INTESA SANPAOLO BANK IRELAND plc

Directors' report and
financial statements

Year ended **31 December 2009**

Registered number *125216*

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Directors and other information

Directors	Mr. N. Healy (Chairman) Mr. S. Catalano (Deputy Chairman, Italian) Mr. G. Pizzutto (Managing Director, Italian) Mr. I. Letchford (British) Mr. M.A. Bertotti (Italian) Mr. F. Introzzi (Italian) Mr. W. Ambrogi (Italian)
Registered office	3rd Floor KBC House 4 George's Dock International Financial Services Centre Dublin 1
Secretary	AIB International Financial Services Ltd
Auditors	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2
Principal bankers	INTESA SANPAOLO S.p.A. Piazza della Scala, 6 20121 Milan 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

INTESA SANPAOLO BANK IRELAND plc

Directors' report

Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2009.

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, 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 consolidated financial statements for 2009 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 – 11 of the financial statements. During the year under review, the Company has continued to develop its international lending and financial activities in line with group policy, although a reduction in intra-group lending was evident.

Following the dramatic downturn in 2008, the global economy continued to contract in 2009, in what has developed into the worst recession since the Great Depression of the 1930's. Indeed, only the extraordinary intervention by central banks and national governments prevented the financial and economic crisis developing into a full depression. The significant monetary and public credit policy easing resulted in exceptionally low interest rates, especially in the developed economies, and a marked rally in credit spreads in the second half of the year largely due to cheap and abundant access to central bank finance. Therefore, the sustainability of credit spreads at current levels is dependent upon the maintenance of central bank policy, and for this reason we expect 2010 to be a positive year for credit, but not to the extent evident in 2009.

The recession hit the Euro-zone hard with GDP set to fall by 4% in 2009, although recovery in 2010 and beyond is deemed the most likely scenario; however the question remains as to whether genuine private demand can supplement the gradual unwinding of the fiscal stimulus. Against this backdrop, the Company recorded a decline in total assets of 38% to €17.41 billion, chiefly due to a fall in loans and advances to banks and in particular, reduced lending to intra-Group counterparties.

During the year under review, market liquidity remained fundamental and to this end, the Company maintained a high profile in the commercial paper/certificate of deposit market, even though total utilisation under the Company's ECP/CD Programme contracted during 2009, as assets declined. Indeed, the Company was recorded as the top ECP/CD issuer (in terms of absolute nominal funds raised and number of transactions) by *Capital Markets Daily,* a financial markets services company, based in London, specialising in market data and news. Overall, debt securities in issue decreased by 36% to €13.62 billion in the year under review, with a significant proportion represented by short-term debt (Certificate of Deposits and European Commercial Paper).

Directors' report *(continued)*

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 € 85.33 million *(2008: € 6.52 million).* The results for the year were in line with the expectations of the management. The directors have proposed a dividend of 17.05 cent per ordinary share, amounting to € 68.29 million in respect of the year 2009 (2008: Nil).

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 2009

Mr. Pier Carlo Arena, Managing Director, resigned from the Board on 27 January 2010. Mr. Gianfranco Pizzutto was appointed Managing Director of the Company on the same date.

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:

Mr. N. Healy	
Mr. S. Catalano	(appointed 21 April 2009)
Mr. S. Del Punta	(resigned 1 January 2009)
Mr. G. Cuccurese	(resigned 1 April 2009)
Mr. P.C. Arena	
Mr. I. Letchford	
M. A. Bertotti	
Mr. D. Casalino	(resigned 6 November 2009)
Mr. F. Introzzi	
Mr. W. Ambrogi	(appointed 26 November 2009)
Mr G. Pizzutto	(appointed 3 December 2009)

INTESA SANPAOLO BANK IRELAND plc

Directors' report *(continued)*

Interests of directors and secretary

The directors and secretary of the Company at 31 December 2009 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 2009	31 December 2008
G. Pizzutto	****368**	-
P.C. Arena	***2,267**	*2,267
M. A. Bertotti	***835**	*9,626
F. Introzzi	**554**	**554

* of which 368 (2008: 368) shares are blocked until 2010
** or date of appointment if later.

Transactions involving directors

There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2009.

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	G. Pizzutto	I. Letchford	M. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

12 March 2010

INTESA SANPAOLO BANK IRELAND plc

Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2009.

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 2009 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 2009 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	G. Pizzutto	I. Letchford	M. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

12 March 2010

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 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cashflow 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

The directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

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 2009 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 statement of financial position 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 statement of financial position 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 2009 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 2009 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 Statement of Financial Position 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

12 March 2010

INTESA SANPAOLO BANK IRELAND plc

Income statement *Year ended 31 December 2009*	Note	**2009** **€ '000**	2008 € '000
Interest and similar income	*9*	**603,307**	1,193,484
Interest expense and similar charges	*9*	**(471,480)**	(1,117,035)
Net interest income		**131,827**	76,449
Fees and commission income	*10*	**8,629**	5,626
Fees and commission expense	*10*	**(19,815)**	(9,554)
Net fees and commission (expense) / Income		**(11,186)**	(3,928)
Net trading expense	*11*	**(13,694)**	(5,105)
Foreign exchange profit / (loss)		**223**	(243)
Total operating income		**107,170**	67,173
Administrative expenses	*13*	**(4,834)**	(5,181)
Depreciation		**(48)**	(47)
Total operating expenses		**(4,882)**	(5,228)
Operating profit before provisions		**102,288**	61,945
Provisions for impairment of loans and receivables	*21*	**(3,946)**	(54,919)
Provisions for liabilities and commitments	*30*	**(799)**	45
Provisions for available for sale debt securities	*21*	**-**	383
Profit before tax	*14*	**97,543**	7,454
Income tax expense	*15*	**(12,209)**	(936)
Profit for the financial year		**85,334**	6,518
Profit attributable to the equity holders of the parent		**85,334**	6,518

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

The notes on pages 14 to 90 are an integral part of these financial statements.

On behalf of the board

N. Healy
Chairman

G. Pizzutto
Managing Director

I. Letchford
Director

G. Flaherty
For and on behalf of AIB International Financial Services Ltd
Company Secretary

INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income *Year ended 31 December 2009*	**2009** **€ '000**	2008 € '000
Profit for the year	**85,334**	6,518
Other comprehensive income		
Net gain / (loss) on available for sale debt securities	**31,271**	(27,506)
Income tax relating to components of other comprehensive income	**(3,909)**	3,438
Other comprehensive income for the year, net of tax	**27,362**	(24,068)
Total comprehensive income for the year, net of tax	**112,696**	(17,550)
Attributable to equity holders of the parent	**112,696**	(17,550)

INTESA SANPAOLO BANK IRELAND plc

Statement of financial position *at 31 December 2009*	Note	**2009 € '000**	2008 € '000
ASSETS			
Cash and balances with central banks	*16*	**158,020**	219,543
Financial assets at fair value through profit or loss	*17*	**151,564**	268,082
Available for sale debt securities	*18*	**566,098**	388,296
Loans and advances to banks	*19*	**12,791,748**	24,070,260
Loans and advances to customers	*20*	**3,488,798**	2,837,857
Derivative financial instruments	*22*	**241,471**	370,904
Current tax		**-**	13
Prepayments and accrued income		**223**	103
Deferred tax asset	*23*	**1,052**	4,678
Other assets	25	**8,651**	11,535
Property, plant and equipment	26	**88**	115
Total assets		**17,407,713**	28,171,386
LIABILITIES			
Debt securities in issue	*27*	**13,616,021**	21,364,093
Deposits from banks	*28*	**639,477**	3,720,689
Due to customers		**1,689,858**	1,734,962
Derivative financial instruments	*22*	**356,117**	354,523
Current tax		**1,004**	706
Deferred tax liability	*23*	**292**	2
Accruals and deferred income		**17,314**	22,291
Other liabilities	*29*	**3,241**	3,218
Provisions for liabilities and commitments	*30*	**2,025**	1,234
Total liabilities		**16,325,349**	27,201,718
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		**(1,392)**	(28,754)
Other reserves		**506,764**	506,764
Retained earnings		**175,467**	90,133
Total equity		**1,082,364**	969,668
Total liabilities and shareholders' funds		**17,407,713**	28,171,386

The notes on pages 14 to 90 are an integral part of these financial statements.

On behalf of the board

N. Healy	G. Pizzutto	I. Letchford
Chairman	*Managing Director*	*Director*

G. Flaherty
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 2009

		Other reserves attributable to equity shareholders of the Company				
	Share capital €'000	**Share premium €'000**	**Available for sale reserves €'000**	**Other reserves €'000**	**Retained Earnings €'000**	**Total €'000**
1 January 2008	400,500	1,025	(4,686)	504,701	83,615	985,155
Total comprehensive income	-	-	(24,068)	-	6,518	(17,550)
Capital contribution received	-	-	-	2,063	-	2,063
1 January 2009	400,500	1,025	(28,754)	506,764	90,133	969,668
Total comprehensive income	-	-	27,362	-	85,334	112,696
31 December 2009	400,500	1,025	(1,392)	506,764	175,467	1,082,364

Other reserves include a capital contribution of € 506,764,365 (2008: € 506,764,365).

During the year the Company received a capital contribution amounting to € Nil (2008: € 2,062,919) from the Parent.

INTESA SANPAOLO BANK IRELAND plc

Cash flow statement **Year ended 31 December 2009**	Note	**2009** **€ '000**	2008 € '000
Cash flows from operating activities			
Interest received		**645,359**	1,108,233
Fee and commission receipts (net)		**(14,002)**	4,132
Net trading and other income		**128,424**	(184,244)
Recoveries on loans previously written off		**846**	1,564
Interest paid		**(403,494)**	(1,102,321)
Cash payments to employees and suppliers		**(4,829)**	(5,114)
Income taxes (paid) / refunded		**(11,898)**	44
Cash flows from operating activities before changes in operating assets and liabilities		**340,406**	(177,706)
Changes in operating assets and liabilities			
Net increase in cash and balances with central bank		**(557)**	(2,809)
Net decrease / (increase) in loans and advances to banks		**7,775,121**	(1,181,296)
Net increase in loans and advances to customers		**(608,932)**	(979,846)
Net (decrease) / increase in deposits from banks		**(1,581,015)**	1,236,727
Increase / (decrease) in other liabilities		**574**	(1,876)
Net (decrease) / increase in amounts due to customers		**(44,411)**	630,702
Proceeds of assets at fair value though income statement		**104,777**	6,275
Cash flows used in changes in operating assets and liabilities		**5,645,557**	(292,123)
Net cash from / (used in) operating activities		**5,985,963**	(469,829)
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		**(21)**	(25)
(Purchases) of available for sale debt securities		**(342,635)**	-
Proceeds of available for sale debt securities		**197,442**	258,189
Net cash (from) / used in investing activities		**(145,214)**	258,164
Cash flows from financing activities			
Proceeds from issuance of debt securities		**(7,807,087)**	2,149,953
Increase in capital contribution		**-**	2,063
Net cash (from) / used in financing activities		**(7,807,087)**	2,152,016
Net increase in cash and cash equivalents		**(1,966,338)**	1,940,351
Cash and cash equivalents at beginning of year		**3,898,082**	1,957,731
Cash and cash equivalents at end of year	32	**1,931,744**	3,898,082

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 2009 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.

