

# INTESA SANPAOLO BANK IRELAND plc

Directors' report and  
financial statements

**Year ended** **31 December 2014**

*Registered number* *125216*

# INTESA SANPAOLO BANK IRELAND plc

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# INTESA SANPAOLO BANK IRELAND plc

## Directors and other information

### Directors

Mr. R. Barkley (Chairman, British)  
Mr. A. Plomp (Managing Director, British)  
Mr. I. Letchford (British)  
Mr. F. Introzzi (Italian)  
Mr. P. N. Virgili (Italian)  
Mr. N. Copland (British)  
Mr. C. Persico (Italian)  
Mr. E. Dosa (Italian)

### Registered office

3<sup>rd</sup> 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

# INTESA SANPAOLO BANK IRELAND plc

## Directors' report

### Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2014.

### 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 and financial position of the Company are set out on pages 10- 14 of the financial statements. During the year under review, the Company continued to reduce its lending to intra-group counterparties, in particular, but maintained and increased third party lending transactions. Future strategy will focus on increasing the level of third party lending, specifically to the Irish corporate and financial sectors.

After emerging from recession in early 2013, the Euro zone economy showed some signs of recovery during 2014, even though global trade and growth remained weak against a backdrop of persistently high levels of public and private debt, tight credit conditions, high unemployment and low inflation on the back of exceptionally low oil prices (down over 50% y/y). This weakness, coupled with the risk of deflation prompted the ECB to further ease its monetary policy by means of reducing the main refinancing rate in June and September to an historically low level of 0.05% (both BOE and FED did not act throughout the year and remained stable at 0.50% and 0.25% respectively). Moreover, in August 2014 the ECB expressed its determination to use all available instruments in order to ensure price stability in the medium-term. As a result, the TLTRO financing operations were enacted in September 2014 and the Governing Council suggested the possibility of further monetary support in the form of "quantitative easing" through asset purchases, which was later officially announced in January 2015.

Notwithstanding the above, structural reforms in labour and product markets are still urgently required both at the European Union level and at each national level in order to boost growth and employment. The outlook for the Euro area remains challenging and subdued by the geopolitical tensions in the Middle East and Ukraine/Russia, which culminated in the implementation of economic sanctions against Russia by the EU and USA in the second half of 2014. Conditions are exacerbated by the political and financial uncertainty provided by Greece.

In Ireland, real GDP increased by an estimated 4.7% during 2014 on the back of strong growth in export activities and investment. For 2015, domestic demand is expected to be the main driver of economic growth, mainly on the back of an improving labour market (with unemployment falling to circa 10%), rising real disposable incomes and higher asset prices, which should offset the projected moderate growth in export activity in line with demand conditions in Ireland's major trading partners.

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.

# INTESA SANPAOLO BANK IRELAND plc

## Directors' report (*continued*)

The profit after tax for the financial year was €81.32 million (2013: €52.80 million). The results for the year were above expectations of management, mainly as a result of (i) substantially lower funding costs, (ii) a reduction in net fee expenses, (iii) gains on AFS securities and (iv) effective operational cost management, which more than offset the non-replacement of certain maturing loan assets and contracting bond spreads. Moreover, an exceptional €41m charge incurred by the Company in December 2013 (in connection with the restructuring of a long-term transaction) did not recur in 2014.

The directors have proposed a dividend of 14.2137 cent per ordinary share, amounting to €56.926 million in respect of the year 2014 (2013: €42.24 million dividend was paid, equivalent to 10.55 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, with an increased focus on actively marketing Irish-domestic corporate clients and international customers operating out of Ireland.

### **Risk Management and Control**

An analysis of the risks to which the Company is exposed and the management of these is set out in Notes 2 and 3 to the financial statements.

Regulatory capital ratios remain healthy, with a tier 1 capital ratio of 14.11% (2013: 16.03%) and a total capital ratio of 14.12% as at 31 December 2014 (2013: 16.03%).

### **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 3<sup>rd</sup> Floor, KBC House, 4 George's Dock, IFSC, Dublin 1.

### **Directors**

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

Mr. I. Letchford

Mr. F. Introzzi

Mr. R. Barkley

Mr. P. N. Virgili

Mr. A. Plomp

Mr. M. A. Bertotti (resigned on 29/07/2014)

Mr. S. Catalano (resigned on 13/02/2014)

Mr. N. Copland (appointed on 16/04/2014)

Mr. C. Persico (appointed on 29/07/2014)

Mr. E. Dosa (appointed on 29/07/2014)

# INTESA SANPAOLO BANK IRELAND plc

## Directors' report (*continued*)

### 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 2014 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, 10121 Turin, Italy, or via its website [www.group.intesasanpaolo.com](http://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:

Mr. I. Letchford	(Member of Audit Committee) - Independent Non-Executive
Mr. F. Introzzi	(Member of Audit 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)
Mr. N. Copland	(Member of Risk Committee) - Independent Non-Executive
Mr. E. Dosa	(Member of Risk Committee)
Mr. C. Persico	

#### Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2014 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 employees of INTESA SANPAOLO S.p.A. 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.

#### Ordinary Shares in INTESA SANPAOLO S.p.A.

	31 December 2014	31 December 2013
Mr. M. A. Bertotti (*)	-	1,073
Mr. F. Introzzi	554	554
Mr. P. N. Virgili	554	554
Mr. C. Persico (**)	11,724	-

(\*) *resigned on 29/07/2014*

(\*\*) *appointed on 29/07/2014*

# INTESA SANPAOLO BANK IRELAND plc

## Directors' report (continued)

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

	31 December 2014	31 December 2013
Mr. P. N. Virgili	150,000	150,000

#### Transactions involving Directors

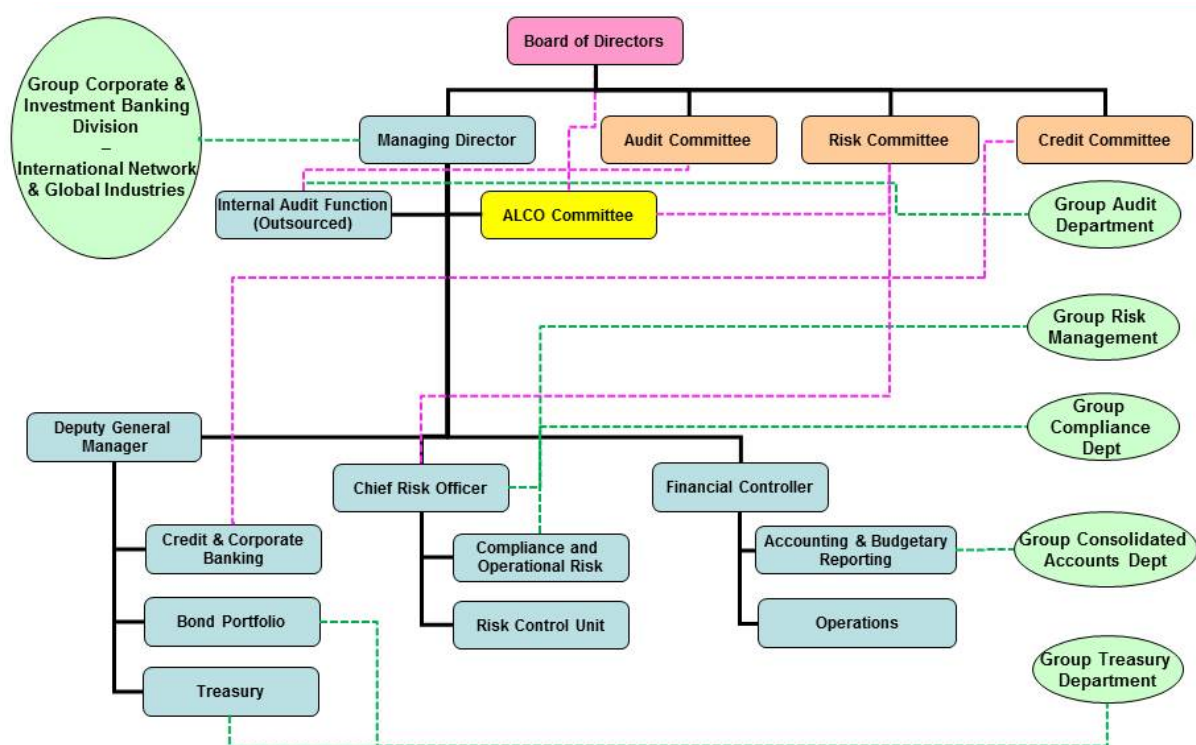
There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2014.

#### 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 2014 identifies key individuals and committees and their inter-relationship with business and control units:



# INTESA SANPAOLO BANK IRELAND plc

## Directors' report (*continued*)

### **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 has been performed 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.

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 authorised, 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 and Insurance Undertakings ("the Code") for "non major institution" and is required under section 25 of the code to submit an Annual Compliance Statement to the Central Bank of Ireland for the period 1 January to 31 December 2014. Such statement will be duly communicated in accordance with the Central Bank requirements in 2015.

On behalf of the board

R. Barkley  
*Chairman*

A. Plomp  
*Managing Director*

I. Letchford  
*Director*

C. Persico  
*Director*

27 February 2015



# INTESA SANPAOLO BANK IRELAND plc

## Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2014.

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

R. Barkley  
*Chairman*

A. Plomp  
*Managing Director*

I. Letchford  
*Director*

C. Persico  
*Director*

27 February 2015

## **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 2014 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 7 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 Financial Reporting Council's Ethical Standards for Auditors.

### **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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

**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 2014 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**

27 February 2015

# INTESA SANPAOLO BANK IRELAND plc

Income statement <i>For the year ended 31 December 2014</i>	Note	2014 €000	2013 €000
Interest and similar income	7	315,789	386,955
Interest expense and similar charges	7	(227,085)	(287,691)
<b>Net interest income</b>		<b>88,704</b>	99,264
Fees and commission income	8	3,745	4,688
Fees and commission expense	8	(9,687)	(18,130)
<b>Net fees and commission expense</b>		<b>(5,942)</b>	(13,442)
Net trading income / (expense)	9	11,631	(30,416)
Foreign exchange (loss)		(21)	(42)
Release of provision for impairment of loans and receivables	20	2,674	9,722
Release / (charge) of provision for liabilities and commitments	29	367	(278)
<b>Net operating income</b>		<b>97,413</b>	64,808
Administrative expenses	11	(3,751)	(4,442)
Depreciation		(37)	(34)
<b>Total operating expenses</b>		<b>(3,788)</b>	(4,476)
<b>Profit before tax</b>	12	<b>93,625</b>	60,332
Income tax expense	13	(12,302)	(7,529)
<b>Profit for the financial year</b>		<b>81,323</b>	52,803
<b>Profit attributable to the equity holders of the parent</b>		<b>81,323</b>	52,803

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

The notes on pages 15 to 73 are an integral part of these financial statements.

