014: £0.3 billion or 1.4%).

Book composition (continued)

Risk profile

TABLE: 3a

30 June 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	9,132	96%	7,412	96%	2,313	84%	18,857	94%
1-90 days past due but not impaired	266	3%	208	3%	300	11%	774	4%
Defaulted loans	115	1%	107	1%	129	5%	351	2%
Total Retail UK mortgages	**9,513**	**100%**	**7,727**	**100%**	**2,742**	**100%**	**19,982**	**100%**

31 December 2014 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	8,709	96%	7,449	96%	2,436	84%	18,594	94%
1-90 days past due but not impaired	273	3%	204	3%	314	11%	791	4%
Defaulted loans	132	1%	125	1%	138	5%	395	2%
Total Retail UK mortgages	9,114	100%	7,778	100%	2,888	100%	19,780	100%

The above tables illustrate that £18.9 billion or 94% of the total Retail UK mortgage loan book at 30 June 2015 was classified as 'neither past due nor impaired' compared to £18.6 billion or 94% at 31 December 2014.

The '1-90 days past due but not impaired' category amounted to £0.8 billion or 4% of the total Retail UK mortgage loan book at 30 June 2015 compared to £0.8 billion or 4% at 31 December 2014.

The defaulted loans category amounted to £0.4 billion or 2% of the total Retail UK mortgage loan book at 30 June 2015 compared to £0.4 billion or 2% at 31 December 2014.

Defaulted Standard mortgages reduced to £115 million at 30 June 2015 from £132 million at 31 December 2014.

Defaulted Buy to let mortgages reduced from £125 million at 31 December 2014 to £107 million at 30 June 2015 reflecting the effectiveness of collection activity supported by economic conditions.

Defaulted Self certified mortgages decreased to £129 million at 30 June 2015 compared to £138 million at 31 December 2014.

The Buy to let portfolio reduced by £51 million or 1% in the six months ended 30 June 2015 while the Self certified portfolio reduced by £146 million or 5%.

Book composition (continued)

Arrears profile

TABLE: 3b

Mortgage arrears - Defaulted loans (number of accounts)	30 June 2015 %	31 December 2014 %	30 June 2014 %
Standard mortgages	1.52%	1.67%	1.84%
Buy to let mortgages	1.30%	1.47%	1.60%
Self certified mortgages	3.54%	3.69%	4.19%

Mortgage arrears - Defaulted loans (value)	30 June 2015 %	31 December 2014 %	30 June 2014 %
Standard mortgages	1.21%	1.44%	1.66%
Buy to let mortgages	1.39%	1.60%	1.78%
Self certified mortgages	4.70%	4.77%	5.39%

Data published by the Council Mortgage Lenders (CML) for March 2015 indicates that the proportion of the Retail UK mortgage book in default (greater than 90 days but excluding possessions and receivership cases) remains below the UK industry average of 1.30% across all segments (Retail UK equivalent: 1.15%).

Loan to value profiles - total loans

TABLE: 3c

30 June 2015	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%	1,968	21%	1,805	23%	519	19%	4,292	21%
51% to 70%	3,196	34%	3,155	41%	1,068	39%	7,419	37%
71% to 80%	1,903	20%	1,316	17%	525	19%	3,744	19%
81% to 90%	1,470	15%	905	12%	402	15%	2,777	14%
91% to 100%	592	6%	393	5%	174	6%	1,159	6%
Subtotal	**9,129**	**96%**	**7,574**	**98%**	**2,688**	**98%**	**19,391**	**97%**
101% to 120%	247	3%	93	1%	32	2%	372	2%
121% to 150%	41	-	20	-	11	-	72	-
Greater than 150%	96	1%	40	1%	11	-	147	1%
Subtotal	**384**	**4%**	**153**	**2%**	**54**	**2%**	**591**	**3%**
Total	**9,513**	**100%**	**7,727**	**100%**	**2,742**	**100%**	**19,982**	**100%**
Weighted average LTV[1]:								
Stock of Retail UK mortgages at period end[1]		66%		63%		66%		65%
New Retail UK mortgages during period[1]		73%		62%		n/a		72%

