INTESA SANPAOLO BANK IRELAND plc

Directors' report and
financial statements

Year ended **31 December 2013**

Registered number *125216*

INTESA SANPAOLO BANK IRELAND plc

Contents | *Page*

INTESA SANPAOLO BANK IRELAND plc

Directors and other information

Directors	Mr. M. A. Bertotti (Chairman, Italian) Mr. A. Plomp (Managing Director, British) Mr. I. Letchford (British) Mr. F. Introzzi (Italian) Mr. R. Barkley (British) Mr. P. N. Virgili (Italian)
Registered office	3rd Floor KBC House 4 George's Dock International Financial Services Centre Dublin 1
Secretary	Capita International Financial Services (Ireland) Ltd
Independent Auditors	KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin 1
Principal bankers	INTESA SANPAOLO S.p.A. Piazza della Scala, 6 Milan I-20121 Italy INTESA SANPAOLO – New York Branch One William Street New York NY 10004 USA
Solicitors	McCann FitzGerald Sir John Rogerson's Quay Dublin 2

Directors' report

Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2013.

Principal Activities

INTESA SANPAOLO BANK IRELAND plc (the "Company") was granted a banking licence in October 1998 by the Central Bank of Ireland under section 9 of the Irish Central Bank Act 1971 and is engaged in wholesale banking business.

The Company's activities include intra-group lending, the provision of finance to large corporate clients and financial institutions mainly in Europe both on a bilateral and syndicated basis, and the management of its own portfolio of securities held for liquidity purposes.

Review of Results and Development of the Business

The results, financial position and cash flows of the Company are set out on pages 11 – 15 of the financial statements. During the year under review, the Company continued the implementation of a deleveraging strategy, reducing, in particular, its lending to intra-group counterparties, in light of the prevailing market conditions. Such strategy was in line with group policy with a view to returning to increased lending upon the normalisation of wholesale funding activities for the Company.

During the course of 2013, economic growth in the euro zone resumed, albeit very weak, with an improvement in general market conditions on the back of growing investor confidence and tightening sovereign spreads. The ECB further eased its monetary policy, by means of reducing the main refinancing rate in May and November to a historically low level of 0.25% (BOE and FED did not act throughout the year) and adopted a "forward guidance" stance for the foreseeable future. As a result, Euribor rates remained relatively flat during 2013, with only a seasonal marginal pick-up towards year-end.

At the beginning of 2013, there were concerns that Spain would have had to request financial assistance under an ESM programme and that Italy would probably follow; however, these events did not materialise. In August 2012, the ECB announced a further credible backstop mechanism in the form of the OMT (Outright Monetary Transactions), which was not activated during 2013, and its validity is still subject to constitutional challenges presented in the German courts, demonstrating differences within the euro zone with respect to ECB policy. In December 2013, Ireland was the first nation in the euro zone to successfully exit its €67.5 billion official assistance program provided by the Troika in 2010. Overall, deflationary pressures did not emerge in the euro area, although inflation remained at very low levels.

It is accepted by the markets that the ECB measures are temporary in nature and a lasting resolution of the issues within the euro area requires governmental intervention to implement macroeconomic adjustments at national level and overall institutional reform within Europe. During 2013, budgetary and structural reforms continued to be implemented by national governments, including Ireland and Italy, while in Europe further progress was made towards establishing a European banking union, which would reduce systemic risk and market fragmentation. However, significant challenges remain, not least those associated with political developments in Italy, with a real possibility of new general elections before the end of 2014 and the unresolved regional issues of Spain. The challenge for the Company in the year ahead is to return to asset growth and improve sustainable wholesale funding sources, both in the short and medium term.

The improvement in the wholesale funding markets experienced since the end of 2012 continued during 2013. However, issuance of notes under the Company's short and medium term note programmes decreased due to the cyclical lack of market appetite from investors at year-end. Total combined programme utilisations amounted to €6.85 billion, compared with €9.55 billion at the end of 2012. In December 2013, the Company entirely prepaid the 3-year LTRO (drawn for an amount of €1.2 billion in the first quarter of 2012) and replaced it with €1.2 billion 3-month LTRO funds; moreover, at the end of 2013, the Company also availed of the short-term MRO for an additional amount of €1.2 billion (the latter being entirely repaid at the start of 2014 following a substantial increase in wholesale funding).

Directors' report *(continued)*

At the beginning of 2014, the global economic recovery remains subdued and diverse across economic regions, with growth dynamics gradually shifting in favour of advanced economies: as far as the euro zone is concerned, recovery is likely to remain weak and fragile during 2014, with current forecasts of 1.1%. Notwithstanding the above, the growth outlook for 2014 appears positive, witnessed by (i) stronger external demand, mainly led by the strength of the US recovery; (ii) improved financial conditions, driven by the ECB actions stabilising financial markets; and (iii) the reduced pace of fiscal consolidation. However, large fiscal, financial and economic imbalances are still evident within the euro area, requiring economic restructuring, private sector deleveraging, improvement in competitiveness and on-going fiscal consolidation, which will all have a negative impact on confidence, consumer spending and, in turn, demand and growth.

The principal risks faced by the Company as a result of the normal course of its activities remain:

- Credit Risk and Counterparty Credit Risk
- Interest Rate and Foreign Exchange Risks (Banking Book)
- Liquidity Risk
- Operational Risk

These risks are monitored and managed on an on-going basis by the Company, and the risk management objectives, policies, risk measures and limits of the Company are fully described in Note 2 to the financial statements.

The profit after tax for the financial year was €52.8 million (2012: €43.14 million). The results for the year were substantially below expectations of management, mainly due to the impact of certain unscheduled loan asset prepayments and, most significantly, a one-off charge incurred at the end of the final quarter in connection with the restructuring of a derivative transaction. In December 2013, the Company restructured a long-term transaction with Barclays Bank, which gave rise to a €41 million fee payable to the counterparty.

The directors have proposed a dividend of 10.55 cent per ordinary share, amounting to €42.24 million in respect of the year 2013 (2012: €34.51 million dividend was paid, equivalent to 8.62 cent per ordinary share).

Future Developments in the Business

The directors intend to continue the development of the Company's lending activities on a selected basis and in line with group policy.

Events since the year end 2013

The short-term Euro Commercial Paper/Certificate of Deposit Programme of the Company was updated on 19 February 2014.

Risk Management and Control

An analysis of the risks to which the Company is exposed and the management of these is set out in Note 2 to the financial statements.

Books of Account

The measures taken by the directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are available at the registered office at 3rd Floor, KBC House, 4 George's Dock, IFSC, Dublin 1.

Directors' report *(continued)*

Directors

The directors who held office during the year under review were:

Mr. M. A. Bertotti	
Mr. S. Catalano	Resigned 13 February 2014
Mr. A. Plomp	Appointed 15 September 2013
Mr. G. Pizzutto	Resigned 30 September 2013
Mr. I. Letchford	
Mr. F. Introzzi	
Mr L. Ruggerone	Resigned 15 September 2013
Mr. R. Barkley	
Mr. P. N. Virgili	Appointed 27 November 2013

CORPORATE GOVERNANCE STATEMENT

Parent

Intesa Sanpaolo Bank Ireland plc is a public limited liability company and is incorporated and domiciled in Ireland. The Company is a wholly owned subsidiary of INTESA SANPAOLO S.p.A. which beneficially holds 100% of the ordinary share capital of the Company. INTESA SANPAOLO S.p.A. is a public limited company and is incorporated and domiciled in Italy. The consolidated financial statements for 2013 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Turin, Italy, or via its website www.group.intesasanpaolo.com.

Articles of Association

In accordance with its memorandum and articles of association, the Company may by ordinary resolution appoint any person to be a director. The powers to appoint directors are subject to the maximum number of directors permitted and eligibility for appointment, both in accordance with the memorandum and articles of association.

In accordance with the memorandum and articles of association, the directors are authorised to issue shares subject to the limit of the authorised share capital. The authority expires five years from the date of the memorandum and articles of association.

The memorandum and articles of association may be amended in line with the Companies Acts, e.g. where a special resolution is required by consent of the holder of at least 75% of the ordinary share capital of the Bank.

Directors

The composition of the Board of Directors and standing Committees at year–end are as follows:

Mr. M. A. Bertotti	(Member of Risk Committee)
Mr. S. Catalano	Independent Non - Executive
Mr. I. Letchford	(Member of Audit Committee) - Independent Non-Executive
Mr. F. Introzzi	(Member of Audit Committee and Credit Committee)
Mr. A. Plomp	(Member of Credit Committee and Risk Committee)
Mr. R. Barkley	(Member of Credit Committee) - Independent Non-Executive
Mr. P. N. Virgili	(Member of Audit Committee and Risk Committee)

Directors' report *(continued)*

Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2013 and their spouses had no interest in the shares or debentures or loan stock of the Company or Group companies other than those set out below. Directors who are key managers of INTESA SANPAOLO S.p.A. may participate in a discretionary share incentive scheme under which a portion of their bonus may be converted into shares in INTESA SANPAOLO S.p.A. in accordance with Group remuneration policy.

Ordinary Shares in INTESA SANPAOLO S.p.A.

	31 December 2013	31 December 2012
Mr. M. A. Bertotti	**1,073**	1,073
Mr. F. Introzzi	**554**	554
Mr. P. N. Virgili	***554**	-

INTESA SANPAOLO S.p.A - 2% Bond (Maturity 15 May 2015)

	31 December 2013	31 December 2012
Mr. P. N. Virgili	***150,000**	-

*or date of appointment if later.

Transactions involving Directors

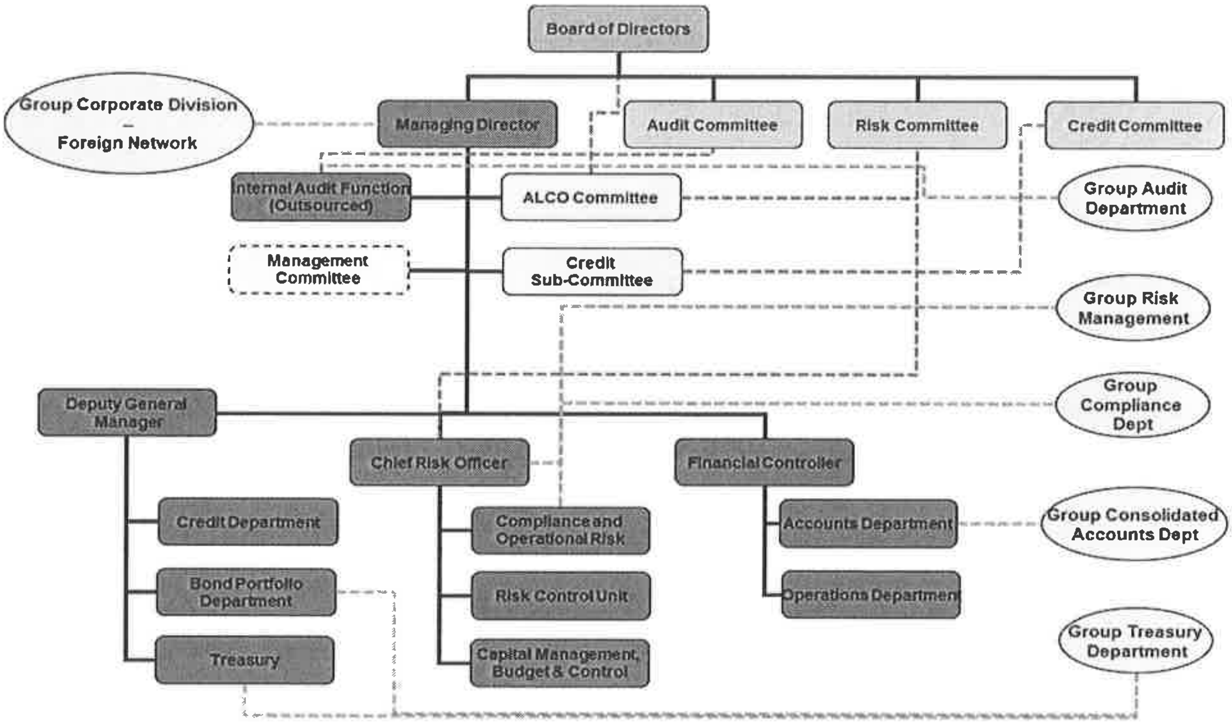
There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2013.

Directors' Responsibilities

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Structure

The overview of the Board and Executive Management structure in the chart below as at 31 December 2013 identifies key individuals and committees and their inter-relationship with business and control units:



Management Responsibilities

Management at departmental level has primary responsibility for the execution of all internal controls implemented by the directors in collaboration with the Senior Management of the Company. They ensure risks relating to all business processes are identified and mitigated through adequate control levels defined in departmental policies and procedures. The mapping of these processes and the identification of associated risks, as well as control of the adequacy and effectiveness of internal controls, are all performed by the Capital Management, Budget & Control function using an Italian Law 262-2005 compliant methodology.

Risk Management Framework

The Company has a dedicated Risk Control function responsible for the measurement and monitoring of financial risks. The Risk Control function reports to the Risk Committee of the Company, which is responsible for defining and proposing the risk management framework to the directors.

In addition, the control and proactive monitoring of internal processes is performed by the Operational Risk function, which reports to the Audit Committee on a periodical basis. The Risk and Audit standing Committees, established by the Board, assist the directors in fulfilling their responsibilities in the supervision over the financial reporting process, the auditing process, the existing internal control system, the risk management reporting, and the compliance with laws, regulations, rules and code of conduct of the Company.

The active involvement of the Managing Director in the Company's management of risks allows the Board to continually monitor risks and ensure the adherence on an on-going basis to the Company's strict internal control procedures.

Directors' report *(continued)*

In respect of the financial reporting process, the Company has mapped such process, identifying controls that must be complied with. Some of these controls are designed to ensure that:

- business transactions are properly authorized, approved and executed within the transaction limits identified by the Risk Control department;
- financial reporting is accurate and complies with the financial reporting framework; and
- systems are in place to achieve high standards of compliance with regulatory requirements.

COMPLIANCE STATEMENT

Intesa Sanpaolo Bank Ireland plc is subject to the requirements laid out under the Corporate Governance Code for Credit Institutions for "non-major institution" and is required under section 25 of said code to submit an Annual Compliance Statement to the Central Bank of Ireland for the period 1 January 2013 to 31 December 2013. Such statement will be communicated in accordance with the Central Bank of Ireland requirements in 2014.

On behalf of the board

Chairman *Managing Director* *Director* *Director*

28 February 2014

INTESA SANPAOLO BANK IRELAND plc

Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2013.

The directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to prepare the financial statements in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Chairman *Managing Director* *Director* *Director*

28 February 2014

KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

Telephone +353 1 410 1000
Fax +353 1 412 1122
Internet www.kpmg.ie

Independent auditors' report to the members of INTESA SANPAOLO BANK IRELAND plc

We have audited the financial statements (''financial statements'') of Intesa Sanpaolo Bank Ireland plc for the year ended 31 December 2013 which comprise of Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013.