On behalf of the board

R. Barkley  
*Chairman*

A. Plomp  
*Managing Director*

I. Letchford  
*Director*

S. Keaveney  
*For and on behalf of Capita International Financial Services (Ireland) Ltd  
Company Secretary*

27 February 2015

# INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income <i>For the year ended 31 December 2014</i>	<b>2014</b> <b>€000</b>	2013 €000
Profit for the year	<b>81,323</b>	52,803
Other comprehensive income		
Net unrealised gain on available for sale debt securities	<b>15,911</b>	7,539
Net realised (loss) on available for sale debt securities reclassified to the income statement	<b>(8,399)</b>	(838)
Income tax relating to components of other comprehensive income	<u><b>(939)</b></u>	<u>(838)</u>
Other comprehensive income for the year, net of tax	<u><b>6,573</b></u>	<u>5,863</u>
Total comprehensive income for the year, net of tax	<u><b>87,896</b></u>	<u>58,666</u>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<u><b>87,896</b></u>	<u>58,666</u>

# INTESA SANPAOLO BANK IRELAND plc

Statement of financial position <i>As at 31 December 2014</i>	Note	2014 €000	2013 €000
<b>ASSETS</b>			
Cash and balances with central banks	15	49,389	66,948
Financial assets at fair value through profit or loss	16	47,660	47,718
Available for sale investments	17	2,976,704	3,002,033
Loans and advances to banks	18	7,277,780	7,494,812
Loans and advances to customers	19	1,604,337	2,546,266
Derivative financial instruments	21	513,252	279,387
Prepayments and accrued income		33	300
Current tax		-	5,546
Deferred tax asset	22	-	629
Other assets	23	6,918	6,809
Property, plant and equipment	24	66	87
<b>Total assets</b>		<b>12,476,139</b>	<b>13,450,535</b>
<b>LIABILITIES</b>			
Deposits from banks	25	1,264,625	769,147
Debt securities in issue	26	7,035,285	6,854,640
Repurchase agreements	27	600,002	2,400,125
Due to customers		1,632,902	1,793,664
Derivative financial instruments	21	702,443	439,521
Current tax		492	-
Deferred tax liability	22	3,121	2,240
Accruals and deferred income		9,515	8,572
Other liabilities	28	919	1,082
Provisions for liabilities and commitments	29	64	427
<b>Total liabilities</b>		<b>11,249,368</b>	<b>12,269,418</b>
<b>EQUITY attributable to the equity holders of the parent company</b>			
Share capital	30	400,500	400,500
Share premium	30	1,025	1,025
Available for sale reserves		21,846	15,273
Other reserves		506,764	506,764
Retained earnings		296,636	257,555
<b>Total equity</b>		<b>1,226,771</b>	<b>1,181,117</b>
<b>Total liabilities and shareholders' funds</b>		<b>12,476,139</b>	<b>13,450,535</b>

The notes on pages 15 to 73 are an integral part of these financial statements.

On behalf of the board

R. Barkley  
*Chairman*

A. Plomp  
*Managing Director*

I. Letchford  
*Director*

S. Keaveney  
*For and on behalf of Capita International Financial Services (Ireland) Ltd*  
Company Secretary

27 February 2015

# INTESA SANPAOLO BANK IRELAND plc

## Statement of changes in equity for the year ended 31 December 2014

	Attributable to equity shareholders of the Company					Total €000
	Share capital	Share premium	Available for sale reserves	Other reserves	Retained earnings	
	€000	€000	€000	€000	€000	
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
<b>Total comprehensive income for the year</b>	-	-	5,863	-	52,803	58,666
Equity dividends	-	-	-	-	(34,508)	(34,508)
<b>31 December 2013</b>	<b>400,500</b>	<b>1,025</b>	<b>15,273</b>	<b>506,764</b>	<b>257,555</b>	<b>1,181,117</b>
<b>1 January 2014</b>	<b>400,500</b>	<b>1,025</b>	<b>15,273</b>	<b>506,764</b>	<b>257,555</b>	<b>1,187,117</b>
<b>Profit for the financial year</b>	-	-	-	-	81,323	81,323
<b>Other comprehensive income</b>	-	-	6,573	-	-	6,573
<b>Total comprehensive income for the year</b>	-	-	6,573	-	81,323	87,896
<b>Equity dividends</b>	-	-	-	-	(42,242)	(42,242)
<b>31 December 2014</b>	<b>400,500</b>	<b>1,025</b>	<b>21,846</b>	<b>506,764</b>	<b>296,636</b>	<b>1,226,771</b>

Other reserves include a distributable capital contribution of €506,764,365 (2013: €506,764,365).

# INTESA SANPAOLO BANK IRELAND plc

## Statement of cash flows for the year ended 31 December 2014

	Note	2014 €000	2013 €000
<b>Cash flows from operating activities</b>			
Interest received		293,160	422,935
Fees and commission receipts		4,955	2,668
Fees and commission paid		(9,296)	(18,398)
Net trading and other income / (expense)		(12,995)	(39,124)
Interest paid		(216,525)	(309,155)
Cash payments to employees and suppliers		(3,902)	(4,452)
Recoveries on loans previously written off		3,168	10,108
Income taxes paid		(5,668)	(11,095)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>52,897</b>	<b>53,487</b>
<b>Changes in operating assets and liabilities</b>			
Net decrease in cash and balances with central bank		129	98
Net decrease in loans and advances to banks		137,034	1,845,692
Net decrease in loans and advances to customers		919,643	876,078
Net (increase) in other assets		(512)	-
Net increase / (decrease) in deposits from banks		837,089	(1,756,685)
Net (decrease) in amounts due to customers		(159,580)	(104,993)
Proceeds from / Purchase of repurchase agreements		(1,200,000)	-
<b>Cash flows from changes in operating assets and liabilities</b>		<b>533,803</b>	<b>860,190</b>
<b>Net cash from operating activities</b>		<b>586,700</b>	<b>913,677</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(16)	(70)
Proceeds from sale of property, plant and equipment		-	2
Purchases of available for sale investments		(2,003,940)	(1,230,389)
Proceeds of available for sale investments		2,125,529	1,167,674
Proceeds of assets at fair value though profit or loss		-	2,582
<b>Net cash used in investing activities</b>		<b>121,573</b>	<b>(60,201)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from debt securities in issue		5,206,212	5,662,192
Repayment of debt securities		(5,042,546)	(8,334,063)
Dividends paid		(42,242)	(34,508)
<b>Net cash used in financing activities</b>		<b>121,424</b>	<b>(2,706,379)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>829,697</b>	<b>(1,852,903)</b>
Cash and cash equivalents at beginning of year		(1,521,615)	331,288
<b>Cash and cash equivalents at end of year</b>	31	<b>(691,918)</b>	<b>(1,521,615)</b>



# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 Board of Directors) 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 counterparty 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 counterparty 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) Available for sale financial assets

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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 2014 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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.



# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 1.18. New standards

#### **Adoption of new and amendment of accounting standards**

From 1 January 2014 the Company has adopted the following amendments to standards:

- IAS 32 – ‘Offsetting Financial assets and financial liabilities’

Amendments to IAS 32 ‘Offsetting financial assets and financial liabilities’ became effective for annual periods beginning on or after 1 January 2014. The amendments clarified the original offsetting criteria in IAS 32 and addressed 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 did not have any material impact on the Company’s financial position or performance.

#### **Prospective accounting changes to relevant accounting standards**

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 |
|-----------------------------------|----------------|
| • IFRS 9 - ‘Financial Instruments | 1 January 2018 |

IFRS 9, ‘Financial instruments’, effective for annual periods beginning on or after 1 January 2018 (early adoption is permitted), includes revised guidance on the classification and measurement of financial instruments and will replace the existing guidelines in IAS 39. It will include a new expected credit loss model and new general hedge accounting requirements. It will carry forward the existing IAS 39 guidelines on the recognition and de-recognition of financial instruments. 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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.

From January 1<sup>st</sup> 2014 CRR/CRD IV regulation entered into force impacting definition of capital and calculation of risk Weighted Assets.

The main impacts for the Bank are the following:

- subordinated loans with Group not deducted anymore from Capital;
- partial impact of AFS reserve losses on Tier 1 Capital;
- increased weighting on a consistent portion of the Bank’s unrated portfolio (mainly Group exposures).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

The table below discloses the regulatory capital requirements of the Company and the associated solvency ratios for 2014 and 2013 year-ends and underlines its prudential capital management objective:

### Regulatory Capital Information 2014 and 2013

	Eligible Own Funds 2014 €000	Capital Requirement 2014 €000	Eligible Own Funds 2013 €000	Capital Requirement 2013 €000
Equity	1,145,447		1,113,038	
Prudential filters and regulatory adjustments	(21,923)		(46,635)	
<b>Core Tier 1</b>	<b>1,123,524</b>	<b>636,984</b>	1,066,403	532,155
<b>Total Tier 1</b>	<b>1,123,524</b>	<b>636,984</b>	1,066,403	532,155
Collective provisions	1,054		1,182	
Prudential filters and regulatory adjustments	-		(1,182)	
<b>Tier 2</b>	<b>1,054</b>		-	
<b>Total Capital</b>	<b>1,124,578</b>	<b>636,984</b>	1,066,403	532,155

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 ongoing 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 €8.9 billion at the end of 2014 (€10 billion in 2013):

	<b>2014</b> <b>€000</b>	2013 €000
<b>Loans and advances to banks</b> (as per Statement of Financial Position)	7,277,780	7,494,812
<b>Loans and advances to customers</b> (as per Statement of Financial Position)	1,604,337	2,546,266
	<b>8,882,117</b>	10,041,078

A breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2014 and 2013 by activity sector for non-Group exposure is provided in the table below:

Sector of Risk	2014		2013	
	€000	%	€000	%
Central Government	355,692	47.32	398,652	47.26
Credit Institutions	64,592	8.59	167,614	19.87
Electricity, Gas and Water Supply	122,999	16.37	-	0.00
Financial Intermediaries (Excl. Credit Institutions / Central Bank)	114,140	15.19	239,698	28.41
Manufacturing	1,424	0.19	177	0.02
Transport, Storage and Communications	92,738	12.34	37,466	4.44
<b>Total Non-Group</b>	<b>751,585</b>	<b>100.00</b>	843,607	100.00
<b>Total Group</b>	<b>8,028,453</b>		9,021,178	
<b>Cash collateral</b>	<b>102,079</b>		176,293	
<b>Grand Total, including cash collateral</b>	<b>8,882,117</b>		10,041,078	

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

The breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2014 and 2013 by internal credit rating is provided in the table below:

Counterparty Internal Rating	2014		2013	
	€000	%	€000	%
DEFAULT	-	0.00	9,159	1.09
I.1.A	180,814	24.06	191,069	22.65
I.1.D	3,020	0.40	-	0.00
I2	174,878	23.27	207,583	24.61
I3	30,899	4.11	31,590	3.74
I4	10,010	1.33	25,079	2.97
I5	61,716	8.21	76,932	9.12
I6	237,139	31.56	239,698	28.41
M2	24,941	3.32	-	0.00
M3	20,029	2.66	55,660	6.60
R2	6,715	0.89	-	0.00
R3	1,424	0.19	6,660	0.79
R5	-	0.00	177	0.02
<b>Total Non-Group</b>	<b>751,585</b>	<b>100.00</b>	843,607	100.00
Group I.1.F	30,017	0.37	125,134	1.39
Group I2	130,058	1.62	130,072	1.44
Group I5	7,868,378	98.01	8,765,972	97.17
<b>Group Total, excluding collateral</b>	<b>8,028,453</b>	<b>100.00</b>	9,021,178	100.00
Cash collateral - Non-Group	3,321		40,649	
Cash collateral - Group	98,758		135,644	
<b>Total of Collateral</b>	<b>102,079</b>		176,293	
<b>Grand Total</b>	<b>8,882,117</b>		10,041,078	

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

In the case of financial institutions and governments, the external credit rating assigned by an external credit assessment institution (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:

<b>S&amp;P's Rating equivalent</b>	<b>Counterparty Internal Rating</b>
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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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

	2014		2013		Change net exposure €000
	Net exposure €000	% break-down	Net exposure €000	% break-down	
Doubtful Loans	11,368	0.13	9,159	0.09	2,209
Substandard Loans	-	-	46,956	0.47	(46,956)
Past Due Loans	-	-	-	-	-
<b>Non-Performing Loans</b>	<b>11,368</b>	<b>0.13</b>	<b>56,115</b>	<b>0.56</b>	<b>(44,747)</b>
Performing Loans	8,870,748	99.87	9,984,963	99.44	(1,114,215)
<b>Loans and Advances to Banks and Customers</b>	<b>8,8823,116</b>	<b>100.00</b>	<b>10,041,078</b>	<b>100.00</b>	<b>(1,158,962)</b>

	2014			2013		
	Gross exposure €000	Impairment provisions €000	Net exposure €000	Gross exposure €000	Impairment provisions €000	Net exposure €000
Doubtful Loans	11,594	(226)	11,368	36,635	(27,476)	9,159
Substandard Loans	-	-	-	47,005	(49)	46,956
Past Due Loans	-	-	-	-	-	-
<b>Non-Performing Loans</b>	<b>11,594</b>	<b>(226)</b>	<b>11,368</b>	<b>83,640</b>	<b>(27,525)</b>	<b>56,115</b>
Performing Loans	8,872,151	(1,403)	8,870,748	9,986,085	(1,122)	9,984,963
<b>Loans and Advances to Banks and Customers</b>	<b>8,883,745</b>	<b>(1,629)</b>	<b>8,8082,116</b>	<b>10,069,725</b>	<b>(28,647)</b>	<b>10,041,078</b>

Non-performing loans decreased last year both on a gross and net exposure basis, with a net exposure representing 0.13% of the total loans and advances to banks and customers in December 2014 (0.6% in December 2013).

Gross exposure relating to doubtful loans decreased in 2014 amounting to €11.59 million at year-end. Individual impairment losses on these exposures covered 100% (2013: 65%) of the exposures that are not guaranteed either by Government or by Group Entities at year-end 2014. Provisions are considered in line with market-driven recovery expectations. Net exposure to doubtful loans accounted for 0.13% of total loans and advances to banks and customers in December 2014 (0.09% in December 2013).

There is currently no exposure to past due loans in December 2014 (2013: Nil).

There is currently no exposure to substandard loans (2013: €47 million). During 2014 the exposure deteriorated with a subsequent reclassification to doubtful loans resulting in the enforcement of the guarantee for the default exposure.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

A breakdown of the Company's credit risk exposure relating to Loans and Receivables at year-ends 2014 and 2013 by country risk is shown in the following table (exposures to branches of the Parent Company are reported as Italian exposure):

<b>Group Exposure</b> <b>Country of Risk</b>	<b>2014</b>		2013	
	<b>€000</b>	<b>%</b>	€000	%
Croatia	-	0.00	60,037	0.66
Hungary	30,017	0.37	125,134	1.37
Italy	7,820,566	96.22	8,668,168	94.66
Romania	19,661	0.24	8,570	0.09
Slovak Republic	130,058	1.60	130,072	1.42
Slovenia	28,151	0.35	29,197	0.32
United Kingdom	98,758	1.22	135,644	1.48
<b>Total Group</b>	<b>8,127,211</b>	<b>100.00</b>	9,156,822	100.00

<b>Non-Group Exposure</b> <b>Country of Risk</b>	<b>2014</b>		2013	
	<b>€000</b>	<b>%</b>	€000	%
Germany	180,814	23.95	191,069	21.61
Iceland	-	0.00	9,159	1.04
Ireland	149,091	19.75	341,710	38.64
Italy	267,959	35.50	304,675	34.46
Russia	122,999	16.29	-	0.00
Ukraine	-	0.00	177	0.02
United Kingdom	33,919	4.49	31,590	3.57
United States	124	0.02	5,876	0.66
<b>Total Non-Group</b>	<b>754,906</b>	<b>100.00</b>	884,256	100.00

<b>Grand Total</b>	<b>8,882,117</b>	10,041,078
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# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### Credit Risk Exposure related to Contingent Liabilities and Outstanding Commitments:

A breakdown of the Company's contingent credit risk exposure at year-ends 2014 and 2013 by activity sectors is shown in the table below:

Sector of Risk	2014		2013	
	€000	%	€000	%
Central Government	41,272	51.32	46,496	29.95
Electricity, Gas and Water Supply	-	0.00	108,767	70.05
Wholesale / Retail Trade & Repair	39,145	48.68	-	0.00
<b>Total Non-Group</b>	<b>80,417</b>	<b>100.00</b>	155,263	100.00
<b>Group</b>	<b>103,494</b>		277,586	
<b>Grand Total</b>	<b>183,911</b>		432,848	

A breakdown of the Company's contingent credit risk exposure at year-ends 2014 and 2013 by internal credit rating is shown in the table below:

Counterparty Internal Rating	2014		2013	
	€000	%	€000	%
I.1.A	10,317	12.83	-	0.00
I2	41,272	51.32	46,496	29.95
I6	28,828	35.85	108,767	70.05
<b>Total Non-Group</b>	<b>80,417</b>	<b>100.00</b>	155,263	100.00
Group I.5	103,494	100.00	277,586	100.00
<b>Total Group</b>	<b>103,494</b>	<b>100.00</b>	277,586	100.00
<b>Grand Total</b>	<b>183,911</b>		432,848	

A breakdown of the Company's contingent credit risk exposure at year-ends 2014 and 2013 by country risk is shown in the table below:

Non-Group Exposure Country of Risk	2014		2013	
	€000	%	€000	%
Bermuda	28,828	35.85	-	0.00
Italy	41,272	51.32	46,496	29.95
Russia	-	0.00	108,767	70.05
United Kingdom	10,317	12.83	-	0.00
<b>Total</b>	<b>80,417</b>	<b>100.00</b>	155,263	100.00
Group Exposure Country of Risk	2013		2013	
	€000	%	€000	%
Italy	103,494	100.00	77,586	27.95
Slovenia	-	0.00	200,000	72.05
<b>Total</b>	<b>103,494</b>	<b>100.00</b>	277,586	100.00
<b>Grand Total</b>	<b>183,911</b>		<b>432,848</b>	

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### Credit Risk Exposure related to the Securities Portfolio

The Company has in place a Nominal Limit of €4 billion (€3 billion in 2013) 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 €3.024 billion at the end of 2014 (€3.050 billion in 2013).