[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 2014 Loan to value (LTV) ratio of total Retail UK mortgages	Standard £m	Standard %	Buy to let £m	Buy to let %	Self certified £m	Self certified %	Total Retail UK mortgage portfolio £m	Total Retail UK mortgage portfolio %
Less than 50%	1,823	20%	1,557	20%	467	16%	3,847	19%
51% to 70%	2,848	31%	3,218	41%	1,077	38%	7,143	36%
71% to 80%	1,943	21%	1,389	18%	585	20%	3,917	20%
81% to 90%	1,436	16%	965	13%	466	16%	2,867	15%
91% to 100%	647	7%	461	6%	222	8%	1,330	7%
Subtotal	8,697	95%	7,590	98%	2,817	98%	19,104	97%
101% to 120%	313	3%	157	2%	51	2%	521	3%
121% to 150%	60	1%	22	-	11	-	93	-
Greater than 150%	44	1%	9	-	9	-	62	-
Subtotal	417	5%	188	2%	71	2%	676	3%
Total	9,114	100%	7,778	100%	2,888	100%	19,780	100%
Weighted average LTV[1]:								
Stock of Retail UK mortgages at year end[1]		67%		65%		68%		66%
New Retail UK mortgages during year[1]		73%		62%		n/a		73%

[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 65% at 30 June 2015, 66% for Standard mortgages, 66% for Self certified mortgages and 63% for Buy to let mortgages. The weighted average LTV for new Residential mortgages written during the six months ended 30 June 2015 was 72%, 73% for Standard mortgages and 62% for Buy to let mortgages.

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 2015, £19.4 billion (97%) of the Retail UK mortgage book was in positive equity, comprising £9.1 billion or 96% of Standard mortgages, £7.6 billion or 98% of Buy to let mortgages and £2.7 billion or 98% of Self certified mortgages. This improvement reflects the upward movement in house prices in the period with house prices increasing by 3.3% on average across the UK, with significant regional variances, together with capital reductions and principal repayments.

At 30 June 2015, the total calculated negative equity in the Retail UK mortgage book was £53 million, which comprised £45 million (84%) related to mortgages classified as 'neither past due nor impaired', £4 million (8%) related to mortgages classified as '1-90 days past due but not impaired' and £4 million (8%) related to mortgages that were defaulted.

Book composition (continued)

Loan to value profiles - defaulted loans

TABLE: 3d

30 June 2015

Loan to value (LTV) ratio of total Retail UK mortgages - defaulted loans	**Standard**		**Buy to let**		**Self certified**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	32	28%	14	13%	12	9%	58	17%
51% to 70%	27	23%	29	27%	37	29%	93	26%
71% to 80%	16	14%	16	15%	26	20%	58	16%
81% to 90%	14	12%	25	23%	27	21%	66	19%
91% to 100%	12	11%	16	15%	17	13%	45	13%
Subtotal	**101**	**88%**	**100**	**93%**	**119**	**92%**	**320**	**91%**
101% to 120%	9	8%	4	4%	6	5%	19	5%
121% to 150%	3	3%	3	3%	3	2%	9	3%
Greater than 150%	2	1%	-	-	1	1%	3	1%
Subtotal	**14**	**12%**	**7**	**7%**	**10**	**8%**	**31**	**9%**
Total	**115**	**100%**	**107**	**100%**	**129**	**100%**	**351**	**100%**

31 December 2014

Loan to value (LTV) ratio of total Retail UK mortgages - defaulted loans	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	35	26%	13	11%	10	7%	58	14%
51% to 70%	29	22%	37	29%	36	26%	102	26%
71% to 80%	16	12%	19	15%	28	20%	63	16%
81% to 90%	18	14%	23	19%	29	21%	70	18%
91% to 100%	15	12%	21	17%	23	17%	59	15%
Subtotal	113	86%	113	91%	126	91%	352	89%
101% to 120%	11	8%	9	7%	8	6%	28	7%
121% to 150%	5	4%	3	2%	3	2%	11	3%
Greater than 150%	3	2%	-	-	1	1%	4	1%
Subtotal	19	14%	12	9%	12	9%	43	11%
Total	132	100%	125	100%	138	100%	395	100%