KPMG

Independent auditors' report to the members of INTESA SANPAOLO BANK IRELAND plc (continued)

Matters on which we are required to report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Paul Dobey
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

3 March 2014

INTESA SANPAOLO BANK IRELAND plc

Income statement *For the year ended 31 December 2013*	Note	**2013** **€'000**	2012 €'000
Interest and similar income	7	**386,955**	521,462
Interest expense and similar charges	7	**(287,691)**	(442,097)
Net interest income		**99,264**	79,365
Fees and commission income	8	**4,688**	5,898
Fees and commission expense	8	**(18,130)**	(20,702)
Net fees and commission expense		**(13,442)**	(14,804)
Net trading expense	9	**(30,416)**	(10,380)
Foreign exchange (loss) / profit		**(42)**	18
Release / (charge) of provision for impairment of loans and receivables	20	**9,722**	(499)
(Charge) of provision for liabilities and commitments	29	**(278)**	(82)
Net operating income		**64,808**	53,618
Administrative expenses	11	**(4,442)**	(4,299)
Depreciation		**(34)**	(32)
Total operating expenses		**(4,476)**	(4,331)
Profit before tax	12	**60,332**	49,287
Income tax expense	13	**(7,529)**	(6,152)
Profit for the financial year		**52,803**	43,135
Profit attributable to the equity holders of the parent		**52,803**	43,135

All of the above profits are in respect of continuing operations.

The notes on pages 16 to 77 are an integral part of these financial statements.

On behalf of the board

Chairman *Managing Director* *Director*

For and on behalf of Capita International Financial Services (Ireland) Ltd
Company Secretary

28 February 2014

INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income *For the year ended 31 December 2013*	**2013** **€'000**	2012 €'000
Profit for the year	**52,803**	43,135
Other comprehensive income		
Net unrealised gain / (loss) on available for sale debt securities	**7,539**	43,577
Net realised (loss) / gain on available for sale debt securities reclassified to the income statement	**(838)**	4,979
Income tax relating to components of other comprehensive income	**(838)**	(6,069)
Other comprehensive income for the year, net of tax	**5,863**	42,487
Total comprehensive income for the year, net of tax	**58,666**	85,622
Total comprehensive income for the year attributable to equity holders of the parent	**58,666**	85,622

INTESA SANPAOLO BANK IRELAND plc

Statement of financial position *As at 31 December 2013*	Note	**2013** **€'000**	2012 €'000
ASSETS			
Cash and balances with central banks	15	**66,948**	54,653
Financial assets at fair value through profit or loss	16	**47,718**	62,046
Available for sale debt securities	17	**3,002,033**	2,955,932
Loans and advances to banks	18	**7,494,812**	9,781,329
Loans and advances to customers	19	**2,546,266**	3,469,782
Derivative financial instruments	21	**279,387**	372,876
Prepayments and accrued income		**300**	478
Current tax		**5,546**	1,980
Deferred tax asset	22	**629**	1,263
Other assets	23	**6,809**	7,651
Property, plant and equipment	24	**87**	53
Total assets		13,450,535	16,708,043
LIABILITIES			
Deposits from banks	25	**769,147**	2,299,871
Debt securities in issue	26	**6,854,640**	9,548,866
Repurchase agreements	27	**2,400,125**	1,208,750
Due to customers		**1,793,664**	1,899,353
Derivative financial instruments	21	**439,521**	579,075
Deferred tax liability	22	**2,240**	2,025
Accruals and deferred income		**8,572**	10,770
Other liabilities	28	**1,082**	2,203
Provisions for liabilities and commitments	29	**427**	171
Total liabilities		12,269,418	15,551,084
EQUITY attributable to the equity holders of the parent company			
Share capital	30	**400,500**	400,500
Share premium	30	**1,025**	1,025
Available for sale reserves		**15,273**	9,410
Other reserves		**506,764**	506,764
Retained earnings		**257,555**	239,260
Total equity		1,181,117	1,156,959
Total liabilities and shareholders' funds		13,450,535	16,708,043

The notes on pages 16 to 77 are an integral part of these financial statements.

On behalf of the board

Chairman *Managing Director* *Director*

For and on behalf of Capita International Financial Services (Ireland) Ltd
Company Secretary

28 February 2014

INTESA SANPAOLO BANK IRELAND plc

Statement of changes in equity for the year ended 31 December 2013

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Available for sale reserves	Other reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000
1 January 2012	400,500	1,025	(33,077)	506,764	241,125	1,116,337
Profit for the financial year	-	-	-	-	43,135	43,135
Other comprehensive income	-	-	42,487	-	-	42,487
Total comprehensive income for the year	-	-	42,487	-	43,135	85,622
Equity dividends	-	-	-	-	(45,000)	(45,000)
31 December 2012	400,500	1,025	9,410	506,764	239,260	1,156,959
1 January 2013	400,500	1,025	9,410	506,764	239,260	1,156,959
Profit for the financial year	-	-	-	-	52,803	52,803
Other comprehensive income	-	-	5,863	-	-	5,863
Total comprehensive income for the year	-	-	5,863	-	52,803	58,666
Equity dividends	-	-	-	-	(34,508)	(34,508)
31 December 2013	**400,500**	**1,025**	**15,273**	**506,764**	**257,555**	**1,181,117**

Other reserves include a distributable capital contribution of €506,764,365 (2012: €506,764,365).

INTESA SANPAOLO BANK IRELAND plc

Statement of cash flows for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Cash flows from operating activities			
Interest received		**422,935**	520,506
Fees and commission receipts		**2,668**	5,818
Fees and commission paid		**(18,398)**	(19,804)
Net trading and other income / (expense)		**(39,124)**	14,223
Interest paid		**(309,155)**	(425,528)
Cash payments to employees and suppliers		**(4,452)**	(4,677)
Recoveries on loans previously written off		**10,108**	-
Income taxes paid		**(11,095)**	(8,621)
Cash flows from operating activities before changes in operating assets and liabilities		**53,487**	81,917
Changes in operating assets and liabilities			
Net increase in cash and balances with central bank		**98**	49
Net decrease in loans and advances to banks		**1,845,692**	3,270,977
Net decrease in loans and advances to customers		**876,078**	652,043
Net (increase) in deposits from banks		**(1,756,685)**	(4,468,434)
Net (increase) in amounts due to customers		**(104,993)**	(8,757)
Purchase of / (proceeds from) repurchase agreements		**-**	1,199,000
Cash flows from changes in operating assets and liabilities		**860,190**	644,878
Net cash from operating activities		**913,677**	726,795
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(70)**	(34)
Proceeds from sale of property, plant and equipment		**2**	-
Purchases of available for sale debt securities		**(1,230,389)**	(2,309,066)
Proceeds of available for sale debt securities		**1,167,674**	588,790
Proceeds of assets at fair value though profit or loss		**2,582**	-
Net cash used in investing activities		**(60,201)**	(1,720,310)
Cash flows used in financing activities			
Proceeds from debt securities in issue		**5,662,192**	8,061,050
Repayment of debt securities		**(8,334,063)**	(5,529,065)
Dividends paid		**(34,508)**	(45,000)
Net cash used in financing activities		**(2,706,379)**	2,486,985
Net (decrease) / increase in cash and cash equivalents		**(1,852,903)**	1,493,470
Cash and cash equivalents at beginning of year		**331,288**	(1,162,182)
Cash and cash equivalents at end of year	31	**(1,521,615)**	331,288

1. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are material in relation to the Company's financial statements.

1.1. Reporting Entity

INTESA SANPAOLO BANK IRELAND plc is a limited Company incorporated and domiciled in the Republic of Ireland under the Companies Act, 1963 with the registration number 125216 and is regulated by the Central Bank of Ireland.

1.2. Basis of preparation and Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, except for non-derivative financial assets and financial liabilities held at fair value through profit or loss, available for sale securities and derivative contracts that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.8 and Note 5, in relation to impairment and fair value, respectively.

Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

1.3. Segment reporting

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker (the Executive Committee) to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of a company.

1.4. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

1.5. Fee and commission

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Upfront fees for loans are recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Company retains no part of the loan package for itself or retains a part at the same effective interest rate as the other participants.

1.6. Financial assets / financial liabilities

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available for sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception or at the time of adoption of IFRS. A portion of the financial assets purchased at fair value and designated at fair value were acquired from Intesa Bank Ireland during the merger in 2007 and the classification within the Group was maintained. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedged.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available for sale financial assets

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss and available for sale are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not subsequently measured at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in other comprehensive income (OCI), until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in OCI is recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

Financial liabilities are measured at amortised cost, except for liabilities designated at fair value, which are measured through profit or loss.

1.7. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.8. Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

1.1. significant financial difficulty of the issuer or obligor;

1.2. a breach of contract, such as a default or delinquency in interest or principal payments;

1.3. the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

1.4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

1.5. the disappearance of an active market for that financial asset because of financial difficulties; or

1.6. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the recoverable amount on the impaired asset to be assessed individually is determined at INTESA SANPAOLO S.p.A. (the "Parent Company") level in conjunction with local management on the basis of the available information collected on debt secondary markets or in the credit default swap markets. In the absence or in the case of unreliability of such information, the consideration of qualitative factors in the overall individual impairment assessment process will determine the evaluation of a recovery rate by the local Senior Management in coordination with the Parent Company.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

If there is no objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the internal credit rating) for the purpose of a collective evaluation of impairment. For collective assessment, reference should be made to portfolio losses already suffered, even if it is not possible to link them to any specific loans. These losses are also defined as "incurred but not reported losses", and they are determined for each transaction as a function of the risk parameters (probability of default and loss severity) defined at group level. The probability of default relating to a country or an obligor/guarantor is driven by the internal rating assigned according to the group's methodology. The internal rating is therefore a synthetic indicator of the risk attributed to a country defaulting on its cross border obligations (i.e. transfer risk), or a client/issuer becoming insolvent within a specified period of time.

For the purpose of the calculation of the incurred loss on a collective basis for corporate counterparts and countries, the Company uses the assigned internal rating as per the Parent Company's methodology as the driver for the determination of the applicable probability of default. For financial institutions, the Company uses the external rating assigned by an External Credit Assessment Institution which is then mapped onto the main probability of default scale.

The loss severity indicates the percentage of the Company's total exposure to a client or a country that will not be recovered in case of default. In the case of counterpart credit risk, it is determined on the basis of factors such as: financial guarantees/covenants, nature of loan/financial instrument, level of subordination, and legal action undertaken. In the case of country risk, factors such as political environment and macro-economic conditions are considered.

The severity of the loss relating to country risk is conditional on the wealth level of that country as per the World Bank classification.

The severity of the loss relating to an obligor's default is driven by the type of transaction involved, and the geographical or business sector origins of the obligor communicated by the Parent Company.

The collective impairment provisions of the Company are defined as the sum of incurred losses for both counterpart credit risk and country risk, adjusted for the following parameters:

- Loss Confirmation Period (LCP): the Company has opted for a LCP of 1 year given the predominantly corporate structure of the portfolio, and
- Concentration Index: the concentration factor is applied to all counterparties with Large Corporate Regulatory Segmentation and validated rating models developed at Parent level. The Parent Company provides a list of entities for which a concentration index applied is as follows:

Concentration Index	
1.4	for all entities categorised by the Parent using the above mentioned methodology.
1.0	for all other entities

(b) Assets carried at fair value through other comprehensive income

The impairment testing for debt securities classified as available for sale is put into practice if the issuer is delinquent in its debtor obligations or defaults on payments, as demonstrated by any one of the following events:

- default (as defined under international contract law),
- bankruptcy proceedings, and
- delinquency in interest or principal payments (except where the issuer is entitled contractually not to make interest payments without being in breach of contract).

Where the issuer does not default, though the fair value of the bonds is lower than their carrying amount, further checks will need to be conducted. In particular, management assess whether the fair value of the bonds is more than 20% less than their carrying value as per Group accounting policy, whether any other indicators of impairment exist:

- unexpected and substantial downgrade,
- debt restructuring scenarios, and
- sudden disappearance of an active market or prices of CDS with premium up-front.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from OCI and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(c) Provisions for liabilities and commitments

Impairments made on a collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, are determined by applying a calibration factor, driven by the credit quality of the obligor, to the same criteria set out above with respect to loans and receivables.

1.9. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from valuation techniques such as discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value by the Risk Management Department of the Parent Company with changes in fair value recognised in the income statement. The Company mitigates all risks generated by embedded derivatives which are mitigated with the Parent Company by entering into opposite derivative risk transactions.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument. The Company designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items (efficiency tests). At year end the Company only had fair value hedges.

In the case of a fair value hedge, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in the income statement.

IAS 39 Financial Instruments: Recognition and Measurement requires hedge effectiveness to be assessed both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the changes in the fair value of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%.

The Company applies hedge accounting to its fixed rate assets and liabilities hedged by interest rate swaps in order to mitigate its interest rate risk in the banking book. The Company has adopted to perform its effectiveness tests using the "Dollar offset method". The method is based on the relationship between the cumulative changes (from the beginning of coverage) in the fair value or cash flow hedged item attributable to the hedged risk and past changes in fair value or cash flows of hedging instrument (delta fair value), net of accrued interest.

In line with the Group rules for testing and measuring the effectiveness of hedges, interest rate risk (IAS 39), the Company applies materiality thresholds and back-testing methodologies in its effectiveness testing processes.

In the case of an effectiveness test showing results within the range 80-125%, but different than 100%, the Mark to Market (MTM) value associated to the differential is recorded into the income statement.

In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately in the income statement. In 2012 the Bank did not have any instances of failures in relation to effectiveness testing.

1.10. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office equipment	20.0% straight line
Computer equipment & software	33.3% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

1.11. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturity of less than three months, including cash, loans and advances to banks, deposits from banks and repurchase agreements.

1.12. Foreign currency translation

(a) Functional and presentation currency
The financial statements are presented in Euro, which is the Company's functional and presentation currency, with amounts being rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Non-monetary items
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.13. Pension costs

The Company operates a defined contribution scheme. The Company pays contributions to privately administered pension insurance plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

1.14. Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable to or disallowed for tax. It is calculated using tax rates that were applicable to the current reporting year-end. Current tax is recognised in the income statement in the period in which the profits or losses arise except to the extent that it relates to items recognised in OCI or directly in equity, in which case the tax is also recognised in OCI or equity respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the year end reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current tax and deferred tax relating to items recognised directly in OCI or equity are also recognised in OCI or in equity respectively and not in the income statement.

1.15. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1.16. Guarantees

In the ordinary course of business, the Company gives guarantees, consisting of letters of credit, guarantees and acceptances. Guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less, where appropriate, cumulative amortisation recognised in the income statement, and the best estimate of probable expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to guarantees is recorded in the income statement. The premium received is recognised in the income statement in "net fees and commission income" on a straight line basis over the life of the guarantee.

