INTESA SANPAOLO BANK IRELAND plc

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INTESA SANPAOLO BANK IRELAND plc

Directors and other information

Directors	Mr. S. Del Punta (Chairman, Italian) Mr. G. Cuccurese (Deputy Chairman, Italian) Mr. P.C. Arena (Managing Director, Italian) Mr. C. Casalino (Italian) Mr. M.A. Bertotti (Italian) Mr. F. Introzzi (Italian) Mr. N. Healy Mr. I. Letchford (British)
Registered office	3rd Floor KBC House 4 George's Dock International Financial Services Centre Dublin 1
Joint Secretaries	AIB International Financial Services Ltd Mr. N. Healy
Auditors	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2
Principal bankers	INTESA SANPAOLO S.p.A. 156 Piazza San Carlo I-10121 Torino Italy UBS AG Stamford Branch P.O Box 120300 Stamford, CT 06912-0300 USA
Solicitors	McCann Fitzgerald Sir John Rogerson's Quay Dublin 2 A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1

Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2008.

Principal Activities

INTESA SANPAOLO BANK IRELAND plc (the "Company") has been granted a banking licence 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 (deriving chiefly through the issuance of notes under the Group's Euro Commercial Paper and Certificate of Deposit Programme and the Global Medium Term Note Programme), the provision of finance to large corporate clients and financial institutions in Ireland and abroad both on a bilateral and syndicated basis (several MLA roles for certain clients within the loan syndications market were achieved in 2008), and the management of its own portfolio of investment securities.

Parent

The Company is a wholly owned subsidiary of INTESA SANPAOLO S.p.A., a company incorporated in Italy. The financial statements for 2008 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Torino, Italy.

Review of Results and Development of the Business

The results and financial position of the Company are set out on pages 9 – 10 of the financial statements. During the period under review, the Company has continued to develop its international lending and financial activities in line with group policy despite the extremely difficult market conditions.

The global economy evidenced a dramatic downturn during 2008, especially in the second half of the year which saw the financial crisis deepen with the bankruptcy of Lehman Brothers followed by the failure of the Icelandic banking system. Indeed, in relation to the Company's own exposure to Icelandic banks, individual impairment provisions totalling € 55 million have been made which fundamentally accounted for the fall in profit after tax, highlighted below.

The strain within the financial sector translated into tighter credit conditions, a rapid fall in business confidence and plummeting stock markets. In an effort to reverse the deepening crisis and improve market confidence, governments have underwritten the banking sector through a series of measures which have included recapitalisation and the guaranteeing of bank debt, the provision of deposit protection for bank depositors and, in severe cases, the nationalisation of banks. While the significant governmental intervention could herald a turning point to the crisis, we enter 2009 where both the global and, in particular, the euro economies have been weakened as the financial crisis filters through to the economy as a whole.

Against this backdrop, the Company managed to increase total assets by 21% to €28.17 billion, chiefly represented by investment securities of €0.66 billion (€0.94bn in 2007, down 29%), bank deposits of €1.2 billion (€0.2bn in 2007), and loans advanced of €25.95 billion (up 18.1%).

Market liquidity was absolutely fundamental for financial institutions through the credit crunch and while it was apparent that money market activity was severely lacking across the banking sector, the commercial paper market remained open for better quality issuers only during 2008. Accordingly, the Company managed to finance asset growth chiefly through debt security issuance which increased by 11% to €21.36 billion in the year under review, with a significant proportion represented by short-term debt (Certificate of Deposits and European Commercial Paper), which increased from €10.68 billion in December 2007 to €13.45 billion at the end of 2008 (up almost 26%). At the end of 2008, the Company increased and updated its European Commercial Paper and Certificate of Deposit Programme from €20 billion to €30 billion, incorporating an amendment which allows the Company to issue ECB eligible paper (STEP compliant).

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

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

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

The profit after tax for the financial year was Euro 6.52 million *(2007: Euro 29.33 million)*, due to the Icelandic impairment provision mentioned above. The directors have agreed with the Parent that it would be in the best interest of the Company to retain distributable 2008 profits, [and to re-classify as retained earnings those amounts previously classified in a designated reserve for future distribution but never distributed]. The Company therefore recommends that no payments of dividends be made for the year ended 31 December 2008. The results for the year were in line with the expectations of the management.

Future Developments in the Business

The directors intend to continue developing the Company's international lending, intra-group and financial activities on a selected basis.

Events since the year end

In January 2009, the Group's Euro 50 billion Global Medium Term Note Programme (under which, the Company is Issuer) was increased to Euro 70 billion.

Mr. Del Punta resigned from the Board on 1 January 2009. Mr Healy resigned as joint secretary on 30 January 2009.

Risk Management and Control

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

Books of Account

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

Directors

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

S. Del Punta	
G. Cuccurese	appointed 4 April 2008
C. Casalino	
P.C. Arena	
Mr. I. Letchford	
M. A. Bertotti	
Mr. N. Healy	
F. Introzzi	appointed 4 April 2008
E. Bombieri	appointed 4 April 2008 and resigned 24 September 2008
P. A. Ricciardi	resigned 4 April 2008
G. Sivilotti	retired 4 April 2008

Interests of directors and secretary

The directors and secretary of the Company at 31 December 2008 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 2008	31 December 2007
S. Del Punta	*****1,800**	*****1,800**
G. Cuccurese	******115,107**	**-**
C. Casalino	**1,118**	***1,118**
P.C. Arena	****2,267**	****2,267**
M. A. Bertotti	****9,626**	****3,626**
F. Introzzi	***554**	-

On 2nd January 2007 SANPAOLO IMI S.p.A. shares were converted in INTESA SANPAOLO S.p.A. shares at the merger exchange ratio of 3.115 ordinary shares.

* or date of appointment if later.
** of which 467 (2007:467) shares are blocked until 27 July 2009 and
368 (2007: 368) shares are blocked until 2010
*** of which 368 (2007 : 368) shares are blocked until 2010.
**** or date of appointment if later of which 467 shares are blocked until 27 July 2009 and
368 shares are blocked until 2010.

Directors' report *(continued)*

Options to subscribe for shares in INTESA SANPAOLO S.p.A

	31 December 2008	31 December 2007
S. Del Punta	**623,000**	623,000
At 1st January	623,000	200,000
Exercise Price	€3.951	€3.951
Market Price	€2.5375	€5.41
Period in which exercisable	2009-2012	2009-2012

	31 December 2008	31 December 2007
G. Cuccurese	**623,000**	-
At date of appointment	623,000	-
Exercise Price	€3.951	-
Market Price	€2.5375	-
Period in which exercisable	2009-2012	-

On 2January 2007 SANPAOLO IMI S.p.A. shares were converted in INTESA SANPAOLO S.p.A. shares at the merger exchange ratio of 3.115 ordinary shares.

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 2008.

Auditors

The auditors Ernst & Young, have indicated their willingness to continue in office under Section 160 of the Companies Act, 1963.

On behalf of the board

N. Healy	P.C. Arena	I. Letchford	C. Casalino
Chairman	*Managing Director*	*Director*	*Director*

6 March 2009

INTESA SANPAOLO BANK IRELAND plc

Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2008.

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 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

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 International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

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

N. Healy	P.C. Arena	I. Letchford	C. Casalino
Chairman	*Managing Director*	*Director*	*Director*

6 March 2009

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

We have audited the financial statements (the "financial statements") of INTESA SANPAOLO BANK IRELAND Plc for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 38. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation which may require the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and considered the implications for our report if we became aware of any apparent misstatements or material inconsistencies within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Basis of audit opinion - continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company as at 31 December 2008 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion, the Balance Sheet does not disclose 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.

Ernst & Young
Registered Auditors and Chartered Accountants
Dublin

6 March 2009

INTESA SANPAOLO BANK IRELAND plc

Income statement *Year ended 31 December 2008*	Note	**2008** **€ '000**	2007 € '000
Interest and similar income	*9*	**1,181,836**	689,097
Interest expense and similar charges	*9*	**(1,105,387)**	(654,606)
Net interest income		**76,449**	34,491
Fees and commission income	*10*	**5,626**	8,888
Fees and commission expense	*10*	**(9,554)**	(3,234)
Net fees and commission (expense) / Income		**(3,928)**	5,654
Net trading expense	*11*	**(6,980)**	(30,477)
Foreign exchange (loss) / profit		**(243)**	574
Other operating income	11	**1,875**	31,102
Total operating income		**67,173**	41,344
Administrative expenses	*13*	**(5,181)**	(4,202)
Depreciation		**(47)**	(73)
Total operating expenses		**(5,228)**	(4,275)
Operating profit before provisions		**61,945**	37,069
Provisions for impairment of loans and receivables	*21*	**(54,919)**	(3,282)
Provisions for liabilities and commitments	*30*	**45**	-
Provisions for available for sale debt securities	*21*	**383**	(350)
Profit before tax	*14*	**7,454**	33,437
Income tax expense	*15*	**(936)**	(4,104)
Profit for the financial year		**6,518**	29,333
Profit attributable to the equity holders of the pare		**6,518**	29,333

All of the above profits are in respect of continuing operations.
The notes on pages 13 to 80 are an integral part of these financial statements.

On behalf of the board

N.Healy	P.C. Arena	I. Letchford
Chairman	*Managing Director*	*Director*

A. Groarke
For and on behalf of AIB International Financial Services Ltd
Company Secretary

INTESA SANPAOLO BANK IRELAND plc

Balance Sheet *at 31 December 2008*	Note	**2008** **€ '000**	2007 € '000
ASSETS			
Cash and balances with central banks	*16*	**219,543**	138,945
Financial assets at fair value through profit or loss	*17*	**268,082**	269,081
Available for sale debt securities	*18*	**388,296**	675,226
Loans and advances to banks	*19*	**24,070,260**	20,172,827
Loans and advances to customers	*20*	**2,837,857**	1,841,626
Derivative financial instruments	*22*	**370,904**	153,634
Current tax		**13**	288
Prepayments and accrued income		**103**	118
Deferred tax asset	*23*	**4,678**	618
Other assets	*25*	**11,535**	14,999
Property, plant and equipment	*26*	**115**	137
Total assets		**28,171,386**	23,267,499
LIABILITIES			
Debt securities in issue	*27*	**21,364,093**	19,251,169
Deposits from banks	*28*	**3,720,689**	1,686,836
Due to customers		**1,734,962**	1,081,447
Derivative financial instruments	*22*	**354,523**	239,494
Current tax		**706**	-
Deferred tax liability	*23*	**2**	582
Accruals and deferred income		**22,291**	18,978
Other liabilities	*29*	**3,218**	3,838
Provisions for liabilities and commitments	*30*	**1,234**	-
Total liabilities		**27,201,718**	22,282,344
EQUITY attributable to the equity holders of the parent company			
Share capital	*31*	**400,500**	400,500
Share premium	*31*	**1,025**	1,025
Available for sale reserves		**(28,754)**	(4,686)
Other reserves		**506,764**	504,701
Retained earnings		**90,133**	83,615
Total equity		**969,668**	985,155
Total liabilities and shareholders' funds		**28,171,386**	23,267,499

The notes on pages 13 to 80 are an integral part of these financial statements.

On behalf of the board

N. Healy	P.C. Arena	I. Letchford
Chairman	*Managing Director*	*Director*

A. Groarke
For and on behalf of AIB International Financial Services Ltd
Company Secretary

INTESA SANPAOLO BANK IRELAND plc

Statement of changes in equity for the year ended 31 December 2008

	Share capital	Share premium	Available for sale reserves	Other reserves	Retained Earnings	Total
		Other reserves attributable to equity shareholders of the Company				
	€'000	€'000	€'000	€'000	€'000	€'000
1 January 2007	7,500	1,025	(1)	504,701	54,282	567,507
Ordinary shares issued	393,000	-		-	-	393,000
Net loss on available for sale debt securities	-	-	(4,685)	-	-	(4,685)
Profit for the financial year	-	-	-	-	29,333	29,333
1 January 2008	400,500	1,025	(4,686)	504,701	83,615	985,155
Capital contribution received		-	-	2,063	-	2,063
Net loss on available for sale debt securities	-	-	(24,068)	-	-	(24,068)
Profit for the financial year	-	-	-	-	6,518	6,518
31 December 2008	400,500	1,025	(28,754)	506,764	90,133	969,668

No transaction costs were incurred in the issue of the new shares.

Other reserves include a capital contribution of €506,764,365 (2007: €504,701,446).
During the year the Company received a capital contribution amounting to €2,062,919 (2007 Nil) from the Parent.

INTESA SANPAOLO BANK IRELAND plc

Cash flow statement **Year ended 31 December 2008**	Note	**2008** **€ '000**	2007 € '000
Cash flows from operating activities			
Interest received		**1,108,233**	593,987
Fee and commission receipts (net)		**4,132**	9,354
Net trading and other income		**(184,244)**	78,643
Recoveries on loans previously written off		**1,564**	47
Interest paid		**(1,102,321)**	(658,453)
Cash payments to employees and supplies		**(5,114)**	(3,988)
Income taxes refunded / (paid)		**44**	(4,569)
Cash flows from operating activities before changes in operating assets and liabilities		**(177,706)**	15,021
Changes in operating assets and liabilities			
Net increase in cash and balances with central bank		**(2,809)**	-
Net increase in loans and advances to banks		**(1,181,296)**	(7,697,003)
Net increase in loans and advances to customers		**(979,846)**	(1,216,900)
Net increase / (decrease) in deposits from banks		**1,236,727**	(37,812)
(Decrease) / Increase in other liabilities		**(1,876)**	1,876
Net increase in amounts due to customers		**630,702**	943,692
Proceeds / (purchase) of assets at fair value though income statement		**6,275**	(766,538)
Cash flows used in changes in operating assets and liabilities		**(292,123)**	(8,772,685)
Net cash used in operating activities		**(469,829)**	(8,757,664)
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		**(25)**	(49)
Proceeds of available for sale debt securities		**258,189**	-
Net cash from / (used in) investing activities		**258,164**	(49)
Cash flows from financing activities			
Proceeds from issuance of debt securities		**2,149,953**	9,345,021
Proceeds from issue of new shares		**-**	393,000
Increase in capital contribution		**2,063**	-
Net cash from financing activities		**2,152,016**	9,738,021
Net increase in cash and cash equivalents		**1,940,351**	980,308
Cash and cash equivalents at beginning of year		**1,957,731**	977,423
Cash and cash equivalents at end of year	32	**3,898,082**	1,957,731

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2008

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 Irish Financial Services Regulatory Authority.

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 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, available for sale debt 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 7.

1.3. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services, within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1.4. Interest income and expense

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

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

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

In previous year Interest on financial instruments at fair value through the income statement is included in net trading income, while in the current year it is included in Net interest income so as to be consistent with Group accounting principles.

1.5. Fee and commission income

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 retained no part of the loan package for itself or retained 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 also categorised as held for trading unless they are designated as hedges.

(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 carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. 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 held at fair value through the income statement.

1.7. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
1.5. the disappearance of an active market for that financial asset because of financial difficulties; or
1.6. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the sum of the relevant current Libor rate and the original contractual spread.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis the internal credit rating). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future notional cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual notional cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future notional cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating collective assessments are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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.

(b) Assets carried at fair value through equity

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 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 profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on financial assets classified as available-for-sale are reversed through 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 profit or loss, the impairment loss is reversed through the income statement.

(c) Assets carried at fair value through profit and loss

The Company does not review for impairments financial assets measured at fair value through the profit and loss.

(d) Provisions for liabilities and commitments

Provisions made on a collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans and receivables.

1.9. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, and 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, such as the credit default swap in a credit-linked note, 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 hedges all such embedded derivatives with the Parent Company.

The method of recognising the resulting fair value gain or loss 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).

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 profit or loss over the period to maturity.

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 or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value or cash flows 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". A consequence of the use of such methodology is that the results can show a rather high volatility with the risk of failing the test, when the level of the delta Net Present Value) (NPV) of both the hedge instrument and the hedging derivative is low and the impact on the P&L is not significant.