Asset quality

Composition and impairment

TABLE: 4

30 June 2015 Retail UK mortgages	**Retail UK mortgages £m**	**Defaulted loans £m**	**Defaulted loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of defaulted loans %**
Standard mortgages	9,513	115	1.2%	30	26%
Buy to let mortgages	7,727	107	1.4%	30	28%
Self certified mortgages	2,742	129	4.7%	23	18%
Total Retail UK	**19,982**	**351**	**1.8%**	**83**	**24%**

31 December 2014 Retail UK mortgages	Retail UK mortgages £m	Defaulted loans £m	Defaulted loans as % of advances %	Impairment provisions £m	Impairment provisions as % of defaulted loans %
Standard mortgages	9,114	132	1.4%	32	24%
Buy to let mortgages	7,778	125	1.6%	34	27%
Self certified mortgages	2,888	138	4.8%	26	19%
Total Retail UK	19,780	395	2.0%	92	23%

Retail UK mortgages were £20.0 billion at 30 June 2015 compared to £19.8 billion at 31 December 2014. The increase of £0.2 billion or 1% reflects planned growth in new business generation offset by continuing attrition of the book.

Defaulted Retail UK mortgages were £351 million at 30 June 2015 compared to £395 million at 31 December 2014 attributable to decreases in Standard mortgages of £17 million, in Self certified mortgages of £9 million and in Buy to let mortgages of £18 million compared to 31 December 2014.

The overall impairment provision coverage ratio on the defaulted Retail UK mortgages book has increased to 24% (31 December 2014: 23%).

Asset quality (continued)

Properties in possession

At 30 June 2015, the Group had possession of properties held as security as follows:

TABLE: 5a

Properties in possession Retail UK mortgages	30 June 2015 Number of properties in possession at balance sheet date	30 June 2015 Balance outstanding before impairment provisions £m	31 December 2014 Number of properties in possession at balance sheet date	31 December 2014 Balance outstanding before impairment provisions £m
Standard mortgages	30	4	44	6
Buy to let mortgages	36	4	61	7
Self certified mortgages	23	5	34	7
Total residential properties in possession	**89**	**13**	**139**	**20**

Disposals of properties in possession

TABLE: 5b

Disposals of properties in possession Retail UK mortgages	30 June 2015 Number of disposals during the period	30 June 2015 Balance outstanding after impairment provisions £m	31 December 2014 Number of disposals during the year	31 December 2014 Balance outstanding after impairment provisions £m
Standard mortgages	68	6	154	15
Buy to let mortgages	84	7	242	20
Self certified mortgages	47	7	121	18
Total disposals of properties in possession	**199**	**20**	**517**	**53**

During the six months ended 30 June 2015, the Group disposed of 199 properties (for the year ended 31 December 2014: 517 properties disposed). The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions.

For the six months ended 30 June 2015, the proceeds from disposals of Standard mortgages was £8 million (year ended 31 December 2014: £18 million).

For the six months ended 30 June 2015, the proceeds from disposals of Buy to let mortgages was £8 million (year ended 31 December 2014: £23 million).

For the six months ended 30 June 2015, the proceeds from disposals of Self certified mortgages was £7 million (year ended 31 December 2014: £20 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 2015 of €92.4 billion is available on page 56 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'.

TABLE: 1

30 June 2015 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	45,947	5,108	2,014	2,679	55,748	68%
Satisfactory quality	-	8,695	1,579	152	10,426	13%
Acceptable quality	-	1,326	402	16	1,744	2%
Lower quality but not past due or impaired	-	245	155	-	400	-
Neither past due nor impaired	**45,947**	**15,374**	**4,150**	**2,847**	**68,318**	**83%**
Past due but not impaired	1,862	118	262	77	2,319	3%
Impaired	2,013	2,917	6,550	168	11,648	14%
Total non-forborne loans and advances to customers	**49,822**	**18,409**	**10,962**	**3,092**	**82,285**	**100%**
Forborne loans and advances to customers						
High quality	-	43	170	1	214	2%
Satisfactory quality	1,180	304	575	63	2,122	21%
Acceptable quality	1,048	750	1,384	19	3,201	32%
Lower quality but not past due or impaired	378	999	1,507	-	2,884	29%
Neither past due nor impaired	**2,606**	**2,096**	**3,636**	**83**	**8,421**	**84%**
Past due but not impaired	449	40	242	10	741	7%
Impaired	524	186	214	-	924	9%
Total forborne loans and advances to customers	**3,579**	**2,322**	**4,092**	**93**	**10,086**	**100%**