	<b>2014</b>	2013
	<b>€000</b>	€000
<b>Securities Carried at Fair Value Through Profit or Loss</b> (as per Statement of Financial Position)	47,660	47,718
<b>Available for Sale Investments *</b> (as per Statement of Financial Position)	2,976,704	3,002,033
	<b>3,024,364</b>	<b>3,049,751</b>

\* AFS Investments in 2014 include € 127,000 of Equity Securities (2013: nil)

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2014 and 2013 by activity sectors is shown in the table below:

<b>Sector of Risk</b>	<b>2014</b>	2013
	<b>€000</b>	€000
Central Government (EU)	2,526,646	2,504,152
Credit Institutions	105,119	157,177
Extra-Territorial Organisations and Bodies	239,950	235,878
Financial Intermediaries (Excl. Credit Institutions / Central Bank)	128,142	129,858
Transport, Storage and Communications	24,380	22,686
<b>Total</b>	<b>3,024,237</b>	<b>3,049,751</b>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2014 and 2013 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:

<b>Bond Internal Rating</b>	<b>2014 €000</b>	2013 €000
I.1.A	393,151	393,921
I.1.B	35,788	84,424
I.1.C	412,308	-
I.1.D	-	58,228
I.1.E	-	10,344
I.1.F	-	20,786
I4	16,323	-
I5	2,166,667	2,472,104
I6	-	9,944
<b>Total</b>	<b>3,024,237</b>	3,049,751

A breakdown of the Company's credit risk exposure related to bonds at year-ends 2014 and 2013 by country risk is shown in the following table:

<b>Country of Risk</b>	<b>2014 €000</b>	2013 €000
Austria	24,380	22,686
Belgium	122,165	58,228
Finland	12,262	12,441
France	314,769	78,113
Italy	2,182,990	2,513,177
Netherlands	49,577	49,806
Norway	23,613	24,136
Supranational	239,950	235,878
United Kingdom	54,531	55,286
<b>Total</b>	<b>3,024,237</b>	3,049,751

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 2014.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### Price Sensitivity Analysis as at 31 December 2014 of CFV and AFS Securities to Credit Spread Volatility

	Profit & Loss €000	Other Comprehensive Income and Equity €000
AFS Securities	-	(19,579)
Economically hedged CFV Securities	(151)	-
<b>Total</b>	<b>(151)</b>	<b>(19,579)</b>

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

	Profit & Loss €000	Other Comprehensive Income and Equity €000
AFS Securities	-	(9,241)
Economically hedged CFV Securities	(255)	-
<b>Total</b>	<b>(255)</b>	<b>(9,241)</b>

#### Use of Credit Risk Mitigants:

At year-end 2014, of the total amount of loans and advances (excluding intra-Group transactions) of €1.022 billion (2013: €1.372 billion), €0.749 billion (2013: €0.974 billion) (representing 73.29% (2013: 70.99%)) had a credit risk mitigation (including but not limited to risk participations and export credit guarantees) attached.

#### Collateral Management:

An amount of €645.36 million of risk exposure was partially or fully covered by collateral at year-end 2014 (2013: €385.81 million), with an adjusted fair value of such collateral estimated at €654.59 million at 31 December 2014 (2013: €392.02 million).<sup>1</sup> The collateral related to derivative exposure of €485.03 million (2013: €209.52 million) and loan and advances of €160.33 million (2013: €176.29 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.

<sup>1</sup> The increase is substantially driven by the signing of CSA agreement with the Parent Company in 2014

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### Offsetting financial assets and financial liabilities

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

#### 31 December 2014

	€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		Net amount
					Financial instruments (including non-cash collateral)	Cash collateral received	
Derivatives		513,252	(35,809)	477,443		477,443	0

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

#### 31 December 2014

	€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		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives		534,462		534,462		532,858	1,604
Repurchase agreements		600,002		600,002	600,002		0

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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		Net amount
					Financial instruments (including non-cash collateral)	Cash collateral received	
Derivatives		204,136		204,136		204,136	0

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		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives		327,180		327,180		322,350	4,830
Repurchase agreements		2,400,125		2,400,125	2,400,125		0

### 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 own 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:

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

- 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 €4.13 billion at the end of 2014 (2013: €4.79 billion), of which €3.71 billion were classified as hedging derivatives with application of hedge accounting rules (2013: €2.95 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 2014, 82.04% of the derivatives involving the Company were dealt with another entity of the Group (2013: 84.4%). Collateralised derivatives amounted to €494.26 million (2013: €215.70 million). The Company computes a bilateral credit and debit risk adjustment (CVA / DVA) of Nil. (2013: 0.03 million) for all derivatives with non-Group counterparties (unless a collateral agreement exists between the counterparty and the Company).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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;
- Defining rules for new regulatory reporting requirement, such as the Liquidity Coverage Ratio (LCR, gradual implementation from October 2015) and the Net Stable Funding Ratio (NSFR, implementation in 2018).

#### Historical statistics on liquidity ratios (standard case) for 2014 and 2013

	2014		2013	
	0-8 days %	9d – 1m %	0-8 days %	9d – 1m %
Minimum	125.0	122.5	104.3	91.9
Maximum	1,428.4	2,672.5	2,156.1	525.2
Average	330.7	474.5	205.3	180.9

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 2014

The following tables show the liquidity risk exposure of the Company for the year ended 2014 and 2013 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-2014 €000	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
<b>INFLOWS</b>							
<b>Readily Marketable Assets/Liquid Assets</b>	<b>2,080,308</b>	-	-	-	-	-	-
Cash	1,364	-	-	-	-	-	-
Lending to MFI's	20,000	-	-	-	-	-	-
Securities other than shares issued by MFI's	214,618	-	-	-	-	-	-
Central Government Securities	1,800,280	-	-	-	-	-	-
Securities other than shares issued by non MFI's	-	-	-	-	-	-	-
Accrued Interest	1,876	-	-	-	-	-	-
Minimum Reserve Balance	45,562	-	-	-	-	-	-
Less Deposit Protection Account	3,392	-	-	-	-	-	-
<b>Monetary Financial Institutions</b>	<b>34,951</b>	<b>150,618</b>	<b>94,563</b>	<b>372,828</b>	<b>681,044</b>	<b>1,043,397</b>	<b>6,781,536</b>
- Affiliates	951	150,618	64,512	367,507	675,829	1,032,504	6,686,091
- Other Credit Institutions - Non Irish	-	-	5,019	5,321	5,215	10,893	95,445
- Other Credit Institutions - Irish	-	-	25,032	-	-	-	-
- All other Monetary Financial Institutions	-	-	-	-	-	-	-
- Sale of Securities or Investments in MFIs	34,000	-	-	-	-	-	-
<b>Central Government</b>	<b>34,913</b>	-	-	-	-	-	-
- From investments	34,913	-	-	-	-	-	-
<b>Non-Government Credit</b>	<b>43</b>	<b>74,361</b>	<b>81,410</b>	<b>32,838</b>	<b>40,370</b>	<b>125,811</b>	<b>691,962</b>
- Overdrafts	-	-	1,901	-	-	-	-
- Term Loans	43	74,361	79,509	32,838	40,370	125,811	691,962
<b>Sale and Repurchase Agreements</b>	<b>607,875</b>	-	-	-	-	-	<b>288,028</b>
- Other Credit Institutions	-	-	-	-	-	-	288,028
- ECB	607,875	-	-	-	-	-	-
<b>Fee Income</b>	-	-	-	-	-	-	-
<b>Derivative and OBS Activity</b>	<b>321,216</b>	<b>65,353</b>	<b>17,271</b>	<b>51,768</b>	<b>26,508</b>	<b>47,714</b>	<b>1,033,542</b>
- Swap	321,216	65,353	17,271	51,768	26,508	47,714	1,033,542
<b>Total Inflows</b>	<b>3,079,306</b>	<b>290,332</b>	<b>193,244</b>	<b>457,434</b>	<b>747,923</b>	<b>1,216,922</b>	<b>8,795,068</b>
<b>OUTFLOWS</b>							
<b>Monetary Financial Institutions</b>	<b>46,000</b>	<b>29,114</b>	<b>108,260</b>	<b>599,309</b>	<b>26,264</b>	<b>70,677</b>	<b>2,781,875</b>
- Affiliates	-	-	92,877	570,488	440	904	998
- Other Credit Institutions - non Irish	46,000	19,650	-	-	585	587	498,327
- All other Monetary Financial Institutions	-	9,464	15,383	28,821	25,239	69,186	2,282,550
<b>Debt Securities Issued</b>	<b>87,517</b>	<b>824,876</b>	<b>2,297,414</b>	<b>1,216,484</b>	<b>1,846,662</b>	<b>400,880</b>	<b>547,559</b>
<b>Non-Government Deposits</b>	<b>691</b>	-	-	-	-	-	-
- Current Accounts	590	-	-	-	-	-	-
- Demand Deposit Accounts	101	-	-	-	-	-	-
<b>Sale and Repurchase Agreements</b>	<b>600,006</b>	-	-	-	-	-	-
- ECB	600,006	-	-	-	-	-	-
<b>Fees Payable</b>	<b>88</b>	<b>290</b>	<b>744</b>	<b>1,147</b>	<b>2,319</b>	<b>4,613</b>	-
<b>Other Costs</b>	<b>92</b>	<b>304</b>	<b>779</b>	<b>1,201</b>	<b>2,429</b>	<b>4,831</b>	-
<b>Undrawn Committed Facilities Granted</b>	<b>125,665</b>	-	-	-	-	-	-
<b>Derivative and OBS Activity</b>	<b>323,683</b>	<b>69,316</b>	<b>28,664</b>	<b>67,428</b>	<b>53,632</b>	<b>86,720</b>	<b>1,115,469</b>
- Swap	323,683	69,316	28,664	67,428	53,632	86,720	1,115,469
<b>Total Outflows</b>	<b>1,183,742</b>	<b>923,900</b>	<b>2,435,861</b>	<b>1,885,569</b>	<b>1,931,306</b>	<b>567,721</b>	<b>4,444,903</b>
<b>Net Position in the Period</b>	1,895,564	-633,568	-2,242,617	-1,428,135	-1,183,384	649,201	4,350,165
<b>Net Cumulative Inflow/Outflow</b>	1,895,564	1,261,996	-980,621	-2,408,756	-3,592,140	-2,942,939	1,407,226
<b>Liquidity Ratio (%)</b>	260.1	236.6	59.7	16.0	17.2	29.3	119.0