The Company may receive open lines of credit, committed facility or other forms of financial money market credit facility. These facilities are not recognised in the statement of financial position unless the actual drawdown has been made. Related expenses, fees or interest on undrawn amounts are recognised in the income statement.

1.17. Repurchase / LTRO / MRO agreements

Securities sold under agreements to repurchase at a specified future date at a pre agreed price or form part of the Long Term Refinancing Operation / Main Refinancing Operation with the Central Bank of Ireland are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements", reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate. See Note 27.

1.18. New standards

Adoption of new and amendment of accounting standards

From 1 January 2013 the Company has adopted the following amendments to standards:

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

- IFRS 7 'Disclosure – Offsetting financial assets and financial liabilities' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Company's financial position or performance; however, the have resulted in additional disclosure in the notes to the financial statements. The amendments are to be applied retrospectively.

Prospective accounting changes

The Company has not applied the following new standards and amendments to standards that have been approved by the International Accounting Standards Board and which are likely to be applicable to the Company with an effective date after the date of these financial statements:

	Effective date
• IAS 32 – 'Offsetting Financial assets and financial liabilities'	1 January 2014
• IFRS 9 - 'Financial Instruments	1 January 2015

- Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014. Early adoption is however permitted. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to have any material impact on the Company's financial position or performance.

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39, 'Financial Instruments: Recognition and Measurement'. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

2. Qualitative risk disclosures and Basel 2

Capital Management

The definition of a capital plan for the Company is based on the management of capital adequacy at Group level, consisting of a series of policies that determine the size and optimal combination of the various capitalisation instruments, in order to ensure that the levels of capital of the Group and its banking subsidiaries are consistent with the risk profile assumed and meet the supervisory requirements. The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources which are allocated to the Business Units such as INTESA SANPAOLO BANK IRELAND plc on the basis of their specific capacity to contribute to the creation of value, taking into account the level of return expected by the shareholders.

At Group and local levels, the regulatory capital at risk and the overall economic capital at risk differ by definition and in terms of the coverage of the risk categories. The former derives from the formats laid down by the supervisory provisions and the latter from the identification of the significant risks for the Bank and the consequent measurement in relation to the exposure assumed.

Capital Management essentially involves the control of capital soundness through the careful monitoring of both the regulatory constraints and current and prospective operational constraints (overall economic capital) in order to anticipate any critical situations within a reasonable period of time and identify possible corrective actions for the generation or recovery of capital.

The process of assessment of capital adequacy at the Company follows this “twin track” approach established by the Group: regulatory capital at risk against the total own funds of the bank for solvency purposes, and overall economic capital at risk for the purposes of the ICAAP (International Capital Adequacy Assessment Process) process against the Company’s available financial resources as defined by the Group.

Verification of compliance with supervisory requirements and consequent capital adequacy is continuous and depends upon the objectives set out in the Company's budget.

Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets aggregates.

Regulatory Capital

The Company is included in the Core Perimeter of the Group’s Basel II Project with a defined road map for the roll-out to the Irish subsidiary in line with methodological approaches used by the Parent Company. Following notification to the Central Bank of Ireland, an AIRB approach for the risk exposures related to corporate obligors (excluding non-bank financial institutions) was introduced starting 31 March 2012 for regulatory purposes, while the Basel II Standardised Approach is used to calculate capital requirements for Credit and Counterparty Risk related to other obligors. With regard to Operational Risk, the Company adopted a Standardised Approach from January 2010.

The table below discloses the regulatory capital requirements of the Company and the associated solvency ratios for 2013 and 2012 year-ends and underlines its prudential capital management objective:

Regulatory Capital Information 2013 and 2012

	Eligible Own Funds 2013 €'000	**Capital Requirement 2013 €'000**	Eligible Own Funds 2012 €'000	Capital Requirement 2012 €'000
Equity	1,113,038		1,104,410	
Prudential filters and regulatory adjustments	(46,635)		(85,881)	
Core Tier 1	**1,066,403**	**532,155**	1,018,529	593,047
Total Tier 1	**1,066,403**	**532,155**	1,018,529	593,047
Collective provisions	1,182		834	
Prudential filters and regulatory adjustments	(1,182)		(834)	
Tier 2	-		-	
Total Capital	**1,066,403**	**532,155**	1,018,529	593,047
Risk Weighted Assets	**5,182,659**		6,856,945	
Tier 1 Capital Ratio	16.03%		13.74%	
Total Capital Ratio	16.03%		13.74%	

3. Quantitative risk disclosures

3.1. Credit Risk and Counterparty Credit Risk

Financial assets, including loans and advances, debt securities and off-balance sheet commitments such as guarantees, undrawn committed credit lines and derivatives generate credit risk. Credit risk is characterised, for a specific counterparty, by the existence of a potential loss linked to the possible default of that counterparty.

The Company controls the levels of credit risk it is exposed to by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to also industry segments. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Limits on the level of credit risk by borrower are assessed on the basis of a credit risk management model developed by the Group, including an internal rating system applied to all corporate clients, and are approved on an on-going basis by the Board of Directors. Limits on the level of credit risk by industry sector are also approved by the Company's Board of Directors, in compliance with local regulatory requirements.

Credit Risk Exposure related to Loans and Receivables:

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to €10 billion at the end of 2013 (€13.3 billion in 2012):

	2013 €'000	2012 €'000
Loans and advances to banks (as per Statement of Financial Position)	7,494,812	9,781,329
Loans and advances to customers (as per Statement of Financial Position)	2,546,266	3,469,782
	10,041,078	13,251,111

A breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2013 and 2012 by activity sector for non-group exposure is provided in the table below:

Sector of Risk	2013 €'000	%	2012 €'000	%
Central Government	398,652	47.26	429,982	42.02
Credit Institutions	167,614	19.87	219,122	21.42
Electricity, Gas and Water Supply	-	0.00	3,557	0.35
Financial Intermediaries (Excl. Credit Institutions / Central Bank)	239,698	28.41	290,232	28.37
Manufacturing	177	0.02	9,942	0.97
Mining and Quarrying	-	0.00	9	0.00
Transport, Storage and Communications	37,466	4.44	70,335	6.87
Total Non-Group	**843,607**	**100.00**	1,023,179	100.00
Total Group	**9,021,178**		12,054,023	
Cash collateral	**176,293**		173,909	
Grand Total, including cash collateral	**10,041,078**		13,251,111	

The breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2013 and 2012 by internal credit rating is provided in the table below:

Counterparty Internal Rating	**2013**		2012	
	€'000	**%**	€'000	%
DEFAULT	9,159	1.09	17,104	1.67
I.1.A	191,069	22.65	200,687	19.61
I.1.E	-	0.00	9,480	0.93
I.1.F	-	0.00	10,020	0.98
I2	207,583	24.61	229,296	22.41
I3	31,590	3.74	59,388	5.80
I4	25,079	2.97	135,054	13.20
I5	76,932	9.12	234	0.02
I6	239,698	28.41	243,977	23.85
M1	-	0.00	106,716	10.43
M2	-	0.00	879	0.09
M3	55,660	6.60	10,161	0.99
M4	-	0.00	9	0.00
R3	6,660	0.79	-	0.00
R5	177	0.02	174	0.02
Total Non-Group	**843,607**	**100.00**	1,023,179	100.00
Group I.1.F	125,134	1.39	275,221	2.28
Group I2	130,072	1.44	-	0.00
Group I4	-	0.00	11,778,802	97.72
Group I5	8,765,972	97.17	-	0.00
Group Total, excluding collateral	**9,021,178**	**100.00**	12,054,023	100.00
Cash collateral - Non-Group	40,649		46,993	
Cash collateral - Group	135,644		126,916	
Total of Collateral	**176,293**		173,909	
Grand Total	**10,041,078**		13,251,111	

In the case of financial institutions and governments, the external credit ratings assigned by an ECAI has been mapped onto the group internal rating scale using the worse external rating when two are available, or the second worse when three are available using the following mapping table:

S&P's Rating equivalent	Counterparty Internal Rating
AAA	I.1.A
AA+	I.1.B
AA	I.1.C
AA-	I.1.D
A+	I.1.E
A	I.1.F
A-	I2
BBB+	I3 I4
BBB	I5
BBB-	I6
BB+	M1 M2
BB	M3
BB-	M4
B+	R1 R2
B	R3
B-	R4
CCC	R5

The following tables provide a breakdown of loans and advances to banks and customers by loan quality:

	2013 Net exposure €'000	% break-down	2012 Net exposure €'000	% break-down	**Change net exposure €'000**
Doubtful Loans	9,159	0.09	17,104	0.13	(7,945)
Substandard Loans	46,956	0.47	46,530	.0.35	426
Past Due Loans	-	0.00	-	0.00	
Non-Performing Loans	**56,115**	**0.56**	63,634	0.48	**(7,519)**
Performing Loans	9,984,963	99.44	13,187,477	99.52	(3,202,514)
Loans and Advances to Banks and Customers	**10,041,078**	**100.00**	13,251,111	100.0	**(3,210,033)**

	2013 Gross exposure €'000	2013 Impairment provisions €'000	2013 Net exposure €'000	2012 Gross exposure €'000	2012 Impairment provisions €'000	2012 Net exposure €'000
Doubtful Loans	36,635	(27,476)	9,159	78,175	(61,071)	17,104
Substandard Loans	47,005	(49)	46,956	46,579	(49)	46,530
Past Due Loans	-	-	-	-	-	-
Non-Performing Loans	**83,640**	**(27,525)**	**56,115**	124,754	(61,120)	63,634
Performing Loans	9,986,085	(1,122)	9,984,963	13,188,599	(1,122)	13,187,477
Loans and Advances to Banks and Customers	**10,069,725**	**(28,647)**	**10,041,078**	13,313,353	(62,242)	13,251,111

Non-performing loans decreased last year both on a gross and net exposure basis, with a net exposure representing 0.6% of the total loans and advances to banks and customers in December 2013 (0.5% in December 2012).

Gross exposure relating to doubtful loans reduced in 2013 amounting to €36.64 million at year-end. Individual impairment losses on these exposures covered 74.9% of the gross exposure at year-end 2013 (78.12% in December 2012) and is considered in line with market-driven recovery expectations. Net exposure to doubtful loans accounted for 0.47% of total loans and advances to banks and customers in December 2013 (0.13% in December 2012).

There is currently no exposure to past due loans in December 2013 (2012: Nil).

Gross exposure to substandard loans increased slightly during 2013 with a year-end balance of €47 million (2012: €46.6 million). Net exposure to substandard loans represented 0.47% of total loans and advances to banks and customers in December 2013 (0.35% in December 2012). Gross exposure to substandard loans after credit mitigation is €0.27 million in December 2013 (2012: €0.22 million). Net exposure to substandard loans after credit mitigation is €0.22 million in December 2013 (2012: €0.17 million).

A breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2013 and 2012 by country risk is shown in the following table (exposures to branches of the Parent Company are reported as Italian exposure):

Group Exposure	**2013**		2012	
Country of Risk	**€'000**	**%**	€'000	%
Albania	-	0.00	3,839	0.03
Croatia	60,037	0.66	60,036	0.49
Hungary	125,134	1.37	275,221	2.26
Italy	8,668,168	94.66	11,463,033	94.11
Romania	8,570	0.09	59,810	0.49
Slovak Republic	130,072	1.42	156,945	1.29
Slovenia	29,197	0.32	35,138	0.29
United Kingdom	135,644	1.48	126,916	1.04
Total Group	**9,156,822**	**100.00**	12,180,939	100.00

Non-Group Exposure	**2013**		2012	
Country of Risk	**€'000**	**%**	€'000	%
Cyprus	-	0.00	174	0.02
Germany	191,069	21.61	210,167	19.64
Iceland	9,159	1.04	17,104	1.60
Ireland	341,710	38.64	379,026	35.42
Italy	304,675	34.46	343,257	32.07
Poland	-	0.00	16,514	1.54
Portugal	-	0.00	49,746	4.65
Russia	-	0.00	601	0.06
Ukraine	177	0.02	-	0.00
United Kingdom	31,590	3.57	37,789	3.53
United States	5,876	0.66	15,794	1.48
Total Non-Group	**884,256**	**100.00**	1,070,172	100.00
Grand Total	**10,041,078**		13,251,111	

Credit Risk Exposure related to Contingent Liabilities and Outstanding Commitments:

A breakdown of the Company's contingent credit risk exposure at year-ends 2013 and 2012 by activity sectors is shown in the table below:

Sector of Risk	**2013** **€'000**	**%**	2012 €'000	%
Central Government	46,496	29.95	123,158	42.22
Electricity, Gas and Water Supply	108,767	70.05	56,505	19.37
Manufacturing	-	0.00	72,981	25.02
Transport, Storage and Communications	-	0.00	39,084	13.40
Total Non-Group	**155,263**	**100.00**	**291,728**	**100.00**
Group	**277,586**		**482,985**	
Grand Total	**432,848**		**774,713**	

A breakdown of the Company's contingent credit risk exposure at year-ends 2013 and 2012 by internal credit rating is shown in the table below:

Counterparty Internal Rating	**2013** **€'000**	**%**	2012 €'000	%
I.1.A	-	0.00	38,297	13.13
I.1.E	-	0.00	57,981	19.87
I.1.F	-	0.00	15,000	5.14
I2	46,496	29.95	84,861	29.09
I3	-	0.00	39,084	13.40
I6	108,767	70.05	56,505	19.37
Total Non-Group	**155,263**	**100.00**	**291,728**	**100.00**
Group I.4	-	0.00	482,985	100.00
Group I.5	277,586	100.00	-	0.00
Group Total	**277,586**	**100.00**	**482,985**	**100.00**
Grand Total	**432,848**		**774,713**	

A breakdown of the Company's contingent credit risk exposure at year-ends 2013 and 2012 by country risk is shown in the table below:

Non-Group Exposure **Country of Risk**	**2013** **€'000**	**%**	2012 €'000	%
Germany	-	0.00	111,278	38.14
Ireland	-	0.00	56,505	19.37
Italy	46,496	29.95	84,861	29.09
Poland	-	0.00	39,084	13.40
Russia	108,767	70.05	-	0.00
Total	**155,263**	**100.00**	291,728	100.00

Group Exposure Country of Risk	2013 €'000	%	2012 €'000	%
Italy	77,586	27.95	112,985	23.39
Slovenia	200,000	72.05	370,000	76.61
Total	**277,586**	**100.00**	482,985	100.00
Grand Total	**432,848**		**774,713**	

Credit Risk Exposure related to the Securities Portfolio

The Company has in place a Nominal Limit of €3 billion equivalent for the purchase of bonds. Within the Company's approved Financial Portfolio Policy the investment in permissible bonds is subject to sub category limits as described therein.