Going Concern

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

1.3. Segment reporting

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.

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 retains no part of the loan package for itself or retains a part at the same effective interest rate as the other participants.

1.6. Financial assets / Financial liabilities

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

(a) *Financial assets at fair value through profit or loss*
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception or at the time of adoption of IFRS. A portion of the financial assets purchased at fair value and designated at fair value were acquired from Intesa Bank Ireland during the merger in 2007 and the classification within the Group was maintained. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are 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 reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. 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 by 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 mitigates all risks generated by 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. If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in the income statement. At year end the company only had fair value hedges.

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 income statement 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 Euro;
- 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 particularly stressed market conditions may lead to the inefficiency from an IFRS standpoint of the hedging relationship between the derivative and the related asset/liability. These conditions are met when the market rates for the indexation of the floating leg move significantly shortly after the re-fixing of that leg or when a significant spread exists between the indexation of the floating leg and observable market levels for similar maturities.

In this particular case a back testing procedure has been implemented in order to assess whether the inefficiency in the hedging relationship results from the valuation of the fixed current period of the derivative floating leg only. The back-testing method re-computes the NPV of the hedging derivatives ("amended NPV's") where the already fixed rates of the floating legs are replaced by relevant market rates applicable on revaluation date. The back-testing is considered efficient if the ratio of the hedging derivatives' "amended NPV's" over the hedged assets/liabilities' NPV's is within the 80-125% range (the conditions detailed in the previous paragraph still apply). The "amended NPV's" of the derivatives are computed for back-testing purposes only and are 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 Euro, 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 exchange rates at the date when the fair value was determined.

1.13. Pension costs

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

1.14. Taxation

The charge for 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

Adoption of new and amendment of accounting standards

From 1 January 2009 the company has adopted the following standards:

- Amendment to IFRS 7 Improving disclosures about financial instruments
- IAS 1 (Revised 2007) Presentation of financial statements
- Amendment to IAS 39 Financial instruments: Recognition and measurement – embedded derivatives
- Amendment to IFRIC 9 Reassessment of embedded derivatives
- Various improvements to IFRS's
- IFRS 8 Operating segments

Of the above new and amended accounting standards the following gave rise to additional disclosures:

Amendment to IFRS 7 Improving disclosures about financial instruments

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures in Note 3 but does not have an impact on the financial position or the comprehensive income of the company.

IAS 1 (Revised 2007) Presentation of financial statements

Revisions to IAS 1 led to the introduction of a statement of comprehensive income for the presentation of other comprehensive income separately from the statement of changes in equity. This can be found on page 10 of the financial statements.

Accounting changes issued but not adopted

The company has not applied the following new standards, amendments to standards and interpretations that have been approved by the International Accounting Standards Board as they are not relevant to the company:

• Amendment to IAS 23 Borrowing costs	1 January 2009
• Amendment to IFRS 2 Share-based payment – Vesting conditions	1 January 2009
• and cancellations	
• IFRIC 13 Customer loyalty programmes	1 January 2009
• IFRIC 15 Agreements for the construction of real estate	1 January 2009
• IFRIC 16 Hedges of a net investment in a foreign operation	1 January 2009
• IFRIC 18 Transfers of assets from customers	1January 2009

Prospective accounting changes

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

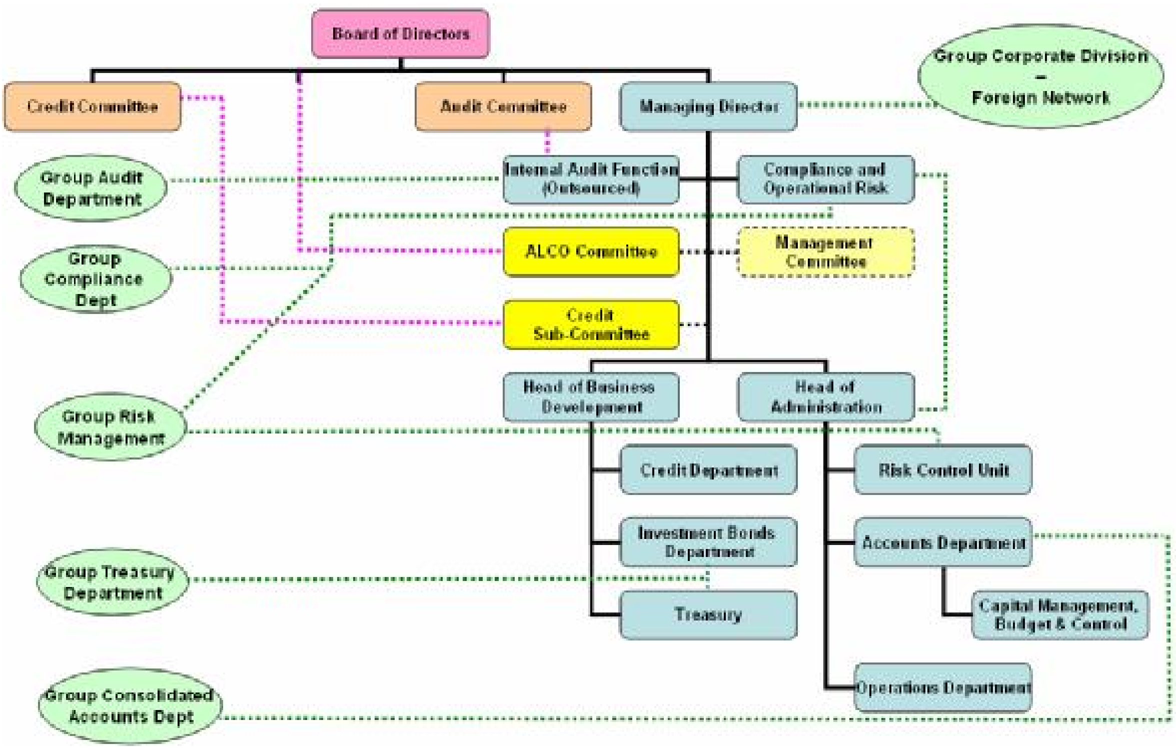
• IFRS 1 Additional exemptions for first-time adopters	1 January 2010
• IFRS 3 Business combinations	1 July 2009
• IAS 27 Consolidated and separate financial statements	1 July 2009
• Amendment to IAS 39 Financial instruments: Recognition and	
• measurement – eligible hedged items	1 July 2009
• IFRIC 17 Distribution of non-cash assets to owners	1 July 2009
• IFRS 2 Share based payments – group cash-settled share-based payments	1 July 2009
• Amendments to IAS 32 and IAS 1 Puttable financial instruments and obligations arising on liquidiation	1 July 2009
• IFRS 1 Additional exemptions for first-time adopters	1 January 2010

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

2. Qualitative risk disclosures and Basel 2 Project

Organisational Structure of the Company

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:



Risk Appetite

The risk appetite of the Company is driven by that of the Parent Group, whose target, amongst others, is to maintain the Group rating equivalent to AA-. The Company considers risk management and control as a key factor for:

- guaranteeing a solid and sustainable value creation in a risk controlled environment;
- assuring the financial stability and the reputation of the Company;
- providing a transparent portfolio risk representation.

The milestones of the risk management and control are:

- accountability for undertaking risks (clear identification of the responsibilities for undertaking risks);
- measurement and control systems in line with the best international practices;
- independence of control functions and risk undertaking functions.

The Board of Directors supported by Board and Executive Committees as well as Senior Management, defines the risk appetite of the Company, in line with the Group's strategic target. The Company has risk management and control functions and works within the limits approved by the Board, and which are consistent with the Group's overall limits structure.

Risks are controlled within a framework that considers both Regulatory and Economic Capital perspective. A report containing the comparison of Economic and Regulatory Capital charges with the AFR (Available Financial Resources) is provided to the Board on a quarterly basis.

Risks, depending on their nature, frequency and magnitude, are handled through mitigation/immunization, control processes/procedures aimed at protecting the financial stability of the Company.

In practice, the mission of the Company remains the autonomous financing of medium / long term needs from intra-Group companies and the Parent Company, and the lending 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 also consistent with the Group's plan to minimise income volatility in the medium / long term.

The Board is responsible for adjusting the risk appetite of the Company to changes to its mission resulting from Group's future new strategic guidelines. The risk appetite is therefore implemented operatively through the Board's adoption of risk policies and limits which are consistent with the Company's ultimate mission.

Capital Management

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

At Group and local levels, the concept of capital at risk differs according to the basis for its measurement, and different target levels of capitalisation are established:

- Regulatory Capital at risk for Pillar 1 risks;
- Overall Economic Capital at risk for Pillar 2 risks, for the ICAAP process.

The Regulatory Capital at risk and the overall Economic Capital at risk differ by definition and in terms of the coverage of the risk categories. The former derives from the formats laid down by the supervisory provisions and the latter from the identification of the significant risks for the Company and the consequent measurement in relation to the exposure assumed.

Capital Management essentially involves the control of capital soundness through the careful monitoring of both the regulatory constraints (Pillar 1) and current and prospective operational constraints (Pillar 2) in order to anticipate any critical situations within a reasonable period of time and identify possible corrective actions for the generation or recovery of capital.

The process of assessment of capital adequacy at Intesa Sanpaolo Bank Ireland plc follows a "twin track" approach inspired by the Group: Regulatory Capital at risk for the purposes of compliance with the Pillar 1 requirements against the total own funds of the Company for solvency purposes, and overall Economic Capital at risk for the purposes of the ICAAP process against the Company's Available Financial Resources as defined by the Group.

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

The first verification occurs in the process of assignment of budget objectives based on the growth trends expected for loans, other assets and income statement aggregates, the risks are quantified and their compatibility with compulsory capital ratios for the Company is assessed.

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

Capital Targets

Capital targets are defined at the Group level by the Parent Company. The Parent Company defines Economic Capital at risk as the maximum "unexpected" loss that it may incur over a period of one year. The Company therefore considers similarly Economic Capital at risk as a key measure for determining the Company's financial structure and guiding its operations, ensuring the balance between risks assumed and shareholder return.