To avoid this risk, the Group has adopted the rule to force to 100% the effectiveness test, even if the result is outside the permissible range of 80% to 125%, when the following conditions are simultaneously satisfied:

- Condition 1: the difference between the absolute values of delta NPV of both the synthetic asset/liability and the hedging derivative must be lower than (or equal to) 50.000 euros;
- Condition 2: the ratio between the delta NPV and the principal amount must be lower than (or equal to) 1% for both the synthetic asset/liability and the hedging derivative.

In the case of an effectiveness test showing a result situated 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.

It must be noted that in particularly stressed market conditions, the volatility of the index used for the fixing of the current period of the floating rate leg of a hedging derivative can lead to the inefficiency from a IAS standpoint of the hedging relationship between the derivative and the related asset/liability. Such a situation may occur when the following conditions are simultaneously met:

- The IRS floating leg has a fixing frequency equivalent to 6 months or longer;
- The market rates for the indexation of the floating leg move significantly shortly after the re-fixing of that leg.

Given that such conditions were met in the last quarter of 2008, the Company, in coordination with the Parent Company, introduced a new back-testing procedure in order to assess whether the inefficiency in a hedging relationship results from the volatility of the index used for the fixing of the current period of the floating rate leg. The back-testing method re-computes the NPV of the hedging derivative ("amended NPV") where the floating leg rate is replaced by a new rate which is in line with market rates on revaluation date, and for a period starting from the revaluation date to the next re-fixing date. This rate is applied on the full period (the start date of the current period is not changed). The test is considered efficient if the ratio of the hedging derivative's amended NPV over the hedged asset/liability NPV is within the 80-125% range (the conditions described in the previous step are still applied). The amended NPV of the derivative is computed for back-testing purposes only and is not accounted for.

In the case of failure of the back-testing procedure when the effectiveness test shows a result situated outside the range 80-125%, Management must be informed in order to authorize the break-up of the hedge link between the hedging derivative and the hedged asset/liability.

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.

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% straight line
Computer equipment & software	33.3% straight line

The assets' residual values and useful lives are reviewed, and adjustment if appropriate, at each balance sheet date.

1.11. Cash and cash equivalents

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

1.12. Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in euros, which is the Company's functional and presentation currency, 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 exchanges rates at the date when the fair value was determined.

1.13. Pension costs

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

1.14. Taxation

The charge for income 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 at the balance sheet date. Income 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 directly in equity, in which case the tax is also recognised in equity.

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 balance sheet 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 equity are also recognised in equity and not in the income statement.

1.15. Leases

Operating lease rental payable are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more appropriate.

1.16. 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.

1.17. Guarantees

In the ordinary course of business, the Company issues letters of credit or guarantees which are reported under contingent liabilities. Any call on the guarantees results in the conversion of an equal on balance sheet liability. The premium received on guarantees is initially recognised in the financial statements at fair value in other liabilities. Subsequent to initial recognition, the premium received is recognised in the income statement in the “fees and commission income” on a straight line basis over the life of the guarantee.

1.18. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.19. New standards

The IASB have issued the following standards with an effective date after the date of these financial statements.

International Accounting Standards (IAS / IFRSs)		Effective date
Amendments to IAS 39 Financial Instruments:	Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets	1 July 2008

The Company has not reclassified any financial assets under the amendment of this standard and therefore has not applied the amendment or disclosure thereof.

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS 8	Operating Segments	1 January 2009
IAS 23	Borrowing Costs (Revised)	1 January 2009
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IFRS 2	Amendments to IFRS 2 – Vesting Conditions and cancellations	1 January 2009
IFRS 3	Business Combinations	1 July 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
	Amendments Presentation' and IAS 1 Presentation to IAS 32 of Financial Statements – Puttable Financial Instruments and Instruments Obligations Arising on Liquidation	1 July 2009

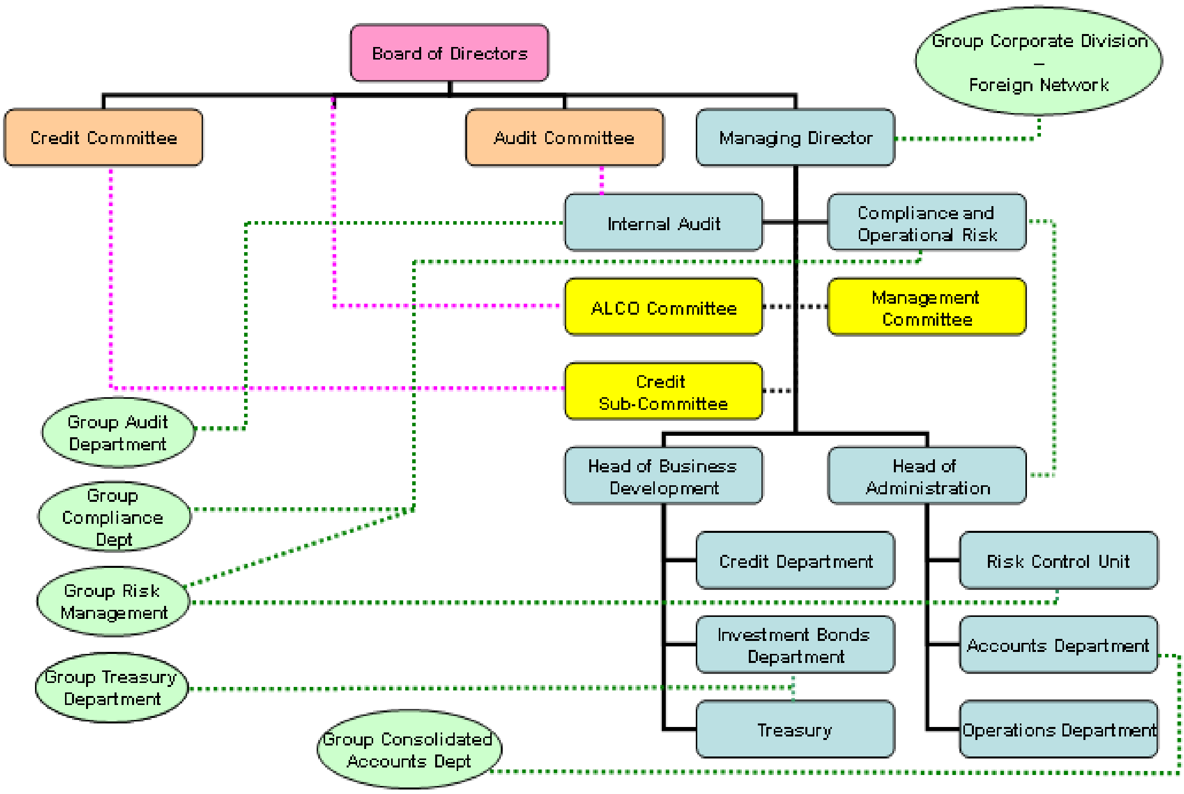
The Board of Directors do not anticipate that the adoption of these standards will have a material impact on the Company's financial statements in the period of initial application.

The Board of Directors has assessed the applicability of IFRIC 11 (IFRS 2 Group and Treasury Share Transaction), IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programmes), IFRIC 14 (IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction), IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Board of Directors consider these as not being applicable to the entity.

2. Qualitative risk disclosures and Basel 2 Project

The overview of the board and executive management structure in the chart below identifies key individuals and committees and their inter-relationship with business and control units:



The Company's appetite for risk is subject to the Group's strategic guidelines. The core of the Group's current strategic plan (2007/ 2009) includes income sustainability in the medium long term, based on steady divisional plans and several operative projects in progress and common to every business unit. The existing mission of the Company is to finance autonomously medium long term needs from intra-Group companies and the Parent Company and to lend to multi-national companies. This mission, by limiting as much as possible its exposure to financial risks while focusing exclusively on investment grade credit risk exposures, is consistent with the Group's plan to minimise income volatility in the medium long term.

The Board has the responsibility to adjust the risk appetite of the Company to changes to its mission resulting from Group's strategic guidelines. The risk appetite is implemented operatively through the Board's adoption of risk policies and limits which are consistent with the Company's ultimate mission.
Furthermore, the Board has delegated to the Risk Control Unit of the Company, comprised of three Members of Staff under the supervision of Senior Management, the task to perform on an annual basis (or more frequently if the Company becomes involved in a new activity) a full risk assessment. The task includes:

- A review of all main risk factors and a qualitative assessment on their materiality given the Company's activities at the time of the assessment;
- A qualitative justification of the materiality assessment which, may include the absence or insignificance of exposure given the Company's business, or the exclusion from the local list of material risks on the basis of a Group exposure to the risk factor managed at Group level;

- A description of the methodology used locally for the measurement of the exposure to all material risk factors;
- A risk measure for all material risks with, if applicable, the corresponding allocation of economic capital to cover individual risk factors;
- A description of methodology used locally for stress and scenario analysis, if applicable;
- The quantitative outcome of the stress and scenario analysis, if applicable.

The Company has been included in the Core Perimeter of the Group's Basel 2 Project with a defined road map for the roll-out to the Irish subsidiary of methodological approaches used by the Parent Company. In 2008, the Company computed its credit risk capital charge using the Standard Approach, while the local capital charge for operational risks was calculated using a Basic Indicator Approach.

As part of the implementation of the Pillar 2 of the new Capital Accord, the Company issued and submitted to the Irish Financial Regulator an Internal Capital Adequacy Assessment Process (ICAAP) describing the process by which the Company assesses the adequacy of its internal mechanisms for attributing internal capital to material risks. The material risks which the Company monitors and manages on an on-going basis as a result of the risk assessment reviewed periodically by the Board of Directors, are:

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

3. Quantitative risk disclosures

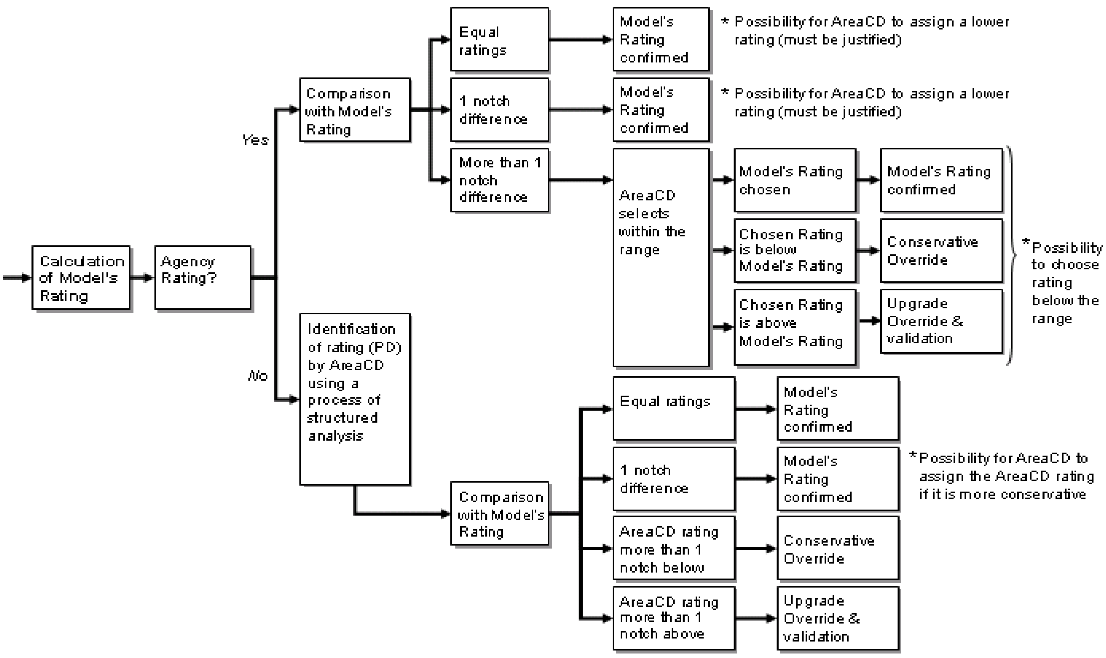
3.1. Credit Risk and Counterpart Credit Risk

Loans, debt securities and off-balance sheet commitments such as guarantees, confirmed 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, regarding the commitments it subscribed to.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and 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 Parent Group, including an internal rating system applied to all corporate clients, and are approved on an on-going basis by the Board of Directors. Limits on the Level of credit risk by industry sector and by country are approved at the Group level.

<u>Internal Rating Assignment Methodology:</u>

The internal rating assignment methodology has been rolled out from the Parent Company to all companies of the Group for corporate clients according to the following model:



The rating models used by the Group diverse in accordance to the size and type of counterpart involved in the lending transaction:

Foreign Large Corporate (≥ 500 ml €)	• **Quantitative questionnaire:** based on Sanpaolo experience, the target is to repeat the official rating results (shadow rating approach), optimized with the prolongation of the historical series. • **Qualitative questionnaire:** consists of 2 section, each question has a statistical weight: – Industry and competitive position – Corporate specific
Foreign Middle Market (< 500 ml €)	• **Quantitative questionnaire:** based on Intesa experience, proper to middle market corporates • **Qualitative questionnaire:** graduated on the new population of Intesa Sanpaolo

For large corporate clients, the quantitative component (financial ratios) produces a quantitative rating, which the qualitative component (qualitative questionnaire) can adjust through a qualitative notching process. The sum of the two outputs results in the final model rating for each counterpart.

For middle corporate clients, the quantitative and qualitative components are integrated in a single output generating the model rating for each counterpart.

The internal rating assignment methodology is not applicable to financial institutions (banks and insurance companies), which are officially rated by the Parent Company. Other financial intermediaries (investment companies and structured finance companies, etc) are rated with the assistance of a specialised unit within the Parent Company.

Credit Limit Monitoring:

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily, and are measured at the level of each line granted according to the following methodology:

- Principal outstanding + interest if past due for loans;
- Positive replacement cost + add-on for derivatives;
- Market value for bonds.

Eligible Credit Transactions:

Eligible (although not exclusively) lending transactions adopted by the Board are:

1. Export Credit Financing bearing the following features:

    - ECAs (SACE, COFACE, ECGD, HERMES and other major ECA guarantees) for at least 85% of the political risk;

    - Guarantee issued by the exporter to secure at least 50% of country risk not covered by ECA,

2. Facilities secured by a cash collateral and / or by way of guarantees issued by Banks rated internally at least I2 (equivalent to “A3” by Moody’s and “A-” by S&P with only a Stable outlook or better),

3. Unsecured facilities in favour of corporate counterparties and financial institutions rated internally at least I3 (equivalent to “Baa1” by Moody’s and “BBB+” by S&P).

Impairment Provisions:

Impairment provisioning of credit exposures is another tool used by the Company to manage credit risk and to reflect in its books the representation of the economic impact on the Company’s assets of a credit event or potential credit event. The Company, in line with IAS 39 rules and the Group’s accounting policies, assess whether there is objective evidence of impairment (lasting loss of value) in its loans and receivables. The assessment must be done individually if there is an individual evidence of impairment. Alternatively, the assessment is done collectively on the basis of losses already inherent in the portfolio, even if it is not yet possible to tie them to specific credits, also defined as "incurred but not reported losses".

In the case of collective assessment, impairment provisions for the Company are calculated as the sum of the incurred but not reported losses resulting from both counterpart credit risk and country risk. In both cases, the incurred loss is computed as:

Exposure (taking into consideration the relevant guarantees) x Probability of Default (PD) x Loss Severity (LS) x Calibration Factor (CF)

The exposures covered include all financial assets that are subject to impairment review in accordance with the terms of IAS 39, which requires that “all financial assets except those measured at fair value through the profit and loss are subject to review for impairment.” In the case of incurred losses relating to counterpart credit risk, the credit rating of the guarantor applies to the covered portion while the credit rating of the obligor applies to the uncovered portion. In the case of incurred losses relating to country risk, the credit worthiness of the country of residence of the obligor applies to the uncovered portion only.

The Company computes collective impairment provisions on committed and uncommitted lines to both banks (excluding intra-Group for Counterpart Credit Risk only) and corporate clients according to the following rules:

	Corporate	**Banks**
Committed facilities : Drawn Undrawn	CCR + CR CCR	CCR + CR CCR
Uncommitted facilities (excluding internal lines) Drawn Undrawn	CCR + CR X	CCR + CR X

Legend: - Counterpart Credit Risk (CCR)
- Country Risk (CR)

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 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.