The total exposure of the Company derived from bonds classified as Available for Sale and Carried at Fair Value through profit or loss shown in the following table, amounted up to €3 million at the end of 2013 (€3 million in 2012).

	2013 **€'000**	2012 €'000
Securities Carried at Fair Value Through Profit or Loss (as per Statement of Financial Position)	47,718	62,046
Securities Available for Sale (as per Statement of Financial Position)	3,002,033	2,955,932
	3,049,751	3,017,978

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2013 and 2012 by activity sectors is shown in the table below:

Sector of Risk	**2013** **€'000**	2012 €'000
Central Government (EU)	2,504,152	2,600,784
Credit Institutions	157,177	221,734
Extra-Territorial Organisations and Bodies	235,878	79,279
Financial Intermediaries (Excl. Credit Institutions / Central Bank)	129,858	92,811
Transport, Storage and Communications	22,686	23,370
Total	**3,049,751**	3,017,978

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2013 and 2012 by internal credit rating (refer to page 29 for the mapping of the internal rating to the external credit rating) is shown in the table below:

Bond Internal Rating	2013 €'000	2012 €'000
I.1.A	393,921	260,933
I.1.B	84,424	23,370
I.1.C	-	9,988
I.1.D	58,228	-
I.1.E	10,344	-
I.1.F	20,786	46,409
I2	-	8,065
I3	-	36,226
I5	2,472,104	2,623,005
I6	9,944	9,982
Total	**3,049,751**	3,017,978

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2013 and 2012 by country risk is shown in the following table:

Country of Risk	2013 €'000	2012 €'000
Austria	22,686	23,370
Belgium	58,228	-
Finland	12,441	12,645
France	78,113	106,575
Italy	2,513,177	2,705,284
Netherlands	49,806	22,225
Norway	24,136	24,634
Supranational	235,878	79,279*
United Kingdom	55,286	43,966
Total	**3,049,751**	3,017,978

**Formerly assigned to Luxembourg (domicile of issuing supranational institution)*

The bond portfolio's fair value is subject to the volatility of credit spreads associated with each issuer, representative of both specific credit risk as well as systematic credit market conditions. The impact of the sensitivity of the portfolio to credit spread volatility will vary in accordance with the accounting classification of each bond and the relevant accounting principles. The table below provides estimates of the impact of a parallel upward shift of 25 basis points of individual credit spread curves on the revaluation of bonds classified at fair value through profit or loss ("CFV Securities") or OCI and equity ("AFS Securities") of the Company in 2013.

Price Sensitivity Analysis as at 31 December 2013 of CFV and AFS Securities to Credit Spread Volatility

€'000	**Profit & Loss**	**Other Comprehensive Income and Equity**
AFS Securities	-	(9,241)
Economically hedged CFV Securities	(255)	-
Total	**(255)**	**(9,241)**

Price Sensitivity Analysis as at 31 December 2012 of CFV and AFS Securities to Credit Spread Volatility

€'000	Profit & Loss	Other Comprehensive Income and Equity
AFS Securities	-	(10,906)
Economically hedged CFV Securities	(439)	-
Total	(439)	(10,906)

Use of Credit Risk Mitigants:

At year-end 2013, of the total amount of loans and advances (excluding intra-Group transactions) of €1.372 billion (2012: €1.754 billion), €0.974 billion (2012: €1.22 billion) (representing 70.99% (2012: 69.56%)) had a credit risk mitigation (including but not limited to risk participations and export credit guarantees) attached.

Collateral Management:

An amount of €385.81 million of risk exposure was partially or fully covered by collateral at year-end 2013 (2012: €419.80 million), with an adjusted fair value of such collateral estimated at €392.02 million at 31 December 2013 (2012: €533.72 million). The collateral related to derivative exposure of €209.52 million (2012: €245.90 million) and loan and advances of €176.29 million (2012: €173.91 million).

The Company did not take possession of any new pledged collateral, excluding cash and securities, during the course of the financial year.

In case of the default of an obligor (as defined in the terms and conditions of the contractual agreement linking the obligor to the Company), the Company will call the guarantee first, if applicable, and then assign the pledged collateral to the same guarantor. If no such guarantee exists, the Company will proceed with the disposal of the collateral using professional support depending on the type of collateral involved.

Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2013

€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Derivatives – trading assets	204,136		204,136		215,730	(11,594)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2013

€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral pledged	Net amount
Derivatives – trading liabilities	211,062		211,062		206,831	4,230
Derivatives held for risk management	116,119		116,119		115,519	600
Repurchase agreements	2,400,125		2,400,125	2,488,588		(88,463)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2012

€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Derivatives – trading assets	999		999			999

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2012

€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral pledged	Net amount
Derivatives – trading liabilities	298,392		298,392		283,895	14,497
Derivatives held for risk management	139,438		139,438		141,631	(2,193)
Repurchase agreements	1,208,750		1,208,750	1,246,659		(37,909)

Credit Concentrations Monitoring:

It is the policy of the Company to monitor and control concentrations of credit risk so that they do not exceed specified limits. It is sound banking practice to avoid concentration of lending to specific industries and specific clients or group of clients.

In addition to the monitoring of concentration limits at the counterparty and sectors of activity levels, the Board has adopted the prudent view of calibrating the collective impairment provisions of the Company to take into consideration the materiality of the credit concentration risk factor associated with the Company's activity of lending principally to large corporations (as described above). The Concentration Index, utilised for the computation of collective impairment provisions, is reviewed by the Risk Control Unit periodically and the result is communicated to the Board.

One key concentration limit of the Company concerns the concentration to any singular or group of connected clients calculated as a portion of owns funds whereby any final exposure (uncovered by any credit risk mitigation) to a client or group of connected clients shall be considered a Large Exposure if its value is equal to or exceeds 10 per cent of the Company's Own Funds base.

The Company has set the following limits:

- Large Exposures to a client or group of connected clients not to exceed 25% of the Own Funds base. Intra-Group credit or financial institutions, Central Governments and Central Banks exposures are exempt from this requirement;
- the sum of Large Exposures in total not to exceed 800 per cent of Own Funds base;
- loans to Directors are not permitted.

Another concentration limit concerns sector economic activity whereby the aggregate amount of risk-weighted loans and undrawn commitments concentrated in one sector of business or economic activity, excluding credit institutions, government, extra-territorial organisations and central bank, must not exceed 200% of the Own Funds base. Where a common risk could be considered to apply to two or more separate sectors (for example, property development and building sectors), then not more than 250% of the Own Funds base shall be employed in such sectors on an aggregate basis.

Credit Risk Exposure related to derivatives

The Company had entered into stand-alone derivative transactions for a total notional of €4.79 billion at the end of 2013 (2012: €9.80 billion), of which €2.95 billion were classified as hedging derivatives with application of hedge accounting rules (2012: €4.21 billion). The rest of the stand-alone derivatives are used to mitigate interest rate risk, including asset and liability maturity mismatches, and foreign exchange risk generated by mismatches between the respective currencies of assets and liabilities.

At the end of 2013, 84.4% of the derivatives involving the Company were dealt with another entity of the Group (2012: 95.8%). Collateralised derivatives amounted to €215.70 million (2012: €245.90 million). The Company computes a bilateral credit and debit risk adjustment (CVA / DVA) of 0.03 million (2012: Nil) for all derivatives with non-Group counterparties (unless a collateral agreement exists between the counterparty and the Company).

3.2. Liquidity Risk

Liquidity is the ability of a credit institution to meet its on and off-balance sheet obligations in a timely manner as they fall due, without incurring significant cost, while continuing to fund its assets and growth therein.

Funding liquidity risk arises from the inability to meet payment obligations due to the lack of liquid funds and related difficulties in selling assets or raising funds in the market, and focuses on the short-term (below two years), as in the event of a liquidity crisis, the ability to meet payments in the first few days is a critical determinant of the subsequent evolution of the crisis.

As per the Company's Liquidity Risk Policy approved by the Board of Directors in line with the Financial Regulator requirements, the Company's liquidity analysis aims at:

- defining the liquidity risk on the basis of mismatches between maturing or readily realisable assets and maturing liabilities for each time band (liquidity gap), amounts are deemed to include accrued interest;
- defining "target liquidity ratios" for the on-demand to 8 days and the 9 days – 1 month periods. Furthermore "attention thresholds" are defined on the liquidity gap for the 1-3 month, 3-6 month, 6-12 month, 1-2 years and more than 2 years periods. The target liquidity ratios and the attention thresholds are defined as the ratio of inflows to outflows in a given time period. The value of the first target liquidity ratio must remain above 1.0, while the value of the second target liquidity ratio, computed on a cumulative basis (including net inflows or outflows from the previous time band), must remain above 0.9. Attention thresholds are monitored for information purposes;
- defining rules for maintaining a minimum of liquid assets to cover very short-term liquidity risk, to be refinanced through borrowings.

Historical statistics on liquidity ratios (standard case) for 2013 and 2012

	2013		2012	
	0-8 days	9d – 1m	0-8 days	9d – 1m
	%	%	%	%
Minimum	104.3	91.9	100.1	91.4
Maximum	2,156.1	525.2	402.7	326.9
Average	205.3	180.9	136.0	109.1

Further to CEBS' Guidelines on Liquidity Buffers & Survival Periods the Company has implemented a committed money market line dedicated to cover potential liquidity shortfalls experienced by the Bank under stressed conditions.

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2013

The following tables show the liquidity risk exposure of the Company for the year ended 2013 and 2012 using the IFRS 7 application guidance and assuming that all undrawn loan commitments are included in the time band containing the earliest date they can be drawn (0-8 days).

31-Dec-2013 €'000 Time band	Sight to 8 days	Over 8 days to 1 month	Over 1 mth to 3 mths	Over 3 mth to 6 mths	Over 6 mth to 1 year	1 year to 2 years	Over 2 years
INFLOWS							
Readily Marketable Assets/Liquid Assets	**352,167**	-	-	-	-	-	-
Cash	3,011	-	-	-	-	-	-
Lending to MFI's	79,399	-	-	-	-	-	-
Securities other than shares issued by MFI's	11,644	-	-	-	-	-	-
Central Government Securities	75,367	-	-	-	-	-	-
Securities other than shares issued by non MFI's	120,371	-	-	-	-	-	-
Accrued Interest	1,901	-	-	-	-	-	-
Minimum Reserve Balance	63,995	-	-	-	-	-	-
Less Deposit Protection Account	3,521	-	-	-	-	-	-
Monetary Financial Institutions	**1,045**	**168,829**	**145,414**	**478,394**	**627,778**	**1,153,670**	**7,720,136**
- Affiliates	1,045	103,718	145,412	473,742	623,263	1,144,463	7,621,150
- Other Credit Institutions - Non Irish	-	15,075	2	4,652	4,515	9,207	98,986
- All other Monetary Financial Institutions	-	50,036	-	-	-	-	-
Central Government	**34,885**	-	-	-	-	-	-
- From investments	34,885	-	-	-	-	-	-
Non-Government Credit	**2,791**	**406,676**	**25,097**	**30,372**	**244,588**	**87,650**	**715,735**
- Overdrafts	-	-	1,901	-	-	-	-
- Term Loans	2,791	406,676	23,196	30,372	244,588	87,650	715,735
Sale and Repurchase Agreements	**1,223,840**	-	**1,237,833**	-	-	-	**291,356**
- Other Credit Institutions	-	-	-	-	-	-	291,356
- ECB	1,223,840	-	1,237,833	-	-	-	-
Fee Income	-	-	-	-	-	-	-
Derivative and OBS Activity	**222,124**	**3,563**	**36,987**	**21,599**	**50,776**	**72,908**	**1,163,939**
- Swap	222,124	3,563	36,987	21,599	50,776	72,908	1,163,939
Total Inflows	**1,836,852**	**579,068**	**1,445,331**	**530,365**	**923,142**	**1,314,228**	**9,891,166**
OUTFLOWS							
Monetary Financial Institutions	**3,000**	**17,521**	**509,107**	**64,382**	**29,056**	**78,634**	**2,673,165**
- Affiliates	-	-	490,812	-	421	860	1,909
- Other Credit Institutions - non Irish	3,000	1,500	-	5,216	585	585	227,487
- All other Monetary Financial Institutions	-	16,021	18,295	59,166	28,050	77,189	2,443,769
Debt Securities Issued	**136,786**	740,718	**3,832,020**	**428,719**	**111,407**	**936,705**	**859,640**
Non-Government Deposits	**527**	-	-	-	-	-	-
- Current Accounts	426	-	-	-	-	-	-
- Demand Deposit Accounts	101	-	-	-	-	-	-
Sale and Repurchase Agreements	**1,200,096**	-	**1,200,901**	-	-	-	-
- ECB	1,200,096	-	1,200,901	-	-	-	-
Fees Payable	**288**	**945**	**2,425**	**3,740**	**7,562**	**15,000**	-
Other Costs	**93**	**305**	**782**	**1,207**	**2,440**	**4,840**	-
Undrawn Committed Facilities Granted	**302,623**	-	-	-	-	-	-
Derivative and OBS Activity	**221,795**	**36,598**	44,867	33,547	80,091	**111,013**	**1,197,682**
- Swap	221,795	36,598	44,867	33,547	80,091	111,013	1,197,682
Total Outflows	**1,865,208**	**796,087**	**5,590,102**	**531,595**	**230,556**	**1,146,192**	**4,730,487**

Net Position in the Period	-28,356	-217,019	-4,144,771	-1,230	692,586	168,036	5,160,679
Net Cumulative Inflow/Outflow	-28,356	-245,376	-4,390,147	-4,391,377	-3,698,791	-3,530,755	1,629,924
Liquidity Ratio (%)	98.5	70.2	24.8	10.8	20.0	27.1	119.7