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

31-Dec-2013 €000	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
<b>INFLOWS</b>							
<b>Readily Marketable Assets/Liquid Assets</b>	<b>352,167</b>	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Monetary Financial Institutions</b>	<b>1,045</b>	<b>168,829</b>	<b>145,414</b>	<b>478,394</b>	<b>627,778</b>	<b>1,153,670</b>	<b>7,720,136</b>
- 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	-	-	-	-	-
<b>Central Government</b>	<b>34,885</b>	-	-	-	-	-	-
- From investments	34,885	-	-	-	-	-	-
<b>Non-Government Credit</b>	<b>2,791</b>	<b>406,676</b>	<b>25,097</b>	<b>30,372</b>	<b>244,588</b>	<b>87,650</b>	<b>715,735</b>
- Overdrafts	-	-	1,901	-	-	-	-
- Term Loans	2,791	406,676	23,196	30,372	244,588	87,650	715,735
<b>Sale and Repurchase Agreements</b>	<b>1,223,840</b>	-	<b>1,237,833</b>	-	-	-	<b>291,356</b>
- Other Credit Institutions	-	-	-	-	-	-	291,356
- ECB	1,223,840	-	1,237,833	-	-	-	-
<b>Fee Income</b>	<b>-</b>	-	-	-	-	-	-
<b>Derivative and OBS Activity</b>	<b>222,124</b>	<b>3,563</b>	<b>36,987</b>	<b>21,599</b>	<b>50,776</b>	<b>72,908</b>	<b>1,163,939</b>
- Swap	222,124	3,563	36,987	21,599	50,776	72,908	1,163,939
<b>Total Inflows</b>	<b>1,836,852</b>	<b>579,068</b>	<b>1,445,331</b>	<b>530,365</b>	<b>923,142</b>	<b>1,314,228</b>	<b>9,891,166</b>
<b>OUTFLOWS</b>							
<b>Monetary Financial Institutions</b>	<b>3,000</b>	<b>17,521</b>	<b>509,107</b>	<b>64,382</b>	<b>29,056</b>	<b>78,634</b>	<b>2,673,165</b>
- 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
<b>Debt Securities Issued</b>	<b>136,786</b>	<b>740,718</b>	<b>3,832,020</b>	<b>428,719</b>	<b>111,407</b>	<b>936,705</b>	<b>859,640</b>
<b>Non-Government Deposits</b>	<b>527</b>	-	-	-	-	-	-
- Current Accounts	426	-	-	-	-	-	-
- Demand Deposit Accounts	101	-	-	-	-	-	-
<b>Sale and Repurchase Agreements</b>	<b>1,200,096</b>	-	<b>1,200,901</b>	-	-	-	-
- ECB	1,200,096	-	1,200,901	-	-	-	-
<b>Fees Payable</b>	<b>288</b>	<b>945</b>	<b>2,425</b>	<b>3,740</b>	<b>7,562</b>	<b>15,000</b>	-
<b>Other Costs</b>	<b>93</b>	<b>305</b>	<b>782</b>	<b>1,207</b>	<b>2,440</b>	<b>4,840</b>	-
<b>Undrawn Committed Facilities Granted</b>	<b>302,623</b>	-	-	-	-	-	-
<b>Derivative and OBS Activity</b>	<b>221,795</b>	<b>36,598</b>	<b>44,867</b>	<b>33,547</b>	<b>80,091</b>	<b>111,013</b>	<b>1,197,682</b>
- Swap	221,795	36,598	44,867	33,547	80,091	111,013	1,197,682
<b>Total Outflows</b>	<b>1,865,208</b>	<b>796,087</b>	<b>5,590,102</b>	<b>531,595</b>	<b>230,556</b>	<b>1,146,192</b>	<b>4,730,487</b>
<b>Net Position in the Period</b>	<b>-28,356</b>	<b>-217,019</b>	<b>-4,144,771</b>	<b>-1,230</b>	<b>692,586</b>	<b>168,036</b>	<b>5,160,679</b>
<b>Net Cumulative Inflow/Outflow</b>	<b>-28,356</b>	<b>-245,376</b>	<b>-4,390,147</b>	<b>-4,391,377</b>	<b>-3,698,791</b>	<b>-3,530,755</b>	<b>1,629,924</b>
<b>Liquidity Ratio (%)</b>	<b>98.5</b>	<b>70.2</b>	<b>24.8</b>	<b>10.8</b>	<b>20.0</b>	<b>27.1</b>	<b>119.7</b>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 2014, the Company's overall interest rate sensitivity on all balance sheet financial non-derivative assets, liabilities and derivatives amounted to €9.226 million (2013: €14.344 million), within the limit approved by the Board of Directors of +/- €16 million.

#### Historical Interest Rate Sensitivity Review 01/01/2014 to 31/12/2014

100 bps Shift Sensitivity	€000
Average	(10,459)
High	(3,554)
Low	(15,943)

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

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 2014 and in 2013.

### Interest Rate Sensitivity Analysis as at 31 December 2014 Instruments classified at Fair Value through Profit or Loss or Equity

	Profit & Loss €000	Other Comprehensive Income and Equity €000
AFS Securities	-	(4,761)
Economically hedged CFV Securities	(94)	-
Hedged Assets and Liabilities	(5,901)	-
Trading Derivatives	2,197	-
<b>Total</b>	<b>(3,798)</b>	<b>(4,761)</b>

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

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 2014 and 2013, by currency, is shown in the following tables:

### Sensitivity as at 31 December 2014 (100 basis points shift)

<b>Currency</b>	<b>2014 €000</b>	<b>2013 €000</b>
GBP	0	2
EUR	(7,927)	(13,654)
USD	(1,298)	(693)
Other	(1)	2
<b>Total</b>	<b>(9,226)</b>	<b>(14,344)</b>

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.

<b>Total Position at Year-end</b>	<b>2014 €000</b>	<b>2013 €000</b>
Long Foreign Currency:	824	1,806
Short Foreign Currency:	-	176

<b>Average Position during the Year</b>	<b>2014 €000</b>	<b>2013 €000</b>
Average Long Foreign Currency:	1,466	1,941
Average Short Foreign Currency:	76	68

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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but does not include strategic or reputational risk” in line with the definition of the Basel II Committee.

Operational Risk Management (“ORM”) is the structured set of processes, functions and resources for identifying, assessing and controlling operational risk, in order to ensure effective risk prevention and mitigation in accordance with the Group’s stated appetite for risk in its Risk Appetite Framework.

The objectives of ORM are as follows:

#### 1) Asset Protection

- To help to preserve the Group’s tangible (capital) and intangible (brand and reputation) assets in order to maximise the economic value for the shareholder at all times.
- To measure regulatory and economic capital according to the internal model.
- To help to guarantee protection of the values, professional and intellectual content, production of services and ethical conduct.
- To help to optimise the process of capital allocation through the distribution of correct risk-adjusted pricing analyses and the adoption of performance measurement systems consistent with such measures.

#### 2) Ex ante Monitoring and Control of processes

- To ensure that all the operational risks potentially present in the Group’s various operating areas are correctly identified, measured, controlled and managed according to methodologies and procedures that are formalized, common and constantly updated in line with the internal measurement system approved by the Regulatory Authority.
- To ensure that the internal operational risk management system is able to identify any significant anomalies.

#### 3) Compliance with Processes and Rules

- To maintain the quality of risk management processes and systems in line with the standards of international best practice.
- To maintain the compliance of the risk management system with regulatory requirements, the company’s needs and with market developments.
- To obtain synergies in risk identification with the specialist functions and the control functions responsible for monitoring specific external rules or perform tests on the efficiency of controls in the corporate processes (e.g. business continuity, security, auditing, financial administration governance, compliance, etc.), also in order to contain exposure to specific risks (such as ICT risk).
- To ensure compliance with the relevant organisational requirements of the national and international regulatory authorities.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 4) Use of the Internal Operational Risk Model for Management Purposes

- To ensure consistency between the Group's strategic choices (budget, capital allocation and calculation of the EVA) and the capital estimates calculated using the internal method.
- To guarantee the production of accurate and timely information and reporting for the various levels of the organisation responsible for management and control.
- To ensure that the essential risk management procedures are standardised and shared within the Group.
- To adopt a system of warning thresholds that will ensure constant and timely management of critical areas in the production processes.
- To promote the systematic dissemination of a consistent standardised culture of operational risk management.
- To make management aware of the levels of risk in their business when making strategic, operational and managerial choices.
- To evaluate (ex ante) the level of operational risk associated with the introduction of new products, activities, processes or systems and entry into new markets.
- To fully identify the operational risks and participate in the development of ways to mitigate them.
- To obtain synergies with the control functions when developing plans to mitigate/transfer risk and subsequent monitoring.

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 demonstrated by the robust internal control framework that has been delegated Senior Management to implement through the Company. The organisational structure of the Company is also compatible with an 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;
- 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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;
      - Analysis of all manual intervention on operating systems; and
      - Analysis of all swift messages to identify either potential instances of operational risk.
- The existence of a local Disaster Recovery and Business Continuity framework including:
  - A local UPS (uninterruptible power supply) at the main office;
  - A building with an independent generator at the main office;
  - An alternative business site is located at Southwood East Business Park, Apollo Rise, Farnborough, Hampshire GU14 0JW, UK. This site allows users to access their systems as they would in Company's' Offices should the building in Dublin be unavailable. The site is subject to a full test where Company Staff travel to the site and conduct critical activities as outlined in their departmental business impact analysis (BIA). Access to general systems and general familiarisation with the site is also part of this testing. Staff are rotated to ensure adequate cover for critical activities.
  - Persons Unavailability training is provided by Dublin Staff to backup staff from London Hub and is reciprocated. Testing is subsequently conducted where the backup staff member carries out the critical activities as per the affected departments BIA.
  - 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.).



# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 2014.