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

The severity of the loss relating to country risk is conditional on the wealth level of that country as per the World Bank classification. The severity of the loss relating to an obligor's default is driven by the type of transaction involved, and the geographical or business sector origins of the obligor.

Calibration factors for counterparty credit risk apply to the undrawn or available portion of a committed facility. The factors represent the estimated new drawdowns at the risk horizon given a deterioration of the credit worthiness of the counterpart. Calibration factors for country risk apply to the severity of the loss associated with a country default. It adjusts the loss severity according to the actual type of facility involved.

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

- Loss confirmation period (LCP): the Company has opted for a LCP of 1 year given the predominantly corporate structure of the portfolio,
- Cyclicity: the Company has presently opted for no adjustment given the current macro-economic environment,
- Concentration: the Company is aware of the relative high concentration of its portfolio due to its exclusive dealing with major corporate groups and financial institutions, and, as a result, of the potential bias this may cause in comparison with the data used at Group level. The Company has therefore opted for an adjustment of the general provisions by multiplying the sum of incurred losses by a Concentration Index defined as:

$$\textbf{Concentration Index (CI)} = \frac{\textbf{Average 40 largest granted facilities (excluding intragroup facilities)}}{\textbf{Portfolio average granted facility (excluding intragroup facilities)}}$$

In the case of an <u>individual assessment</u>, impairment provisions for the Company are calculated as the difference between the book value of the relevant asset and the sum of the discounted recoverable cash-flows.

Incurred losses are computed as:

Incurred Loss = **Book value of the asset at time of assessment**
- past dues * recovery rate
- PV(recoverable cash-flows)

The decision to assess individual impairment provisions is determined on the basis of the magnitude and type of problems affecting an obligor's credit worthiness. All deteriorated credit exposures when the obligor has failed to meet its contractual obligations and classified accordingly in the relevant Credit Risk Class are subject to individual impairment provisions. However, the Bank may extend individual assessments to other credit exposures not yet classified in that specific Credit Risk Class if it is deemed necessary as a result of a credit evaluation process or a request from the Parent Company.

The recoverable amount on an impaired asset to be assessed individually is determined 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.

The decision to proceed with an individual impairment assessment must be ratified by the Board of Directors of the Company.

All recoverable amounts (including principal and interest amounts) are discounted using:

- The contractual interest rate in case of a fixed-rate facility;
- The market Libor curve + the contractual spread in case of a floating-rate facility.

In the case of fixed-rate and floating-rate capitalizing facilities, the effective rate is assumed constant for the duration of the asset and equal to the rate for the current period.

Cash-flows to be discounted are determined according to specific rules depending on the terms and conditions of the asset.

Credit Mitigations:

Exposure to credit risk is also managed by using credit mitigation techniques, which contribute to the Company's mission to minimise risks while ensuring adequate returns involving a frequent use of credit risk mitigation techniques. These mitigation techniques enable the Company to approve transactions which comply with its internal credit policy, and at year-end 2008, of the total amount of assets (excluding intra-Group transactions and bonds) of € 3.76 billion, € 2.70 billion (representing 71.77 %) had a credit risk mitigation attached.

The breakdown in percentages of these mitigation instruments by types is shown below:

At 31 December 2008:

Mitigation Instrument Types	As a % of Referred Assets
Export Credit Agencies' guarantees to cover Political and commercial risks generated by trade finance operations,	3.04 %
Intra-group guarantees for other facilities involving country risk and Intra-group risk participations for large syndicated facilities in order to limit concentration risk and comply with the regulatory Large Exposure limits,	60.71 %
Third party guarantees for transactions involving exposures below the policy requirements of the Company,	4.07 %
Collateral for transactions involving exposures below the policy requirements of the Company.	3.95 %

At 31 December 2007:

Mitigation Instrument Types	As a % of Referred Assets
Export Credit Agencies' guarantees to cover Political and commercial risks generated by trade finance operations,	1.98%
Intra-group guarantees for other facilities involving country risk and Intra-group risk participations for large syndicated facilities in order to limit concentration risk and comply with the regulatory Large Exposure limits,	46.95 %
Third party guarantees for transactions involving exposures below the policy requirements of the Company,	4.00 %
Collateral for transactions involving exposures below the policy requirements of the Company.	3.37 %

Collaterals Management:

The Company performs periodically a revaluation of all physical collateral received in order to ensure proper coverage of the relevant risk exposures. The table below shows the inventory of all such collateral as at December 31st 2008, as well as the external source and frequency of revaluation for all non-cash physical collateral:

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2008

At 31 December 2008:

COLLATERAL TYPE	COLLATERAL FAIR VALUE (EUR)	RISK EXPOSURE (EUR)	COLLATERAL COVERAGE RISK EXPOSURE %	% INTRAGRP GUARANTEE	RISK EXPOSURE COVERED BY COLLATERAL	LATEST VALUATION DATE	FREQUENCY OF VALUATION	VALUATION METHODOLOGY / SOURCE
Aicraft (B767-300)	5,153,901.22	4,795,400.33	107.48%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-700)	17,465,998.57	15,276,308.05	114.33%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B747-400 Combi)	11,882,605.58	11,572,178.63	102.68%	89%	1,307,227.85	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Cash deposit	51,448,091.28	50,287,597.15	102.31%	0%	50,287,597.15	n/a	n/a	
Bonds pledge	7,500,000.00	2,305,046.97	325.37%	0%	2,305,046.97	Dec-08	Annual	
Aicraft (B747-400F)	20,042,949.18	7,691,590.25	260.58%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (A320-200)	8,088,761.63	1,420,700.56	569.35%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (A320-200)	8,160,343.59	1,418,831.22	575.15%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Cash deposit	74,000,000.00	75,814,566.33	97.61%	0%	74,000,000.00	n/a	n/a	
Cash deposit	36,958.48	997,844.73	3.70%	0%	36,958.48	n/a	n/a	
Real Estate Property	7,957,981.86	7,214,174.72	110.31%	100%	-	Oct-07	Annual	Historical cost 2006
Cash deposit	34,177.52	688,550.60	4.96%	0%	34,177.52	n/a	n/a	
LNG tanker	8,589,835.36	4,311,556.76	199.23%	100%	-	Nov-08	Annual	Clarkson's database Nov08
LNG tanker	8,589,835.36	4,311,556.76	199.23%	100%	-	Nov-08	Annual	Clarkson's database Nov08
Aicraft (B777-200)	14,817,466.00	13,302,376.16	111.39%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-500)	1,288,475.30	940,309.98	137.03%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-500)	1,288,475.30	935,557.79	137.72%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-500)	2,004,294.92	1,420,331.05	141.11%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-500)	2,075,876.88	1,480,449.48	140.22%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B737-500)	0.72	696,005.38	0.00%	100%	-	Dec-08	Annual	Crashed on 20/12/2008
Aicraft (B737-500)	1,431,639.23	982,753.15	145.68%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Locomotives	4,939,155.33	3,822,458.01	129.21%	0%	3,822,458.01	Dec-08	Annual	Oliver Wyman Dec08
Locomotives	6,585,540.44	5,286,133.54	124.58%	0%	5,286,133.54	Dec-08	Annual	Oliver Wyman Dec08
Train carriages	9,019,327.13	7,125,853.70	126.57%	0%	7,125,853.70	Dec-08	Annual	Oliver Wyman Dec08
Train carriages	3,650,680.03	2,847,989.65	128.18%	0%	2,847,989.65	Dec-08	Annual	Oliver Wyman Dec08
Train carriages	4,438,081.60	3,676,194.18	120.72%	0%	3,676,194.18	Dec-08	Annual	Oliver Wyman Dec08
Aicraft (MD-11P)	5,941,302.79	9,380,102.31	63.34%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B747-400 Combi)	9,949,892.63	14,557,634.99	68.35%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Aicraft (B747-400 Combi)	11,453,113.82	9,125,234.59	125.51%	100%	-	Dec-08	Annual	Average of curr mkt value and base value (Avitas, ASG and Ascend) Dec08
Flight Simulator A320	-	79,143.74	0.00%	100%	-	2008	Annual	estimated no value
Flight Simulator A330	-	114,321.18	0.00%	100%	-	2008	Annual	estimated no value
TOTAL	307,834,761.75	263,878,751.94			150,729,637.06			

COLLATERAL TYPE	COLLATERAL FAIR VALUE (EUR)	DERIVATIVE FAIR VALUE (EUR)		% INTRAGROUP GUARANTEE	DERIVATIVE AMOUNT COVERED BY COLLATERAL ONLY	LATEST VALUATION DATE	FREQUENCY OF VALUATION	VALUATION METHODOLOGY / SOURCE
Bonds pledge	348,863,500.00	132,873,061.08	262.55%	0%	132,873,061.08	Dec-08	Monthly	Market Price received from a credit institution
TOTAL	348,863,500.00	132,873,061.08			132,873,061.08			

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Notes to the Financial Statements for the year ended 31 December 2008

At 31 December 2007:

COLLATERAL TYPE	COLLATERAL FAIR VALUE (EUR)	RISK EXPOSURE (EUR)	COLLATERAL COVERAGE RISK EXPOSURE %	% INTRAGRP GUARANTEE	RISK EXPOSURE COVERED BY COLLATERAL	LATEST VALUATION DATE	FREQUENCY OF VALUATION	VALUATION METHODOLOGY / SOURCE
Aicraft (B767-300)	4,958,902.25	5,005,158.68	99.08%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-700)	16,371,170.44	15,229,256.77	107.50%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B747-400 Combi)	12,023,639.70	11,515,879.54	104.41%	89%	1,300,868.30	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Cash deposit	77,144,563.70	73,198,598.98	105.39%	0%	73,198,598.98	n/a	n/a	n/a
Bonds pledge	11,500,000.00	6,535,365.61	175.97%	0%	6,535,365.61	Dec-07	weekly	Bloomberg market price evaluation - INSPIRE
Aicraft (B747-400F)	18,816,656.48	8,201,151.04	229.44%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (A320-200)	7,947,829.63	2,040,624.57	389.48%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (A320-200)	8,015,759.80	2,036,981.76	393.51%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Cash deposit	74,000,000.00	74,118,005.34	99.84%	0%	74,000,000.00	n/a	n/a	n/a
Cash deposit	105,218.40	6,706,795.96	1.57%	0%	105,218.40	n/a	n/a	n/a
Real Estate Property	6,426,969.02	5,794,277.26	110.92%	100%	-	Oct-07	Annual	Historical Cost
Cash deposit	43,245.70	869,959.61	4.97%	0%	43,245.70	n/a	n/a	n/a
LNG tanker	9,510,223.49	4,076,406.44	233.30%	100%	-	Nov-07	Annual	Estimated value based on similar new vessels under construction - ISP Hong Kong
LNG tanker	9,510,223.49	4,076,406.44	233.30%	100%	-	Nov-07	Annual	Estimated value based on similar new vessels under construction - ISP Hong Kong
Aicraft (B777-200)	14,333,265.40	15,291,320.23	93.73%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,358,603.36	1,096,630.36	123.89%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,358,603.36	1,096,486.21	123.91%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	2,105,835.20	1,626,889.35	129.44%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,426,533.52	1,149,691.98	124.08%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,426,533.52	1,147,475.88	124.32%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	2,173,765.37	1,727,253.92	125.85%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,358,603.36	979,540.51	138.70%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B737-500)	1,494,463.69	1,186,758.92	125.93%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Locomotives	4,955,850.83	3,563,461.68	139.07%	100%	-	Dec-07	Annual	Projected Cash Flow vs. Debt Amortisation - Oliver Wyman, USA
Locomotives	6,555,397.05	4,885,863.74	134.17%	100%	-	Dec-07	Annual	Projected Cash Flow vs. Debt Amortisation - Oliver Wyman, USA
Train carriages	8,919,498.68	6,667,769.69	133.77%	0%	6,667,769.69	Dec-07	Annual	Projected Cash Flow vs. Debt Amortisation - Oliver Wyman, USA
Train carriages	4,873,220.57	3,347,257.29	145.59%	0%	3,347,257.29	Dec-07	Annual	Projected Cash Flow vs. Debt Amortisation - Oliver Wyman, USA
Train carriages	4,417,184.97	3,386,361.49	130.44%	0%	3,386,361.49	Dec-07	Annual	Projected Cash Flow vs. Debt Amortisation - Oliver Wyman, USA
Aicraft (MD-11P)	2,988,927.38	3,334,791.86	89.63%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (MD-11P)	3,872,019.56	4,008,517.96	96.59%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (MD-11P)	5,977,854.77	9,662,689.72	61.87%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B747-400 Combi)	10,053,664.83	15,425,613.37	65.18%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Aicraft (B747-400 Combi)	11,412,268.19	9,710,268.93	117.53%	100%	-	Nov-07	Annual	Average of Current Market Value and Base Value as received from Avitas, ASG and Ascend
Flight Simulator A320 (1)	339,650.84	707,471.49	48.01%	100%	-	2007	Annual	Estimated value based on contractual purchase price at final maturity - INSPIRE
Flight Simulator A330 (2)	509,476.26	684,574.68	74.42%	100%	-	2007	Annual	Estimated value based on contractual purchase price at final maturity - INSPIRE
TOTAL	348,285,622.79	310,091,557.27			168,584,685.45			

Due to the absence of an updated valuation of the collateral pledged against impaired loans, management has prudently decided not to take the collateral into consideration.
(2007 :Credit exposures marked as (1) and (2) above were subject to individual impairments as shown below:))

Impaired loan	Collateral nature	EUR FV collateral	EUR Loan Outstand.	Impairment (EUR)	EUR Net Outstand.
Restructured loans	Flight Simulators	849,127	1,392,046	1,062,820	329,226

An amount of € 396.75 million of risk exposures were partially or fully covered by physical collateral at year-end 2008 (2007 € 310.09 million), with a fair value of such collateral estimated at € 656.70 million at its last revaluation date (2007 € 348.29 million). The Company has in some cases received guarantees in addition to the collateral pledged. In the case of guarantees received from the Group, the risk mitigation provided by the guarantee prevails over the collateral received. In the case of guarantees received from third party, a risk assessment is performed in order to transfer the risk to the guarantor or the collateral. As at 31 December 2008, € 283.60 million (2007 € 168.58 million) of loans were covered by collateral only, without the mitigation of a prevailing guarantee.

The Company did not take possession of any pledged collateral 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.

It is the policy of the Company to monitor and control concentrations of credit. The monitoring is performed at the sector of activity, geographical and credit rating level, taking into consideration all relevant credit mitigations.

Credit Risk Exposures related to Loans & Receivables:

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted up to € 26.91 billion at the end of 2008 (€ 22.01 billion in 2007):

	2008 (‘000)	2007 (‘000)
Loans and advances to banks *(as per balance sheet)*	24,070,260	20,172,827
Loans and advances to customers *(as per balance sheet)*	2,837,857	1,841,626
	26,908,117	22,014,453

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by activity sectors is shown in the table below (physical non-cash collaterals are assigned to the relevant activity sector). The sector of risk concentration for 2007 has been enhanced and amended so as to be consistent with new 2008 classification by including accruals and IAS adjustments in the credit risk exposures relating to facilities classified as loans and receivables.