Group forbearance disclosures (continued)

Risk profile of forborne loans and advances to customers (continued)

The Group's total loans and advances to customers of €89.5 billion at 31 December 2014 are analysed below using the following categories: 'non-forborne' and 'forborne'. Exposures are before provisions for impairment.

31 December 2014 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	43,344	4,263	1,662	2,428	51,697	65%
Satisfactory quality	-	8,481	1,547	130	10,158	13%
Acceptable quality	-	1,487	447	12	1,946	2%
Lower quality but neither past due or impaired	-	323	190	-	513	1%
Neither past due nor impaired	43,344	14,554	3,846	2,570	64,314	81%
Past due but not impaired	2,046	109	204	82	2,441	3%
Impaired	2,230	3,157	6,776	189	12,352	16%
Total non-forborne loans and advances to customers	47,620	17,820	10,826	2,841	79,107	100%
Forborne loans and advances to customers						
High quality	-	36	115	1	152	2%
Satisfactory quality	994	398	648	80	2,120	20%
Acceptable quality	914	811	1,625	19	3,369	32%
Lower quality but neither past due or impaired	363	1,075	1,575	-	3,013	29%
Neither past due nor impaired	2,271	2,320	3,963	100	8,654	83%
Past due but not impaired	538	50	132	13	733	7%
Impaired	554	194	298	-	1,046	10%
Total forborne loans and advances to customers	3,363	2,564	4,393	113	10,433	100%

Forborne loans and advances to customers classified as 'neither past due nor impaired' amounted to €8.4 billion of the Group's forborne loan book at 30 June 2015 compared to €8.7 billion of the Group's forborne loan book at 31 December 2014.

Forborne loans and advances to customers classified as 'past due but not impaired' amounted to €0.7 billion of the Group's forborne loan book at 30 June 2015 compared to €0.7 billion at 31 December 2014.

Forborne 'impaired' loans have reduced to €0.9 billion of the Group's loan book at 30 June 2015 compared to €1.0 billion at 31 December 2014.

Group forbearance disclosures (continued)

Past due and / or impaired

The Group's total risk profile of loans and advances to customers - past due and / or impaired at 30 June 2015 of €15.6 billion is available on page 58 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 2015 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	455	91	96	46	688
Past due up to 31 - 60 days	661	18	15	22	716
Past due up to 61 - 90 days	203	9	151	9	372
	1,319	**118**	**262**	**77**	**1,776**
Past due more than 90 days but not impaired	543	-	-	-	543
Impaired	2,013	2,917	6,550	168	11,648
Defaulted loans	**2,556**	**2,917**	**6,550**	**168**	**12,191**
Total non-forborne loans and advances to customers - past due and / or impaired	**3,875**	**3,035**	**6,812**	**245**	**13,967**
Forborne loans and advances to customers					
Past due up to 30 days	117	18	82	3	220
Past due up to 31 - 60 days	78	17	32	5	132
Past due up to 61 - 90 days	37	5	128	2	172
	232	**40**	**242**	**10**	**524**
Past due more than 90 days but not impaired	217	-	-	-	217
Impaired	524	186	214	-	924
Defaulted loans	**741**	**186**	**214**	**-**	**1,141**
Total forborne loans and advances to customers - past due and / or impaired	**973**	**226**	**456**	**10**	**1,665**

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 period. The 'past due' classification does not indicate that the terms of the forbearance measure are not being met.

Group forbearance disclosures (continued)

Past due and / or impaired (continued)

The Group's total loans and advances to customers - past due and / or impaired of €16.6 billion at 31 December 2014 are analysed below using the following categories: 'non-forborne' and 'forborne'. Exposures are before provisions for impairment.