31-Dec-2012 €'000 Time band	Sight to 8 days	Over 8 days to 1 month	Over 1 mth to 3 mths	Over 3 mth to 6 mths	Over 6 mth to 1 year	1 year to 2 years	Over 2 years
INFLOWS							
Readily Marketable Assets/Liquid Assets	**2,685,489**	-	-	-	-	-	-
Cash	901	-	-	-	-	-	-
Lending to MFI's	958,759	-	-	-	-	-	-
Securities other than shares issued by MFI's	103,425	-	-	-	-	-	-
Central Government Securities	1,570,375	-	-	-	-	-	-
Securities other than shares issued by non MFI's	-	-	-	-	-	-	-
Accrued Interest	1,972	-	-	-	-	-	-
Minimum Reserve Balance	53,725	-	-	-	-	-	-
Less Deposit Protection Account	3,668	-	-	-	-	-	-
Monetary Financial Institutions	**1,039**	**182,869**	**453,974**	**480,937**	**1,692,976**	**1,513,474**	**8,573,882**
- Affiliates	1,039	98,731	223,139	475,493	1,563,419	1,503,825	8,460,605
- Other Credit Institutions - Non Irish	-	34,089	1,403	5,444	129,557	9,649	113,276
- All other Monetary Financial Institutions	-	50,049	-	-	-	-	-
- Sale of Securities or Investments in MFI's	-	-	229,432	-	-	1	-
Central Government	**43,373**	-	**926,042**	-	-	-	-
- From investments	43,373	-	926,042	-	-	-	-
Other General Government Credit	-	-	**38,910**	-	-	-	-
- from investments	-	-	38,910	-	-	-	-
Non-Government Credit	**21,202**	**270,022**	**250,528**	**58,972**	**482,864**	**197,584**	**833,464**
- Term Loans	21,202	270,022	250,528	58,972	482,864	197,584	833,464
Fee Income	-	-	-	-	-	-	-
Derivative and OBS Activity	**1,750,879**	**6,129**	**23,119**	**21,916**	**55,470**	**47,766**	**438,518**
- Swap	1,750,879	6,129	23,119	21,916	55,470	47,766	438,518
Total Inflows	**4,501,981**	**459,019**	**1,692,573**	**561,824**	**2,231,310**	**1,758,824**	**9,845,863**
OUTFLOWS							
Monetary Financial Institutions	**9,652**	**69,135**	**2,291,250**	**29,920**	**28,649**	**124,033**	**2,539,748**
- Affiliates	7,900	60,073	2,180,770	-	500	1,034	3,527
- Other Credit Institutions - non Irish	-	-	-	5,321	585	5,801	12,342
- All other Monetary Financial Institutions	1,752	9,062	110,480	24,599	27,564	117,198	2,523,880
Debt Securities Issued	**106,573**	**1,736,460**	**2,075,374**	**2,936,377**	**1,597,834**	**201,494**	**1,144,053**
Non-Government Deposits	**1,190**	-	-	-	-	-	-
- Current Accounts	1,190	-	-	-	-	-	-
Sale and Repurchase Agreements	-	-	**1,210,225**[1]	-	-	-	-
- Affiliated Credit Institutions	-	-	1,210,225	-	-	-	-
Fees Payable	**221**	**725**	**1,859**	**2,867**	**5,797**	**11,500**	-
Other Costs	**109**	**359**	**921**	**1,421**	**2,873**	**5,700**	-
Undrawn Committed Facilities Granted	**749,569**	-	-	-	-	-	-
Derivative and OBS Activity	**1,752,823**	**9,128**	**34,484**	**41,512**	**73,507**	**122,874**	**502,540**
- Swap	1,752,823	9,128	34,484	41,512	73,507	122,874	502,540
Total Outflows	**2,620,137**	**1,815,807**	**5,614,114**	**3,012,097**	**1,708,661**	**465,600**	**4,186,342**

Net Position in the Period	1,881,844	-1,356,787	-3,921,541	-2,450,273	522,649	1,293,224	5,659,522
Net Cumulative Inflow/Outflow	1,881,844	525,057	-3,396,484	-5,846,757	-5,324,108	-4,030,884	1,628,637
Liquidity Ratio (%)	171.8	128.9	39.5	8.8	29.5	30.4	119.8

[1] Includes €1.2 billion LTRO extendable at our option to 2015

3.3. Interest Rate and Foreign Exchange Risks in the Banking Book

With regard to interest rate risk in the banking book, the Company distinguishes between cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and fair value interest rate risk, which is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on limited exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Company mitigates both risks mainly using interest rate swaps in order to convert all fixed rate assets and liabilities with a maturity exceeding one year into floating rate, and to re-align the interest rate profile of its assets with that of the corresponding funding.

Interest rate exposure is measured separately for each currency by analysing assets and liabilities in terms of the dates they reset interest rates. Interest rate risk exposure is assessed by measuring daily the potential financial impact (or sensitivity) on assets and liabilities and derivatives of the Company of a parallel upward shift of 100 basis points of all interest rate curves (i.e. EURIBOR, LIBOR), assuming that all such assets and liabilities are re valued at fair value. The exposure is reviewed daily by management against the set limits.

The same methodology is applied to all interest bearing and discounted assets and liabilities. Given the absence of significant optional risk in the Company, the sensitivity of all assets and liabilities and derivatives of the Company for a parallel downward shift of 100 basis points of all interest rate curves is approximately similar and opposite to the measure monitored daily by Management.

As at 31 December 2013, the Company's overall interest rate sensitivity on all balance sheet financial non-derivative assets, liabilities and derivatives amounted to €14.344 million (2012: €14.988 million), within the limit approved by the Board of Directors of +/- €16 million.

Historical Interest Rate Sensitivity Review
01/01/2013 to 31/12/2013

€'000	**100 bps Shift Sensitivity**
Average	(13,098)
High	(7,868)
Low	(15,998)

Historical Interest Rate Sensitivity Review
01/01/2012 to 31/12/2012

€'000	100 bps Shift Sensitivity
Average	(11,399)
High	1,916
Low	(15,990)

Whereas the above sensitivity measure on the recognised non-derivative financial assets and liabilities and derivatives of the Company provides information as to the potential future impact which a parallel upward shift of 100 basis points of interest rate curves would have on the interest margin of the Company, the financial impact of the sensitivity to interest rate risk of instruments will vary in accordance with their accounting classification and the relevant accounting principles. The following tables provide estimates of the impact of a parallel upward shift of 100 basis points of interest rate curves on the revaluation of instruments classified at fair value through profit or loss or other comprehensive income and equity of the Company in 2013 and in 2012.

Interest Rate Sensitivity Analysis as at 31 December 2013
Instruments classified at Fair Value through Profit or Loss or Equity

€'000	Profit & Loss	Other Comprehensive Income and Equity
AFS Securities	-	(4,423)
Economically hedged CFV Securities	(96)	-
Hedged Assets and Liabilities	(7,222)	-
Trading Derivatives	912	-
Total	**(6,406)**	**(4,423)**

Interest Rate Sensitivity Analysis as at 31 December 2012
Instruments classified at Fair Value through Profit or Loss or Equity

€'000	Profit & Loss	Other Comprehensive Income and Equity
AFS Securities	-	(12,704)
Economically hedged CFV Securities	(128)	-
Hedged Assets and Liabilities	(9,791)	-
Trading Derivatives	12,817	-
Total	2,898	(12,704)

The management of the Company monitors daily the concentration of interest rate risk in the banking book on a time bucket and currency basis. The interest rate risk sensitivity of the Company at year-ends 2013 and 2012, by currency, is shown in the following tables:

Sensitivity as at 31 December 2013
(100 basis points shift)

Currency	2013 €'000	2012 €'000
GBP	**2**	-
EUR	**(13,654)**	(13,492)
USD	**(693)**	(1,491)
Other	**2**	(5)
Total	**(14,344)**	(14,988)

With regard to foreign exchange risk in the banking book, such risk results from the mismatching of the currency of denomination between assets and liabilities. The Company mitigates this risk mainly using foreign exchange swaps in order to re-align the currency of denomination of its assets with that of the corresponding funding.

The Board has set a limit on the total overnight open position (measured as the maximum of the sums of all long and short open positions), which is monitored daily.

Total Position at Year-end	2013 €'000	2012 €'000
Long Foreign Currency:	**1,806**	2,405
Short Foreign Currency:	**176**	14

Average Position during the Year	2013 €'000	2012 €'000
Average Long Foreign Currency:	**1,941**	1,652
Average Short Foreign Currency:	**68**	55

As a consequence of the limited exposure of the Company to foreign exchange risk in the banking book (on the notional limit of €3 million) and the revaluation performed on a daily basis through the income statement of all on and off-balance sheet recognised assets and liabilities as well as its cumulative yearly profit and loss, the Company does not compute any measure of sensitivity to foreign exchange risk in the banking book.

3.4. Operational Risk

As per the Guidelines for Group Operational Risk Management adopted by the Board of Directors of the Company, Operational Risk is defined in the Group as "the risk of losses resulting from the unsuitability or failure of procedures, human resources and internal systems, or from external events. Operational Risk also includes legal risk while strategic and reputation risks are not included" in line with the definition outlined in the New Basel Capital Accord.

Operational Risk Management ("ORM") is a structured framework of processes, functions and resources to support the identification, evaluation and control of operational risk, aimed at ensuring the effective prevention and reduction of these risks, in line with the Group risk appetite.

The objectives of ORM are as follows:

- Asset protection:
    - To contribute to the preservation of the Group's assets, in all its material components (capital) and non-material components (brand image, reputation), in order to optimise the economic value for the shareholders, by avoiding exposures inconsistent with the risk appetite, also expressed in terms of capital allocation;
    - to estimate the Regulatory Capital Requirement using the internal model;
    - to help guarantee the safeguard of the values, professional and intellectual assets, production of services as well as of the ethical behaviour;
    - to contribute to optimising the capital allocation process by means of risk adjusted return analysis and the adoption of a performance evaluation system consistent with such measures.
- Control and proactive monitoring of processes;
    - to ensure that all risks potentially present in the various operational areas are correctly identified, evaluated, controlled and managed according to the agreed methodologies and formalised procedures which are continuously monitored;
    - to ensure that the internal controls system for monitoring operational risk is able to identify significant risks without delay.
- Observance and compliance of processes with internal rules;
    - to maintain the quality of the systems and processes for risk management in line with international best practice standards;
    - to maintain the conformity of the risk management system to regulatory requirements, company demands and the market evolution;
    - to ensure compliance with national and international Supervisory bodies.
- Management of risks and responsibilities.
    - To ensure the production of accurate and timely information and reports for the various organisational units responsible for the activities of management and control;
    - to adopt a limits system aimed at guaranteeing continuous and timely monitoring of critical production processes;
    - to promote the systematic diffusion of a consistent and uniform operational risk management culture;
    - to guarantee business continuity in an orderly and effective manner.

The Board of Directors of the Company also approved the classification of Operational Risk among the list of the material risk factors the Company is exposed to as part of its ICAAP submission to the Irish Financial Regulator. Although the Board has not set any quantitative limits to the amount of operational risk the Company can be exposed to, its risk appetite is best described by the high internal control quality it has delegated Senior Management to implement through the Company, as well as through the approval of an organisational structure compatible with the overall objective of operational risk-minimisation.

The operational risk-minimisation objective of the Board involves the following activities:

- Identification and implementation of mitigation actions and risk transfer, in accordance with the qualitative risk appetite defined by the Board, and;
- rationalisation and optimisation, in means of costs/benefits of insurance recovery system and other forms of risk transfer adopted by the Group.

The main operational risk-minimisation options therefore can be:

- the conscious acceptance of the operational risk inseparably linked to the business activities of the Company;
- the mitigation of the operational risk through action taken on relevant risk factors;
- the risk transfer by means of insurance policies or other specific financial instruments.

In particular, the main mitigants used by the Company to reduce operational risk are:

- The monitoring of the effectiveness of internal controls using Italian Law 262-2005 compliant methodology. This monitoring involves the on-going;
  - review of processes affecting significant accounts of the Company with a documentation of the same processes, of the attached risks, and of the controls in place;
  - identification of key controls with operative details (frequency, manual/automated, etc.);
  - tests of key controls compliance and execution.
    - Key controls include but are not limited to;
      - Reconciliation of all front and back office systems;
      - Analysis of all Late Deals;
      - Analysis of all Voided Deals;
      - Analysis of all breaches of Line of Credit;
      - Analysis of all Overdraft Positions;
      - Analysis of all delivery date mismatches; and
      - Analysis of all manual intervention on operating systems.

- The existence of a local Disaster Recovery and Business Continuity framework including:
  - a local UPS at the main office;
  - a building with an independent generator at the main office;
  - an alternative site located more than 10 km away from the main office consisting of a room in a protected area with a network of work stations configured with the critical systems of the Company and tested semi-annually.

- The critical IT systems of the Company are centralised Group systems with local access. These centralised systems are replicated daily in London or at Moncalieri in Italy as well as at the disaster recovery sites in both places.

- The purchase of insurances with third parties including:
  - property damage insurance;
  - liability insurance (employer's liability and public liability);
  - internal fraud insurance (i.e. internal theft, falsification of documents, internal system fraud, etc.).

4. Statement of financial position by accounting class

The table below summarizes the analyses of the various classes of financial assets and liabilities by IAS39 measurement category for 2013.

	Loans and receivables/ Amortised cost liabilities	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	*Other	Total
As at 31 December 2013	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	66,948	-	-	-	-	-	66,948
Financial instruments at fair value	-	-	47,718	-	-	-	47,718
Available for sale debt securities	-	-	-	-	3,002,033	-	3,002,033
Loans and advances to banks	7,494,812	-	-	-	-	-	7,494,812
Loans and advances to customers	2,546,266	-	-	-	-	-	2,546,266
Derivative financial instruments	-	279,387	-	-	-	-	279,387
Prepayment and accrued income	300	-	-	-	-	-	300
Current tax	-	-	-	-	-	5,546	5,546
Deferred tax asset	-	-	-	-	-	629	629
Other assets	6,809	-	-	-	-	-	6,809
Property, plant and equipment	-	-	-	-	-	87	87
Total assets	**10,115,135**	**279,387**	**47,718**	-	**3,002,033**	**6,262**	**13,450,535**
Liabilities							
Deposits from banks	769,147	-	-	-	-	-	769,147
Debt securities in issue	6,854,640	-	-	-	-	-	6,854,640
Repurchase agreements	2,400,125	-	-	-	-	-	2,400,125
Due to customers	1,793,664	-	-	-	-	-	1,793,664
Derivative financial instruments	-	299,707	-	139,814	-	-	439,521
Deferred tax liability	-	-	-	-	-	2,240	2,240
Accruals and deferred income	8,572	-	-	-	-	-	8,572
Other liabilities	1,082	-	-	-	-	-	1,082
Provisions for liabilities and commitments	427	-	-	-	-	-	427
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	-	15,273	15,273
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	257,555	257,555
Total liabilities and shareholders' funds	**11,827,657**	**299,707**	-	**139,814**	-	**1,183,357**	**13,450,535**

*Other includes non-financial items and equity instruments

The table below summarizes the analyses of various classes of financial assets and liabilities by IAS 39 measurement category for 2012.