Sector of Risk	2008	As %	2007	As %
Central Government	114,285,296.47	8.48%	70,592,966.96	5.63%
Construction	12,615.01	0.00%	101,830.52	0.01%
Credit Institutions	384,440,610.25	28.52%	497,438,874.30	39.70%
Electricity, Gas and Water Supply	133,230,801.59	9.89%	118,700,909.98	9.47%
Extra-Territorial Organisations and Bodies	24,945,505.08	1.85%	10,889,440.86	0.87%
Financial Intermediation (Excl. Credit Institutions/Central Bank)	213,985,401.88	15.88%	140,561,266.39	11.22%
Manufacturing	260,912,683.92	19.36%	228,499,862.69	18.23%
Mining and Quarrying	2,006,600.74	0.15%	1,743,552.47	0.14%
Other Community, Social and Personal Services	180,067.64	0.01%	-	0.00%
Real Estate, Renting and Business	6,702,302.24	0.50%	5,754,230.34	0.46%
Transport, Storage and Communications	207,063,931.15	15.36%	178,830,211.49	14.27%
Total	**1,347,765,815.96**	**100.00%**	**1,253,113,146.00**	**100.00%**
Group	**25,435,992,897.75**		**20,613,993,002.34**	
Cash collateral	**124,358,733.16**		**147,347,063.08**	
Grand Total, including cash collateral	**26,908,117,446.86**		**22,014,453,211.42**	

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by internal credit rating is shown in the table below:

Rating	2008	As %	2007	As %
DEFAULT	23,105,070.97	1.75%	-	0.00%
I.1.A	892,173.61	0.07%	1,136,479.88	0.09%
I.1.C	138,393,731.76	10.46%	80,717,077.38	6.52%
I.1.D	34,721,271.55	2.62%	126,509,818.09	10.22%
I.1.E	55,337,444.18	4.18%	174,954,240.29	14.13%
I.1.F	129,362,496.48	9.77%	112,778,305.54	9.11%
I2	240,016,223.74	18.13%	399,493,682.47	32.26%
I3	167,475,187.91	12.65%	-	0.00%
I4	331,724,890.82	25.06%	113,722,211.69	9.18%
I5	176,871,954.25	13.36%	198,615,103.28	16.04%
I6	4,495,269.96	0.34%	27,334,514.12	2.21%
M1	836,375.72	0.06%	-	0.00%
M2	783,347.71	0.06%	2,236,379.28	0.18%
M3	334,053.44	0.03%	488,125.16	0.04%
M4	19,122,784.18	1.44%	339,771.67	0.03%
R1	-	0.00%	16,127.36	0.00%
R2	227,682.75	0.02%	64,379.85	0.01%
R4	-	0.00%	4,673.18	0.00%
Total	**1,323,699,959.03**	**100.00%**	**1,238,410,889.23**	**100.00%**

Group I.1.D	25,383,735,084.11	99.80%	20,607,457,636.73	100.00%
Group I3	49,952,766.67	0.20%	-	0.00%
Group Total, excluding collateral	**25,433,687,850.78**		**20,607,457,636.73**	
Physical Collateral (inc. cash)	**150,729,637.06**		**168,584,685.45**	
Grand Total	**26,908,117,446.86**		**22,014,453,211.42**	

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

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by country risk is shown in the table below (physical non-cash collaterals are assigned to the country of the collateral's owner, cash collaterals are assigned to the country of the relevant nostro account):

Group Exposures

Country of Risk	2008	As %	2007	As %
Croatia	201,823,834.79	0.79%	100,688,470.00	0.49%
France	-	0.00%	8,449,325.42	0.04%
Hungary	1,929,060,199.79	7.58%	715,878,274.03	3.47%
Italy	22,606,648,244.06	88.88%	19,275,216,172.48	93.51%
Romania	70,775,011.16	0.28%	121,310,899.82	0.59%
Slovak Republic	197,811,739.27	0.78%	-	0.00%
Slovenia	429,873,868.68	1.69%	392,449,860.59	1.90%
Total	**25,435,992,897.75**	**100.00%**	**20,613,993,002.34**	**100.00%**

Non-Group Exposures

Country of Risk	2008	As %	2007	As %
Argentina	-	0.00%	45,655.18	0.00%
Bahrain	43,190,788.26	2.93%	40,944,594.34	2.92%
Brazil	11,335.74	0.00%	32,132.19	0.00%
Croatia	44,895,375.90	3.05%	44,982,695.60	3.21%
Cyprus	227,682.75	0.02%	-	0.00%
Dominican Republic	-	0.00%	4,673.18	0.00%
France	105,963,025.54	7.20%	242,768,041.55	17.33%
Germany	60,459,084.86	4.11%	47,803,258.28	3.41%
Greece	48,973,205.36	3.33%	14,532,632.22	1.04%
Hungary	17,984,125.35	1.22%	17,978,015.60	1.28%
Iceland	23,105,070.97	1.57%	15,134,753.41	1.08%
Ireland	277,158,252.70	18.83%	169,053,650.53	12.07%
Italy	300,552,275.18	20.42%	297,919,542.56	21.27%
Kuwait	9,793,531.51	0.67%	9,228,319.87	0.66%
Luxembourg	-	0.00%	18,500,189.66	1.32%
Malta	11,356,626.00	0.77%	-	0.00%
Poland	64,448,619.51	4.38%	43,166,440.64	3.08%
Portugal	87,614,276.25	5.95%	127,088,959.08	9.07%
Qatar	22,424,623.05	1.52%	21,044,831.17	1.50%
Russia	27,659,769.22	1.88%	26,794,270.84	1.91%
Spain	88,232,439.56	5.99%	79,965,556.96	5.71%
Sweden	14,617,066.03	0.99%	10,693,406.50	0.76%
Switzerland	94,577,866.65	6.42%	16,939,650.22	1.21%
United Arab Emirates	68,254,881.87	4.64%	65,197,616.84	4.66%
United Kingdom	6,075,366.55	0.41%	212,103.65	0.02%
United States	54,549,260.31	3.71%	90,429,219.00	6.46%
Total	**1,472,124,549.11**	**100.00%**	**1,400,460,209.08**	**100.00%**

Grand Total	**26,908,117,446.86**		**22,014,453,211.42**	

Credit Risk Exposures related to Outstanding Commitments:

The breakdown of the Company's undrawn risk exposures at year-ends 2008 and 2007 by activity sectors is shown in the table below:

Sector of Risk	2008	As %	2007	As %
Central Government	15,282,789.89	1.40%	83,197,762.85	5.86%
Credit Institutions	-	0.00%	122,793,025.99	8.65%
Electricity, Gas and Water Supply	161,583,333.32	14.76%	161,137,714.08	11.35%
Financial Intermediation (Excl. Credit Institutions/Central Bank)	151,935,187.18	13.88%	188,015,379.82	13.24%
Manufacturing	452,507,354.27	41.34%	556,405,314.82	39.18%
Other Community, Social and Personal Services	420,000.00	0.04%	600,000.00	0.04%
Real Estate, Renting and Business	179,636,415.90	16.41%	152,842,877.52	10.76%
Transport, Storage and Communications	63,217,108.39	5.78%	85,115,557.58	5.99%
Wholesale/Retail Trade & Repairs	70,000,000.00	6.40%	70,000,000.00	4.93%
Total	**1,094,582,188.94**	**100.00%**	**1,420,107,632.66**	**100.00%**
Group	**657,371,332.40**		**190,726,251.24**	
Grand Total	**1,751,953,521.34**		**1,610,833,883.90**	

The breakdown of the Company's undrawn risk exposures at year-ends 2008 and 2007 by internal credit rating is shown in the table below:

Rating	2008	As %	2007	As %
I.1.B	17,963,641.59	1.64%	25,473,812.92	1.79%
I.1.C	123,064,639.43	11.24%	212,265,081.65	14.95%
I.1.D	173,391,679.24	15.84%	242,143,511.69	17.05%
I.1.E	163,469,138.46	14.93%	221,564,296.73	15.60%
I.1.F	125,416,666.65	11.46%	316,432,800.39	22.28%
I2	361,983,653.09	33.07%	256,708,333.33	18.08%
I3	93,250,926.53	8.52%	-	0.00%
I4	17,732,184.35	1.62%	120,409,597.47	8.48%
I5	10,789,667.60	0.99%	17,218,477.03	1.21%
I6	1,727,819.71	0.16%	7,666,721.45	0.54%
M3	76,081.29	0.01%	-	0.00%
M4	5,716,091.01	0.52%	-	0.00%
R2	-	0.00%	225,000.00	0.02%
Total	**1,094,582,188.94**	**100.00%**	**1,420,107,632.66**	**100.00%**
Group I.1.D	**657,371,332.40**		**190,726,251.24**	
Grand Total	**1,751,953,521.34**		**1,610,833,883.90**	

The breakdown of the Company's undrawn risk exposures at year-ends 2008 and 2007 by country risk is shown in the table below:

Group Exposures

Country of Risk	2008	As %	2007	As %
Italy	219,307,358.60	33.36%	190,726,251.24	100.00%
Slovenia	438,063,973.80	66.64%	-	0.00%
Total	**657,371,332.40**	**100.00%**	**190,726,251.24**	**100.00%**

Non-Group Exposures

Country of Risk	2008	As %	2007	As %
Belgium	17,963,641.59	1.64%	25,473,812.92	1.79%
Cyprus	-	0.00%	225,000.00	0.02%
France	197,238,183.81	18.02%	207,065,553.44	14.58%
Germany	472,351,692.17	43.15%	589,661,292.76	41.52%
Greece	647,819.71	0.06%	600,000.00	0.04%
Iceland	-	0.00%	65,000,000.00	4.58%
Ireland	74,114,647.09	6.77%	53,703,171.58	3.78%
Italy	15,282,789.89	1.40%	83,286,053.85	5.86%
Netherlands	57,483,653.09	5.25%	54,344,134.23	3.83%
Poland	32,055,555.00	2.93%	52,080,530.65	3.67%
Russia	76,081.29	0.01%	105,507.44	0.01%
Saudi Arabia	71,854,566.36	6.56%	50,947,625.84	3.59%
Slovenia	-	0.00%	23,739,651.10	1.67%
Spain	3,333,333.33	0.30%	10,000,000.00	0.70%
Sweden	70,510,579.65	6.44%	74,208,333.33	5.23%
Switzerland	64,357,461.62	5.88%	83,198,488.50	5.86%
United Kingdom	-	0.00%	446,192.94	0.03%
United States	17,312,184.35	1.58%	46,022,284.09	3.24%
Total	**1,094,582,188.94**	**100.00%**	**1,420,107,632.66**	**100.00%**

Grand Total	**1,751,953,521.34**		**1,610,833,883.90**	

Credit Risk Exposures related to Bonds

With regard to non intra-Group bonds, investments in permissible bonds (as per the permissible bond typology adopted by the Board) are subject to the following limit types:

- Notional limit of € 1.5 billion equivalent
- Country diversification limits
- Issuers diversification portfolio limits
- Credit rating diversification portfolio limits
- Minimum weighted average portfolio rating limit
- Single government and supranational/agency issuer exposure limits
- Single covered bond and securitisation by issue exposure limit
- Single banking issuer exposure limits
- Single corporate issuer exposure limits
- Transaction tenor limits

The total exposure of the Company derived from available-for-sale and carried-at-fair-value bonds after adjustments shown in the table below, amounted up to € 656.38 million at the end of 2008 (€ 944.31 million in 2007): The decrease in available for sale securities is due to the sale of €350 million of Republic of Italy BTP in January 2008.

	2008	2007
Securities Carried at Fair Value *(as per balance sheet)*	268,081,925	269,080,638
Securities Available for Sale *(as per balance sheet)*	388,295,743	675,226,220
	656,377,668	944,306,858

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by activity sectors is shown in the table below: The sector of risk concentration for 2007 has been enhanced by including accruals and impairment provisions in the credit risk exposures relating to securities.

Sector of Risk	2008	2007
Central Government	176,181,901.14	523,703,807.53
Credit Institutions	244,374,548.18	227,766,092.28
Financial Intermediation (Excl. Credit Institutions/Central Bank)	153,709,051.80	110,330,711.82
Manufacturing	6,064,302.29	6,552,101.24
Other General Government	50,382,049.18	50,253,910.31
Transport, Storage and Communications	25,665,815.63	25,700,234.15
Total	**656,377,668.22**	**944,306,857.33**

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by credit internal rating is shown in the table below:

Rating	2008	2007
I.1.A	126,397,011.12	52,596,483.22
I.1.B	25,211,138.19	-
I.1.C	-	10,379,170.63
I.1.D	42,422,533.27	82,050,541.10
I.1.E	275,104,318.38	583,221,861.66
I.1.F	78,010,378.42	113,218,653.66
I2	46,758,526.49	48,983,489.46
I3	51,970,848.68	-
I4	-	47,189,075.29
I5	-	2,666,197.98
I6	10,502,913.67	4,001,384.33
Total	**656,377,668.22**	**944,306,857.33**

The breakdown of the Company's risk exposures at year-ends 2008 and 2007 by country risk is shown in the table below:

Country of Risk	2008	2007
Canada	39,060,554.86	-
Cayman Islands	4,491,288.06	1,692,416.51
France	45,962,679.05	2,846,690.25
Germany	3,214,832.24	3,024,110.88
Greece	26,793,995.36	7,450,159.17
Iceland	-	18,542,456.04
Italy	449,465,009.67	726,929,172.59
Netherlands	9,823,203.06	33,520,556.84
Portugal	-	9,983,791.67
Singapore	-	5,156,165.50
Spain	5,163,221.85	5,136,415.57
Sweden	17,119,410.32	18,104,700.98
United Kingdom	-	19,962,233.29
United States	55,283,473.75	91,957,988.05
Total	**656,377,668.22**	**944,306,857.33**

The bonds portfolio of the Company is subject to the volatility of credit spreads associated to each issuer and representative of both their specific credit worthiness as well as systematic credit market conditions. The impact of the sensitivity of the portfolio to credit spread volatility will actually vary in accordance with the accounting classification of each bond and the relevant accounting principles in application. The table below provides estimates of the material potential 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 and loss ("CFV Securities") or equity ("AFS Securities) of the Company in 2008.

Price Sensitivity Analysis as at 31/12/08 of CFV and AFS Securities to Credit Spread Volatility (in € '000s)

	Profit and Loss	Equity
AFS Securities	-	(1,685)
Hedged CFV Securities	(4,627)	-
Total	**(4,627)**	**(1,685)**

2007 comparative analysis not available due to system migration

Credit Concentrations Monitoring:

It is the policy of the Company to monitor and control concentrations of credit 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. On the contrary, it is preferable to spread exposure over an extensive cross section of industries and geographic locations.

In addition to the monitoring of concentration limits at the counterpart 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 activity of lending principally to large corporations (as described above). The Concentration Index, utilized for managerial purposes, is reviewed by the Risk Control Unit at least on an annual basis and the result is communicated to the Board.

One key concentration limit of the Company concerns Large Exposures, which are 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. In the case of guarantees, the credit risk is transferred to the guarantor.

Furthermore, the Company has set the following other limits:

- Large Exposures to a client or group of connected clients not to exceed 25% of the Own Funds base. Intra Group exposures are exempt from this requirement.
- Large Exposures in total not to exceed 800 per cent of Own Funds base.
- Loans to Directors are not permitted.

Sectoral Concentration: the aggregate amount of loans concentrated in one sector of business or economic activity which is subject to a "common predominant risk factor" 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 aggregate

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 8 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 one, 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.

Flows which are readily realisable or have variable maturity such as retail accounts, call deposits, undrawn credit lines and guarantees, are allocated to time segments on the basis of behavioural assumptions.

Behavioural assumptions for undrawn committed credit lines likely to be drawn in the case of a liquidity crunch such as medium/long term facilities and export facilities, and those with a low likelihood of drawing such as back-up revolving facilities or guarantees, are determined by the Company based on over 4 years of proprietary historical data.

	Standard Assumption (0-8 Days) - 31 December 2008	Standard Assumption (0-8 Days) - 31 December 2007
Drawings on unlikely undrawn committed facilities granted	6.12%	2%
Drawings on guarantees issued	3%	6%
Drawings on likely undrawn committed facilities granted	78.02%	93%

With regard to on-demand accounts such as retail accounts and call deposits, the Company assumes that 100% of all balances will be repaid in the first time band. This assumption is driven by the limited amount of local historical on the behaviour of such flows and the immateriality of their amount.

With regard to guarantees issued, the Bank is proposing to assume that 3% be converted into a cash outflow in the first time-band. This assumption is driven by the very limited amount of relevant local historical data and is based on the Parent Company's assumptions.

The funding liquidity position of the Company is monitored and reported daily to the ALCO

Committee, while it is presently reported weekly to the Financial Regulator.