	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
<b>As at 31 December 2014</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Assets</b>							
Cash and balances with central banks	49,389	-	-	-	-	-	49,389
Financial instruments at fair value	-	-	47,660	-	-	-	47,660
Available for sale investments	-	-	-	-	2,976,704	-	2,976,704
Loans and advances to banks	7,277,780	-	-	-	-	-	7,277,780
Loans and advances to customers	1,604,337	-	-	-	-	-	1,604,337
Derivative financial instruments	-	513,252	-	-	-	-	513,252
Prepayment and accrued income	33	-	-	-	-	-	33
Other assets	6,918	-	-	-	-	-	6,918
Property, plant and equipment	-	-	-	-	-	66	66
<b>Total assets</b>	<b>8,938,457</b>	<b>513,252</b>	<b>47,660</b>	<b>-</b>	<b>2,976,704</b>	<b>66</b>	<b>12,476,139</b>
<b>Liabilities</b>							
Deposits from banks	1,264,625	-	-	-	-	-	1,264,625
Debt securities in issue	7,035,285	-	-	-	-	-	7,035,285
Repurchase agreements	600,002	-	-	-	-	-	600,002
Due to customers	1,632,902	-	-	-	-	-	1,632,902
Derivative financial instruments	-	531,598	-	170,845	-	-	702,443
Current tax	-	-	-	-	-	492	492
Deferred tax liability	-	-	-	-	-	3,121	3,121
Accruals and deferred income	9,515	-	-	-	-	-	9,515
Other liabilities	919	-	-	-	-	-	919
Provisions for liabilities and commitments	64	-	-	-	-	-	64
<b>Equity</b>							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	-	21,846	21,846
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	296,636	296,636
<b>Total liabilities and shareholders' funds</b>	<b>10,543,312</b>	<b>531,598</b>	<b>-</b>	<b>170,845</b>	<b>-</b>	<b>1,230,384</b>	<b>12,476,139</b>

\*Other includes non-financial items and equity instruments

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

The table below summarizes the analyses of various classes of financial assets and liabilities by IAS 39 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
<b>Assets</b>							
Cash and balances with central banks	66,948	-	-	-	-	-	66,948
Financial instruments at fair value	-	-	47,718	-	-	-	47,718
Available for sale investments	-	-	-	-	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
<b>Total assets</b>	<b>10,115,135</b>	<b>279,387</b>	<b>47,718</b>	<b>-</b>	<b>3,002,033</b>	<b>6,262</b>	<b>13,450,535</b>
<b>Liabilities</b>							
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
<b>Equity</b>							
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
<b>Total liabilities and shareholders' funds</b>	<b>11,827,657</b>	<b>299,707</b>	<b>-</b>	<b>139,814</b>	<b>-</b>	<b>1,183,357</b>	<b>13,450,535</b>

\*Other includes non-financial items and equity instruments

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 discretionary 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 flow 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).

For derivatives, which might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustments (DVA), unless a bilateral collateral agreement has been entered by the Company with the relevant counterparty.

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

	2014						Total
	Level 1		Level 2		Level 3		
	€000	%	€000	%	€000	%	
<b>Financial Assets designated at Fair Value through Profit or Loss</b>							
- Debt instruments	-	-	47,660	100.0	-	-	47,660
<b>Available for Sale financial Assets</b>							
- Debt instruments	2,976,577	100.0	-	-	-	-	2,976,577
- Equity instruments	127	0.00	-	-	-	-	127
<b>Total Financial Assets</b>	<b>2,976,704</b>		<b>47,660</b>		<b>-</b>	<b>-</b>	<b>3,024,364</b>

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

2014

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

	2014						Total
	Level 1		Level 2		Level 3		
	€000	%	€000	%	€000	%	
<b>Derivatives Assets</b>							
-Trading	-	-	513,252	100.0	-	-	513,252
-Hedging	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>513,252</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>513,252</b>
<b>Derivatives Liabilities</b>							
-Trading	-	-	531,598	75.7	-	-	531,598
-Hedging	-	-	170,845	24.3	-	-	170,845
<b>Total</b>	<b>-</b>	<b>-</b>	<b>702,443</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>702,443</b>

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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 2014 and at 31 December 2013.

	Level 1	Level 2	Level 3	31-Dec-14 Fair value €000	31-Dec-14 Carrying value €000
<b>Assets</b>					
Cash and balances at central banks	-	49,389	-	49,389	49,389
Loans and advances to banks	-	510,161	7,338,264	7,848,425	7,277,780
Loans and advances to customers	-	833,474	812,600	1,646,074	1,604,337
<b>Liabilities</b>					
Deposits by banks	-	1,222,334	44,007	1,266,341	1,264,625
Due to customers	-	5,539	2,064,231	2,069,770	1,632,902
Debt securities in issue	-	4,988,280	2,044,340	7,032,620	7,035,285
Repurchase agreements	-	600,002	-	600,002	600,002

	Level 1	Level 2	Level 3	31-Dec-13 Fair value €000	31-Dec-13 Carrying value €000
<b>Assets</b>					
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
<b>Liabilities</b>					
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

In 2014 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, short-term assets (original life of less than 18 months or residual life of less than 12 months) and non-performing assets.

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 short-term liabilities (original life of less than 18 months or residual life of less than 12 months).

While in 2013, the methodology was that the book value was considered to be the fair value also for intra-Group assets and liabilities (except for back-to-back assets with matching liabilities).

## 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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 7. Net interest income

	2014 €000	2013 €000
<b>Interest and similar income</b>		
Cash and short term funds	914	1,226
Available for sale debt securities	72,982	85,635
Financial assets at fair value through profit or loss	1,841	1,804
Loans and advances *	239,752	298,087
Repurchase agreements	271	98
Net swap interest income	29	105
	<u>315,789</u>	<u>386,955</u>

\* Interest income includes €128,013 (2013: €544,047) accrued on impaired loans.

	2014 €000	2013 €000
<b>Interest expense and similar charges</b>		
Banks and customers	76,050	82,196
Debt securities in issue	86,408	133,883
Repurchase agreements	1,600	6,815
Net swap interest expense	61,334	63,163
Net expense on fair value option trading derivatives	1,693	1,634
	<u>227,085</u>	<u>287,691</u>

### 8. Fees and commission income and expense

	2014 €000	2013 €000
<b>Fee and commission income</b>		
Credit related fees and commissions	3,672	4,558
Other fees	73	130
	<u>3,745</u>	<u>4,688</u>
<b>Fee and commission expense</b>		
Credit related fees and commissions	9,424	17,799
Brokerage fees paid	3	4
Other fees paid	260	327
	<u>9,687</u>	<u>18,130</u>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 9. Net trading expense

	2014 €000	2013 €000
Mark-to-market gains / (losses):		
- Derivatives	650	(31,892)
- Net result hedge accounting ***	(54)	(142)
- Financial instruments designated at Fair Value through profit or loss	103	1,121
Net realised gain on available for sale debt securities	10,935	425
Net realised gain / (loss) on loans	-	73
Net realised loss on deposits	-	-
Net realised loss on debt securities	(3)	(1)
	<u>11,631</u>	<u>(30,416)</u>

\*\*\* 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.

#### 2014 - Net results of hedge accounting

	Loans and Receivables €000	Available for Sale €000	Total €000
Net gains / (losses) on Hedged asset / liability	(14,045)	99,801	85,756
Net gains / (losses) on Fair value of hedging Derivatives	14,399	(100,209)	(85,810)
	<u>354</u>	<u>(408)</u>	<u>(54)</u>

#### 2013 - Net results of hedge accounting

	Loans and Receivables €000	Available for Sale €000	Debt Securities in Issue €000	Total €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
	<u>(156)</u>	<u>185</u>	<u>(171)</u>	<u>(142)</u>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 10. Employee numbers

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

	Number of employees	
	2014	2013
Administration	<u>25</u>	<u>25</u>

### 11. Administrative expenses

	2014	2013
	€000	€000
Staff costs		
- wages and salaries	1,627	1,979
- social welfare costs	167	164
- pension costs	295	434
- other personnel expenses	5	4
	<u>2,094</u>	<u>2,581</u>
Other administrative expenses	<u>1,657</u>	<u>1,861</u>
	<u>3,751</u>	<u>4,442</u>

### 12. Profit before taxation

	2014	2013
	€000	€000
Profit before tax is stated after charging:		
Depreciation – property, plant and equipment	37	34
Auditors' remuneration ( <i>including VAT</i> ):		
Audit services		
Statutory audit	77	76
Other services	15	20
Subtotal	<u>92</u>	<u>96</u>
Non-audit services		
Taxation services	27	22
Subtotal	<u>27</u>	<u>22</u>
	<u>119</u>	<u>118</u>
Directors' remuneration:		
Executive	197	385
Non-executive	<u>79</u>	<u>75</u>
	<u>276</u>	<u>460</u>



# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

The following tables detail the total remuneration of the directors.

2014	Salary €000	Directors Fees €000	Taxable/ Other Benefits €000	Pension Contribution €000	Total €000
<b>Executive Director</b>					
A. Plomp	149	-	6	42	197
<b>Total</b>	<b>149</b>	<b>-</b>	<b>6</b>	<b>42</b>	<b>197</b>
<b>Non – Executive Directors</b>					
Ian Letchford	-	32	-	-	32
Salvatore Catalano	-	2	-	-	2
Richard Barkley	-	27	-	-	27
Neil Copland	-	18	-	-	18
<b>Total</b>	<b>-</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>79</b>

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

\*\* Remuneration from date of appointment

### 13. Income tax expense

	2014 €000	2013 €000
Corporation tax charge 12.5% (2013: 12.5%) on the profit for the year on ordinary activities	11,702	7,540
Current tax charge for the year (Over) / Under provision in prior year	11,702 3	7,540 (11)
	11,705	7,529
Deferred Tax Adjustment for prior years	597	-
<b>Total current Tax</b>	<b>12,302</b>	<b>7,529</b>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

The current tax charge for the year is higher (2013: 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:

	2014 €000	2013 €000
Profit on ordinary activities before tax	93,625	60,332
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for year of 12.5% (2013: 12.5%)	<u>11,702</u>	<u>7,540</u>
Effects of:		
Adjustments to tax charge in respect of previous periods	4	(11)
Other adjustments	-	-
Deferred tax charge in respect of previous years	596	-
Current tax charge for the year	<u><u>12,302</u></u>	<u><u>7,529</u></u>

### 14. Dividends paid and proposed

	2014 €000	2013 €000
<b>Declared and paid during the year</b>		
Declared on ordinary shares:		
Final dividend for 2013: 10.54 cent per share (2012: 8.62 cent per share)	<u>42,242</u>	<u>34,508</u>
<b>Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)</b>		
Dividend on ordinary shares:		
Final dividend for 2014: 14.21 cent per share (2013: 10.54 cent per share)	<u>56,926</u>	<u>42,242</u>

### 15. Cash and balances with central banks

	2014 €000	2013 €000
Mandatory reserve deposits with central bank	45,564	64,004
Other cash balances	3,925	3,012
Less allowances for losses	(100)	(68)
	<u><u>49,389</u></u>	<u><u>66,948</u></u>

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) €46 million (2013: €63 million).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 16. Financial assets at fair value through profit or loss

	2014 €000	2013 €000
<b>Debt securities at fair value</b>		
Issued by public bodies		
- government securities	47,660	47,718
	<u>47,660</u>	<u>47,718</u>
Of which:		
- listed on a recognised exchange	23,697	24,332
- unlisted	23,963	23,386
	<u>47,660</u>	<u>47,718</u>