	Loans and receivables/ Amortised cost liabilities	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	*Other	Total
As at 31 December 2012	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Cash and balances with central banks	54,653	-	-	-	-	-	54,653
Financial instruments at fair value	-	-	62,046	-	-	-	62,046
Available for sale debt securities	-	-	-	-	2,955,932	-	2,955,932
Loans and advances to banks	9,781,329	-	-	-	-	-	9,781,329
Loans and advances to customers	3,469,782	-	-	-	-	-	3,469,782
Derivative financial instruments	-	364,857	-	8,019	-	-	372,876
Prepayment and accrued income	478	-	-	-	-	-	478
Current tax	-	-	-	-	-	1,980	1,980
Deferred tax asset	-	-	-	-	-	1,263	1,263
Other assets	7,651	-	-	-	-	-	7,651
Property, plant and equipment	-	-	-	-	-	53	53
Total assets	**13,313,893**	**364,857**	**62,046**	**8,019**	**2,955,932**	**3,296**	**16,708,043**
Liabilities							
Deposits from banks	2,299,871	-	-	-	-	-	2,299,871
Debt securities in issue	9,548,866	-	-	-	-	-	9,548,866
Repurchase agreements	1,208,750	-	-	-	-	-	1,208,750
Due to customers	1,899,353	-	-	-	-	-	1,899,353
Derivative financial instruments	-	406,691	-	172,384	-	-	579,075
Current tax	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	2,025	2,025
Accruals and deferred income	10,770	-	-	-	-	-	10,770
Other liabilities	2,203	-	-	-	-	-	2,203
Provisions for liabilities and commitments	171	-	-	-	-	-	171
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	-	9,410	9,410
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	239,260	239,260
Total liabilities and shareholders' funds	**14,969,984**	**406,691**	-	**172,384**	-	**1,158,984**	**16,708,043**

*Other includes non-financial items and equity instruments

5. Fair values of financial instruments

a. Determination of fair value of financial instruments recorded at fair value

In order to ensure the harmonisation of valuations among the different branches and subsidiaries of Intesa Sanpaolo Group, the Risk Management Department of the Parent Company has the responsibility to produce the valuation of the securities and structured derivatives for all the entities of the Group. These valuations are therefore used by the Company for the relevant instruments.

With regard to securities holdings, the existence of official prices in an active market represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the measurement of financial assets and liabilities. If there is no active market, fair value is determined using valuation techniques aimed at ultimately establishing what the transaction price would have been on the measurement date. Such techniques include:

- Reference to market values indirectly connected to the instrument to be valued and derived from products with the same risk profile (comparable approach).
- Valuations performed using – even partly - inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (mark-to-model).

In the case of comparable approach valuation technique (Level 2), the valuation is not based on the price of the same identical financial instrument to be measured, but on prices or quoted credit spreads on instruments which are similar in terms of risk factors, using a given calculation methodology. In particular,

- if third party quotes are not available to measure a specific instrument, this approach requires the search for similar transactions on active markets which are comparable in terms of risk factors with the instrument to be measured;
- calculation methodologies used in the comparable approach reproduce prices of financial instruments quoted on active markets and do not contain discretional parameters – parameters for which values may not be presumed from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets- which significantly influence the final valuation.

Where a valuation technique is used to determine fair values, it is validated and periodically reviewed by qualified personnel independent of the area that created it. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

With regard to derivatives, the Company values non-structured derivatives using market standard cash flows models. The interest rate curves used for the discounting of cash flows are communicated by the Risk Management Department of the Parent Company on the basis of market quotes and are inserted in the valuation systems centrally before being applied to all entities of the Group (Level 2 approach).

A credit risk adjustment is added to the valuation of some derivatives in compliance with IAS 39, whereby final valuations must take into account the component related to counterparty credit risk. The credit risk adjustment is computed on the basis of the risk of default of the counterparties (represented by the level of the credit default swap spread) and the residual life of the derivative contract. The adjustment is applied to all derivatives of the Company with a positive mark-to-market and to all counterparties (excluding Group entities), unless a collateral agreement has been entered by the Company with the relevant counterparty to mitigate the counterparty credit risk.

Structured derivatives are re-valued by the Group Risk Management Department also using a comparable approach valuation technique.

2013	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	24,332	51.0	23,386	49.0	-	-	47,718
Available for Sale financial Assets							
- Debt instruments	2,992,089	99.7	9,944	0.3	-	-	3,002,033
Total Financial Assets	**3,016,421**		**33,330**		-	-	**3,049,751**

2012	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	30,687	49.5	31,359	50.5	-	-	62,046
Available for Sale financial Assets							
- Debt instruments	2,936,213	99.3	19,719	0.7	-	-	2,955,932
Total Financial Assets	2,966,900		51,078		-	-	3,017,978

2013
The level 2 assets were not actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs.

2013	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total
Derivatives Assets							
-Trading	-	-	279,387	100.0	-	-	279,387
-Hedging	-	-	-	-	-	-	-
Total	-		**279,387**	**100.0**	-	-	**279,387**
Derivatives Liabilities							
-Trading	-	-	299,707	68.2	-	-	299,707
-Hedging	-	-	139,814	31.8	-	-	139,814
Total	-	-	**439,521**	**100.0**			**439,521**

2012	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total
Derivatives Assets							
-Trading	-	-	364,857	97.8	-	-	364,857
-Hedging	-	-	8,019	2.2	-	-	8,019
Total	-	-	372,876	100.0	-	-	372,876
Derivatives Liabilities							
-Trading	-	-	406,691	70.2	-	-	406,691
-Hedging	-	-	172,384	29.8	-	-	172,384
Total	-	-	579,074	100.0	-	-	579,074

b. Fair value of financial instruments other than those carried at fair value through profit or loss or Other Comprehensive Income

Set out below is a comparison of carrying values and fair values of the financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value) held as at 31 December 2013 and at 31 December 2012.

	Level 1	Level 2	Level 3	31-Dec-13 Fair value €'000	31-Dec-13 Carrying value €'000
Assets					
Cash and balances at central banks	-	66,948	-	66,948	66,948
Loans and advances to banks	-	459,556	7,030,914	7,490,470	7,494,812
Loans and advances to customers	-	526,846	2,033,673	2,560,519	2,546,266
Liabilities					
Deposits by banks	-	715,300	55,189	770,489	769,147
Due to customers	-	16,493	1,863,330	1,879,823	1,793,664
Debt securities in issue	-	5,065,809	1,683,943	6,749,752	6,854,640
Repurchase agreements	-	2,400,125	-	2,400,125	2,400,125

	31-Dec-12 Fair value €'000	31-Dec-12 Carrying value €'000
Assets		
Cash and balances at central banks	54,653	54,653
Loans and advances to banks	10,209,332	9,781,329
Loans and advances to customers	3,406,216	3,469,782
Liabilities		
Deposits by banks	2,301,227	2,299,871
Due to customers	1,910,419	1,899,353
Repurchase agreements	1,208,750	1,208,750
Debt securities in issue	9,454,900	9,548,866

The Company utilises the valuation methodologies developed by the Parent Company for financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value).

With regard to assets, the methodology used is based on a discount of future cash flows using the observable interest rate curve on reporting date plus a credit spread estimated with an internally-developed model. The model involves the construction of a matrix of credit spreads by levels of probability of default, loss given default, and weighted average residual duration. The book value is considered to be the fair value for cash, balances at the Central Bank, intra Group assets, short-term assets (original life of less than 18 months or residual life of less than 12 months) and non-performing assets. In the case of intra-Group assets matching with identified liabilities of the Company, the fair value of these assets has been matched with those of the associated liabilities.

With regard to liabilities, the methodology used is based on a discount of future cash flows using the observable credit curve of the Intesa Sanpaolo Group at reporting date. The book value is considered to be the fair value for intra-Group liabilities and short-term liabilities (original life of less than 18 months or residual life of less than 12 months).

6. Segmental Analysis

The Company has one reporting segment, the provision of banking products and services carried out from Ireland. Geographic concentrations are reported in Note 35. There are no non-group customers with revenue exceeding 10% of the total revenue of the Company.

7. Net interest income

	2013	2012
	€'000	€'000
Interest and similar income		
Cash and short term funds	**1,226**	30,540
Available for sale debt securities	**85,635**	58,940
Financial assets at fair value through profit or loss	**1,804**	2,599
Loans and advances *	**298,087**	429,383
Repurchase agreements	**98**	-
Net swap interest income	**105**	-
	386,955	521,462

* Interest income includes €544,047 (2012: €1,390) accrued on impaired loans.

	2013	2012
	€'000	€'000
Interest expense and similar charges		
Banks and customers	**82,196**	226,729
Debt securities in issue	**133,883**	160,355
Repurchase agreements	**6,815**	8,911
Net swap interest expense	**63,163**	43,767
Net expense on fair value option trading derivatives	**1,634**	2,335
	287,691	442,097

8. Fees and commission income and expense

	2013	2012
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	**4,558**	5,819
Other fees	**130**	79
	4,688	5,898
Fee and commission expense		
Credit related fees and commissions	17,799	20,648
Brokerage fees paid	4	2
Other fees paid	327	52
	18,130	20,702

9. Net trading expense

	2013	2012
	€'000	€'000
Mark-to-market gains / (losses):		
- Derivatives	(31,892)	(10,740)
- Net result hedge accounting ***	(142)	(4,868)
- Financial instruments designated at Fair Value through profit or loss	1,121	4,612
Net realised gain on available for sale debt securities	425	1,086
Net realised gain / (loss) on loans	73	70
Net realised loss on deposits	-	(493)
Net realised loss on debt securities	(1)	(47)
	(30,416)	(10,380)

*** An analysis of the net result of hedge accounting is provided below

Interest rate derivatives designated as fair value hedges are entered into, to hedge the exposure to changes in the fair value of recognised assets or liabilities arising from changes in interest rates, primarily fixed rate loans to banks and customers and available for sale debt securities.

2013 - Net results of hedge accounting

	Loans and Receivables	Available for Sale	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains /(losses) on Hedged asset / liability	(34,327)	(4,996)	558	(38,765)
Net gains / (losses) on Fair value of hedging Derivatives	34,171	5,181	(729)	38,623
	(156)	185	(171)	(142)

2012 - Net results of hedge accounting

	Loans and Receivables	Available for Sale	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains / (losses) on Hedged asset / liability	12,595	34,258	(371)	46,482
Net gains / (losses) on Fair value of hedging Derivatives	(16,507)	(35,385)	542	(51,350)
	(3,912)	(1,127)	171	(4,868)

10. Employee numbers

The average number of persons employed by the Company (including Executive Directors) during the year was as follows:

	Number of employees	
	2013	2012
Administration	**25**	27

11. Administrative expenses

	2013	2012
	€'000	€'000
Staff costs		
- wages and salaries	**1,979**	1,874
- social welfare costs	**164**	171
- pension costs	**434**	343
- other personnel expenses	**4**	5
	2,581	2,393
Other administrative expenses	**1,861**	1,906
	4,442	4,299

12. Profit before taxation

		2013	2012
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and equipment		**34**	32
Auditors' remuneration *(including VAT)*:			
Audit services	Statutory audit	**76**	76
	Other services	**20**	12
	Subtotal	**96**	88
Non-audit services	Taxation services	**22**	37
	Other consultancy	**-**	34
	Subtotal	**22**	71
		118	159
Directors' remuneration:			
Executive		**385**	344
Non-executive		**75**	75
		460	419

The following tables detail the total remuneration of the directors.

2013	**Salary** **€'000**	**Directors Fees** **€'000**	**Taxable/ Other Benefits** **€'000**	**Pension Contribution** **€'000**	**Total** **€'000**
Executive Director					
G. Pizzutto	221	-	35	84	340
A. Plomp **	34	-	1	10	45
Total	255	-	36	94	385
Non – Executive Directors					
Ian Letchford	-	30	-	-	30
Salvatore Catalano	-	20	-	-	20
Richard Barkley	-	25	-	-	25
Total	-	75	-	-	75

2012	Salary €'000	Directors Fees €'000	Taxable/ Other Benefits €'000	Pension Contribution €'000	Total €'000
Executive Director					
G. Pizzutto	250	-	47	47	344
Total	250	-	47	47	344
Non – Executive Directors					
Ian Letchford	-	30	-	-	30
Salvatore Catalano	-	20	-	-	20
Richard Barkley	-	25	-	-	25
Total	-	75	-	-	75

** Remuneration from date of appointment

13. Income tax expense

	2013 **€'000**	2012 €'000
Corporation tax charge 12.5% (2012: 12.5%) on the profit for the year on ordinary activities	**7,540**	6,161
Current tax charge for the year	**7,540**	6,161
(Over) / Under provision in prior year	**(11)**	(9)
Total current Tax	**7,529**	6,152
	7,529	6,152

The current tax charge for the year is higher (2012: higher) than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The difference is explained below:

	2013	2012
	€'000	€'000
Profit on ordinary activities before tax	**60,332**	49,287
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for year of 12.5% (2012: 12.5%)	**7,540**	6,161
Effects of:		
Adjustments to tax charge in respect of previous periods	**(11)**	(9)
Other adjustments	**-**	-
Current tax charge for the year	**7,529**	6,152

14. Dividends paid and proposed

	2013	2012
	€'000	€'000
Declared and paid during the year		
Declared on ordinary shares:		
Final dividend for 2012: 8.62 cent per share (2011:11.24 cent per share)	**34,508**	45,000
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Dividend on ordinary shares:		
Final dividend for 2013: 10.54 cent per share (2012: 8.62 cent per share)	**42,242**	34,508

15. Cash and balances with central banks

	2013	2012
	€'000	€'000
Mandatory reserve deposits with central bank	**64,004**	53,746
Other cash balances	**3,012**	909
Less allowances for losses	**(68)**	(1)
	66,948	54,654

Mandatory reserve deposits are available for use in the Company's day to day operations. The balances earn interest based on average Main Refinancing Operations (MRO) interest rate issued by the European Central Bank.

Of which included in cash and cash equivalents (Note 31) €63 million (2012: €51 million).

16. Financial assets at fair value through profit or loss

	2013 €'000	2012 €'000
Debt securities at fair value		
Issued by public bodies		
- government securities	47,718	59,187
Issued by other issuers		
- banks	-	2,859
	47,718	62,046
Of which:		
- listed on a recognised exchange	24,332	33,546
- unlisted	23,386	28,500
	47,718	62,046

17. Available for sale debt securities

	2013 €'000	2012 €'000
Issued by public bodies		
- government securities	2,546,628	2,582,534
- other public sector securities	145,685	38,342
Issued by other issuers		
- banks	287,035	311,686
- other debt securities	22,685	23,370
	3,002,033	2,955,932
Of which:		
- listed on a recognised exchange	3,002,033	2,955,932
	3,002,033	2,955,932

18. Loans and advances to banks

	2013 €'000	2012 €'000
Placement with other banks	7,392,306	9,684,829
Unlisted securities	130,072	156,945
Gross loans and advances	7,522,378	9,841,774
Less allowances for losses	(27,566)	(60,445)
	7,494,812	9,781,329

Of which included in cash and cash equivalents (Note 31) €104.4 million (2012: €540.3 million).

19. Loans and advances to customers

	2013 €'000	2012 €'000
Loans to corporate entities - Syndicated and bilateral loans	**2,547,278**	3,471,578
Gross loans and advances	**2,547,278**	3,471,578
Less allowances for losses	**(1,012)**	(1,796)
	2,546,266	3,469,782

20. Movement in the allowance for impairment / provisions for bad and doubtful debts

	2013 €'000	2012 €'000
Balance at beginning of year	**62,242**	61,766
Disposed loans	**(33,986)**	-
Charge to income statement	**1,166**	631
Released to income statement	**(780)**	(132)
Translation adjustment	**4**	(23)
Balance at end of year	**28,646**	62,242

The release of the provision for impairment of loans and receivables of €9,722,000 (2012: charge €499,000) is composed of a net charge to the income statement of € 386,000 (2012: €499,000) as above ((charge €1,166,000,000, release €780,000) (2012 charge €631,000, release €132,000)) and a credit of €10,108,122 (2012: Nil) in relation to loans previously written off.