The overall liquidity risk monitoring framework of the Company as well as the support provided by the Group in that respect, are helping the Company mitigate liquidity risk. Such support includes:

- The Company is inserted in the overall liquidity management of the Group since the Company has been assigned a main funding rule for the Group;
- All short-term and medium/long-term debt issued by the Company under its existing programmes are fully guaranteed by the Parent Company;
- The Company is also inserted in the contingency policies of the Group in addition to the local contingency funding plan;
- An uncommitted money market line in favour of the Company for € 5.0 billion exists with the Parent Company;
- The issuance of a Letter of Comfort dated 2 July 2002 issued by the Parent Company and ensuring that the Company will remain able to meet all its liabilities.

Furthermore, the liquidity risk monitoring framework of the Company is committed to ensure and manage the access to diverse funding sources in the financial market, to monitor the Company's exposure to liquidity risk under stress test scenarios, considering both a market crisis and a Bank-specific crisis, as well as to monitor market-specific warning indicators (providing the Company with timely information on external market stressed conditions) in addition to existing Bank-specific triggers, for the activation of the funding contingency plan.

The tables below show the liquidity risk exposures of the Company for year-ends 2008 and 2007 using the behavioural assumption described above and used by the Company's Management for the daily monitoring and management of this risk factor:

Liquidity of Credit Institutions
Maturity Mismatch Calculation – Liquidity Ratios

Credit Institution: INTESA SANPAOLO BANK IRELAND
Institution Code : SPBANK

Reporting Date: 31-Dec-2008
Amount: Operational Currency 000

Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1y	1 to 2 y	2 years +
Discounted Liquid Asset	2,371,321.34						
Cash Inflows	1,890,616.32	6,906,907.02	2,315,832.28	1,438,120.48	5,852,849.61	3,203,369.32	10,946,591.12
Net Cumulative Cashflow c/Fwd		712,911.87	432,782.26	0	0	0	0
Total Cash Inflow	4,261,937.67	7,619,818.89	2,748,614.53	1,438,120.48	5,852,849.61	3,203,369.32	10,946,591.12
Cash Outflows	-3,549,025.80	-7,187,036.63	-8,351,948.22	-2,430,362.19	-4,984,001.01	-1,344,740.68	-5,472,582.65
Net Cumulative Cashflow c/Fwd		0	0	-5,603,333.69	-6,595,575.40	-5,726,726.80	-3,868,098.16
Total Cash Outflow	-3,549,025.80	-7,187,036.63	-8,351,948.22	-8,033,695.88	-11,579,576.40	-7,071,467.48	-9,340,680.81
Net Position in the Period	712,911.87	-280,129.61	-6,036,115.95	-992,241.71	868,848.60	1,858,628.63	5,474,008.47
NetCumulative Inflow/Outflow	712,911.87	432,782.26	-5,603,333.69	-6,595,575.40	-5,726,726.80	-3,868,098.16	1,605,910.31
Ratio Analysis							
Liquidity Ratio	120.09%	106.02%	-	-	-	-	-
Monitoring Ratio	-	-	32.91%	17.90%	50.54%	45.30%	117.19%

Liquidity of Credit Institutions Maturity Mismatch Calculation – Liquidity Ratios							
Credit Institution: INTESA SANPAOLO BANK IRELAND **Institution Code : SPBANK**							
Reporting Date: 31-Dec-2007 **Amount: Operational Currency 000**							
Timebands	**Sight to 8 days**	**Over 8 days to 1 mth**	**Over 1 mth to 3 mths**	**Over 3 mths to 6 mths**	**Over 6 mths to 1y**	**1 to 2 y**	**2 years +**
Discounted Liquid Asset	2,439,624.83						
Cash Inflows	437,062.57	3,594,080.87	3,832,486.83	1,412,769.51	3,014,424.78	5,373,486.84	10,121,446.79
Net Cumulative Cashflow c/Fwd		611,065.68	358,323.37	0	0	0	0
Total Cash Inflow	2,876,687.40	4,205,146.55	4,190,810.20	1,412,769.51	3,014,424.78	5,373,486.84	10,121,446.79
Cash Outflows	-2,265,621.72	-3,846,823.17	-7,600,863.21	-2,516,257.81	-2,859,729.28	-4,128,238.20	-4,820,825.73
Net Cumulative Cashflow c/Fwd	0	0	0	-3,410,053.01	-4,513,541.30	-4,358,845.80	-3,113,597.15
Total Cash Outflow	-2,265,621.72	-3,846,823.17	-7,600,863.21	-5,926,310.82	-7,373,270.58	-8,487,084.00	-7,934,422.88
Net Position in the Period	611,065.68	-252,742.30	-3,768,3763.38	-1,103,488.29	154,695.50	1,245,248.65	5,300,621.06
NetCumulative Inflow/Outflow	611,065.68	358,323.37	-3,410,053.01	-4,513,541.30	-4,358,845.80	-3,113,597.15	2,187,023.91
Ratio Analysis							
Liquidity Ratio	126.97%	109.31%	-	-	-	-	-
Monitoring Ratio	-	-	55.14%	23.84%	40.88%	63.31%	127.56%

The “target liquidity ratio” as at 31/12/08 reached 120.09% (2007: 126.97%) in the time bucket on-demand to 8 days and reached 106.02% (2007: 109.31%) in the time bucket 8 days to 1 month, in excess of the minimum limits imposed by the Company’s policy.

The tables below show the liquidity risk exposures of the Company for year-ends 2008 and 2007 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). These adjusted exposures are not used by the Company’s Board and Management for the monitoring and management of this risk factor:

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2008

Liquidity of Credit Institutions
Maturity Mismatch Calculation – Liquidity Ratios

Credit Institution: INTESA SANPAOLO BANK IRELAND
Institution Code : SPBANK

Reporting Date: 31-Dec-2008
Amount: Operational Currency 000

Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1y	1 to 2 y	2 years +
Discounted Liquid Asset	2,371,321.34						
Cash Inflows	1,890,616.32	6,906,907.02	2,318,961.61	1,441,399.97	6,038,490.92	3,391,700.99	11,789,720.07
Net Cumulative Cashflow c/Fwd		0	0	0	0	0	0
Total Cash Inflow	4,261,937.67	6,906,907.02	2,318,961.61	1,441,399.97	6,038,490.92	3,391,700.99	11,789,720.07
Cash Outflows	-4,772,536.55	-7,187,036.63	-8,351,948.22	-2,430,362.19	-4,984,001.01	-1,344,740.68	-5,472,582.65
Net Cumulative Cashflow c/Fwd		-510,598.89	-790,728.50	-6,823,715.11	-7,812,677.33	-6,758,187.42	-4,711,227.11
Total Cash Outflow	-4,772,536.55	-7,697,635.52	-9,142,676.72	-9,254,077.30	-12,796,678.34	-8,102,928.10	-10,183,809.76
Net Position in the Period	-510,598.89	-280,129.61	-6,032,986.61	-988,962.22	1,054,489.91	2,046,960.31	6,317,137.42
NetCumulative Inflow/Outflow	-510,598.89	-790,728.50	-6,823,715.11	-7,812,677.33	-6,758,187.42	-4,711,227.11	1,605,910.31
Ratio Analysis							
Liquidity Ratio	89.30%	89.73%	-	-	-	-	-
Monitoring Ratio	-	-	25.36%	15.58%	47.19%	41.86%	115.77%

Liquidity of Credit Institutions
Maturity Mismatch Calculation – Liquidity Ratios

Credit Institution: INTESA SANPAOLO BANK IRELAND
Institution Code : SPBANK

Reporting Date: 31-Dec-2007
Amount: Operational Currency 000

Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1y	1 to 2 y	2 years +
Discounted Liquid Asset	2,439,624.83						
Cash Inflows	437,062.57	3,594,080.87	3,832,486.83	1,412,769.51	3,145,163.00	5,438,855.96	11,239,899.94
Net Cumulative Cashflow c/Fwd		0	0	0	0	0	0
Total Cash Inflow	2,876,687.40	3,594,080.87	3,832,486.83	1,412,769.51	3,145,163.00	5,438,855.96	11,239,899.94
Cash Outflows	-3,580,182.20	-3,846,823.17	-7,600,863.21	-2,516,257.81	-2,859,729.28	-4,128,238.20	-4,820,825.73
Net Cumulative Cashflow c/Fwd		-703,494.80	-956,237.11	-4,724,613.49	-5,828,101.78	-5,542,668.05	-4,232,050.29
Total Cash Outflow	-3,580,182.20	-4,550,317.97	-8,557,100.31	-7,240,871.29	-8,687,831.06	-9,670,906.25	-9,052,876.03
Net Position in the Period	-703,494.80	-252,742.30	-3,768,376.38	-1,103,488.29	285,433.73	1,310,617.76	6,419,074.20
NetCumulative Inflow/Outflow	-703,494.80	-956,237.11	-4,724,613.49	-5,828,101.78	-5,542,668.05	-4,232,050.29	2,187,023.91
Ratio Analysis							
Liquidity Ratio	80.35%	78.99%	-	-	-	-	-
Monitoring Ratio	-	-	44.79%	19.51%	36.20%	56.24%	124.16%

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 re-price. 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 25 basis points of index reference yield curves (i.e. EURIBOR, LIBOR), assuming that all such assets and liabilities are re-valued at fair value, and the exposure is reviewed daily by management against the set limit. The same methodology is applied to all interest bearing and discounted assets and liabilities. Given the absence of optional risk in the Company, the sensitivity of all assets and liabilities and derivatives of the Company for a parallel downward shift of 25 basis points of index reference yield curves is similar and opposite to the measure monitored daily by Management.

As at 31 December 2008, the Company's interest rate sensitivity on all on balance sheet assets and liabilities and derivatives of the Company amounted up to € -1,595,648 (2007 € -1,608,323), within the limit approved on 5 December 2008 by the Board of Directors of € 4,000,000.

Historical Interest Rate Sensitivity Review

	2008	**2007**
Average	(262,248)	(356,243)
High	790,156	780,108
Low	(1,781,666)	(1,608,323)

Whereas the above sensitivity measure on all on balance sheet assets and liabilities and derivatives of the Company provides information as to the potential future impact which a parallel upward shift of 25 basis points of index reference yield curves would have on the interest margin of the Company, the financial impact of the sensitivity to interest rate risk of instruments will actually vary in accordance with their accounting classification and the relevant accounting principles in application. The table below provides estimates of the material potential impact of a parallel upward shift of 25 basis points of index reference yield curves on the revaluation of instruments classified at fair value through profit and loss or equity of the Company in 2008.

Interest Rate Sensitivity Analysis as at 31/12/08 of Instrument Classified at Fair Value through Profit and Loss or Equity (in € '000s)

	Profit and Loss	Equity
AFS Securities	-	(134)
Hedged CFV Securities	(159)	-
Hedged Assets and Liabilities	(1,295)	-
Trading Derivatives	(19)	-
Total	**(1,473)**	**(134)**

2007 comparative analysis not available due to system migration.

The Management of the Company monitors daily the concentration of interest rate risk in the banking book on a time bucket and currency basis only. The interest rate risk sensitivity of the Company at year-ends 2008and 2007 by time bucket and by currency, is shown in the tables below:

Sensitivity as at 31/12/08

Currency	NPV	O/N	T/N	1D	1W	1W to 1M	1M	2M	3M	4M	5M	6M
Australian dollar	-7,836	0	0	0	0	0	1	-1	0	0	0	0
British pound sterling	-937,043	0	0	-1,305	-7,072	-2,460	-1,169	59,923	4,800	-6	37,138	87,851
Canadian dollar	8,961	0	0	0	0	0	-1	-1	0	0	-1	-1
Danish krone	1,043	0	0	0	0	0	0	0	0	0	0	0
European currency	510,799,617	0	0	-1,379	-202	0	181,712	299,808	-777,193	-243,130	-277,362	-457,393
Hong Kong dollar	86,757	0	0	0	0	0	0	0	0	-1	-1	-1
Japanese yen	636,147	0	0	0	0	0	-12	-24	-5	-4	-14	-20
Polish Zloty	14,879	0	0	0	0	0	-2	0	0	0	0	0
Russian rouble	6,642	0	0	0	0	0	0	0	10	0	0	-3
Singapore Dollar	-39,505	0	0	0	2	0	0	0	0	0	0	-2
Swiss Franc	30,307,869	0	0	245	-7,850	0	-8,650	70,965	17,115	-3	-10,203	-43,960
Us dollar	133,749,089	0	0	2,005	-1,560	-35,792	-48,062	95,522	20,840	-70,395	20,999	-24,763
Total	**674,618,408**	**0**	**0**	**-435**	**-16,681**	**-38,251**	**123,818**	**526,193**	**-734,435**	**-313,538**	**-229,443**	**-438,291**

Currency	**7M**	**8M**	**9M**	**10M**	**11M**	**12M**	**2Y**	**3Y**	**4Y**	**5Y**	**Tot 31/12/08**
	0	0	0	0	0	0	0	0	0	0	**0**
British pound sterling	1,077	10,210	-16	-10	0	-51	-110	-20	0	0	**188,780**
Canadian dollar	0	0	0	0	0	-2	-1	0	0	0	**-7**
Danish krone	0	0	0	0	0	0	0	0	0	0	**0**
European currency	388	28,293	627,944	194,572	59,717	-114,197	-446,342	-137,037	-76,713	-410,333	**-1,548,847**
Hong Kong dollar	-5	-3	-2	-3	-1	-10	-51	-77	-99	-626	**-880**
Japanese yen	-39	-23	-4	0	-3	-139	-307	-257	-306	-1,878	**-4,001**
Polish Zloty	0	0	0	-1	0	0	0	0	0	0	**-3**
Russian rouble	0	0	-4	0	-1	-5	-21	-26	-23	-12	**-85**
Singapore Dollar	-2	0	0	0	0	0	0	0	0	0	**-2**
Swiss Franc	-5	-469	-1,615	-10	-713	-6,029	-21,592	-32,311	-43,058	-32,954	**-121,097**
Us dollar	-327	5,913	1,535	-556	-447	-3,354	-9,910	-10,583	-9,311	-41,262	**-109,508**
Total	**1,088**	**43,921**	**627,839**	**193,991**	**58,551**	**-123,787**	**-478,334**	**-180,311**	**-129,510**	**-487,065**	**-1,595,648**

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2008

Sensitivity as at 31/12/07

Currency	NPV	O/N	T/N	1D	1W	1W to 1M	1M	2M	3M	4M	5M	6M
British pound sterling	2,210,203	0	0	-1,63	1,242	0	2,647	-5,229	-5,015	-11,890	-2	-29
Canadian dollar	4,469	0	0	0	0	0	0	0	0	0	0	0
Danish krone	9,952	0	0	0	0	0	1	-4	-2	0	0	0
European currency	1,173,419,376	0	0	-2,201	-34,890	0	135,500	387,862	-287,962	168,716	-342,953	-1,209,484
Hong Kong dollar	5,049	0	0	0	0	0	0	0	0	0	0	0
Hungarian forint	620	0	0	0	0	0	0	0	0	0	0	0
Japanese yen	1,505,817	0	0	0	0	0	-2	-3	-2	-3	-2	0
Polish Zloty	3,684	0	0	0	0	0	0	0	0	0	0	0
Singapore Dollar	10,409	0	0	0	0	0	0	0	0	0	0	-1
Swiss Franc	41,265,722	0	0	415	-338	0	83	-1,371	7,879	-8	-15,970	-60,051
Us dollar	273,212,719	0	0	885	493	0	-66,828	-26,071	2.840	-21,839	-24,919	-49,933
Total	**1,491,648,09**	**0**	**0**	**-1,063**	**-33,494**	**0**	**71,400**	**355,183**	**-282,261**	**134,975**	**-383,846**	**-1,319,498**

Currency	7M	8M	9M	10M	11M	12M	2Y	3Y	4Y	5Y	Tot 31/12/07
British pound sterling	2,390	6,379	2,377	-30	0	-82	-239	-200	-32	0	**-7,876**
Canadian dollar	0	0	0	0	0	-2	-7	-2	0	0	**-11**
Danish krone	0	0	0	0	0	0	0	0	0	0	**-5**
European currency	15,225	75,808	69,458	87,779	88,940	-5,247	-56,191	-55,007	-60,975	-338,092	**-1,363,714**
Hong Kong dollar	-1	0	-1	-1	0	-4	0	0	0	0	**-12**
Hungarian forint	0	0	0	0	0	0	0	0	0	0	**0**
Japanese yen	-31	-19	0	0	0	-199	-154	-214	-261	-2,260	**-3,957**
Polish Zloty	0	0	0	-1	0	-1	-4	0	0	0	**-6**
Singapore Dollar	-2	0	0	0	0	-9	-8	0	0	0	**-20**
Swiss Franc	-13	-11	-12	-18	6,005	-6,730	-434	-566	-356	-169	**-71,665**
Us dollar	36,703	35,713	-299	1,220	-4,672	-9,132	20,768	-26,270	-4,778	-24,936	**-161,055**
Total	**54,271**	**117,871**	**71,523**	**88,949**	**90,273**	**-21,270**	**-36,275**	**-82,260**	**-66,402**	**-365,456**	**-1,608,323**

With regard to <u>foreign exchange risk in the banking book</u>, 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 have set a limit on the total overnight open position (measured as the maximum of the sums of all long and short open positions) of € 3,000,000 equivalent, which is monitored daily.