### 17. Available for sale debt investments

	2014 €000	2013 €000
<b>Debt securities</b>		
<i>Issued by public bodies</i>		
- government securities	2,569,982	2,546,628
- other public sector securities	148,954	145,685
<i>Issued by other issuers</i>		
- banks	233,261	287,035
- other debt securities	24,380	22,685
	<u>2,976,577</u>	<u>3,002,033</u>
Of which:		
- listed on a recognised exchange	2,976,577	3,002,033
Equity Securities		
Equity Securities – Other	127	-
	<u>127</u>	<u>-</u>
	<u>2,976,704</u>	<u>3,002,033</u>

### 18. Loans and advances to banks

	2014 €000	2013 €000
Placement with other banks	7,147,815	7,392,306
Unlisted securities	130,058	130,072
	<u>7,277,873</u>	<u>7,522,378</u>
Gross loans and advances	7,277,873	7,522,378
Less allowances for losses	(93)	(27,566)
	<u>7,277,780</u>	<u>7,494,812</u>

Of which included in cash and cash equivalents (Note 31) €10 million (2013: €104.4 million).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 19. Loans and advances to customers

	2014 €000	2013 €000
Loans to corporate entities - Syndicated and bilateral loans	1,605,872	2,547,278
Gross loans and advances	1,605,872	2,547,278
Less allowances for losses	(1,535)	(1,012)
	<b>1,604,337</b>	<b>2,546,266</b>

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

	2014 €000	2013 €000
Balance at beginning of year	28,646	62,242
Disposed loans	(27,476)	(33,986)
Charge to income statement	635	1,166
Released to income statement	(140)	(780)
Translation adjustment	63	4
Balance at end of year	<b>1,728</b>	<b>28,646</b>

The release of the provision for impairment of loans and receivables of €2,674,000 (2013: release €9,722,000) is composed of a net charge to the income statement of €495,000 (2013: €386,000) as above ((charge €635,000, release €140,000) (2013 charge €1,166,000, release €780,000)) and a credit of €3,168,481 (2013: €10,108,122) in relation to loans previously written off.

Amounts include:

	2014 €000	2013 €000
Cash and balances with central bank (Note 15)	100	68
Loans and advances to banks (Note 18)	93	27,566
Loans and advances to customers (Note 19)	1,535	1,012
Balance at end of year	<b>1,728</b>	<b>28,646</b>

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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

	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>Individual</b>	<b>Collective</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Balance at beginning of year	27,525	1,121	28,646
Disposed loans	(27,476)	-	(27,476)
Charge to income statement	178	457	635
Released to income statement	-	(140)	(140)
Translation adjustment	-	63	63
Balance at end of year	<u>227</u>	<u>1,501</u>	<u>1,728</u>

	<b>2013</b>	<b>2013</b>	<b>2013</b>
	<b>Individual</b>	<b>Collective</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
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	<u>27,525</u>	<u>1,121</u>	<u>28,646</u>

Impaired loans: Amounts include:

	<b>2014</b>	<b>2013</b>
	<b>€000</b>	<b>€000</b>
Loans and advances to banks	-	27,476
Loans and advances to customers	<u>227</u>	<u>49</u>
Balance at end of year	<u>227</u>	<u>27,525</u>

Impaired loans in 2013 mainly relate to the Company's exposure to Icelandic banks totalling €36.64 million with an individual impairment amounting to €27.48 million.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 2014	Contract / notional amount €000	Fair values including accruals	
		Assets €000	Liabilities €000
<b>1) Derivatives held for trading</b>			
<i>a) Foreign exchange derivatives</i>			
Currency swaps	409,775	42	(3,005)
Total OTC derivatives		42	(3,005)
<i>b) Interest rate derivatives</i>			
Interest rate swaps	1,775,000	373,483	(381,370)
Cross-currency interest rate swaps	40,700	-	(7,497)
Total OTC derivatives		373,483	(388,867)
<i>c) Equity options</i>			
Equity options purchases	337,400	139,726	-
Equity options sold	337,400	-	(139,726)
Total OTC derivatives		139,726	(139,726)
<b>Total derivative assets/(liabilities) held for trading</b>		<b>513,252</b>	<b>(531,598)</b>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 2) Derivatives held for risk management

#### *Derivatives designated as fair value hedges*

Interest rate swaps	2,312,704	-	(170,845)
Total OTC derivatives		-	(170,845)

#### **Total derivative assets/(liabilities) held for risk management**

- (170,845)

#### **Total derivative financial instruments**

**513,252 (702,443)**

At 31 December 2013

#### **Fair values including accruals**

	<b>Contract / notional amount</b>	<b>Fair values including accruals</b>	
	€000	<b>Assets</b>	<b>Liabilities</b>
		€000	€000
1) Derivatives held for trading			
<i>a) Foreign exchange derivatives</i>			
Currency swaps	265,426	1,472	(917)
Total OTC derivatives		1,472	(917)
<i>b) Interest rate derivatives</i>			
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)
<i>c) Embedded derivatives</i>			
Embedded derivatives purchased	212,400	73,615	-
Embedded derivatives sold	212,400	-	(73,615)
Total OTC derivatives		73,615	(73,615)
<b>Total derivative assets/(liabilities) held for trading</b>		279,387	(299,707)
2) Derivatives held for risk management			
<i>a) Derivatives designated as fair value hedges</i>			
Interest rate swaps	2,948,023	-	(139,814)
Total OTC derivatives		-	(139,814)
<b>Total derivative assets/(liabilities) held for risk management</b>		-	(139,814)
Total derivative financial instruments		279,387	(439,521)

# INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2014

## 22. Deferred Taxation

	2014 €000	2013 €000
<b>Deferred Tax assets:</b>		
Provision for impairment of loans and receivables	-	583
Available for sale debt securities	-	57
Exchange translation adjustment	-	(11)
<b>Total deferred tax assets</b>	<u>-</u>	<u>629</u>
<b>Deferred Tax liabilities:</b>		
Available for sale debt securities	<u>3,121</u>	<u>2,240</u>
<b>Total deferred tax liabilities</b>	<u>3,121</u>	<u>2,240</u>
<b>Net Deferred Tax (liability) / assets</b>	<u><u>(3,121)</u></u>	<u><u>(1,611)</u></u>
	2014 €000	2013 €000
<b>Analysis of movement in deferred taxation</b>		
At 1 January	(1,611)	(762)
Exchange translation adjustment	25	(11)
Deferred tax through income statement	(596)	-
Deferred tax through other comprehensive income	<u>(939)</u>	<u>(838)</u>
<b>At 31 December</b>	<u><u>(3,121)</u></u>	<u><u>(1,611)</u></u>

## 23. Other assets

	2014 €000	2013 €000
Deferred expenses *	6,351	6,787
Sundry debtors	55	22
Accounts Receivable	<u>512</u>	<u>-</u>
	<u><u>6,918</u></u>	<u><u>6,809</u></u>

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



# INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2014

## 24. Property, plant and equipment

	Office equipment	Computer equipment and software	Total
	€000	€000	€000
<b>Cost</b>			
At beginning of year	164	232	396
Additions in year	11	5	16
Disposals in year	(4)	(6)	(10)
At end of year	<b>171</b>	<b>231</b>	<b>402</b>
<b>Depreciation</b>			
At beginning of year	143	166	309
Charge for year	7	30	37
Disposals in year	(4)	(6)	(10)
At end of year	<b>146</b>	<b>190</b>	<b>336</b>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<b>25</b>	<b>41</b>	<b>66</b>
At 31 December 2013	21	66	87
	Office equipment	Computer equipment and software	Total
	€000	€000	€000
<b>Cost</b>			
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
<b>Depreciation</b>			
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
<b>Net book value</b>			
At 31 December 2013	21	66	87
At 31 December 2012	19	34	53

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 25. Deposits from banks

	2014 €000	2013 €000
Deposits from other banks	<u>1,264,625</u>	<u>769,147</u>
	<u><u>1,264,625</u></u>	<u><u>769,147</u></u>

Of which include cash and cash equivalents (Note 31) €148 million (2013: €489.5 million).

### 26. Debt securities in issue

#### At 31 December 2014

	2014 €000	2013 €000
At amortised cost	<u>7,035,285</u>	<u>6,854,640</u>
	<u><u>7,035,285</u></u>	<u><u>6,854,640</u></u>
	2014 €000	2013 €000
Floating Rate	<u>6,512,209</u>	<u>6,272,033</u>
Fixed Rate	<u>523,076</u>	<u>582,607</u>
	<u><u>7,035,285</u></u>	<u><u>6,854,640</u></u>

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.

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 27. Repurchase agreements

	2014 €000	2013 €000
Due to central bank	<u>600,002</u>	<u>2,400,125</u>
	<u>600,002</u>	<u>2,400,125</u>

Included in cash and cash equivalents (Note 31) €600 million (2013: €1,200 million).

**Collateral given:** The carrying amount of securities sold under agreements to repurchase at 31 December 2014 was €610,996,179 (2013: €2,488,587,706) of which securities with a fair value of €610,996,179 (2013: €2,488,587,706) are classified as available for sale (Note 17 / Note 1.17).

### 28. Other liabilities

	2014 €000	2013 €000
Other payable and accrued expenses	911	1,048
VAT payable	<u>8</u>	<u>34</u>
	<u>919</u>	<u>1,082</u>

### 29. Movement in the provisions for liabilities and commitments

	2014 €000	2013 €000
Balance at beginning of year	427	171
Charge to income statement	84	394
Released to income statement	(451)	(116)
Translation adjustment	4	(22)
Balance at end of year	<u>64</u>	<u>427</u>

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 €000	Ordinary shares €000	Share Premium €000	Total €000
At 1 January 2013	400,500	400,500	1,025	401,525
At 31 December 2013 / 1 January 2014	<u>400,500</u>	<u>400,500</u>	<u>1,025</u>	<u>401,525</u>
At 31 December 2014	<u>400,500</u>	<u>400,500</u>	<u>1,025</u>	<u>401,525</u>

The total authorised number of ordinary shares at year end was 500,000,000 (2013: 500,000,000) with a par value of €1 per share (2013: €1 per share). All issued shares are fully paid.