Consequently, when determining the risk tolerance considered as being acceptable, the Company follows the Group's objective of financial stability in order to ensure that its maximum unexpected losses over a period of 12 months with a 99.9% confidence level could be absorbed by its Available Financial Resources.

Intesa Sanpaolo Bank Ireland plc maintains a prudential buffer over Economic Capital at risk coherent with its strategic targets and a capital surplus that can be eventually exploited for growth opportunities. Furthermore, such buffer is maintained as an additional prudential guarantee over potential financial difficulties.

Regulatory Capital

The Company has been included in the Core Perimeter of the Group's Basel II Project with a defined road map for the roll-out to the Irish subsidiary in line with methodological approaches used by the Parent Company. The Company has adopted for 2009 the Basel II Standardised Approach to calculate capital requirements for Credit and Counterparty Risk, and the Basic indicator approach for Operational Risk. A request for the adoption by the Company of a FIRB Approach for the computation of Capital requirements for Credit and Counterparty Risk generated by corporate counterparties has been submitted to the Home Regulator for implementation in 2010.

The table below discloses the regulatory capital requirements of the Company and the associated solvency ratios for 2008 and 2009 year-ends and underlines its prudential capital management objective:

Regulatory Capital Information 2009 & 2008

	Eligible Own Funds *2009* **€'000**	***Capital Requirement*** *2009* **€'000**	***Eligible Own Funds*** *2008* **€'000**	***Capital Requirement*** *2008* **€'000**
Equity	997,030		969,667	
Prudential filters and regulatory adjustments	(99,444)		(99,801)	
Core Tier 1	897,586	548,960	869,866	716,287
Total Tier 1	897,586	548,960	869,866	716,287
Collective provisions	9,915		8,115	
Prudential filters and regulatory adjustments	(9,915)		(8,115)	
Tier 2	-		-	
Total Capital	**897,586**	**548,960**	**869,866**	**716,287**
Risk Weighted Assets	**6,288,125**		**8,863,388**	
Tier 1 Capital Ratio	13.08%		9.72%	
Total Capital Ratio	13.08%		9.72%	

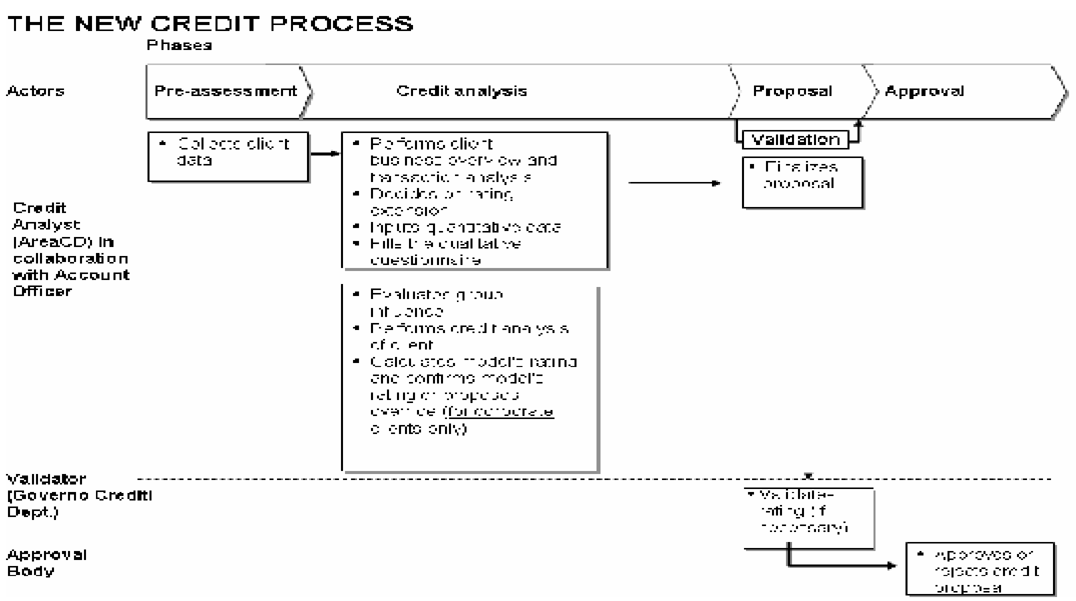
3. Quantitative risk disclosures

3.1. Credit Risk and Counterpart Credit Risk

Loans, debt securities and off-balance sheet commitments such as guarantees, undrawn committed credit lines and derivatives generate credit risk. Credit risk is characterised, for a specific counterparty, by the existence of a potential loss linked to the possible default of that counterparty, 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 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 are also approved by the Company's Board of Directors, in compliance with local regulatory requirements.

Credit Evaluation and Approval Process:
The credit proposal and approval process of the Company for corporate and financial counterparties follows that of the Group summarised in the chart below:



Where the country of residence of the counterparty presents additional aspects of risk, an evaluation shall be made of the country risk and this shall form part of the credit proposal. This evaluation shall include an assessment of any guarantees or security offered which may effectively eliminate the country risk element.

The credit proposal shall furthermore contain a review of the economic sector in which the counterparty operates. In cases where it is reasonable to assume that factors affecting the sector will have a noticeable effect on all operators in that sector, a specific sector review within the context of the counterparty's credit review process shall be carried out, which shall normally be reviewed on at least an annual basis, as part of the counterparty's credit review process.

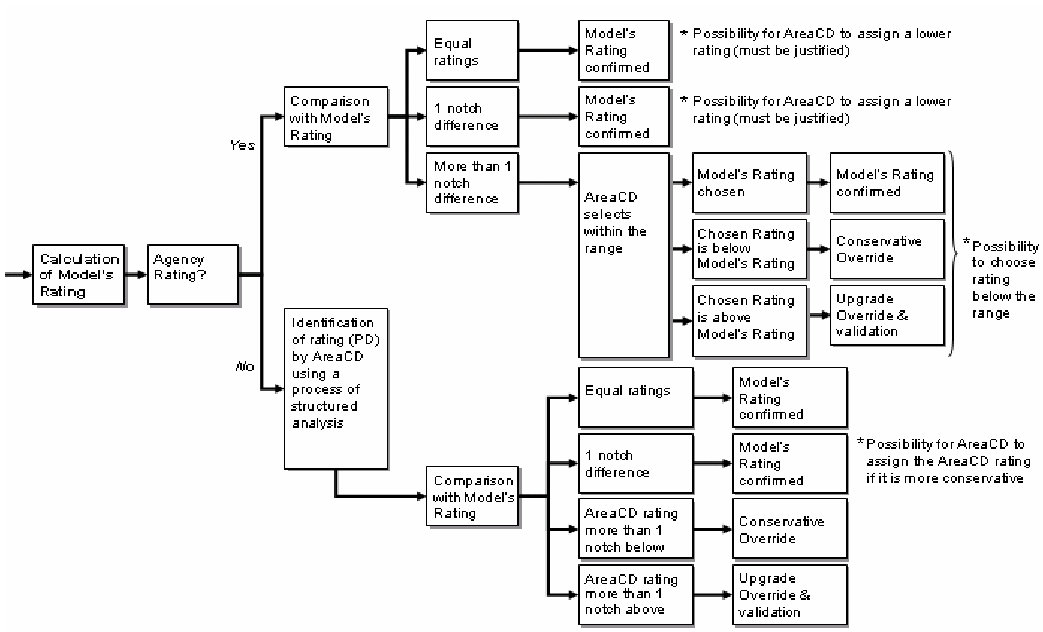
The sector risk evaluation should incorporate other sectors where there may be a related or knock-on effect, for example property development and construction.

The credit proposal and approval process of the Company where the risk counterparty is a sovereign state follows that applicable to corporate and financial counterparties described above, with the exclusion of the assignment of a corporate internal rating. External ratings assigned by a recognised External Credit Assessment Institution as per the Group policy are used instead for the credit proposal and approval process.

The decision on a credit proposal shall be taken in accordance with the Delegated Powers of the Credit Committee and Managing Director, as approved by the Board of Directors of the Company.

Internal Rating Assignment Methodology for Corporate Clients:

The credit analysis implies the determination of an internal credit rating for corporate counterparties by the Bank's Credit Department or the relevant Area Credit Department in collaboration with the Relationship Manager in charge of the relationship. The internal rating assignment methodology has been rolled out from the Parent Company to all companies of the Group according to the model below:



The Company is responsible for the assignment, maintenance and periodic revision of the internal credit rating for the corporate counterparties for which it maintains the business relationship.

The internal credit rating models used by the Group depend on the size and type of counterparty 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), optimised with the prolongation of the historical series. • **Qualitative questionnaire:** consists of two sections, 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 counterparty.

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

External ratings assigned by Standard & Poor and Moody's will be used in relation to lending to counterparties other than corporates, i.e. financial institutions and governments. Due consideration shall be given to any guarantee or security support which may improve the risk profile, but special care shall be taken if complete reliance is placed on such support.

Some master scales have been established by the Group for both large and middle corporates, associating internal ratings with corresponding external ratings by External Credit Assessment Institutions:

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

Credit Risk Management:

Credit risk is managed by setting limits for all operations which are consistent with the obligor's credit worthiness (represented by the internal rating assessment, if applicable, or the external ratings) and the Company's risk appetite and return expectations. Management of credit risk also involves credit reviews of each approved credit line on a periodic basis, which is carried out at least annually or more frequently if considered necessary, as well as economic provisioning for impairments and the acquisition of risk mitigants in order to comply with the Company's credit risk appetite.

Bearing in mind that the objectives of the Company are to optimise returns while minimising risks, eligible (although not exclusively) lending transactions are:

1. Export Credit Financing bearing the following features:

   - ECA's (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. Credit facilities in favour of corporate counterparties rated internally at least I4 and financial institutions rated at least Baa1/BBB+ by Moody's or by S&P respectively;

3. Credit facilities in favour of corporate counterparties rated internally lower than I4 and/or financial institutions rated lower than Baa1/BBB+ by Moody's or S&P respectively, but secured by a cash collateral and / or by way of guarantees issued by corporate counterparties rated internally at least I2 or financial institutions rated at least A3/A- by Moody's or S&P respectively.

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.

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, assesses 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 counterparty credit risk and country risk. In both cases, the incurred loss is computed as:

Sum of [L&R Exposure (taking into consideration credit mitigation) x Probability of Default (PD) x Loss Severity (LS) x Calibration Factor (CF)]

The above exposures covered include 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 counterparty 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 guarantor applies to the covered portion while the credit worthiness of the country of residence of the obligor applies to the uncovered portion.