The Management of the Company monitors daily the concentration of foreign exchange risk in the banking book on a currency basis only. The table below summarises the Company's exposure to foreign currency exchange rate risk at year-end s 2008 and 2007:

	2008 Position in '000s		2007 Position in '000s	
Currency	**Original Ccy**	**Euro**	**Original Ccy**	**Euro**
USD	1,091	784	311	211
GBP	-679	-713	-426	-580
CHF	399	269	294	177
DKK	1,115	150	25	3
NOK	1	0	1	0
SEK	210	19	22	2
CAD	14	8	1	1
AUD	-28	-14	1	1
JPY	-42,291	-335	55,072	334
PLN	376	91	52	14
HKD	-50	-5	31	3
SGD	27	14	0	0
RUB	2,877	70	0	0
ZAR	2	0	2	0
NZD	-2	-1	2	1
HUF	3,921	15	212	1

Totals in Euro		
Long Foreign currency:	1,420	748
Short Foreign currency:	1,068	580

Average position during the year in Euro		
Avg Long Foreign currency:	1,192	287
Avg Short Foreign currency:	493	39

As a consequence of the limited exposure of the Company to foreign exchange risk in the banking book and the daily spot revaluation through profit and loss of all on- and off-balance sheet assets and liabilities as well as of its cumulative yearly profit and loss, the Company does not compute any measure of sensitivity to foreign exchange risk in the banking book.

3.4. Operational Risk

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

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

The objectives of ORM are as follows:

- Asset protection;
  - To contribute to the preservation of the Group's assets, in all its material components (capital) and non-material components (brand image, reputation), in order to optimise the economic value for the shareholders, by avoiding exposures inconsistent with the risk appetite, also expressed in terms of capital allocation;
  - To estimate the Regulatory Capital Requirement using the internal model;
  - To help guarantee the safeguard of the values, professional and intellectual assets, production of services as well as of the ethical behaviour;
  - To contribute to optimising the capital allocation process by means of risk adjusted return analysis and the adoption of a performance evaluation system consistent with such measures;
- Control and proactive monitoring of processes;
- Observance and compliance of processes with internal rules;
- Management of risks and responsibilities.

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

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

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

The main operational risk-minimisation options therefore can be:

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

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

- The monitoring of the effectiveness of internal controls using a Sarbanes-Oxley Section 404/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.

- The existence of a local Disaster Recovery and Business Continuity framework including:
  - A local UPS at the main office;
  - A building with an independent generator at the main office;

- An alternative site located 10 km away from the main office consisting of a room in a protected area with a network of work stations configured with the critical systems of the Company and tested semi-annually.

➢ The critical IT systems of the Company are centralised Group systems with local access. These centralised systems are daily replicated 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).

Notes to the Financial Statements for the year ended 31 December 2008

4. Balance Sheet by accounting class

The table below summarizes the breakup of the financial assets and liabilities by category for 2008.

	Loans and receivables	Held for trading	Designated at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
As at 31 December 2008	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial Assets							
Cash and balance with central banks	219,543	-	-	-	-	-	219,543
Financial instruments at fair value	-	-	268,082	-	-	-	268,082
Available for sale debt securities	-	-	-	-	388,296	-	388,296
Loans and advances to banks	24,070,260	-	-	-	-	-	24,070,260
Loans and advances to customers	2,837,857	-	-	-	-	-	2,837,857
Derivative financial instruments	-	369,715	-	1,189	-	-	370,904
Current tax	-	-	-	-	-	13	13
Prepayment and accrued income	103	-	-	-	-	-	103
Deferred tax asset	-	-	-	-	-	4,678	4,678
Other assets	11,535	-	-	-	-	-	11,535
Property, plant and equipment	-	-	-	-	-	115	115
Total assets	**27,139,298**	**369,715**	**268,082**	**1,189**	**388,296**	**4,806**	**28,171,386**
Financial Liabilities							
Debt securities in issue	21,364,093	-	-	-	-	-	21,364,093
Deposits from Bank	3,720,689	-	-	-	-	-	3,720,689
Due to customers	1,734,962	-	-	-	-	-	1,734,962
Derivative financial instruments	-	294,479	-	60,044	-	-	354,523
Current tax	-	-	-	-	-	706	706
Deferred tax liability	-	-	-	-	-	2	2
Accruals and deferred income	22,291	-	-	-	-	-	22,291
Other liabilities	3,218	-	-	-	-	-	3,218
Provision for liabilities and commitments	1,234	**-**	**-**	**-**	**-**	**-**	1,234
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves						(28,754)	(28,754)
Other reserves	-	-	-	-	-	506,754	506,764
Retained earning	-	-	-	-	-	90,133	90,133
Total liabilities and shareholders' funds	**26,846,487**	**294,479**	**-**	**60,044**	**-**	**970,376**	**28,171,386**

The table below summarizes the breakup of the financial assets and liabilities by category for 2007.

	Loans and receivables	Held for trading	Designated at fair value through profit or losss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
As at 31 December 2007	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial Assets							
Cash and balance with central banks	138,945	-	-	-	-	-	138,945
Financial instruments at fair value	-	-	269,081	-	-	-	269,081
Available for sale debt securities	-	-	-	-	675,226	-	675,226
Loans and advances to banks	20,172,827	-	-	-	-	-	20,172,827
Loans and advances to customers	1,841,626	-	-	-	-	-	1,841,626
Derivative financial instruments	-	134,771	-	18,863	-	-	153,634
Prepayment and accrued income	118	-	-	-	-	-	118
Deferred tax asset	-	-	-	-	-	618	618
Current tax	-	-	-	-	-	288	288
Other assets	14.999	-	-	-	-	-	14.999
Property, plant and equipment	-	-	-	-	-	137	137
Total assets	**22,168,515**	**134,771**	**269,081**	**18,863**	**675,226**	**1,043**	**23,267,499**
Financial Liabilities							
Debt securities in issue	19,251,169	-	-	-	-	-	19,251,169
Deposits from Bank	1,686,836	-	-	-	-	-	1,686,836
Due to customers	1,081,447	-	-	-	-	-	1,081,447
Derivative financial instruments	-	214,091	-	25,403	-	-	239,494
Deferred tax liability	-	-	-	-	-	582	582
Accruals and deferred income	18,978	-	-	-	-	-	18,978
Other liabilities	3,838	-	-	-	-	-	3,838
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves						(4,686)	(4,686)
Other reserves	-	-	-	-	-	504,701	504,701
Retained earning	-	-	-	-	-	83,615	83,615
Total liabilities and shareholders' funds	**22,042,268**	**214,091**	**-**	**25,403**	**-**	**985,737**	**23,267,499**

5. Effective interest rate

The table below summarises the effective interest rate by major currencies for monetary instruments not carried at fair value through profit or loss : outstanding at the balance sheet date.

At 31 December 2008	**Euro**	**US$**	**CHF**	**GBP£**
	%	**%**	**%**	**%**
ASSETS				
Cash and balances with central banks	2.46	-	-	-
Loans and advances to banks	4.03	2.15	1.54	2.14
Available-for-sale debt securities	4.81	2.35	-	-
Loans and advances to customers	5.00	3.30	1.69	4.50
LIABILITIES				
Deposits from banks	4.93	1.57	0.80	-
Due to customers	4.48	2.70	-	-
Debt securities in issue	4.13	2.32	0.88	3.03
Other	2.00	-	-	-

At 31 December 2007	**Euro**	**US$**	**CHF**	**GBP£**
	%	**%**	**%**	**%**
ASSETS				
Cash and balances with central banks	4.16	5.57	-	-
Loans and advances to banks	4.86	5.28	2.98	6.26
Available-for-sale debt securities	5.07	5.23	-	7.13
Loans and advances to customers	5.00	5.68	3.20	6.98
LIABILITIES				
Deposits from banks	4.66	5.31	2..50	6.78
Due to customers	4.45	-	-	-
Debt securities in issue	4.70	5.13	2.72	6.27
Other	3.80	4.05	-	-

6. Fair values of financial assets and liabilities:

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 balance sheet at their fair value) held in the non-trading book as at 31 December 2008

	At 31/12/08 Carrying value €'000	**At 31/12/08 Fair value €'000**	**At 31/12/07 Carrying value €'000**	**At 31/12/07 Fair value €'000**
Assets				
Cash and balance at central banks	219,543	219,543	138,945	138,945
Loans and advances to banks	24,070,260	24,070,260	20,172,827	20,172,827
Loans and advances to customers	2,837,857	2,837,857	1,841,626	1,841,626
Liabilities				
Deposits by banks	3,720,689	3,720,689	1,686,836	1,686,836
Due to customers	1,734,962	1,734,962	1,081,447	1,081,447
Debt securities in issue	21,364,092	21,364,092	19,251,169	19,251,169

Market values have been used to determine the fair value of all derivatives, forward foreign currency contracts, and all debt securities held. The book value of other variable rate assets and liabilities is considered to be its fair value. Fair value adjustments to hedged assets and liabilities are included in the carrying value.

The valuation of financial instruments at fair value at year-end 2008 was performed using diverse external sources, and on the basis of external market quotes or external models fed by observable inputs.

7. Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Determination of fair values of financial instruments

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 in Milan 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 in Intesa Sanpaolo Bank Ireland 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 registration 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 values and presumed 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).

The hierarchy of fair value measurement attributes utmost priority to effective market quote for identical assets and a lower priority to non-observable and more discretional inputs (mark-to-model approach).

Some of the factors typically incorporated in valuation techniques, are:

- issuer spread, that is the risk premium for the borrower with respect to the risk-free rate;
- volatility, that is the size the estimated future variations of the price of the instrument;
- correlations between each structure’s value of underlying assets and recovery rates in case of default, necessary to estimate expected losses on collateral;
- adjustments to consider the market illiquidity.

As described above, the hierarchy of fair value measurement attributes utmost priority to effective market quotes for identical assets and liabilities and a lower priority to non-observable and more discretional inputs (mark-to-model approach). Therefore, fair value is determined using one of the following approaches with a clear order of preference:

Effective market quotes

In this case the valuation is the price of the same identical financial instrument to be measured on the basis of prices quoted on an active market.

The nominal amount of securities valued with the aforesaid methodology on the total of instruments measured at fair value is Euro equivalent 260.25 million (representing a market valuation including accruals of 247.93 million) at the end of 2008 or 39% of the portfolio (Euro equivalent 621.38 million (representing a market valuation including accruals of 636.96 million) at the end of 2007 or 67% of the portfolio)

Valuation techniques: comparable approach

- In this case 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.

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

The nominal amount of securities valued with the aforesaid methodology on the total of instruments measured at fair value is Euro equivalent 410.81 million (representing a market valuation of 408.45 million) at the end of 2008 or 61% of the portfolio (Euro equivalent 302.80 million (representing a market valuation including accrual of 307.35 million)   a at the end of 2007 or 33% of the portfolio)

Valuation techniques: Mark-to-Model approach

- In this case valuations are based on inputs which are not presumed from parameters which may be observed on the market and therefore imply estimates and assumptions.
- In particular, with this approach the valuation of the financial instruments uses a calculation methodology which is based on specific assumptions:
  - The development of future cash-flows, which may be affected by future events which may be attributed probabilities presumed from past experience or on the basis of assumed behaviour of a given group.
  - The estimate of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where these are not available, past data on specific risk of the underlying asset or specialised reports re used.

The Company had no securities valued with the aforesaid methodology at the end of 2008 or 2007.

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. 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 a discounting method for all cash flows. The 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. A credit risk adjustment is added to the valuation of all derivatives in compliance with International Accounting Standards, whereby final valuations must take into account the component related to counterpart credit risk. The credit risk adjustment is computed on the basis of the risk of default of the counterparts (represented by the level of the credit default swap spread) and the residual life of the derivative contract. The adjustment is applied to all derivatives of the Company with a positive mark-to-market and to all counterparts (excluding Group entities) with a rating lower than the Group standard of AA (Standard & Poor's equivalent), unless a collateral agreement has been entered by the Company with the relevant counterpart to mitigate the counterpart credit risk. Structured derivatives are re-valued by the Group Risk Management Department using valuation techniques: comparable approach.

(c) Impairment of available for-sale debt instruments

The Company determines that available-for-sale debt instruments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the issuer, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

8. Segmental Analysis

The Company's income and assets are entirely attributable to banking activities carried out in Ireland.

9. Net interest income

	2008	2007
	€'000	€'000
Interest and similar income		
Cash and short term funds	**30,885**	12,307
Available for sale debt securities	**21,035**	17,464
Financial assets at fair value through profit or loss **	**10,402**	0
Loans and advances *	**1,130,696**	639,703
Net swap interest receivable	**(11,648)**	19,623
Net income on Fair value option trading derivatives **	**466**	0
	1,181,836	689,097

* Interest income includes € 1,020,860 (2007: € 121,060) accrued on impaired loans.
** Previously classified under the heading Net trading income so as to be consistent with Group accounting policies. The comparative amounts have not been reclassified.

Interest expense and similar charges		
Banks and customers	**153,411**	91,194
Debt securities in issue	**951,976**	563,412
	1,105,387	654,606

10. Fees and commission income and expense

	2008 €'000	2007 €'000
Fee and commission income		
Credit related fees and commissions	**5,409**	8,698
Other fees	**217**	190
	5,626	8,888
Fee and commission expense		
Credit related fees and commissions	**(9,507)**	(3,055)
Brokerage fees paid	**(21)**	(11)
Other fees paid	**(26)**	(168)
	(9,554)	(3,234)

11. Net trading expense / Operating income

	2008 €'000	2007 €'000
Mark to market (losses) / gains:		
- Derivatives	**(19,786)**	(38,202)
- Net result Hedge Accounting ***	**8,222**	139
- Financial instruments designated at fair value through profit or loss **	**4,584**	7,586
Net Trading expense	**(6,980)**	(30,477)
Other Operating Income		
Net realised gains on available for sale debt securities *	**2,452**	31,102
Net realised loss on financial assets at fair value through profit or loss	**(658)**	-
Net realised gains on debt securities	**81**	-
	1,875	31,102

*In relation to 2007, this relates to the sale of a security and the loss on the economic hedge of the bond

** This comprises the Mark to market profit on the Financial instruments designated at fair value through profit or loss of €4,584,132 and interest income of €Nil (now classified under heading interest income) (2007 mark to market loss of €1,288,482 and interest income €8,874,833).

*** Break up of the net result of hedge accounting

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.