At 31 December 2014, the capital and reserves of the Company amounted to €1,145.45 million (2013: €1,128.33 million), €1,226.77 million including year end profits after tax (2013: €1,181.12 million including YTD profits after Tax).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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.

	<b>2014</b>	2013
	<b>€000</b>	€000
Cash and balances with central bank (Note 15)	<b>46,096</b>	63,486
Loans and advances to banks (Note 18)	<b>10,000</b>	104,399
Deposits from banks (Note 25)	<b>(148,014)</b>	(489,500)
Repurchase agreements (Note 27)	<b>(600,000)</b>	(1,200,000)
	<b><u>(691,918)</u></b>	<b><u>(1,521,615)</u></b>

### 32. Contingent liabilities and commitments

At 31 December 2014 the contracted amounts of contingent liabilities and financial commitments were:

	<b>2014</b>	2013
	<b>€000</b>	€000
Guarantees and irrevocable Letters of Credit	<b>14,294</b>	5,027
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
- one year and over	<b>169,617</b>	227,821
	<b><u>183,911</u></b>	<b><u>432,848</u></b>

### 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 €294,874 (2013: €433,607). At the 31 December 2014, the pension accrual amounted to €7,180 (2013: €51,927).

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

### 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 2014

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€000	€000	€000
<b>ASSETS</b>			
Available for sale investments	127	-	127
Cash and balances with central banks	3,626	-	3,626
Loans and advances to banks	3,089,684	3,384,401	6,474,085
Loans and advances to customers	-	721,619	721,619
Derivative financial instruments:			
Forex	42	-	42
Options	139,726	-	139,726
<b>LIABILITIES</b>			
Deposits from Banks	597,348	79,905	677,253
Deposits from Clients	0	151,875	151,875
Derivative financial instruments:			
Forex	3,005	-	3,005
IRS	25,209	531,690	556,899
<b>INCOME STATEMENT</b>			
Interest and similar income	121,487	118,684	240,171
Interest expense and similar charges	(17,566)	(67,856)	(85,422)
Fees and commission income	63	912	975
Fees and commission expense	(4,440)	(6,558)	(10,998)
Net trading income / (expense)	73,123	(186,271)	(113,148)
<b>FINANCIAL COMMITMENTS</b>			
Commitments – financial issued	60,248	1,700	61,948
Commitments – financial received	1,800,000	0	0
<b>DERIVATIVES</b>			
Derivatives (notional)	1,451,313	2,679,286	4,130,599

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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

31 December 2014

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€000	€000	€000
<b>ASSETS</b>			
Available for sale investments	130	-	130
Reverse Repo	1,191,955	-	1,191,955
Cash and Balances with central banks	19,180	-	19,180
Loans and advances to banks	3,931,633	3,713,980	7,645,613
Loans and advances to customers	-	1,192,781	1,192,781
Derivative financial instruments:			
IRS	333	233,483	233,816
Forex	4,038	-	4,038
Options	139,726	-	139,726
<b>LIABILITIES</b>			
Deposits from Banks	729,072	79,905	808,977
Deposits from Clients	0	179,870	179,870
Repurchase Agreements	944,404	-	944,404
Derivative financial instruments:			
IRS	35,832	531,690	567,522
Forex	5,585	9	5,594
Options	-	9	9
<b>INCOME STATEMENT</b>			
Interest and similar income	121,487	118,684	240,171
Interest expense and similar charges	(17,566)	(67,856)	(85,422)
Fees and commission income	63	912	975
Fees and commission expense	(4,440)	(6,558)	(10,998)
Net trading income / (expense)	73,123	(186,271)	(113,148)
<b>FINANCIAL COMMITMENTS</b>			
Commitments – financial issued	104,721	200,000	304,721
Commitments – financial received	1,800,000	-	1,800,000
<b>DERIVATIVES</b>			
Derivatives (notional)	2,250,942	3,290,688	5,541,630

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

31 December 2013

	<b>PARENT</b>	<b>FELLOW SUBSIDIARIES</b>	<b>TOTAL</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>ASSETS</b>			
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
<b>LIABILITIES</b>			
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
<b>INCOME STATEMENT</b>			
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)	(7,864)
<b>FINANCIAL COMMITMENTS</b>			
Commitments - financial issued	25,161	200,000	225,161
Commitments - financial received	1,800,000	-	1,800,000
<b>DERIVATIVES</b>			
Derivatives (notional)	1,231,556	3,276,038	4,507,594

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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

31 December 2013

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€000	€000	€000
<b>ASSETS</b>			
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
<b>LIABILITIES</b>			
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
<b>INCOME STATEMENT</b>			
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)
<b>FINANCIAL COMMITMENTS</b>			
Commitments – financial issued	77,463	410,000	487,463
Commitments – financial received	1,800,000	-	1,800,000
<b>DERIVATIVES</b>			
Derivatives (notional)	6,134,840	3,657,538	9,792,378

### Number of transactions performed with connected parties in 2014

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	59	35	94
Derivative financial instruments	160	17	177
Deposits from banks	180	70	250
Repurchase agreements	36	-	36
<b>Total</b>	<b>435</b>	<b>122</b>	<b>557</b>

### 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
<b>Total</b>	<b>471</b>	<b>119</b>	<b>590</b>



# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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.

### 35. Geographic concentrations

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets €000	Total Liabilities & Equity €000	Credit commitments €000	Operating Income €000
<b>31 December 2014</b>				
Ireland	279,568	1,951,027	10,317	1,176
E.U. (excl. Ireland)	11,438,054	10,466,108	62,223	74,445
U.S.A.	75,042	7,852	28,828	1,777
Rest of the World	683,475	51,152	82,543	20,015
<b>Total</b>	<b>12,476,139</b>	<b>12,476,139</b>	<b>183,911</b>	<b>97,413</b>

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets €000	Total Liabilities & Equity €000	Credit commitments €000	Operating Income €000
<b>31 December 2013</b>				
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
<b>Total</b>	<b>13,450,535</b>	<b>13,450,535</b>	<b>432,848</b>	<b>64,808</b>

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

	2014 €000	2014 %	2013 €000	2013 %
Ireland	198,734	12	461,272	18
E.U. (excl. Ireland)	777,904	49	1,440,789	57
U.S.A.	73,462	5	85,712	3
Rest of the World	554,237	34	558,493	22
<b>Total</b>	<b>1,604,337</b>	<b>100</b>	<b>2,546,266</b>	<b>100</b>

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

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

	2014 €000	2014 %	2013 €000	2013 %
Ireland	34,951	1	102,012	1
E.U. (excl. Ireland)	7,137,249	98	7,294,193	98
Rest of the World	<u>105,580</u>	<u>1</u>	<u>98,607</u>	<u>1</u>
<b>Total</b>	<b><u>7,277,780</u></b>	<b><u>100</u></b>	<b><u>7,494,812</u></b>	<b><u>100</u></b>

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

	2014 €000	2014 %	2013 €000	2013 %
E.U. (excl. Ireland)	<u>47,660</u>	<u>100</u>	<u>47,718</u>	<u>100</u>
<b>Total</b>	<b><u>47,660</u></b>	<b><u>100</u></b>	<b><u>47,718</u></b>	<b><u>100</u></b>

Geographic sector risk concentrations within the portfolio of available for sale investments were as follows:

	2014 €000	2014 %	2013 €000	2013 %
E.U. (excl. Ireland)	2,953,091	99	2,977,897	99
Rest of the World	<u>23,613</u>	<u>1</u>	<u>24,136</u>	<u>1</u>
<b>Total</b>	<b><u>2,976,704</u></b>	<b><u>100</u></b>	<b><u>3,002,033</u></b>	<b><u>100</u></b>

### 36. Financial Assets and Financial Liabilities by contractual residual maturity

€000	31-Dec-2014						
Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>ASSETS</b>							
Cash and balances with CB (1)	3,926	45,469	-	-	-	-	49,395
Financial assets CFV	-	-	-	23,697	23,693	-	47,660
Available for sale securities	128	38,667	-	1,268,416	1,285,134	384,359	2,976,704
Loans and advances to banks (1)	407	100,970	40,865	535,079	3,860,233	2,740,203	7,277,774
Loans and advances to customers (1)	22,661	139,549	80,844	315,844	502,249	543,189	1,604,336
Derivative financial instruments	-	13	28	5,905	183	507,124	513,253
<b>Total</b>	<b>27,122</b>	<b>324,668</b>	<b>121,737</b>	<b>2,148,959</b>	<b>5,671,762</b>	<b>4,174,875</b>	<b>12,469,123</b>
<b>LIABILITIES</b>							
Debt securities in issue	-	909,960	2,277,772	1,886,654	1,673,932	1,673,932	7,035,285
Deposits from banks	-	59,434	82,417	576,371	36,659	509,744	1,264,625
Repurchase agreements	-	600,002	-	-	-	-	600,002
Due to customers	1,240	3,414	1,110	5,149	141,454	1,480,535	1,632,902
Derivative financial instruments	-	5,133	805	20,688	97,815	578,003	702,444
<b>Total</b>	<b>1,240</b>	<b>1,577,943</b>	<b>2,362,104</b>	<b>2,488,862</b>	<b>1,949,860</b>	<b>2,855,249</b>	<b>11,235,258</b>

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

# INTESA SANPAOLO BANK IRELAND plc

## Notes to the Financial Statements for the year ended 31 December 2014

€000	31-Dec-2013						
Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>ASSETS</b>							
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	7,491,811
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
<b>Total</b>	<b>42,795</b>	<b>1,349,456</b>	<b>153,597</b>	<b>2,406,900</b>	<b>5,622,396</b>	<b>3,862,019</b>	<b>13,437,163</b>
<b>LIABILITIES</b>							
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
<b>Total</b>	<b>361</b>	<b>2,131,124</b>	<b>2,464,794</b>	<b>3,583,218</b>	<b>1,715,314</b>	<b>2,362,286</b>	<b>12,257,097</b>

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

### 37. Subsequent events

The directors have proposed a dividend of 14.21 cent per ordinary share, amounting to €56.93 million in respect of the year 2014. Final dividends are not accounted for until they have been ratified by the Shareholders at the Annual General Meeting.

### 38. Date of approval

The financial statements were approved and authorised by the directors on 27 February 2015.