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

	Corporate	**Banks**
Committed facilities :		
Drawn	**CCR + CR**	**CCR + CR**
Undrawn	**CCR**	**CCR**
Uncommitted facilities		
Drawn	**CCR + CR**	**CCR + CR**
Undrawn	**X**	**X**

Legend: Counterparty Credit Risk (**CCR**)
Country Risk (**CR**)

The probability of default relating to an obligor/guarantor is driven by the credit rating assigned to the counterparty, reflecting the likelihood of the counterparty becoming insolvent within the Loss Confirmation Period time frame. Corporate exposures are rated internally according to the Group methodology. Other types of exposures are assigned the most conservative credit rating of the available External Credit Rating Agencies approved by the Board. Similarly, the probability of default on a country risk exposure derives from the probability of cross border obligations not being fulfilled. Country default probabilities are based on an internal rating assigned according to the Group guidelines.

The loss severity indicates the percentage of the Company's total exposure to a client or a country that is not expected to be recovered in case of default. 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. The severity of the loss relating to country risk is conditional upon the wealth level of that country as per the World Bank classification.

Calibration factors for counterparty credit risk apply to the available portion of a committed facility. The factors represent the estimated new drawdowns at the risk time horizon given a deterioration of the credit worthiness of the counterparty. 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 counterparty credit risk and country risk, adjusted for the following parameters:

- Loss confirmation period (**LCP**): the Company has opted for a LCP of 1 year given the predominantly corporate structure of the portfolio,
- **Cyclicity**: the Company has presently opted for no adjustment given the current macro-economic environment,
- **Concentration**: the Company is aware of the relatively 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 thus 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 <u>individual provisions</u>, impairment provisions are 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 Company 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.

Use of Credit Risk Mitigants:

The Company uses several risk mitigants in order to ensure compliance with the Bank's credit risk appetite. They include:

- Export Credit Agencies' guarantees to cover political and commercial risks generated by trade finance operations. ECA's (SACE, COFACE, ECGD, HERMES and other major ECA guarantees) must cover at least 85% of the political risk, while a guarantee issued by the exporter must secure at least 50% of the country risk not covered by ECA as per the Company's lending policy;
- Intra-group guarantees involving both counterparty and country risk and outside the Company's Credit Risk Appetite;
- Third party bank guarantees or collateral for transactions involving exposures below the policy requirements of the Company. Collateral is seen as a way of controlling the borrower and providing additional sources of repayment and its quality and liquidity are therefore very important and must be carefully appraised in the loan proposal. Secured loans should be margined so that money received from the collateral under foreclosure conditions will be sufficient to repay the loan. Guarantees must be issued by banks with rating of at least "A3" by Moody's and "A-" by S&P with only a Stable outlook or better;
- Intra-group risk participations for large syndicated facilities in order to limit concentration risk and comply with the regulatory Large Exposure limits.

At year-end 2009, of the total amount of assets (excluding intra-Group transactions and bonds) of € 2.29 billion (2008: €3.76 billion), €1.67 billion (2008: €2.70 billion) (representing 73% (2008 71.77%)) had a credit risk mitigation attached.

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

At 31 December 2009:

Mitigation Instrument Types	% of Referred Assets
Export Credit Agencies' guarantees to cover Political and commercial risks generated by trade finance operations	4.56 %
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	53.41 %
Third party guarantees for transactions involving exposures below the policy requirements of the Company	3.27 %
Collateral for transactions involving exposures below the policy requirements of the Company	11.99 %

At 31 December 2008:

Mitigation Instrument Types	% 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 %

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 31 December 2009, as well as the external source and frequency of revaluation for all non-cash physical collateral:

At 31 December 2009:

COLLATERAL TYPE	COLLATERAL FAIR VALUE (EUR)	RISK EXPOSURE (EUR)	COLLATERAL COVERAGE RISK EXPOSURE %	% INTRA-GROUP GUARANTEE	RISK EXPOSURE COVERED BY COLLATERAL (EUR)	LATEST VALUATION DATE	FREQUENCY OF VALUATION	VALUATION METHODOLOGY / SOURCE
Cash deposit	21,000,000.00	19,929,367.48	105.37%	0.00%	19,929,367.48	N/A	N/A	
Aicraft (B737-700)	6,941,552.13	12,750,939.44	54.44%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (B747-400 Combi)	4,006,465.01	9,502,484.07	42.16%	88.70%	1,073,429.11	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Cash deposit	25,733,185.96	25,512,480.01	100.87%	0.00%	25,512,480.01	N/A	N/A	
Aicraft (B747-400F)	7,861,410.52	5,853,480.52	134.30%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (A320-200)	2,828,682.49	609,086.59	464.41%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (A320-200)	2,828,682.49	603,391.79	468.80%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Cash deposit	74,000,000.00	74,462,623.33	99.38%	0.00%	74,000,000.00	N/A	N/A	
Cash Deposit	141,480,985.00	154,673,313.49	91.47%	0.00%	141,480,985.00	N/A	N/A	
Real Estate Property	3,465,755.48	6,393,966.49	54.20%	100.00%	-	Dec-09	Annual	Mitsubishi Jisho Market Valuation Dec 09
Cash deposit	22,095.65	442,508.20	4.99%	0.00%	22,095.65	N/A	N/A	
LNG tanker	4,732,403.17	4,164,021.84	113.65%	100.00%	-	Dec-09	Annual	ISP HK estimate Dec 09 (based on new LNG vessel price of $211.5m)
LNG tanker	4,732,403.17	4,164,021.84	113.65%	100.00%	-	Dec-09	Annual	ISP HK estimate Dec 09 (based on new LNG vessel price of $211.5m)
Aicraft (B777-200)	6,238,129.95	11,047,939.62	56.46%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (B737-500)	469,137.86	653,588.66	71.78%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (B737-500)	505,570.60	614,025.36	82.34%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (B737-500)	743,127.86	942,820.20	78.82%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Locomotives	2,254,647.72	3,373,846.26	66.83%	0.00%	2,254,484.27	Dec-09	Annual	Oliver Wyman Asset Valuation Dec09
Locomotives	3,046,213.73	4,676,313.62	65.14%	0.00%	3,045,995.80	Dec-09	Annual	Oliver Wyman Asset Valuation Dec09
Aicraft (B747-400 Combi)	3,267,265.38	12,965,142.94	25.20%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Aicraft (B747-400 Combi)	3,757,123.07	7,699,170.21	48.80%	100.00%	-	Nov-09	Annual	Lowest of Current Market Values by Avitas, ASG and Ascend - Nov 09
Flight Simulator A330	-	85.44	0.00%	0.00%	-	N/A	Annual	estimated no value
Flight Simulator A320	-	106.53	0.00%	0.00%	-	N/A	Annual	estimated no value
Train carriages	2,075,291.89	3,247,045.76	63.91%	0.00%	2,075,291.89	Dec-09	Annual	Oliver Wyman Asset Valuation Dec09
Train carriages	1,603,163.96	2,381,149.18	67.33%	0.00%	1,603,163.96	Dec-09	Annual	Oliver Wyman Asset Valuation Dec09
Train carriages	3,101,403.93	4,788,921.30	64.76%	0.00%	3,101,403.93	Dec-09	Annual	Oliver Wyman Asset Valuation Dec09
TOTAL	326,694,697.02	371,451,840.1			274,098,697.10			
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	314,338,684.00	105,952,294.00	296.68%	0.00%	105,952,294.00	Dec-09	Monthly	Market price received from a credit institution
TOTAL	314,338,684.00	105,952,294.00			105,952,294.00			

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
Aircraft (B767-300)	5,153,901.22	4,795,400.33	107.48%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-700)	17,465,998.57	15,276,308.05	114.33%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B747-400 Combi)	11,882,605.58	11,572,178.63	102.68%	89%	1,307,227.85	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
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	
Aircraft (B747-400F)	20,042,949.18	7,691,590.25	260.58%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (A320-200)	8,088,761.63	1,420,700.56	569.35%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (A320-200)	8,160,343.59	1,418,831.22	575.15%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
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 Nov '08
LNG tanker	8,589,835.36	4,311,556.76	199.23%	100%	-	Nov-08	Annual	Clarkson's database Nov '08
Aircraft (B777-200)	14,817,466.00	13,302,376.16	111.39%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-500)	1,288,475.30	940,309.98	137.03%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-500)	1,288,475.30	935,557.79	137.72%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-500)	2,004,294.92	1,420,331.05	141.11%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-500)	2,075,876.88	1,480,449.48	140.22%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B737-500)	0.72	696,005.38	0.00%	100%	-	Dec-08	Annual	Crashed on 20/12/2008
Aircraft (B737-500)	1,431,639.23	982,753.15	145.68%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Locomotives	4,939,155.33	3,822,458.01	129.21%	0%	3,822,458.01	Dec-08	Annual	Oliver Wyman Dec '08
Locomotives	6,585,540.44	5,286,133.54	124.58%	0%	5,286,133.54	Dec-08	Annual	Oliver Wyman Dec '08
Train carriages	9,019,327.13	7,125,853.70	126.57%	0%	7,125,853.70	Dec-08	Annual	Oliver Wyman Dec '08
Train carriages	3,650,680.03	2,847,989.65	128.18%	0%	2,847,989.65	Dec-08	Annual	Oliver Wyman Dec '08
Train carriages	4,438,081.60	3,676,194.18	120.72%	0%	3,676,194.18	Dec-08	Annual	Oliver Wyman Dec08
Aircraft (MD-11P)	5,941,302.79	9,380,102.31	63.34%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B747-400 Combi)	9,949,892.63	14,557,634.99	68.35%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
Aircraft (B747-400 Combi)	11,453,113.82	9,125,234.59	125.51%	100%	-	Dec-08	Annual	Average of current market value and base value (Avitas, ASG and Ascend) Dec '08
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			

An amount of € 477.40 million of risk exposures were partially or fully covered by physical collateral at year-end 2009 (2008: € 396.75 million), with a fair value of such collateral estimated at € 641.03 million at its last revaluation date (2008: € 656.70 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. As at 31 December 2009, € 380.05 million (2008: € 283.60 million) of loans were covered by collateral only, without the mitigation of a prevailing guarantee.

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

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

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

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

The Company has set the following limits:

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

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

Credit Risk Exposures related to Loans & Receivables:

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to € 16.28 billion at the end of 2009 (€ 26.91 billion in 2008):

	2009 (‘000)	2008 (‘000)
Loans and advances to banks *(as per Balance Sheet)*	12,791,748	24,070,260
Loans and advances to customers *(as per Balance Sheet)*	3,488,798	2,837,857
	16,280,546	26,908,117

Within the above total of loans and advances to customers is €46.7 million (2008: nil) classified as past due but not impaired falling within the time period 61 to 90 days.