2008 Net results of hedge accounting ('000)

	Loans and Receivables	Available for Sale	ECP	MTN	Total
Net gains / (losses) on Hedged Asset / Liability	71,247	(14,111)	88	(102)	57,122
Net gains / (losses) on Fair Value of Hedged Derivative	(63,204)	14,387	(88)	5	(48,900)
	8,043	276	0	(97)	8,222

2007 Net results of hedge accounting ('000)

	Loans and Receivables	Available for Sale	ECP	MTN	Total
Net gains / (losses) on Hedged Asset / Liability	(14,711)	14,111	(88)	102	(586)
Net gains / (losses) on Fair Value of Hedged Derivative	14,604	(14,387)	529	(21)	725
	(107)	(276)	441	81	139

12. Employee numbers

The average number of persons employed by the company (including executive directors) during the year was as follows:

	Number of employees	
	2008	2007
Administration	**30**	21

13. Administrative expenses

	2008	2007
	€'000	€'000
Staff costs		
- wages and salaries	**2,461**	1,946
- social welfare costs	**187**	133
- pension costs	**328**	256
- other personnel expenses	**169**	3
	3,145	2,338
Other administrative expenses	**2,036**	1,864
	5,181	4,202

14. Profit before taxation

		2008	2007
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and equipment		**47**	73
Auditors' remuneration *(including VAT):*			
Audit Services	Statutory audit	**62**	61
Non-audit services	Taxation	**21**	42
	Other	**12**	40
	Subtotal	**33**	82
		95	143
Directors' remuneration:			
Executive		**387**	383
Non-executive		**50**	45
		437	428

Notes to the Financial Statements for the year ended 31 December 2008

The following tables detail the total remuneration of the directors

2008	Salary ('000)	Directors Fees ('000)	Taxable Benefits ('000)	Pension Contribution ('000)	Total ('000)
Executive Director					
P.C. Arena	223	0	58	106	387
Total	223	0	58	106	387
Non – Executive Directors					
Ian Letchford	0	25	0	0	25
Nathaniel Healy	0	25	0	0	25
Total	0	50	0	0	50

2007	Salary ('000)	Directors Fees ('000)	Taxable Benefits ('000)	Pension Contribution ('000)	Total ('000)
Executive Director					
P.C. Arena	229	0	58	96	383
Total	229	0	58	96	383
Non – Executive Directors					
Ian Letchford	0	22.5	0	0	22.5
Nathaniel Healy	0	22.5	0	0	22.5
Total	0	45	0	0	45

15. Income Tax expense

	2008 €'000	2007 €'000
Corporation tax charge 12.5% *(2007: 12.5%)* on the profit for the year on ordinary activities	**934**	4,161
Current tax charge for the year	**934**	4,161
Under / (over) provision in prior year	**2**	(57)
Total Current Tax	**936**	4,104
	936	4,104

The current tax charge for the year is lower that 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:

	2008	2007
	€'000	€'000
Profit on ordinary activities before tax	**7,454**	33,437
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 12.5% (2007: 12.5%)	**932**	4,180
Effects of:		
Adjustments to tax charge in respect of previous periods	**2**	(57)
Other adjustments	**2**	(19)
Current tax charge for the year	**936**	4,104

16. Cash and balances with central banks

	2008	2007
	€'000	€'000
Mandatory reserve deposits with central bank	**217,794**	134,395
Other cash balances	**1,749**	4,550
	219,543	138,945

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.

Included in cash and cash equivalents (Note 32) €216,405,925 (2007: €138,640,842).

17. Financial instruments at fair value through profit or loss

	2008	2007
	€'000	€'000
Debt securities at fair value		
Issued by public bodies		
- government securities	**163,487**	147,184
- other public sector securities	**83,580**	81,230
Issued by other issuers		
- banks	**15,852**	28,374
- other debt securities	**5,163**	12,293
	268,082	269,081
Of which:		
- listed on a recognized exchange	**197,531**	216,189
- unlisted	**70,551**	52,892
	268,082	269,081

18. Available for sale debt securities

Debt securities - at fair value

Gross debt securities – at fair value	**388,296**	675,609
Less allowances for losses	**-**	(383)
	388,296	675,226
Issued by public bodies		
- other public sector securities	**-**	363,442
Issued by other issuers		
- banks	**376,112**	172,951
- other debt securities	**12,184**	138,833
	388,296	675,226
Of which:		
- listed on a recognized exchange	**373,676**	649,536
- unlisted	**14,620**	25,690
	388,296	675,226

19. Loans and advances to banks

	2008 €'000	2007 €'000
Placement with other banks	**22,931,706**	20,176,767
Unlisted securities	**1,198,040**	-
Gross loans and advances	**24,129,746**	20,176,767
Less allowances for losses	**(59,486)**	(3,940)
	24,070,260	20,172,827

Of which included in cash and cash equivalents (Note 32) €5,225,126,145 (2007: €2,582,696,538).

20. Loans and advances to customers

	2008 €'000	2007 €'000
Loans to corporate entities - Syndicated and Bilateral loans	**2,842,678**	1,847,496
Gross loans and advances	**2,842,678**	1,847,496
Less allowances for losses	**(4,821)**	(5,870)
	2,837,857	1,841,626

21. Movement in the allowance for impairment / provision for bad and doubtful debts

	2008	2007
	€'000	€'000
Balance at beginning of year	**10,193**	5,689
Transfer to provisions for liabilities and commitments	**(1,281)**	-
Disposed loans	**(757)**	-
Acquired loan	**-**	1,130
Charge to profit and loss account	**57,650**	3,776
Released to profit and loss account	**(1,550)**	(98)
Translation adjustment	**52**	(304)
Balance at end of year	**64,307**	10,193

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of EUR 1,564,139 (2007: EUR 46,621) in relation to loans previously written-off.
Further, included in the Provisions for Bad Debts figure in the profit an loss account is a release of EUR 383,078 (2007: EUR nil) in relation to available for sale securities. Further, included in the Provisions for Bad Debts figure in the profit an loss account is a charge of EUR Nil (2007: EUR 349,698) in relation to available for sale securities.

Amounts include:

	2008	2007
	€'000	€'000
Loans and advances to banks (note 19)	**59,486**	3,940
Loans and advances to customers (note 20)	**4,821**	5,870
Available for sale debt securities (note 18)	**-**	383
Balance at end of year	**64,307**	10,193

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. For large accounts impairment allowances are calculated on an individual basis using discounted expected future cash flows.

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

	2008	**2008**	**2008**
	€'000	**€'000**	**€'000**
	Individual	**Collective**	**Total**
Balance at beginning of year	**2,811**	**7,382**	**10,193**
Transfer to provisions for liabilities and commitments	**-**	**(1,281)**	**(1,281)**
Disposed loans	**(757)**	**-**	**(757)**
Acquired loan	**-**	**-**	**-**
Charge to profit and loss account	**55,806**	**1,844**	**57,650**
Released to profit and loss account	**(458)**	**(1,092)**	**(1,550)**
Translation adjustment	**24**	**28**	**52**
Balance at end of year	**57,426**	**6,881**	**64,307**

	2007 €'000 Individual	2007 €'000 Collective	2007 €'000 Total
Balance at beginning of year	1,905	3,784	5,689
Acquired loan	1,130	-	1,130
Charge to profit and loss account	47	3,729	3,776
Released to profit and loss account	(22)	(76)	(98)
Translation adjustment	(249)	(55)	(304)
Balance at end of year	2,811	7,382	10,193

Impaired loans : Amounts include:

	2008 €'000	2007 €'000
Loans and advances to banks	**55,707**	-
Loans and advances to customers	**1,719**	2,811
Balance at end of year	**57,426**	2,811

Impaired loans have increased due to the Company's exposure to Icelandic banks totalling € 78.81 million at 31 December 2008 with an individual impairment amounting to € 55.7 million.

22. 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.

Credit default swaps are commitments for the buyer to pay an annuity to the seller until the time of a credit event or the maturity date of the swap, whichever comes first. Should a credit event occur the seller must pay the buyer face value on the underlying security or some contingent amount. The Company buys protection only in order to hedge the credit risk related to specific exposures.

Equity options give the right, without the obligation, to the holder to buy or sell the underlying stock, at a specified price, by a specific date. The Company does not carry out optional risk and any equity option embedded in a financial instrument is hedged with the Parent Company.

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 balance sheet 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 2008	Contract/notional amount €'000	Fair values including accruals Assets €'000	Liabilities €'000
1)	**Derivatives held for trading**			
	a) Foreign exchange derivatives			
	Currency swaps	1,495,035	155,831	(31,936)
	Total OTC derivatives		155,831	(31,936)
	b) Credit derivatives			
	Credit default swaps	-	-	-
	Total OTC derivatives		-	-
	c) Interest rate derivatives			
	Interest rate swaps	944,816	102,097	(123,543)
	Cross-currency interest rate swaps	35,506	-	(27,213)
	Forward rate agreements	-	-	-
	Total OTC derivatives		102,097	(150,756)
	d) Equity Options			
	Equity options purchases	775,088	111,787	-
	Equity options sold	775,088	-	(111,787)
	Total OTC derivatives		111,787	(111,787)
	Total derivative assets/(liabilities) held for trading		369,715	(294,479)
2)	**Derivatives held for risk management**			
	a) Derivatives designated as fair value hedges			
	Interest rate swaps	1,737,760	1,189	(60,044)
	Total OTC derivatives		1,189	(60,044)
	Total derivative assets/(liabilities) held for risk management		1,189	(60,044)
	Total derivative financial instruments		370,904	(354,523)

	At 31 December 2007	Contract/notional amount €'000	Fair values including accruals Assets €'000	Liabilities €'000
1)	**Derivatives held for trading**			
	a) Foreign exchange derivatives			
	Currency swaps	3,616,551	10,470	(76,122)
	Total OTC derivatives		10,470	(76,122)
	b) Credit derivatives			
	Credit default swaps	70,000	564	(564)
	Total OTC derivatives		564	(564)
	c) Interest rate derivatives			
	Interest rate swaps	2,659,004	7,627	(13,272)

Cross-currency interest rate swaps	39,411	-	(8,023)
Forward rate agreements	-	-	-
Total OTC derivatives		7,627	(21,295)
d) Equity Options			
Equity options purchases	796,541	116,110	-
Equity options sold	796,541	-	(116,110)
Total OTC derivatives		116,110	(116,110)
Total derivative assets/(liabilities) held for trading		134,771	(214,091)

2) Derivatives held for risk management

a) Derivatives designated as fair value hedges			
Interest rate swaps	1,812,899	18,863	(25,403)
Total OTC derivatives		18,863	(25,403)
Total derivative assets/(liabilities) held for risk management		18,863	(25,403)
Total derivative financial instruments		153,634	(239,494)

23. Deferred Taxation

	2008	2007
	€'000	€'000
Deferred Tax assets:		
Provision for impairment of loans and receivables	556	583
Available for sale debt securities	4,109	62
Exchange Translation adjustment	13	(27)
Total gross deferred tax assets	**4,678**	618
Deferred Tax liabilities:		
Available for sale debt securities	2	582
Total gross deferred tax liabilities	**2**	582
Net Deferred Tax assets	**4,676**	36
Analysis of movement in deferred taxation		
At 1 January	36	583
Exchange translation adjustment	13	(27)
Deferred tax through equity	4,627	(520)
At 31 December	**4,676**	36

24. Investments in Group undertakings

The Company maintained its investment of 2 Ordinary shares at a cost of GBP £3.50 each in Sanpaolo IMI Bank (International) S.A.

The Company holds an investment of 2 Ordinary shares at a cost of Euro 1.27 each in Tobuk Limited. This represents 100% of the share capital of Tobuk. The Company has not consolidated Tobuk as there is no activity in this company and the impact of consolidation would be to increase total assets and total liabilities by Euro 51. The financial statements of Tobuk are prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2006.

The registered office is at AIB International Centre, International Financial Services Centre, Dublin 1, Ireland.

25. Other assets

	2008	2007
	€'000	€'000
Deferred Expenses	**11,379**	14,949
Withholding tax	**78**	-
Income tax	**66**	-
Sundry Debtors	**12**	50
	11,535	14,999

26. Property, plant and equipment

	Office equipment	**Computer equipment and software**	**Total**
	€'000	**€'000**	**€'000**
Cost			
At beginning of year	261	590	851
Additions in year	8	17	25
Disposals in year	-	-	-
At end of year	**269**	**607**	**876**
Depreciation			
At beginning of year	152	562	714
Charge for year	30	17	47
Disposals in year	-	-	-
At end of year	**182**	**579**	**761**
Net book value			
At 31 December 2008	**87**	**28**	**115**
At 31 December 2007	109	28	137

	Office equipment €'000	Computer equipment and software €'000	Total €'000
Cost			
At beginning of year	234	570	804
Additions in year	27	22	49
Disposals in year	-	(2)	(2)
At end of year	**261**	**590**	**851**
Depreciation			
At beginning of year	113	530	643
Charge for year	39	34	73
Disposals in year	-	(2)	(2)
At end of year	**152**	**562**	**714**
Net book value			
At 31 December 2007	**109**	**28**	**137**
At 31 December 2006	121	40	161

27. Debt securities in issue

At 31/12/2008

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN)					
CAD	Fixed Note	10/06/2009	3.450%		5,996
CAD	Floating Rate Note	13/07/2010	3.313%		14,813
				3.352%	
EUR	Floating Rate Note	20/03/2009	0.010%		10,001
EUR	Floating Rate Note	20/03/2009	1.935%		10,054
EUR	Fixed Note	30/04/2009	5.020%		14,462
EUR	Floating Rate Note	15/06/2009	3.529%		15,025
EUR	Fixed Note	16/06/2009	1.000%		100,542
EUR	Fixed Note	18/06/2009	5.460%		41,195
EUR	Fixed Note	26/06/2009	1.110%		18,103
EUR	Fixed Note	13/08/2009	5.330%		13,782
EUR	Floating Rate Note	01/09/2009	4.059%		150,524
EUR	Floating Rate Note	15/09/2009	3.529%		10,017
EUR	Fixed Note	27/10/2009	4.071%		5,037
EUR	Fixed Note	09/11/2009	4.642%		3,523,468
EUR	Fixed Note	10/11/2009	5.620%		25,199
EUR	Floating Rate Note	30/03/2010	5.490%		50,709
EUR	Fixed Note	04/06/2010	4.500%		51,319
EUR	Floating Rate Note	14/06/2010	3.592%		10,017
EUR	Fixed Note	13/07/2010	2.805%		30,182
EUR	Floating Rate Note	30/09/2010	4.500%		10,001
EUR	Fixed Note	25/11/2010	3.103%		10,994
EUR	Floating Rate Note	29/04/2011	0.000%		21,000
EUR	Floating Rate Note	19/07/2011	0.800%		35,126
EUR	Floating Rate Note	02/08/2011	4.980%		10,360
EUR	Fixed Note	27/09/2011	5.108%		79,687
EUR	Fixed Note	31/10/2011	5.125%		70,371
EUR	Fixed Note	30/11/2011	1.500%		70,092
EUR	Fixed Note	27/12/2011	5.019%		98,108
EUR	Fixed Note	03/01/2012	3.121%		5,482
EUR	Floating Rate Note	30/03/2012	4.000%		6,358
EUR	Floating Rate Note	20/06/2012	3.205%		7,507
EUR	Floating Rate Note	23/06/2012	3.249%		122,036
EUR	Floating Rate Note	07/07/2012	3.144%		60,912
EUR	Fixed Note	07/12/2012	3.117%		4,392
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	4.860%		50,432
EUR	Fixed Note	27/09/2015	5.738%		45,865