31 December 2014 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	514	70	25	50	659
Past due 31 - 60 days	649	22	160	22	853
Past due 61 - 90 days	225	17	19	10	271
	1,388	109	204	82	1,783
Past due greater than 90 days but not impaired	658	-	-	-	658
Impaired	2,230	3,157	6,776	189	12,352
Defaulted loans	2,888	3,157	6,776	189	13,010
Total non-forborne loans and advances to customers - past due and / or impaired	4,276	3,266	6,980	271	14,793
Forborne loans and advances to customers					
Past due up to 30 days	129	23	36	5	193
Past due 31 - 60 days	79	15	82	6	182
Past due 61 - 90 days	46	12	14	2	74
	254	50	132	13	449
Past due greater than 90 days but not impaired	284	-	-	-	284
Impaired	554	194	298	-	1,046
Defaulted loans	838	194	298	-	1,330
Total forborne loans and advances to customers - past due and / or impaired[1]	1,092	244	430	13	1,779

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.

Forborne loans and advances to customers classified as 'past due and / or impaired' amounted to €1.7 billion at 30 June 2015 compared to €1.8 billion at 31 December 2014.

Forborne Residential mortgages classified as 'past due and / or impaired' have reduced by €0.1 billion to €1.0 billion at 30 June 2015.

Forborne Property and construction loans classified as 'past due and / or impaired' are broadly unchanged at €0.5 billion at 30 June 2015.

Forborne Non-property SME and corporate loans classified as 'past due and / or impaired' remained broadly unchanged at €0.2 billion at 30 June 2015 and 31 December 2014.

Forborne Consumer loans that are 'past due and / or impaired' are not significant in a Group context at €10 million at 30 June 2015 (31 December 2014: €13 million).

Group forbearance disclosures (continued)

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 2015 was €168 million (see page 18 in the operating and financial review). Of this, the impairment reversal on forborne loans amounted to €67 million as set out in the table below:

TABLE: 3

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)**

30 June 2014 Impairment charge 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	(2)	6	4
- Retail Ireland	*(2)*	*7*	*5*
- Retail UK	-	*(1)*	*(1)*
Non-property SME and corporate	-	(7)	(7)
- Republic of Ireland SME	-	*(3)*	*(3)*
- UK SME	-	*(1)*	*(1)*
- Corporate	-	*(3)*	*(3)*
Property and construction	-	(1)	(1)
- Investment	-	*(1)*	*(1)*
- Land and development	-	-	-
Consumer	-	1	1
Total Impairment charge / (reversal) on forborne loans	(2)	(1)	(3)

Impairment charge 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 €5 million on forborne non-mortgage loans in the year reflects the reduction in the volume of non-mortgage forborne loans assessed for IBNR provisions.

Group forbearance disclosures (continued)

Impairment provisions on forborne loans and advances to customers

The total impairment provisions on loans and advances to customers as at 30 June 2015 were €7,121 million (31 December 2014: €7,423 million) (see page 60 in the asset quality disclosures). Of this, the impairment provisions on forborne loans amounted to €579 million (31 December 2014: €591 million) as set out in the tables below:

TABLE: 4

30 June 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	198	225	423
- Retail Ireland	*197*	*222*	*419*
- Retail UK	*1*	*3*	*4*
Non-property SME and corporate	-	53	53
- Republic of Ireland	-	*26*	*26*
- UK SME	-	*15*	*15*
- Corporate	-	*12*	*12*
Property and construction	-	100	100
- Investment	-	*93*	*93*
- Land and development	-	*7*	*7*
Consumer	-	3	3
Total impairment provision on forborne loans	**198**	**381**	**579**

31 December 2014 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	205	231	436
- Retail Ireland	*204*	*229*	*433*
- Retail UK	*1*	*2*	*3*
Non-property SME and corporate	-	54	54
- Republic of Ireland	-	*28*	*28*
- UK SME	-	*12*	*12*
- Corporate	-	*14*	*14*
Property and construction	-	97	97
- Investment	-	*90*	*90*
- Land and development	-	*7*	*7*
Consumer	-	4	4
Total impairment provision on forborne loans	205	386	591

Impairment provision on forborne loans

Specific and Incurred but not reported (IBNR) provisions held against forborne Retail Ireland mortgage loans decreased during 2015. While forborne loan balances have increased during the period as more customers enter into long term sustainable forbearance solutions, the provision stock has decreased as customers work through their forbearance treatments and provisions are reversed on previously cured accounts.