The breakdown of the Company's credit risk exposures relating to Loans & Receivables at year-ends 2009 and 2008 by activity sectors is provided in the table below (physical non-cash collaterals are assigned to the relevant activity sector).

Sector of Risk	2009	As %	2008	As %
Central Government	530,664.41	0.07%	114,285,296.47	8.48%
Construction	-	0.00%	12,615.01	0.00%
Credit Institutions	195,439,400.08	24.29%	384,440,610.25	28.52%
Electricity, Gas and Water Supply	82,835,298.90	10.30%	133,230,801.59	9.89%
Extra-Territorial Organisations and Bodies	-	0.00%	24,945,505.08	1.85%
Financial Intermediation (Excl. Credit Institutions/Central Bank)	308,544,723.50	38.35%	213,985,401.88	15.88%
Manufacturing	152,455,444.29	18.95%	260,912,683.92	19.36%
Mining and Quarrying	1,203,556.82	0.15%	2,006,600.74	0.15%
Other Community, Social and Personal Services	237,248.71	0.03%	180,067.64	0.01%
Real Estate, Renting and Business	2,483,009.79	0.31%	6,702,302.24	0.50%
Transport, Storage and Communications	60,777,110.45	7.55%	207,063,931.15	15.36%
Total	**804,506,456.95**	**100.00%**	**1,347,765,815.96**	**100.00%**
Group	**15,215,094,420.83**		**25,435,992,897.75**	
Cash collateral	**260,944,928.14**		**124,358,733.16**	
Grand Total, including cash collateral	**16,280,545,805.93**		**26,908,117,446.86**	

A breakdown of the Company's credit risk exposures relating to Loans & Receivables at year-ends 2009 and 2008 by internal credit rating is provided in the table below:

Counterparty Internal Rating	2009	As %	2008	As %
DEFAULT	20,068,074.36	2.54%	23,105,070.97	1.75%
I.1.A	563,809.76	0.07%	892,173.61	0.07%
I.1.C	103,914,914.47	13.13%	138,393,731.76	10.46%
I.1.D	-	0.00%	34,721,271.55	2.62%
I.1.E	43,221,642.39	5.46%	55,337,444.18	4.18%
I.1.F	22,095,060.51	2.79%	129,362,496.48	9.77%
I2	173,519,892.56	21.93%	240,016,223.74	18.13%
I3	14,124,096.86	1.78%	167,475,187.91	12.65%
I4	46,047,071.98	5.82%	331,724,890.82	25.06%
I5	340,302,684.08	43.00%	176,871,954.25	13.36%
I6	1,881,982.25	0.24%	4,495,269.96	0.34%
M1	237,248.71	0.03%	836,375.72	0.06%
M2	7,954,607.48	1.01%	783,347.71	0.06%
M3	191.97	0.00%	334,053.44	0.03%
M4	318,085.82	0.04%	19,122,784.18	1.44%
R2	-	0.00%	227,682.75	0.02%
R3	16,942,573.54	2.14%	-	0.00%
R5	160,751.25	0.02%	-	0.00%
Total	**791,352,687.99**	**100.00%**	**1,323,699,959.03**	**100.00%**

Group I.1.D	12,828,662,378.28	84.32%	25,383,735,084.11	99.80%
Group I.1.E	896,804,013.92	5.89%	-	0.00%
Group I2	270,621,302.37	1.78%	-	0.00%
Group I3	1,219,006,726.26	8.01%	49,952,766.67	0.20%
Group Total, excluding collateral	**15,215,094,420.83**	**100.00%**	**25,433,687,850.78**	**100.00%**

Physical Collateral (inc. cash) from non Group	132,617,712.13	148,424,590.09
Physical Collateral (inc. cash) from Group	141,480,984.97	2,305,046.97
Total of Physical Collateral (inc. cash)	**274,098,697.10**	**150,729,637.06**

Grand Total	**16,280,545,805.93**	**26,908,117,446.86**

In the case of financial institutions and governments the worst of the available external credit ratings assigned by an ECAI has been mapped onto the group internal rating scale as per the table below.

A breakdown of the Company's credit risk exposures relating to Loans & Receivables at year-ends 2009 and 2008 by country risk is shown in the table below (all collaterals are assigned to the country of the location of the collateral, exposures to Intra-Group counterparties are reported as Italian exposures):

Group Exposures

Country of Risk	2009	As %	2008	As %
Croatia	100,866,963.64	0.66%	201,823,834.79	0.79%
Hungary	1,219,006,726.26	7.94%	1,929,060,199.79	7.58%
Italy	11,828,816,116.24	77.03%	22,606,648,244.06	88.88%
Luxembourg	1,500,256,113.90	9.77%	-	0.00%
Romania	69,844,397.99	0.45%	70,775,011.16	0.28%
Slovak Republic	195,597,010.42	1.27%	197,811,739.27	0.78%
Slovenia	300,707,092.39	1.96%	429,873,868.68	1.69%
United Kingdom	141,480,985.00	0.92%	-	0.00%
Total	**15,356,575,405.83**	**100.00%**	**25,435,992,897.75**	**100.00%**

Non-Group Exposures

Country of Risk	2009	As %	2008	As %
Bahrain	20,857,786.49	2.26%	43,190,788.26	2.93%
Brazil	-	0.00%	11,335.74	0.00%
Cayman Islands	16,942,573.54	1.83%	-	0.00%
Croatia	-	0.00%	44,895,375.90	3.05%
Cyprus	160,750.56	0.02%	227,682.75	0.02%
France	76,218,731.87	8.25%	105,963,025.54	7.20%
Germany	56,402,201.65	6.10%	60,459,084.86	4.11%
Greece	5,223,986.88	0.57%	48,973,205.36	3.33%
Hungary	-	0.00%	17,984,125.35	1.22%
Iceland	20,068,074.36	2.17%	23,105,070.97	1.57%
Ireland	229,660,054.74	24.86%	277,158,252.70	18.83%
Italy	255,437,026.85	27.65%	300,552,275.18	20.42%
Kuwait	9,369,193.89	1.01%	9,793,531.51	0.67%
Malta	-	0.00%	11,356,626.00	0.77%
Poland	20,399,385.84	2.21%	64,448,619.51	4.38%
Portugal	76,926,405.65	8.33%	87,614,276.25	5.95%
Qatar	21,461,402.45	2.32%	22,424,623.05	1.52%
Russia	13,446,120.83	1.46%	27,659,769.22	1.88%
Spain	7,123,204.86	0.77%	88,232,439.56	5.99%
Sweden	1,417,763.22	0.15%	14,617,066.03	0.99%
Switzerland	37,063,067.37	4.01%	94,577,866.65	6.42%
United Arab Emirates	27,744,684.22	3.00%	68,254,881.87	4.64%
United Kingdom	5,078,830.96	0.55%	6,075,366.55	0.41%
United States	22,969,153.86	2.49%	54,549,260.31	3.71%
Total	**923,970,400.09**	**100.00%**	**1,472,124,549.11**	**100.00%**

Grand Total	**16,280,485,805.92**	**26,908,117,446.86**

Credit Risk Exposures related to Undrawn Outstanding Commitments:
The breakdown of the Company's undrawn credit risk exposures at year-ends 2009 and 2008 by activity sectors is shown in the table below:

Sector of Risk	2009	As %	2008	As %
Central Government	-	0.00%	15,282,789.89	1.40%
Credit Institutions	10,000,000.00	0.91%	-	0.00%
Electricity, Gas and Water Supply	68,264,084.40	6.19%	161,583,333.32	14.76%
Financial Intermediation (Excl. Credit Institutions/Central Bank)	216,020,937.86	19.59%	151,935,187.18	13.88%
Manufacturing	476,310,461.77	43.20%	452,507,354.27	41.34%
Other Community, Social and Personal Services	360,000.00	0.03%	420,000.00	0.04%
Real Estate, Renting and Business	173,538,803.28	15.74%	179,636,415.90	16.41%
Transport, Storage and Communications	88,170,828.69	8.00%	63,217,108.39	5.78%
Wholesale/Retail Trade & Repairs	70,000,000.00	6.35%	70,000,000.00	6.40%
Total	**1,102,665,115.99**	**100.00%**	**1,094,582,188.94**	**100.00%**
Group	**678,395,035.20**		**657,371,332.40**	
Grand Total	**1,781,060,151.19**		**1,751,953,521.34**	

The breakdown of the Company's undrawn credit risk exposures at year-ends 2009 and 2008 by internal credit rating is shown in the table below:

Rating	2009	As %	2008	As %
I.1.B	-	0.00%	17,963,641.59	1.64%
I.1.C	214,891,199.98	19.49%	123,064,639.43	11.24%
I.1.D	45,553,935.86	4.13%	173,391,679.24	15.84%
I.1.E	69,415,521.31	6.30%	163,469,138.46	14.93%
I.1.F	88,504,790.00	8.03%	125,416,666.65	11.46%
I2	355,631,155.25	32.25%	361,983,653.09	33.07%
I3	62,435,706.80	5.66%	93,250,926.53	8.52%
I4	173,577,513.33	15.74%	17,732,184.35	1.62%
I5	87,194,198.11	7.91%	10,789,667.60	0.99%
I6	-	0.00%	1,727,819.71	0.16%
M1	360,000.00	0.03%	-	0.00%
M2	1,230,127.35	0.11%	-	0.00%
M3	-	0.00%	76,081.29	0.01%
M4	-	0.00%	5,716,091.01	0.52%
R3	3,870,968.00	0.35%	-	0.00%
Total	**1,102,665,115.99**	**100.00%**	**1,094,582,188.94**	**100.00%**
Group I.1.D	171,964,190.31	31.36%	657,371,332.40	100.00%
Group I.1.E	506,430,844.89	68.64%	-	0.00%
Group Total	**678,395,035.20**	**100.00%**	**657,371,332.40**	**100.00%**
Grand Total	**1,781,060,151.19**		**1,751,953,521.34**	

The breakdown of the Company's undrawn credit risk exposures at year-ends 2009 and 2008 by country risk is shown in the table below:

Group Exposures

Country of Risk	2009	As %	2008	As %
Italy	171,964,190.31	31.36%	219,307,358.60	33.36%
Slovenia	506,430,844.89	68.64%	438,063,973.80	66.64%
Total	**678,395,035.20**	**100.00%**	**657,371,332.40**	**100.00%**

Non-Group Exposures

Country of Risk	2009	As %	2008	As %
Belgium	-	0.00%	17,963,641.59	1.64%
Cayman Islands	3,870,968.00	0.35%	-	0.00%
France	197,548,077.14	17.92%	197,238,183.81	18.02%
Germany	330,339,443.47	29.96%	472,351,692.17	43.15%
Greece	4,526,666.60	0.41%	647,819.71	0.06%
Ireland	68,264,084.40	6.19%	74,114,647.09	6.77%
Italy	110,767,918.35	10.05%	15,282,789.89	1.40%
Netherlands	55,532,417.05	5.04%	57,483,653.09	5.25%
Poland	59,499,167.55	5.40%	32,055,555.00	2.93%
Portugal	10,000,000.00	0.91%	-	0.00%
Russia	-	0.00%	76,081.29	0.01%
Saudi Arabia	69,415,521.31	6.30%	71,854,566.36	6.56%
Spain	-	-	3,333,333.33	0.30%
Sweden	83,577,513.33	7.58%	70,510,579.65	6.44%
Switzerland	92,126,484.08	8.35%	64,357,461.62	5.88%
United States	17,196,854.72	1.56%	17,312,184.35	1.58%
Total	**1,102,665,115.99**	**100.00%**	**1,094,582,188.94**	**100.00%**

Grand Total	**1,781,060,151.19**	**1,751,953,521.34**

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
- Issuer 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 € 717.66 million at the end of 2009 (€ 656.38 million in 2008).