Amounts include:

	2013 €'000	2012 €'000
Cash and balances with central bank (Note 15)	**68**	1
Loans and advances to banks (Note 18)	**27,566**	60,445
Loans and advances to customers (Note 19)	**1,012**	1,796
Balance at end of year	**28,646**	62,242

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the statement of financial position date.

The following is a reconciliation of the individual and collective allowances for impairment / provision of bad and doubtful debts.

	2013	**2013**	**2013**
	Individual	**Collective**	**Total**
	€'000	**€'000**	**€'000**
Balance at beginning of year	**61,121**	**1,121**	**62,242**
Disposed loans	**(33,986)**	-	**(33,986)**
Charge to income statement	**386**	**780**	**1,166**
Released to income statement	-	**(780)**	**(780)**
Translation adjustment	**4**	-	**4**
Balance at end of year	**27,525**	**1,121**	**28,646**

	2012	2012	2012
	Individual	Collective	Total
	€'000	€'000	€'000
Balance at beginning of year	61,086	680	61,766
Charge to income statement	49	582	631
Released to income statement	-	(132)	(132)
Translation adjustment	(14)	(9)	(23)
Balance at end of year	61,121	1,121	62,242

Impaired loans: Amounts include:

	2013	2012
	€'000	€'000
Loans and advances to banks	**27,476**	60,348
Loans and advances to customers	**49**	773
Balance at end of year	**27,525**	61,121

Impaired loans mainly relate to the Company's exposure to Icelandic banks totalling €36.64 million (2012: €77.45 million) with an individual impairment amounting to €27.48 million (2012: €60.35 million).

21. Derivative financial instruments

The Company uses the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency.

Embedded derivatives refer to financial instruments with embedded options, which have been split out from their host contracts. The options relate to the calculation of cash coupons and redemption amounts, which are based on standard indices.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation as well as an add-on calculated as a proportion of the notional amount and representing the potential volatility in the replacement cost. This risk is monitored on a daily basis. To control the level of credit risk taken, the Company assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

At 31 December 2013		**Fair values including accruals**	
	Contract / notional amount €'000	**Assets €'000**	**Liabilities €'000**
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	265,426	1,472	(917)
Total OTC derivatives		1,472	(917)
b) Interest rate derivatives			
Interest rate swaps	1,800,000	204,300	(211,062)
Cross-currency interest rate swaps	35,830	-	(14,113)
Total OTC derivatives		204,300	(225,175)
c) Equity options			
Equity options purchases	212,400	73,615	-
Equity options sold	212,400	-	(73,615)
Total OTC derivatives		73,615	(73,615)
Total derivative assets/(liabilities) held for trading		**279,387**	**(299,707)**

2)	**Derivatives held for risk management**			
	Derivatives designated as fair value hedges			
	Interest rate swaps	2,948,023	-	(139,814)
	Total OTC derivatives		-	(139,814)
	Total derivative assets/(liabilities) held for risk management		-	(139,814)
	Total derivative financial instruments		**279,387**	**(439,521)**

	At 31 December 2012		Fair values including accruals	
		Contract / notional amount €'000	**Assets** €'000	**Liabilities** €'000
1)	Derivatives held for trading			
	a) Foreign exchange derivatives			
	Currency swaps	1,184,280	44	(842)
	Total OTC derivatives		44	(842)
	b) Interest rate derivatives			
	Interest rate swaps	5,552,582	286,137	(298,431)
	Cross-currency interest rate swaps	37,452	-	(28,742)
	Total OTC derivatives		286,137	(327,173)
	c) Embedded derivatives			
	Embedded derivatives purchased	212,400	78,676	-
	Embedded derivatives sold	212,400	-	(78,676)
	Total OTC derivatives		78,676	(78,676)
	Total derivative assets/(liabilities) held for trading		364,857	(406,691)
2)	Derivatives held for risk management			
	a) Derivatives designated as fair value hedges			
	Interest rate swaps	4,208,779	8,019	(172,384)
	Total OTC derivatives		8,019	(172,384)
	Total derivative assets/(liabilities) held for risk management		8,019	(172,384)
	Total derivative financial instruments		372,876	(579,075)

22. Deferred Taxation

	2013	2012
	€'000	€'000
Deferred Tax assets:		
Provision for impairment of loans and receivables	**583**	588
Available for sale debt securities	**57**	680
Exchange translation adjustment	**(11)**	(5)
Total deferred tax assets	**629**	1,263
Deferred Tax liabilities:		
Available for sale debt securities	**2,240**	2,025
Total deferred tax liabilities	**2,240**	2,025
Net Deferred Tax (liability) / assets	**(1,611)**	(762)

	2013	2012
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**(762)**	5,312
Exchange translation adjustment	**(11)**	(5)
Deferred tax through other comprehensive income	**(838)**	(6,069)
At 31 December	**(1,611)**	(762)

23. Other assets

	2013	2012
	€'000	€'000
Deferred expenses *	**6,787**	7,618
Sundry debtors	**22**	33
	6,809	7,651

* the majority include fees paid in advance in relation to debt securities in issue.

24. Property, plant and equipment

	Office equipment	Computer equipment and software	Total
	€'000	€'000	€'000
Cost			
At beginning of year	237	274	511
Additions in year	8	62	70
Disposals in year	(81)	(104)	(185)
At end of year	**164**	**232**	**396**
Depreciation			
At beginning of year	218	240	458
Charge for year	5	29	34
Disposals in year	(80)	(103)	(183)
At end of year	**143**	**166**	**309**
Net book value			
At 31 December 2013	**21**	**66**	**87**
At 31 December 2012	19	34	53

	Office equipment	Computer equipment and software	Total
	€'000	€'000	€'000
Cost			
At beginning of year	250	274	524
Additions in year	16	18	34
Disposals in year	(29)	(18)	(47)
At end of year	237	274	511
Depreciation			
At beginning of year	239	233	472
Charge for year	7	25	32
Disposals in year	(28)	(18)	(46)
At end of year	218	240	458
Net book value			
At 31 December 2012	19	34	53
At 31 December 2011	11	41	52

25. Deposits from banks

	2013	2012
	€'000	€'000
Deposits from other banks	**769,147**	2,299,871
	769,147	2,299,871

Of which include cash and cash equivalents (Note 31) €489.5 million (2012: €260 million).

26. Debt securities in issue

At 31 December 2013

Currency	**Type**	**Maturity**	**Interest Rates %**	**Average Rate %**	**€'000**
European Medium Term Notes (EMTN) – Listed					
EUR	Fixed Note	17/01/2014	0.930%		50,422
EUR	Floating Rate Note	03/02/2014	3.130%		49,749
EUR	Floating Rate Note	07/02/2014	3.380%		40,206
EUR	Floating Rate Note	10/02/2014	3.080%		23,100
EUR	Floating Rate Note	10/03/2015	0.600%		170,029
EUR	Floating Rate Note	30/03/2015	1.640%		649,121
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	1.230%		46,601
EUR	Fixed Note	27/09/2015	5.740%		58,139
EUR	Fixed Note	31/10/2015	5.860%		55,250
EUR	Fixed Note	27/12/2015	5.770%		74,463
EUR	Fixed Note	18/02/2016	5.810%		150,602
EUR	Floating Rate Note	15/03/2016	1.340%		27,307
EUR	Floating Rate Note	21/03/2016	4.200%		7,745
EUR	Floating Rate Note	28/03/2016	0.860%		80,254
EUR	Floating Rate Note	09/05/2016	1.070%		26,490
EUR	Floating Rate Note	17/05/2016	2.150%		5,067
EUR	Floating Rate Note	23/06/2016	1.130%		23,107
EUR	Floating Rate Note	01/09/2016	0.990%		52,293
EUR	Floating Rate Note	01/01/2018	3.540%		9,112
EUR	Floating Rate Note	06/04/2021	1.830%		20,269
EUR	Floating Rate Note	01/08/2022	2.830%		50,240
EUR	Floating Rate Note	06/03/2023	7.870%		20,296
EUR	Floating Rate Note	15/12/2024	7.000%		40,124
EUR	Floating Rate Note	01/10/2024	7.000%		50,875
EUR	Floating Rate Note	20/04/2025	4.000%		15,254
EUR	Floating Rate Note	20/06/2035	5.000%		20,531

EUR	Floating Rate Note	25/01/2036	5.000%		5,233
EUR	Floating Rate Note	01/01/2038	3.970%		24,016
				2.611%	
USD	Floating Rate Note	15/04/2014	2.400%		3,644
				2.400%	
Total EMTN - Listed					**1,864,561**

At 31 December 2013

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European Medium Term Notes (EMTN) – Unlisted					
EUR	Floating Rate Note	22/01/2014	0.620%		76,093
EUR	Floating Rate Note	22/01/2014	0.620%		37,045
EUR	Floating Rate Note	22/01/2014	0.620%		350,427
EUR	Floating Rate Note	21/02/2014	0.720%		25,020
EUR	Floating Rate Note	21/02/2014	0.720%		162,128
EUR	Floating Rate Note	24/02/2014	0.720%		170,131
EUR	Floating Rate Note	22/04/2014	0.770%		60,088
EUR	Floating Rate Note	22/04/2014	0.770%		20,029
EUR	Floating Rate Note	24/04/2014	0.770%		100,142
EUR	Floating Rate Note	05/05/2014	0.680%		95,098
EUR	Floating Rate Note	17/06/2014	0.810%		140,028
EUR	Floating Rate Note	24/06/2014	0.660%		1,066,131
EUR	Floating Rate Note	10/07/2014	0.430%		12,010
EUR	Floating Rate Note	17/10/2014	0.410%		700,488
EUR	Floating Rate Note	30/10/2014	0.380%		421,210
EUR	Floating Rate Note	17/12/2014	0.650%		630,810
EUR	Floating Rate Note	18/05/2017	4.200%		5,120
EUR	Floating Rate Note	04/10/2017	1.730%		5,021
EUR	Floating Rate Note	25/10/2017	6.000%		15,168
EUR	Fixed Note	30/06/2021	0.000%		20,000
EUR	Fixed Note	30/06/2026	0.000%		20,000
				0.617%	
GBP	Fixed Note	26/07/2014	1.510%		18,106
				1.510%	
HKD	Fixed Note	14/08/2018	4.480%		37,627
				4.480%	
JPY	Fixed Note	25/06/2014	1.820%		34,874
JPY	Floating Rate Note	22/06/2015	0.810%		6,911
				1.652%	
Total EMTN - unlisted					**4,229,704**
Total EMTN					**6,094,266**

Certificates of Deposits (ECD)		
EUR	0.007%	4,993
Total ECD		**4,993**
European Commercial Paper (ECP)		
AUD	0.027%	6,451
CHF	0.006%	4,096
EUR	0.005%	662,592
GBP	0.009%	8,377
USD	0.006%	73,895
Total ECP		**755,384**
Total Debt Securities Issued		**760,374**

Debt securities in issue at 31 December 2012

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - Listed					
CHF	Floating Rate Note	30/11/2013	0.160%		1,657
				0.160%	
CZK	Floating Rate Note	21/01/2013	1.180%		6,376
				1.180%	
EUR	Floating Rate Note	18/01/2013	2.708%		29,871
EUR	Floating Rate Note	04/02/2013	2.147%		6,020
EUR	Floating Rate Note	08/02/2013	1.646%		87,213
EUR	Floating Rate Note	21/02/2013	1.591%		10,018
EUR	Floating Rate Note	01/03/2013	1.590%		10,012
EUR	Floating Rate Note	12/04/2013	1.411%		150,466
EUR	Floating Rate Note	22/04/2013	1.405%		40,108
EUR	Floating Rate Note	18/06/2013	1.084%		91,017
EUR	Floating Rate Note	21/06/2013	1.133%		100,023
EUR	Floating Rate Note	27/09/2013	0.898%		4,711
EUR	Fixed Note	12/10/2013	2.954%		10,063
EUR	Floating Rate Note	17/10/2013	1.209%		1,222,631
EUR	Floating Rate Note	25/10/2013	0.553%		360,274
EUR	Floating Rate Note	06/11/2013	0.497%		240,145
EUR	Floating Rate Note	12/11/2013	0.494%		50,026
EUR	Floating Rate Note	10/12/2013	0.740%		250,090
EUR	Floating Rate Note	12/12/2013	0.333%		359,999
EUR	Floating Rate Note	13/12/2013	0.331%		214,017
EUR	Floating Rate Note	17/01/2014	0.930%		49,564
EUR	Floating Rate Note	03/02/2014	1.697%		49,635
EUR	Floating Rate Note	07/02/2014	1.846%		40,108

EUR	Floating Rate Note	10/02/2014	1.644%		23,050
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	1.201%		46,599
EUR	Fixed Note	27/09/2015	5.737%		55,685
EUR	Fixed Note	31/10/2015	5.858%		52,873
EUR	Fixed Note	27/12/2015	5.773%		71,273
EUR	Fixed Note	18/02/2016	5.806%		144,081
EUR	Floating Rate Note	15/03/2016	1.493%		27,320
EUR	Floating Rate Note	21/03/2016	4.150%		7,742
EUR	Floating Rate Note	28/03/2016	0.756%		80,257
EUR	Floating Rate Note	09/05/2016	1.036%		26,490
EUR	Floating Rate Note	17/05/2016	2.150%		5,067
EUR	Floating Rate Note	23/06/2016	1.023%		23,105
EUR	Floating Rate Note	01/09/2016	0.950%		52,290
EUR	Floating Rate Note	18/05/2017	4.200%		5,117
EUR	Floating Rate Note	04/10/2017	1.477%		5,018
EUR	Floating Rate Note	01/01/2018	5.070%		9,246
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
EUR	Floating Rate Note	01/08/2022	2.657%		50,255
EUR	Floating Rate Note	06/03/2023	7.872%		20,292
EUR	Floating Rate Note	01/10/2024	7.000%		50,875
EUR	Floating Rate Note	15/12/2024	7.000%		40,124
EUR	Floating Rate Note	20/04/2025	4.227%		14,847
EUR	Floating Rate Note	20/06/2035	5.000%		20,531
EUR	Floating Rate Note	25/01/2036	5.000%		5,233
EUR	Floating Rate Note	01/01/2038	5.497%		24,370
				1.586%	
HKD	Fixed Note	30/07/2013	4.405%		12,452
				4.405%	
USD	Floating Rate Note	10/06/2013	0.443%		26,534
USD	Floating Rate Note	15/04/2014	2.400%		3,809
				0.689%	
Total EMTN - Listed					4,323,702

At 31 December 2012

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European Medium Term Notes (EMTN) – Unlisted					
EUR	Fixed Note	28/01/2013	3.800%		34,188
EUR	Fixed Note	21/02/2013	4.000%		10,360
EUR	Fixed Note	08/08/2013	4.000%		1,522,906
EUR	Floating Rate Note	25/10/2017	6.000%		15,168

EUR	Fixed Note	30/06/2021	0.000%		20,000
EUR	Fixed Note	30/06/2026	0.000%		20,000
				3.916%	
HKD	Fixed Note	14/08/2018	4.480%		39,346
				4.480%	
JPY	Fixed Note	22/06/2015	0.809%		8,803
JPY	Fixed Note	25/06/2014	1.820%		44,424
				1.653%	
Total EMTN - unlisted					1,715,195
Total EMTN					6,038,898
Certificates of Deposits (ECD)					
EUR				0.408%	1,171,636
Total ECD					1,171,636
European Commercial Paper (ECP)					
CHF				1.300%	3,300
EUR				0.814%	2,325,579
USD				1.109%	9,454
Total ECP					2,338,333
Total Debt Securities Issued					9,548,309

The Company is one of the three issuers in the €70 billion Euro Medium Term Note Programme established by Intesa Sanpaolo S.p.A., which is also the guarantor of the notes issued by the Company under the Programme.