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 were largely unchanged at 30 June 2015 compared to 31 December 2014.

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 2015 and the year ended 31 December 2014. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a 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 14.

Average balance sheet

	6 months ended 30 June 2015			Year ended 31 December 2014		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
Assets						
Loans and advances to banks	9,343	17	0.36%	8,589	35	0.41%
Loans and advances to customers	84,566	1,503	3.58%	83,879	3,018	3.60%
Available for sale financial assets and NAMA senior bonds	14,275	126	1.78%	16,514	379	2.29%
Held to maturity financial assets	650	5	1.64%	-	-	-
Total interest earning assets	**108,834**	**1,651**	**3.06%**	**108,982**	**3,432**	**3.15%**
Non-interest earning assets	24,408	-	-	21,975	-	-
Total assets	**133,242**	**1,651**	**2.50%**	**130,957**	**3,432**	**2.62%**
Liabilities and stockholders' equity						
Deposits from banks	3,365	6	0.34%	6,578	39[1]	0.59%
Customer accounts	56,620	237[1]	0.84%	56,135	643[1]	1.15%
- Retail Ireland	*21,940*	*47*	*0.44%*	*23,288*	*210*	*0.90%*
- Retail UK	*25,868*	*158*	*1.23%*	*23,790*	*341*	*1.43%*
- Corporate and Treasury[2]	*8,812*	*32*	*0.74%*	*9,057*	*92*	*1.02%*
Debt securities in issue	14,779	79	1.08%	16,142	192[1]	1.19%
Subordinated liabilities	2,458	110	9.02%	2,102	200	9.49%
Total interest bearing liabilities	**77,222**	**432**	**1.13%**	**80,957**	**1,074**	**1.33%**
Current accounts	20,846	-	-	17,669	-	-
Non-interest bearing liabilities[3]	26,326	-	-	24,140	-	-
Stockholders' Equity	8,848	-	-	8,191	-	-
Total liabilities and stockholders' equity	**133,242**	**432**	**0.65%**	**130,957**	**1,074**	**0.82%**
Euro and sterling reference rates (average)						
ECB base rate			0.05%			0.16%
3 month Euribor rate			0.02%			0.21%
Bank of England base rate			0.50%			0.50%
3 month LIBOR rate			0.57%			0.54%

[1] *Excludes the cost of the ELG Scheme of €5 million (31 December 2014: €37 million) which is included within interest expense.*
[2] *Excludes deposits carried at fair value through profit and loss.*
[3] *Includes liabilities carried at fair value through profit and loss.*

The yield on average interest bearing liabilities (including current accounts) for the six months ended 30 June 2015 was 0.89% (year ended 31 December 2014: 1.09%)

3 Rates of exchange

Principal rates of exchange used in the preparation of the accounts are as follows:

	30 June 2015		30 June 2014		31 December 2014	
	Closing	**Average**	Closing	Average	Closing	Average
€ / US$	1.1189	1.1158	1.3658	1.3704	1.2141	1.3285
€ / Stg£	0.7114	0.7323	0.8015	0.8213	0.7789	0.8061

4 Credit ratings

Ireland - Senior debt	**30 June 2015**	31 December 2014
Standard & Poor's	A+ (Stable)	A (Stable)
Moody's	Baa1 (Stable)	Baa1 (Stable)
Fitch	A- (Stable)	A- (Stable)
DBRS	A (Stable)	A (Low) (Positive trend)

Bank of Ireland - Senior debt	**30 June 2015**	31 December 2014
Standard & Poor's[1]	BB+ (Positive)	BB+ (Positive)
Moody's	Baa2 (Stable)	Ba1 (Stable)
Fitch	BB+ (Positive)	BBB (Negative)
DBRS	BBB (High) (Under review - Negative)	BBB (High) (Negative trend)

[1] *Standard & Poor's upgraded its rating on Bank of Ireland senior debt to BBB-/A-3 with a positive outlook on 20 July 2015.*