	2009	2008
Securities Carried at Fair Value *(as per Balance Sheet)*	151,563,830	268,081,925
Securities Available For Sale *(as per Balance Sheet)*	566,097,617	388,295,743
	717,661,447	656,377,668

The breakdown of the Company's credit risk exposures related to bonds at year-ends 2009 and 2008 by activity sectors is shown in the table below:

Sector of Risk	**2009**	2008
Central Government	262,518,678.69	176,181,901.14
Credit Institutions	275,140,494.50	244,374,548.18
Extra-Territorial Organisations and Bodies	38,484,652.40	-
Financial Intermediation (Excl. Credit Institutions/Central Bank)	65,576,513.35	153,709,051.80
Manufacturing	6,495,188.56	6,064,302.29
Other General Government	48,675,991.61	50,382,049.18
Transport, Storage and Communications	20,769,927.48	25,665,815.63
Total	**717,661,446.59**	**656,377,668.22**

The breakdown of the Company's credit risk exposures related to bonds at year-ends 2009 and 2008 by internal credit rating is shown in the table below:

Internal Rating	**2009**	**2008**
I.1.A	95,267,014.48	126,397,011.12
I.1.B	29,694,315.23	25,211,138.19
I.1.C	25,100,692.36	-
I.1.D	41,628,780.03	42,422,533.27
I.1.E	322,798,772.26	275,104,318.38
I.1.F	80,761,012.96	78,010,378.42
I2	97,146,284.45	46,758,526.49
I3	-	51,970,848.68
I4	9,750,755.43	-
I5	6,427,844.76	-
I6	-	10,502,913.67
R2	9,085,974.63	-
Total	**717,661,446.59**	**656,377,668.22**

The breakdown of the Company's credit risk exposures related to bonds at year-ends 2009 and 2008 by country risk is shown in the table below:

Country of Risk	2009	2008
Austria	3,090,526.03	-
Belgium	20,561,902.22	-
Canada	40,188,306.94	39,060,554.86
Cayman Islands	4,939,585.00	4,491,288.06
France	56,560,410.47	45,962,679.05
Germany	3,320,528.15	3,214,832.24
Greece	-	26,793,995.36
Italy	442,342,244.62	449,465,009.67
Luxembourg	38,484,652.40	-
Netherlands	9,883,577.78	9,823,203.06
Portugal	10,013,626.39	-
Spain	9,132,413.01	5,163,221.85
Sweden	17,938,877.76	17,119,410.32
United Kingdom	7,071,971.67	-
United States	54,132,824.15	55,283,473.75
Total	**717,661,446.59**	**656,377,668.22**

The bond 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 2009.

Price Sensitivity Analysis as at 31-12-09 of CFV and AFS Securities to Credit Spread Volatility (in € '000s)

	Profit & Loss	Equity
AFS Securities	-	(2,925)
Hedged CFV Securities	(2,439)	-
Total	**(2,439)**	**(2,925)**

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

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

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 5 years of proprietary historical data.

Standard behavioural assumptions applicable under normal market conditions and used by the Company at year-end 2009 were:

	Standard Assumption (0-8 Days) - 31 December 2009	**Standard Assumption (0-8 Days) - 31 December 2008**
Drawings on unlikely undrawn committed facilities granted	**7.42**%	**6.12%**
Drawings on guarantees issued	**3**%	**3%**
Drawings on likely undrawn committed facilities granted	**48.63**% Remaining undrawn portion is considered linearly drawn up to C/L maturity	**78.02%**

The above assumptions are regularly back-tested against actual drawings on the respective times of facilities to guarantee their prudential nature in case of sudden significant changes in the credit market conditions.

With regard to guarantees issued, the Company's assumption of a 3% drawdown in the first time-band is based on the Parent Company's own behavioural assumptions as a consequence of the very limited amount of relevant local historical data.

In addition to behavioural assumptions affecting the first bucket, the Company assumes that the remaining undrawn portion of likely to be drawn committed facilities granted beyond 0 to 1 month buckets will be linearly drawn up to the credit line maturity.

Any assumed drawings on guarantees issued and likely/unlikely to be drawn committed facilities granted by the Company are considered repaid on credit line maturity date.

A timetable of the guarantees issued and undrawn outstanding facilities at the end of 2009 based on a contractual maturity basis are shown below:

Timeband	0-8 days	9d – 1m	1m – 3ms	3m – 6m
	€'000	€'000	€'000	€'000
Guarantees and irrevocable Letters of Credit	88,291	-	-	3,025,000
Undrawn formal standby facilities, credit lines and other commitments	2	-	10,000,000	134,678,838
Timeband (continued)	6m – 1y	1y – 2y	Over 2y	**Total**
Guarantees and irrevocable Letters of Credit	-	2,100,000	20,493,953	**25,707,244**
Undrawn formal standby facilities, credit lines and other commitments	140,896,928	591,191,700	878,585,443	**1,755,352,911**

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 conservative assumption is driven by the limited amount of local historical data on the behaviour of such flows and the immateriality of their amount.

The monitoring of liquidity risk by the Company involves the matching of any net cash outflows (where cash outflows are greater than cash inflows) in the first time-band, with readily marketable or liquid assets. Readily marketable assets include:

- Cash;
- Lending to Monetary Financial Institutions which are repayable within the next four business days;
- Securities other than shares issued by MFI's;
- Balances with the European System of Central Banks and other Central Banks;
- Exchequer Notes/Treasury Bills;
- Central Government – Investments;
- Securities other than shares issued by non-MFI's with a minimum external rating of A-/A3 or in the case of assets deemed ECB eligible with a minimum rating of BBB-;
- Accrued interest payable within the next four business days;
- Minimum Reserve.

In the case of readily marketable or liquid securities, a haircut is applied to their market value. The haircuts are taking into account each security's negotiability and refinancing characteristics. To be considered liquid, the assets must be available to a credit institution at short notice, which under the proposed criteria is four business days or less. Haircuts must be justified on the basis of third party indications or comparables in the market. In the case of securities which can be made available between four business days and eight calendar days, a haircut will also be applied to their market value which will be directly slotted in the first time-band. Cash flows generated by securities with a lesser liquidity are instead slotted in the time bands associated with their contractual terms.

Haircuts are determined as follows:

- ECB haircut for eligible securities,
- External haircut from repo market when available for non-eligible liquid securities,
- Default 25% haircut for other liquid securities which can be made available within eight calendar days.

The Company defines its "target liquidity ratios" for the 'on-demand' to eight days and the '8 days to 1 month' periods. The value of the first ratio must remain above one, while the value of the second ratio, computed on a cumulative basis (including net inflows or outflows from the previous time band), must remain above 0.9.

"Target liquidity ratios" of the Company are monitored on an on-going basis and reported daily to the executive Asset & Liability Committee members, while they are submitted weekly to the Financial Regulator:

Historical statistics on liquidity ratios (standard case) for 2008 & 2009

	2009		2008	
	0-8 days	*9d – 1m*	*0-8 days*	*8d – 1m*
Minimum	100.4%	90.6%	100.1%	90.3%
Maximum	347.9%	219.2%	183.2%	148.7%
Average	141.0%	113.4%	117.7%	104.4%

The overall liquidity risk management 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 role 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 to the Financial Regulator ensuring that the Company will remain able to meet all its liabilities.

Furthermore, this framework is committed to ensure and manage the access to diverse funding sources in the financial markets and to monitor the Company's exposure to liquidity risk under stress test scenarios, considering both a market crisis and a Bank-specific crisis. Stress test scenarios impact on:

- The behavioural assumptions used for non contractual cashflows;
- The haircuts applied to all liquid securities convertible into cash within '0 to 8 days'.

The Company assumes a run-off of 100% on all liabilities under normal and stress test conditions.

Finally, the Company also 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 following two tables show the liquidity risk exposures of the Company for year-ends 2009 and 2008 using the behavioural assumption described above and used by the Company's Management for the daily monitoring and management of this risk factor: The "target liquidity ratio" as at 31/12/09 reached 124.2% (2008: 120.1%) in the time bucket 'on-demand to 8 days' and reached 97.1% (2008: 106.0%) in the time bucket '8 days to 1 month', in excess of the minimum limits imposed by the Company's policy.