27. Repurchase agreements

	2013	2012
	€'000	€'000
Due to central bank	**2,400,125**	1,208,750
	2,400,125	1,208,750

Included in cash and cash equivalents (Note 31) €1,200,000,000 (2012: Nil).

Collateral given: The carrying amount of securities sold under agreements to repurchase at 31 December 2013 was €2,488,587,706 (2012:€1,246,659,498) of which securities with a fair value of €2,488,587,706 (2012: €1,246,659,498) are classified as available for sale (Note 17 / Note 1.17).

28. Other liabilities

	2013	2012
	€'000	€'000
Other payable and accrued expenses	1,048	2,197
VAT payable	34	6
	1,082	2,203

29. Movement in the provisions for liabilities and commitments

	2013	2012
	€'000	€'000
Balance at beginning of year	171	90
Charge to income statement	394	95
Released to income statement	(116)	(13)
Translation adjustment	(22)	(1)
Balance at end of year	427	171

Please refer to Note 1.8 (c) for the accounting policy and Note 32 for the outstanding undrawn commitments.

30. Share capital

	Number of shares	Ordinary shares	Share Premium	Total
	€'000	€'000	€'000	€'000
At 1 January 2012	400,500	400,500	1,025	401,525
At 31 December 2012 / 1 January 2013	400,500	400,500	1,025	401,525
At 31 December 2013	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2012: 500,000,000) with a par value of €1 per share (2012: €1 per share). All issued shares are fully paid.

At 31 December 2013, the capital and reserves of the Company amounted to €1,128.33 million (2012: €1,113.82 million), €1,181.12 million including YTD profits after Tax (2012: €1,156.96 million including YTD profits after Tax).

31. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition.

	2013	2012
	€'000	€'000
Cash and balances with central bank (Note 15)	**63,486**	51,015
Loans and advances to banks (Note 18)	**104,399**	540,273
Deposits from banks (Note 25)	**(489,500)**	(260,000)
Repurchase agreements (Note 27)	**(1,200,000)**	-
	(1,521,615)	331,288

32. Contingent liabilities and commitments

At 31 December 2013 the contracted amounts of contingent liabilities and financial commitments were:

	2013	2012
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**5,027**	6,077
Undrawn formal standby facilities, credit lines and other commitments to lend with a maturity of:		
- less than one year or		
Unconditionally		
cancellable at any time	**200,000**	515,877
- one year and over	**227,821**	252,759
	432,848	774,713

33. Pension scheme

The Company operates a defined contribution pension scheme. The scheme is trustee administered and the assets are kept separate from those of the Company. Contributions to the scheme are charged to the income statement as incurred. The pension charge for the year was €433,607 (2012: €343,256). At the 31 December 2013, the pension accrual amounted to €51,927 (2012:€18,252).

34. Related party transactions

The ultimate parent company is Intesa Sanpaolo S.p.A., incorporated in Italy. A number of banking transactions are entered into with related parties in the normal course of business. The volumes of related party transactions outstanding balances at the year end and related income and expenses for the year are as follows:

31 December 2013

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	2,735	-	**2,735**
Loans and advances to banks	2,965,602	4,328,590	**7,294,192**
Loans and advances to customers	-	1,372,193	**1,372,193**
Derivative financial instruments	75,251	768	**76,019**
LIABILITIES			
Deposits from banks	518,479	10,019	**528,498**
Derivative financial instruments	34,121	327,366	**361,487**
Due to customers	-	100,647	**100,647**
INCOME STATEMENT			
Interest and similar income	141,922	125,579	**267,501**
Interest expense and similar charges	(13,766)	(56,471)	**(70,237)**
Fees and commission income	76	2,331	**2,407**
Fees and commission expense	(15,642)	(531)	**(16,173)**
Net trading income / (expense)	241	(8,105)	**(7,865)**
FINANCIAL COMMITMENTS			
Commitments — financial issued	25,161	200,000	**225,161**
Commitments — financial received	1,800,000	0	**1,800,000**
DERIVATIVES			
Derivatives (notional)	1,231,556	3,276,038	**4,507,594**

This following table represents the highest month end balances during the year.

31 December 2013

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	28,124	-	**28,124**
Loans and advances to banks	6,759,972	4,709,756	**11,469,728**
Loans and advances to customers	-	2,046,303	**2,046,303**
Derivative financial instruments	93,507	768	**94,275**
LIABILITIES			
Deposits from banks	2,845,946	100,000	**2,945,946**
Derivative financial instruments	48,314	438,785	**487,099**
Due to customers	-	100,647	**100,647**
INCOME STATEMENT			
Interest and similar income	141,922	125,579	**267,501**
Interest expense and similar charges	(13,766)	(56,471)	**(70,237)**
Fees and commission income	76	2,331	**2,407**
Fees and commission expense	(15,642)	(531)	**(16,173)**
Net trading income / (expense)	241	(8,105)	**(7,865)**
FINANCIAL COMMITMENTS			
Commitments -– financial issued	77,463	410,000	**487,463**
Commitments -– financial received	1,800,000	-	**1,800,000**
DERIVATIVES			
Derivatives (notional)	6,134,840	3,657,538	**9,792,378**

31 December 2012

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	629	-	629
Loans and advances to banks	4,681,635	4,705,110	9,386,745
Loans and advances to customers	-	2,104,151	2,104,151
Derivative financial instruments	85,622	999	86,621
LIABILITIES			
Deposits from banks	2,279,387	-	2,279,387
Derivative financial instruments	54,692	439,075	493,767
Due to customers	-	91,373	91,373
INCOME STATEMENT			
Interest and similar income	200,075	215,859	415,934
Interest expense and similar charges	(158,290)	(36,164)	(194,454)
Fees and commission income	141	2,360	2,501
Fees and commission expense	(18,266)	(47)	(18,313)
Net trading income / (expense)	(431)	(6,433)	(6,864)
FINANCIAL COMMITMENTS			
Commitments - financial issued	33,863	370,000	403,863
Commitments - financial received	1,800,000	-	1,800,000
DERIVATIVES			
Derivatives (notional)	7,082,520	3,681,214	10,763,734

This following table represents the highest month end balances during the year.

31 December 2012

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	28,898	-	28,898
Loans and advances to banks	7,012,534	10,003,755	17,016,289
Loans and advances to customers	-	2,510,415	2,510,415
Derivative financial instruments	86,830	4,182	91,012
LIABILITIES			
Deposits from banks	11,876,325	100,002	11,976,327
Derivative financial instruments	62,133	439,075	501,208
Due to customers	-	95,092	95,092
INCOME STATEMENT			
Interest and similar income	200,075	215,859	415,934
Interest expense and similar charges	(158,290)	(36,164)	(194,454)
Fees and commission income	141	2,360	2,501
Fees and commission expense	(18,266)	(47)	(18,313)
Net trading income / (expense)	(431)	(6,433)	(6,864)
FINANCIAL COMMITMENTS			
Commitments — financial issued	138,263	430,000	568,263
Commitments — financial received	3,000,000	-	3,000,000
DERIVATIVES			
Derivatives (notional)	9,155,217	3,731,737	12,886,954

Number of transactions performed with connected parties in 2013

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	96	8	104
Derivative financial instruments	190	7	197
Deposits from banks	169	104	273
Repurchase agreements	16	-	16
Total	**471**	**119**	**590**

Number of transactions performed with connected parties in 2012

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	493	153	646
Derivative financial instruments	456	15	471
Deposits from banks	762	65	827
Repurchase agreements	33	-	33
Total	1,744	233	1,977

The cumulative total value of loans and advances to banks issued to Parent and other group companies during the year has not been disclosed as the maturity profile for the majority ranged from overnight up to 5 years. The cumulative total value of deposits from banks received from the Parent and other Group companies during the year has not been disclosed as the maturity profile for the majority ranged from overnight up to 5 years.

Transactions with other related parties

Significant shareholder of INTESA SANPAOLO S.p.A

	2013	2012
	€'000	€'000
INCOME STATEMENT		
Interest and similar income	-	253
Number of transactions	-	1

35. Geographic concentrations

Geographic concentrations of assets, liabilities and off balance sheet items	**Total Assets**	**Total Liabilities & Equity**	**Credit commitments**	**Operating Income**
31 December 2013	**€'000**	**€'000**	**€'000**	**€'000**
Ireland	633,524	3,696,325	-	2,347
E.U. (excl. Ireland)	12,049,494	9,650,520	231,090	32,583
U.S.A.	86,187	46,532	-	2,507
Rest of the World	681,330	57,158	201,758	27,239
South America			-	132
Total	**13,450,535**	**13,450,535**	**432,848**	**64,808**

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets	Total Liabilities & Equity	Credit commitments	Operating Income
31 December 2012	€'000	€'000	€'000	€'000
Ireland	668,354	2,561,349	56,505	5,612
E.U. (excl. Ireland)	14,912,534	14,031,077	518,302	19,793
U.S.A.	126,739	67,634	-	2,366
Rest of the World	1,000,416	47,983	199,906	25,847
Total	16,708,043	16,708,043	774,713	53,618

Geographic sector risk concentrations within the portfolio of loans and advances to corporate clients were as follows:

	2013	**2013**	2012	2012
	€'000	**%**	€'000	%
Ireland	461,272	18	476,236	14
E.U. (excl. Ireland)	1,440,789	57	2,204,203	63
U.S.A.	85,712	3	126,409	4
Rest of the World	558,493	22	662,934	19
Total	2,546,266	100	3,469,782	100

Geographic sector risk concentrations within the portfolio of loans and advances to banks (excluding Central Bank) were as follows:

	2013	**2013**	2012	2012
	€'000	**%**	€'000	%
Ireland	102,012	1	135,054	1
E.U. (excl. Ireland)	7,294,193	98	9,333,622	96
Rest of the World	98,607	1	312,653	3
Total	7,494,812	100	9,781,329	100

Geographic sector risk concentrations within the portfolio of financial instruments at fair value through profit or loss were as follows:

	2013	**2013**	2012	2012
	€'000	**%**	€'000	%
E.U. (excl. Ireland)	47,718	100	62,046	100
Total	47,718	100	62,046	100

Geographic sector risk concentrations within the portfolio of available for debt securities were as follows:

	2013	**2013**	2012	2012
	€'000	**%**	€'000	%
E.U. (excl. Ireland)	2,977,897	99	2,931,298	99
Rest of the World	24,136	1	24,634	1
Total	3,002,033	100	2,955,932	100

36. Financial Assets and Financial Liabilities by contractual residual maturity

31-Dec-2013 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and balances with CB (1)	3,011	60,415	-	3,522	-	-	66,948
Financial assets CFV	-	-	587	578	46,553	-	47,718
Available for sale securities	-	602,527	6,694	1,457,302	749,291	186,219	3,002,033
Loans and advances to banks (1)	-	155,952	116,120	461,844	3,982,698	2,778,197	7,494,811
Loans and advances to customers (1)	39,784	530,562	30,196	483,489	842,383	619,852	2,546,266
Derivative financial instruments	-	-	-	165	1,471	277,751	279,387
Total	42,795	1,349,456	153,597	2,406,900	5,622,396	3,862,019	13,437,163
LIABILITIES							
Debt securities in issue	-	876,793	758,663	3,510,806	1,431,278	277,100	6,854,640
Deposits from banks	-	9,517	490,090	5,416	48,394	215,730	769,147
Repurchase agreements	-	1,200,017	1,200,108	-	-	-	2,400,125
Due to customers	311	44,797	15,933	66,129	168,647	1,497,847	1,793,664
Derivative financial instruments	50	-	-	867	66,995	371,609	439,521
Total	361	2,131,124	2,464,794	3,583,218	1,715,314	2,362,286	12,257,097

(1) Collective impairment provision allocated to time band "up to 1 month"

31-Dec-2012 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and balances with CB (1)	907	50,127	-	3,619	-	-	54,653
Financial assets CFV	-	-	3,606	737	57,703	-	62,046
Available for sale securities	-	26,639	42,197	391,214	2,472,854	23,028	2,955,932
Loans and advances to Banks (1)	1,884	607,004	21,930	1,514,505	4,291,732	3,344,274	9,781,329
Loans and advances to customers (1)	73,448	304,914	405,521	516,999	1,471,007	697,893	3,469,782
Derivative financial instruments	-	800	243	7,027	9,114	355,692	372,876
Total	76,239	989,484	473,497	2,434,101	8,302,410	4,420,887	16,696,618
LIABILITIES							
Debt securities in issue	-	1,841,841	1,266,217	5,338,094	777,698	325,016	9,548,866
Deposits from Banks	-	60,060	2,178,518	5,484	10,246	45,563	2,299,871
Repurchase Agreements	-	-	1,208,750	-	-	-	1,208,750
Due to customers	1,190	10,642	107,907	26,359	108,059	1,645,196	1,899,353
Derivative financial instruments	-	2,674	4,967	17,504	170,508	383,422	579,075
Total	1,190	1,915,217	4,766,359	5,387,441	1,066,511	2,399,197	15,535,915

(1) Collective impairment provision allocated to time band "up to 1 month"

37. Subsequent events

The directors have proposed a dividend of 10.55 cent per ordinary share, amounting to €42.24 million in respect of the year 2013. Final dividends are not accounted for until they have been ratified by the Shareholders at the Annual General Meeting.
The short-term Euro Commercial Paper/Certificate of Deposit Programme of the Company was updated on 19 February 2014.

38. Date of approval

The financial statements were approved and authorised by the directors on 28 February 2014.