EUR	Fixed Note	31/10/2015	5.858%		43,360
EUR	Fixed Note	27/12/2015	5.773%		58,503
EUR	Fixed Note	18/02/2016	5.806%		117,982
EUR	Fixed Note	15/03/2016	1.955%		27,357
EUR	Floating Rate Note	21/03/2016	3.950%		7,730
EUR	Floating Rate Note	28/03/2016	3.589%		80,274
EUR	Floating Rate Note	09/05/2016	5.432%		26,658
EUR	Floating Rate Note	23/06/2016	3.922%		23,123
EUR	Floating Rate Note	01/09/2016	4.639%		52,463
EUR	Floating Rate Note	25/10/2017	6.000%		15,168
EUR	Fixed Note	01/01/2018	6.897%		9,301
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
EUR	Fixed Note	30/06/2021	0.000%		20,000
EUR	Floating Rate Note	01/08/2022	5.490%		50,450
EUR	Fixed Note	06/03/2023	5.104%		19,800
EUR	Floating Rate Note	01/10/2024	4.000%		50,500
EUR	Fixed Note	15/12/2024	4.000%		40,070
EUR	Floating Rate Note	20/04/2025	6.920%		12,558
EUR	Fixed Note	30/06/2026	0.000%		20,000
EUR	Floating Rate Note	20/06/2035	5.000%		20,531
EUR	Fixed Note	25/01/2036	6.000%		5,280
EUR	Fixed Note	01/01/2038	7.418%		24,514
				4.421%	
GBP	Floating Rate Note	15/06/2009	3.343%		94,635
GBP	Floating Rate Note	01/07/2009	6.478%		10,670
GBP	Fixed Note	03/07/2009	6.405%		10,831
GBP	Floating Rate Note	15/09/2009	3.333%		105,151
GBP	Floating Rate Note	26/08/2010	4.121%		16,866
GBP	Floating Rate Note	08/02/2011	4.499%		131,684
				3.967%	
HKD	Floating Rate Note	19/10/2009	3.746%		14,011
HKD	Fixed Note	18/09/2012	3.640%		9,369
HKD	Fixed Note	30/07/2013	4.405%		11,806
HKD	Fixed Note	14/08/2018	4.480%		37,320
				4.217%	
JPY	Floating Rate Note	16/06/2009	1.164%		237,954
JPY	Fixed Note	07/07/2009	0.350%		87,772
JPY	Fixed Note	18/12/2009	0.400%		19,868
JPY	Floating Rate Note	07/01/2010	1.034%		39,833
JPY	Fixed Note	14/06/2011	1.710%		16,004
JPY	Fixed Note	25/06/2014	1.820%		40,011
JPY	Fixed Note	22/06/2015	0.852%		7,930
				1.032%	
PLN	Floating Rate Note	09/11/2009	6.878%		12,156
				6.878%	

SGD	Fixed Note	21/07/2009	3.790%		60,900
				3.790%	
USD	Floating Rate Note	23/01/2009	0.491%		50,300
USD	Floating Rate Note	25/03/2009	0.491%		233,537
USD	Fixed Note	10/06/2009	3.260%		58,546
USD	Fixed Note	12/03/2010	2.146%		215,782
USD	Floating Rate Note	29/03/2010	0.601%		287,433
USD	Floating Rate Note	27/07/2010	3.675%		325,524
USD	Floating Rate Note	17/05/2012	2.299%		180,153
USD	Floating Rate Note	07/06/2013	2.318%		25,186
				1.914%	
Total EMTN					**7,911,264**

Certificates of Deposits (ECD)		
in CHF	0.400%	8,746
in €	4.014%	2,924,127
in £	5.402%	156,859
in US$	2.892%	571,808
Total ECD		**3,661,540**

European Commercial Paper (ECP)		
in AUS$	4.902%	19,673
in CAD$	2.212%	7,046
in DKK	4.300%	26,688
in €	3.931%	6,462,253
in £	2.506%	1,371,489
in US$	2.612%	787,690
In CHF	0.884%	514,102
In JPY	0.990%	594,365
In SGD	0.520%	7,983
Total ECP		**9,791,289**
Total Debt Securities Issued		**21,364,093**

Debt securities in issue at 31 December 2007

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN)					
CAD	Floating Rate Note	13/07/2010	4.94%		17,485
				4.94%	
CHF	Floating Rate Note	27/10/2008	2.77%		182,194
				2.77%	
EUR	Fixed Note	15/02/2008	3.60%		10,316
EUR	Fixed Note	15/02/2008	4.33%		5,006
EUR	Fixed Note	12/06/2008	2.00%		5,155
EUR	Floating Rate Note	13/06/2008	5.10%		12,851
EUR	Fixed Note	30/06/2008	2.90%		7,530
EUR	Fixed Note	07/07/2008	2.00%		15,630
EUR	Floating Rate Note	30/11/2008	5.54%		10,048
EUR	Floating Rate Note	20/03/2009	1.02%		10,029
EUR	Floating Rate Note	20/03/2009	1.80%		10,144
EUR	Fixed Note	16/06/2009	2.69%		101,457
EUR	Fixed Note	26/06/2009	1.11%		18,103
EUR	Fixed Note	27/10/2009	3.20%		5,028
EUR	Fixed Note	09/11/2009	4.64%		3,523,904
EUR	Fixed Note	10/11/2009	5.62%		25,199
EUR	Floating Rate Note	30/03/2010	4.95%		50,653
EUR	Fixed Note	04/06/2010	4.50%		51,294
EUR	Floating Rate Note	14/06/2010	5.08%		10,025
EUR	Fixed Note	13/07/2010	2.81%		30,182
EUR	Floating Rate Note	30/09/2010	4.50%		10,001
EUR	Fixed Note	25/11/2010	3.10%		21,325
EUR	Floating Rate Note	29/04/2011	0.00%		21,000
EUR	Floating Rate Note	19/07/2011	0.80%		35,126
EUR	Floating Rate Note	02/08/2011	1.70%		10,222
EUR	Fixed Note	27/09/2011	5.11%		75,853
EUR	Fixed Note	31/10/2011	5.13%		66,960
EUR	Fixed Note	30/11/2011	1.50%		70,092
EUR	Fixed Note	27/12/2011	5.02%		93,410
EUR	Fixed Note	03/01/2012	3.12%		5,316
EUR	Floating Rate Note	30/03/2012	4.00%		6,355
EUR	Floating Rate Note	20/06/2012	4.96%		7,512
EUR	Floating Rate Note	23/06/2012	0.00%		120,000
EUR	Floating Rate Note	07/07/2012	0.00%		60,000
EUR	Fixed Note	07/12/2012	3.12%		4,259
EUR	Floating Rate Note	10/05/2015	1.00%		15,021
EUR	Floating Rate Note	27/07/2015	0.93%		50,083
EUR	Fixed Note	27/09/2015	5.74%		43,405
EUR	Fixed Note	31/10/2015	5.86%		40,976

EUR	Fixed Note	27/12/2015	5.77%		55,304
EUR	Fixed Note	15/03/2016	5.76%		27,661
EUR	Floating Rate Note	21/03/2016	3.85%		7,725
EUR	Floating Rate Note	25/10/2017	6.00%		15,167
EUR	Fixed Note	01/10/2018	4.00%		50,500
EUR	Floating Rate Note	15/12/2018	4.00%		40,071
EUR	Floating Rate Note	06/04/2021	0.20%		20,029
EUR	Fixed Note	30/06/2021	0.00%		20,000
EUR	Floating Rate Note	01/08/2022	5.42%		50,459
EUR	Floating Rate Note	20/04/2025	6.92%		11,866
EUR	Fixed Note	30/06/2026	0.00%		20,000
EUR	Floating Rate Note	20/06/2035	5.00%		20,531
EUR	Fixed Note	25/01/2036	7.00%		5,326
				4.25%	
GBP	Floating Rate Note	26/08/2010	6.729%		21,963
GBP	Floating Rate Note	08/02/2011	6.346%		161,648
				6.392%	
HKD	Floating Rate Note	19/10/2009	5.081%		13,201
				5.081%	
JPY	Fixed Note	14/06/2011	1.710%		12,240
JPY	Fixed Note	25/06/2014	1.820%		30,601
JPY	Fixed Note	22/06/2015	1.127%		6,064
				1.707%	
PLN	Floating Rate Note	09/11/2009	9.150%		14,099
				9.150%	
SGD	Fixed Note	21/07/2009	3.811%		57,662
				3.811%	
USD	Fixed Note	29/04/2008	5.55%		27,432
USD	Fixed Note	22/08/2008	4.875%		401,059
USD	Fixed Note	24/10/2008	4.875%		50,982
USD	Fixed Note	24/11/2008	4.875%		1,318,738
USD	Fixed Note	12/03/2010	5.261%		204,356
USD	Floating Rate Note	29/03/2010	4.975%		271,758
USD	Floating Rate Note	27/07/2010	5.500%		308,675
USD	Fixed Note	25/07/2011	4.875%		268,506
USD	Floating Rate Note	17/05/2012	5.055%		170,851
USD	Floating Rate Note	07/06/2013	5.279%		23,852
				4.993%	
Total EMTN					**8,567,474**
Certificates of Deposits (ECD)					
in €				4.740%	1,478,967
in £				6.205%	334,011
in US$				5.194%	924,238
Total ECD					**2,737,216**

European Commercial Paper (ECP)		
in €	4.682%	4,238,666
in £	6.286%	1,317,925
in US$	5.103%	1,799,913
In CHF	2.724%	465,291
In HUF	7.354%	34,142
In JPY	0.906%	63,571
In PLN	5.403%	19,426
In SGD	2.780%	7,545
Total ECP		**7,946,479**
Total Debt Securities Issued		**19,251,169**

28. Deposits from banks

	2008	2007
	€'000	€'000
Deposits from other banks	**3,720,689**	1,686,836
	3,720,689	1,686,836

Included in cash and cash equivalents (Note 32) €1,543,449,625 (2007: €763,606,029).

29. Other liabilities

	2008	2007
	€'000	€'000
Other accrued expenses	**3,172**	1,936
VAT	**46**	26
Other liabilities	**-**	1,876
	3,218	3,838

30. Movement in the provision for liabilities and commitments

	2008 €'000
Balance at beginning of year	**-**
Transfer from provisions for bad and doubtful debts	**1,281**
Released to profit and loss account	**(45)**
Translation adjustment	**(2)**
Balance at end of year	**1,234**

This is a reclassification to be consistent with Group accounting principles. The comparative amounts have not been reclassified because they are not material.

31. Share capital

	Number shares '000	Ordinary shares €'000	Share Premium €'000	Total €'000
At 1 January 2007	7,500	7,500	1,025	8,525
Issue of new shares	393,000	393,000	-	393,000
At 31 December 2007 / 1 January 2008	400,500	400,500	1,025	401,525
At 31 December 2008	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 million (2007: 500,000,000) with a par value of €1 per share (2007: €1 per share). All issued shares are fully paid.

The Capital Adequacy of the Company is monitored periodically in terms of regulatory requirements and of economic financial needs. This activity is performed in order to ensure current and estimated future capital adequacy within the business plan horizon of the Company. The Company has complied with the externally imposed capital requirements of the regulator.

The capital plan of the Company, in accordance with the Group's strategy and ratified by the Board of Directors of the Company, has been to increase the own funds of the Company for the last two years by retaining the Company's earnings for 2008 and 2007 in order to support the continuing growth of the business.

At 31 December 2008, the capital and reserves of the Company amounted to Euro 963.15 million (2007:Euro 955.8 million) (969.67 million including YTD profits after Tax) (2007: 985.2 million including YTD profits after Tax)

32. Cash and cash equivalents

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

	2008	2007
	€'000	€'000
Cash and balances with central bank (Note 16)	**216,406**	138,641
Loans and advances to banks (Note 19)	**5,225,126**	2,582,696
Deposits from banks (Note 28)	**(1,543,450)**	(763,606)
	3,898,082	1,957,731

33. Commitments

Financial commitments

At 31 December 2008 the contracted amounts of financial commitments were:

	2008	2007
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**143,414**	174,224
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	**501,133**	167,185
- one year and over	**1,107,407**	1,269,425
	1,751,954	1,610,834

34. Pension scheme

The Company operates a defined contribution pension scheme. The scheme is trustee administered and the assets are kept separated from those of the Company. Contributions to the scheme are charged to the income statement as incurred. The pension charge for the year was Euro 327,657 *(2007: Euro 256,120)*.

35. 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 2008

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central Banks	831	-	**831**
Loans and advances to banks	16,141,630	7,011,338	**23,152,968**
Financial instruments at fair value though profit or loss	2,240	-	**2,240**
Available for sale debt securities	-	9,955	**9,955**
Derivative financial instruments	267,079	1,315	**268,394**
Loans and advances to customers	-	94,296	**94,296**
LIABILITIES			
Deposits from Banks	3,632,051	-	**3,632,051**
Derivative financial instruments	59,095	170,498	**229,593**
Due to customers	-	197,894	**197,894**
INCOME STATEMENT			
Interest and similar income	700,422	299,666	**1,000,088**
Interest Expense and similar charges	(57,659)	(11,933)	**(69,592)**
Fees and commission income	270	142	**412**
Fees and commission expense	(9,114)	(93)	**(9,207)**
Net trading income	28,077	(80,308)	**(52,231)**
FINANCIAL COMMITMENTS			
Commitments - financial commitments	93,762	438,064	**531,826**
DERIVATIVES			
Derivatives (notional)	2,372,188	2,078,245	**4,450,433**

31 DECEMBER 2007

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central Banks	1,072	-	**1,072**
Loans and advances to banks	14,577,907	4,800,284	**19,378,191**
Financial instruments at fair value though income statement	3,005	-	**3,005**
Derivative financial instruments	136,782	22,238	**159,020**
Loans and advances to clients	-	94,202	**94,202**
LIABILITIES			
Deposits from Banks	1,254,945	-	**1,254,945**
Derivative financial instruments	68,665	32,532	**101,197**
Due to customers	-	118,465	**118,465**
INCOME STATEMENT			
Interest and similar income	393,405	155,935	**549,340**
Interest Expense and similar charges	(22,633)	(11,777)	**(34,410)**
Net trading income	21,090	(64,278)	**(43,188)**
FINANCIAL COMMITMENTS			
Commitments - financial commitments	106,607	23,740	**130,347**
DERIVATIVES			
Derivatives (notional)	4,329,571	2,872,416	**7,201,987**

Number of transactions performed with connected parties in 2008

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	834	224	**1,058**
Derivative financial instruments	316	64	**380**
Deposits from Banks	672	22	**694**
Total	**1,822**	**310**	**2,132**

There is no comparative information available due to the change in the accounting system in 2007.

36. Geographic Concentrations

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2008	Total assets €'000	Total Liabilities & Equity €'000	Credit commitments €'000	Operating Income €'000
Ireland	877,543	1,169,937	65,993	(3,062)
E.U. (excl. Ireland)	24,749,860	26,722,047	1,478,329	(11,171)
U.S.A.	355,494	155,126	20,974	13,834
South America	1,224	-	-	(1,462)
Rest of the World	2,187,265	124,276	186,658	69,034
Total	28,171,386	28,171,386	1,751,954	67,173

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2007	Total assets €'000	Total Liabilities & Equity €'000	Credit commitments €'000	Operating Income €'000
Ireland	672,034	1,132,597	40,156	11,972
E.U. (excl. Ireland)	21,030,818	21,555,384	1,253,964	(4,634)
U.S.A.	297,556	152,065	7,341	302
South America	748,052	103,331	-	(6,698)
Rest of the World	519,039	324,122	309,373	40,402
Total	23,267,499	23,267,499	1,610,834	41,344

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

	2008 €'000	2008 %	2007 €'000	2007 %
Ireland	654,393	23	536,197	29
E.U. (excl. Ireland)	791,822	28	610,403	33
U.S.A.	299,634	11	205,108	11
South America	1,224	-	3,554	-
Rest of the World	1,090,784	38	486,364	27
Total	2,837,857	100	1,841,626	100

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

	2008 €'000	2008 %	2007 €'000	2007 %
Ireland	-	-	-	-
E.U. (excl. Ireland)	23,016,205	96	19,428,329	95
Rest of the World	1,054,055	4	744,498	5
Total	24,070,260	100	20,172,827	100

Geographic sector risk concentrations within the portfolio of Financial Instruments at fair value were as follows:

	2008 €'000	2008 %	2007 €'000	2007 %
E.U. (excl. Ireland)	268,082	100	252,675	94
U.S.A.	-	-	7,157	3
Rest of the World	-	-	9,249	3
Total	268,082	100	269,081	100

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

	2008 €'000	2008 %	2007 €'000	2007 %
E.U. (excl. Ireland)	302,784	78	569,255	84
U.S.A.	55,284	14	84,801	13
Rest of the World	30,228	8	21,170	3
Total	388,296	100	675,226	100

37. Post - balance sheet events

There has been no material post - balance sheet events which would require disclosure or adjustment to the 31 December 2008 Financial Statements.

38. Date of approval

The financial statements were approved and authorised by the directors on 6 March 2009.

INTESA SANPAOLO BANK IRELAND plc

Directors' report and financial statements

Year ended **31 December 2008**

Registered number *125216*