The third and fourth tables below show the liquidity risk exposures of the Company for year-ends 2009 and 2008 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 to 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 2009

Standard case, 31/12/2009, report in EURO '000 Timeband	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 1 Year	1 to 2 Years	2 Years +
Inflows							
Readily Marketable Assets/Liquid Assets	**1,427,409**						
Cash	1,035						
Lending to MFIs	619,262						
Securities other than shares issued by MFIs	275,066						
Balances with the ECB and other Central Banks	-						
Exchanger Notes/Treasury Bills	-						
Central Government Securities	330,247						
Securities other than shares issued by non MFIs	48,841						
Accured Interest	3,423						
Minimum Reserve Balance	152,900						
Less Deposit Protection Account	3,366						
Monetary Financial Institutions	**999,437.40**	**1,776,499.1**	**1,033,681.60**	**509,739.32**	**1,256,981.51**	**2,384,499.04**	**8,000,166.1**
- Affiliates	21,502.62	1,729,053.8	1,019,943.49	471,360.69	1,227,120.27	2,151,533.67	7,912,759.4
- Other Credit Institutions - Non Irish	0.00	47,445.32	13,738.10	38,378.63	28,810.93	231,872.31	68,409.25
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- All other Monetary Financial Institutions	0.00	0.00	0.00	0.00	1,050.31	1,093.06	18,997.41
- Sale of Securities or Investments in MFIs	977,934.77	0.00	0.00	0.00	0.00	0.00	0.00
ECB and Other Central Banks	**0.00**	**156,448.63**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Central Government	**0.00**	**0.00**	**0.00**	**277.97**	**279.64**	**524.42**	**0.00**
- from investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- from lending operations	0.00	0.00	0.00	277.97	279.64	524.42	0.00
Non Government Credit	**43,161.14**	**206,287.06**	**475,913.00**	**341,101.22**	**120,634.80**	**404,340.22**	**657,819.01**
- Overdrafts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Term Loans	43,161.14	206,287.06	475,913.00	341,101.22	120,634.80	404,340.22	657,819.01
- Hire Purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Finance Leases	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Residential Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Quoted and Other Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fee Income	**117.50**	**386.08**	**990.39**	**1,527.55**	**3,088.68**	**6,127.00**	**0.00**
Other Income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Undrawn Committed Facilities Receivable	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Derivative and OBS Activity	**694,655.16**	**1,425.84**	**9,438.40**	**130,924.94**	**22,564.71**	**58,087.82**	**722,620.09**
- Swap	694,655.16	1,425.84	9,438.40	130,924.94	22,564.71	58,087.82	722,620.09
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Inflows	**3,164,780.33**	**2,141,046.7**	**1,520,023.39**	**983,571.00**	**1,403,549.34**	**2,853,578.50**	**9,380,605.2**
Outflows							
Monetary Financial Institutions	**305,663.02**	**248,282.85**	**301,319.82**	**25,250.19**	**93,784.48**	**124,399.10**	**2,368,485.9**
- Affiliates	265,661.46	221,012.80	286,985.36	225.57	65,026.68	39,824.99	24,482.27
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Credit Institutions - non Irish	40,001.56	23,020.83	0.00	2,961.98	3,020.00	11,066.80	19,503.85
- All other Monetary Financial Institutions	0.00	4,249.22	14,334.47	22,062.64	25,737.80	73,507.30	2,324,499.8
- Purchase of Securities or Investments in MFIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities Issued	**1,317,658.30**	**2,425,305.9**	**5,402,697.45**	**1,961,726.44**	**672,677.33**	**576,332.51**	**1,685,165.1**
ECB and Other Central Banks	**0.00**	**156,266.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Central Government	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- Deposit and Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Government Deposits	**3,867.01**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- Current Accounts	3,867.01	0.00	0.00	0.00	0.00	0.00	0.00
- Demand Deposit Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Fixed Period Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Redeemable at Notice	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fees Payable	**224.52**	**737.70**	**1,892.36**	**2,918.73**	**5,901.61**	**11,707.00**	**0.00**
Other Costs	**122.74**	**403.29**	**1,034.52**	**1,595.62**	**3,226.30**	**6,400.00**	**0.00**
Undrawn Committed Facilities Granted	**220,152.27**	**0.00**	**15,334.53**	**14,730.86**	**20,876.96**	**32,327.99**	**27,838.78**
Derivative and OBS Activity	**701,468.64**	**6,773.79**	**19,559.38**	**132,857.82**	**51,272.81**	**86,983.64**	**725,728.77**
- Swap	701,468.64	6,773.79	19,559.38	132,857.82	51,272.81	86,983.64	725,728.77
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Outflows	**2,549,156.50**	**2,837,769.5**	**5,741,838.06**	**2,139,079.66**	**847,739.49**	**838,150.24**	**4,807,218.6**
Net Position in the Period	615,623.83	-696,722.78	-4,221,814.7	-1,155,508.7	555,809.85	2,015,428.3	4,573,386.6
Net Cumulative Inflow/Outflow	615,623.83	-81,098.95	-4,302,913.6	-5,458,422.3	-4,902,612.4	-2,887,184.2	1,686,202.4
Liquidity Ratio	124.2%	97.1%	26.1%	15.3%	22.3%	49.7%	121.9%

Standard case, 31/12/2008, report in EURO '000 Timeband	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 1 Year	1 to 2 Years	2 Years +
Inflows							
Readily Marketable Assets/Liquid Assets	**2,371,321**						
Cash	918						
Lending to MFIs	1,559,737						
Securities other than shares issued by MFIs	333,175						
Balances with the ECB and other Central Banks	-						
Exchanger Notes/Treasury Bills	-						
Central Government Securities	242,985						
Securities other than shares issued by non MFIs	11,774						
Accured Interest	10,886						
Minimum Reserve Balance	214,657						
Less Deposit Protection Account	2,809						
Monetary Financial Institutions	**1,859,311.45**	**4,845,757.8**	**1,587,278.91**	**1,055,526.43**	**5,155,159.34**	**2,667,628.32**	**9,407,041.03**
- Affiliates	201,217.59	4,775,540.1	1,539,447.03	996,972.45	4,884,265.02	2,557,039.77	9,093,489.08
- Other Credit Institutions - Non Irish	2.89	70,217.72	47,831.88	58,553.98	269,885.09	109,538.23	293,461.47
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- All other Monetary Financial Institutions	0.00	0.00	0.00	0.00	1,009.24	1,050.31	20,090.48
- Sale of Securities or Investments in MFIs	1,658,090.96	0.00	0.00	0.00	0.00	0.00	0.00
ECB and Other Central Banks	**0.00**	**218,091.77**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Central Government	**0.00**	**0.00**	**0.00**	**538.10**	**301.77**	**578.70**	**543.59**
- from investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- from lending operations	0.00	0.00	0.00	538.10	301.77	578.70	543.59
Non Government Credit	**30,485.07**	**940,685.56**	**248,299.51**	**248,892.66**	**665,530.37**	**475,276.61**	**848,016.80**
- Overdrafts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Term Loans	15,918.40	940,685.56	248,299.51	248,892.66	665,530.37	475,276.61	848,016.80
- Hire Purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Finance Leases	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Residential Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Quoted and Other Investments	14,566.67	0.00	0.00	0.00	0.00	0.00	0.00
Fee Income	**19.18**	**63.01**	**161.64**	**249.32**	**504.11**	**1,000.00**	**0.00**
Other Income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Undrawn Committed Facilities Receivable	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Derivative and OBS Activity	**800.63**	**902,308.89**	**480,092.21**	**132,913.97**	**31,354.02**	**58,885.69**	**690,989.70**
- Swap	800.63	902,308.89	480,092.21	132,913.97	31,354.02	58,885.69	690,989.70
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Inflows	**4,261,937.67**	**6,906,907.0**	**2,315,832.28**	**1,438,120.48**	**5,852,849.61**	**3,203,369.32**	**10,946,591.1**
Outflows							
Monetary Financial Institutions	**1,410,015.79**	**764,922.04**	**2,550,563.04**	**61,034.10**	**49,513.83**	**146,448.67**	**2,446,037.52**
- Affiliates	1,409,663.68	736,478.66	2,538,212.62	1,308.50	21,500.14	80,048.02	66,774.29
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Credit Institutions - non Irish	352.11	20,144.84	740.81	37,582.13	2,304.51	4,291.36	24,462.37
- All other Monetary Financial Institutions	0.00	8,298.54	11,609.61	22,143.47	25,709.18	62,109.30	2,354,800.85
- Purchase of Securities or Investments in MFIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities Issued	**1,712,148.22**	**5,407,608.0**	**5,330,982.07**	**2,249,037.57**	**4,869,058.33**	**1,100,272.40**	**2,287,499.67**
ECB and Other Central Banks	**0.00**	**217,465.69**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Central Government	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- Deposit and Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Government Deposits	**40,041.17**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- Current Accounts	39,756.89	0.00	0.00	0.00	0.00	0.00	0.00
- Demand Deposit Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Fixed Period Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Redeemable at Notice	284.27	0.00	0.00	0.00	0.00	0.00	0.00
Fees Payable	**134.25**	**441.10**	**1,131.51**	**1,745.21**	**3,528.77**	**7,000.00**	**0.00**
Other Costs	**134.25**	**441.10**	**1,131.51**	**1,745.21**	**3,528.77**	**7,000.00**	**0.00**
Undrawn Committed Facilities Granted	**385,571.78**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Derivative and OBS Activity	**980.35**	**796,158.73**	**468,140.10**	**116,800.11**	**58,371.32**	**84,019.61**	**739,045.46**
- Swap	980.35	796,158.73	468,140.10	116,800.11	58,371.32	84,019.61	739,045.46
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Outflows	**3,549,025.80**	**7,187,036.6**	**8,351,948.22**	**2,430,362.19**	**4,984,001.01**	**1,344,740.68**	**5,472,582.65**

Net Position in the Period	712,911.87	-280,129.61	-6,036,115.9	-992,241.71	868,848.60	1,858,628.63	5,474,008.47
Net Cumulative Inflow/Outflow	712,911.87	432,782.26	-5,603,333.7	-6,595,575.4	-5,726,726.8	-3,868,098.2	1,605,910.31
Liquidity Ratio	120.1%	106.0%	29.2%	17.9%	50.5%	45.3%	117.2%

Outstanding Drawn, 31/12/2009, report in EURO '000	Sight to	Over 8 days	Over 1 mth	Over 3 mths	Over 6 mths	1 to	2 Years +
Timeband	**8 days**	**to 1 mth**	**to 3 mths**	**to 6 mths**	**to 1 Year**	**2 Years**	
Inflows							
Readily Marketable Assets/Liquid Assets	**1,427,409**						
Cash	1,035						
Lending to MFIs	619,262						
Securities other than shares issued by MFIs	275,066						
Balances with the ECB and other Central Banks	-						
Exchanger Notes/Treasury Bills	-						
Central Government Securities	330,247						
Securities other than shares issued by non MFIs	48,841						
Accured Interest	3,423						
Minimum Reserve Balance	152,900						
Less Deposit Protection Account	3,366						
Monetary Financial Institutions	**999,437.40**	**1,776,499.13**	**1,033,681.60**	**509,739.32**	**1,256,981.51**	**2,384,499.04**	**8,000,166.1**
- Affiliates	21,502.62	1,729,053.81	1,019,943.49	471,360.69	1,227,120.27	2,151,533.67	7,912,759.4
- Other Credit Institutions - Non Irish	0.00	47,445.32	13,738.10	38,378.63	28,810.93	231,872.31	68,409.25
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- All other Monetary Financial Institutions	0.00	0.00	0.00	0.00	1,050.31	1,093.06	18,997.41
- Sale of Securities or Investments in MFIs	977,934.77	0.00	0.00	0.00	0.00	0.00	0.00
ECB and Other Central Banks	**0.00**	**156,448.63**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Central Government	**0.00**	**0.00**	**0.00**	**277.97**	**279.64**	**524.42**	**0.00**
- from lending operations	0.00	0.00	0.00	277.97	279.64	524.42	0.00
Non Government Credit	**43,161.14**	**206,287.06**	**485,171.00**	**465,786.88**	**249,634.54**	**942,025.76**	**1,282,052.8**
- Overdrafts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Term Loans	43,161.14	206,287.06	485,171.00	465,786.88	249,634.54	942,025.76	1,282,052.8
- Hire Purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Finance Leases	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Residential Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Quoted and Other Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fee Income	**117.50**	**386.08**	**990.39**	**1,527.55**	**3,088.68**	**6,127.00**	**0.00**
Other Income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Undrawn Committed Facilities Receivable	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Derivative and OBS Activity	**694,655.16**	**1,425.84**	**9,438.40**	**130,924.94**	**22,564.71**	**58,087.82**	**722,620.09**
- Swap	694,655.16	1,425.84	9,438.40	130,924.94	22,564.71	58,087.82	722,620.09
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Inflows	**3,164,780.3**	**2,141,046.74**	**1,529,281.39**	**1,108,256.67**	**1,532,549.07**	**3,391,264.04**	**10,004,839**
Outflows							
Monetary Financial Institutions	**305,663.02**	**248,282.85**	**301,319.82**	**25,250.19**	**93,784.48**	**124,399.10**	**2,368,485.9**
- Affiliates	265,661.46	221,012.80	286,985.36	225.57	65,026.68	39,824.99	24,482.27
- Other Credit Institutions - Irish	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other Credit Institutions - non Irish	40,001.56	23,020.83	0.00	2,961.98	3,020.00	11,066.80	19,503.85
- All other Monetary Financial Institutions	0.00	4,249.22	14,334.47	22,062.64	25,737.80	73,507.30	2,324,499.8
- Purchase of Securities or Investments in MFIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities Issued	**1,317,658.3**	**2,425,305.90**	**5,402,697.45**	**1,961,726.44**	**672,677.33**	**576,332.51**	**1,685,165.1**
ECB and Other Central Banks	**0.00**	**156,266.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non Government Deposits	**3,867.01**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
- Current Accounts	3,867.01	0.00	0.00	0.00	0.00	0.00	0.00
- Demand Deposit Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Fixed Period Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Redeemable at Notice	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fees Payable	**224.52**	**737.70**	**1,892.36**	**2,918.73**	**5,901.61**	**11,707.00**	**0.00**
Other Costs	**122.74**	**403.29**	**1,034.52**	**1,595.62**	**3,226.30**	**6,400.00**	**0.00**
Undrawn Committed Facilities Granted	**1,756,124.1**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Derivative and OBS Activity	**701,468.64**	**6,773.79**	**19,559.38**	**132,857.82**	**51,272.81**	**86,983.64**	**725,728.77**
- Swap	701,468.64	6,773.79	19,559.38	132,857.82	51,272.81	86,983.64	725,728.77
- FRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of Fixed Assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Capital Items	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Outflows	**4,085,128.4**	**2,837,769.52**	**5,726,503.54**	**2,124,348.80**	**826,862.53**	**805,822.25**	**4,779,379.8**

Net Position in the Period	-920,348.02	-696,722.78	-4,197,222.1	-1,016,092.1	705,686.54	2,585,441.80	5,225,459.2
Net Cumulative Inflow/Outflow	-920,348.02	-1,617,070.8	-5,814,292.9	-6,830,385.1	-6,124,698.5	-3,539,256.8	1,686,202.4
Liquidity Ratio	77.5%	57.0%	20.8%	14.0%	20.0%	48.9%	120.3%

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2009

Outstanding Drawn, 31/12/2008, report in EURO '000 Timeband	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 1 Year	1 to 2 Years	2 Years +
Inflows							
Readily Marketable Assets/Liquid Assets	**2,371,321.3**						
Cash	917.6						
Lending to MFIs	1,559,736.5						
Securities other than shares issued by MFIs	333,174.7						
Balances with the ECB and other Central Banks	-						
Exchanger Notes/Treasury Bills	-						
Central Government Securities	242,985.0						
Securities other than shares issued by non MFIs	11,773.6						
Accured Interest	10,885.9						
Minimum Reserve Balance	214,656.9						
Less Deposit Protection Account	2,808.8						
Monetary Financial Institutions	**1,859,311.4**	**4,845,757.8**	**1,587,278.9**	**1,055,526.4**	**5,155,159.3**	**2,667,628.3**	**9,407,041.0**
- Affiliates	201,217.6	4,775,540.1	1,539,447.0	996,972.5	4,884,265.0	2,557,039.8	9,093,489.1
- Other Credit Institutions - Non Irish	2.9	70,217.7	47,831.9	58,554.0	269,885.1	109,538.2	293,461.5
- Other Credit Institutions - Irish	-	-	-	-	-	-	-
- All other Monetary Financial Institutions	-	-	-	-	1,009.2	1,050.3	20,090.5
- Sale of Securities or Investments in MFIs	1,658,091.0	-	-	-	-	-	-
ECB and Other Central Banks	**-**	**218,091.8**	**-**	**-**	**-**	**-**	**-**
Central Government	**-**	**-**	**-**	**538.1**	**301.8**	**578.7**	**543.6**
- from investments	-	-	-	-	-	-	-
- from lending operations	-	-	-	538.1	301.8	578.7	543.6
Non Government Credit	**30,485.1**	**940,685.6**	**251,428.8**	**252,172.2**	**851,171.7**	**663,608.3**	**1,691,145.7**
- Overdrafts	-	-	-	-	-	-	-
- Term Loans	15,918.4	940,685.6	251,428.8	252,172.2	851,171.7	663,608.3	1,691,145.7
- Hire Purchase	-	-	-	-	-	-	-
- Finance Leases	-	-	-	-	-	-	-
- Residential Mortgages	-	-	-	-	-	-	-
- Other Mortgages	-	-	-	-	-	-	-
- Quoted and Other Investments	14,566.7	-	-	-	-	-	-
Fee Income	**19.2**	**63.0**	**161.6**	**249.3**	**504.1**	**1,000.0**	**-**
Other Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Undrawn Committed Facilities Receivable	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**800.6**	**902,308.9**	**480,092.2**	**132,914.0**	**31,354.0**	**58,885.7**	**690,989.7**
- Swap	800.6	902,308.9	480,092.2	132,914.0	31,354.0	58,885.7	690,989.7
- FRA	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
Sale of Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital Items	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Inflows	**4,261,937.7**	**6,906,907.0**	**2,318,961.6**	**1,441,400.0**	**6,038,490.9**	**3,391,701.0**	**11,789,720.1**
Outflows							
Monetary Financial Institutions	**1,410,015.8**	**764,922.0**	**2,550,563.0**	**61,034.1**	**49,513.8**	**146,448.7**	**2,446,037.5**
- Affiliates	1,409,663.7	736,478.7	2,538,212.6	1,308.5	21,500.1	80,048.0	66,774.3
- Other Credit Institutions - Irish	-	-	-	-	-	-	-
- Other Credit Institutions - non Irish	352.1	20,144.8	740.8	37,582.1	2,304.5	4,291.4	24,462.4
- All other Monetary Financial Institutions	-	8,298.5	11,609.6	22,143.5	25,709.2	62,109.3	2,354,800.9
- Purchase of Securities or Investments in MFIs	-	-	-	-	-	-	-
Debt Securities Issued	**1,712,148.2**	**5,407,608.0**	**5,330,982.1**	**2,249,037.6**	**4,869,058.3**	**1,100,272.4**	**2,287,499.7**
ECB and Other Central Banks	**-**	**217,465.7**	**-**	**-**	**-**	**-**	**-**
Central Government	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Deposit and Current Accounts	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
Non Government Deposits	**40,041.2**	**-**	**-**	**-**	**-**	**-**	**-**
- Current Accounts	39,756.9	-	-	-	-	-	-
- Demand Deposit Accounts	-	-	-	-	-	-	-
- Fixed Period Deposits	-	-	-	-	-	-	-
- Redeemable at Notice	284.3	-	-	-	-	-	-
Fees Payable	**134.2**	**441.1**	**1,131.5**	**1,745.2**	**3,528.8**	**7,000.0**	**-**
Other Costs	**134.2**	**441.1**	**1,131.5**	**1,745.2**	**3,528.8**	**7,000.0**	**-**
Undrawn Committed Facilities Granted	**1,609,082.5**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**980.4**	**796,158.7**	**468,140.1**	**116,800.1**	**58,371.3**	**84,019.6**	**739,045.5**
- Swap	980.4	796,158.7	468,140.1	116,800.1	58,371.3	84,019.6	739,045.5
- FRA	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
Purchase of Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital Items	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Outflows	**4,772,536.6**	**7,187,036.6**	**8,351,948.2**	**2,430,362.2**	**4,984,001.0**	**1,344,740.7**	**5,472,582.6**

Net Position in the Period	-510,598.9	-280,129.6	-6,032,987	-988,962.2	1,054,489.9	2,046,960.3	6,317,137.4
Net Cumulative Inflow/Outflow	-510,598.9	-790,728.5	-6,823,715	-7,812,677.3	-6,758,187.4	-4,711,227.1	1,605,910.3
Liquidity Ratio	89.3%	89.7%	25.4%	15.6%	47.2%	41.9%	115.8%

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 2009, the Company's interest rate sensitivity on all balance sheet assets, liabilities and derivatives of the Company amounted up to -€2,585,328 (2008: -€1,595,648), within the limit approved on 5 December 2008 by the Board of Directors of +/- € 4,000,000.

Historical Interest Rate Sensitivity Review

	2009	**2008**
Average	(662,730)	(262,248)
High	1,444,044	790,156
Low	(2,585,328)	(1,781,666)

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 2009.

Interest Rate Sensitivity Analysis as at 31/12/09 of Instrument Classified at Fair Value through Profit & Loss or Equity (in € '000s)

	Profit & Loss	Equity
AFS Securities	-	(103)
Hedged CFV Securities	(98)	-
Hedged Assets and Liabilities	(1,590)	-
Trading Derivatives	(3)	-
Total	**(1,691)**	**(103)**

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

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

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 2009 and 2008, by time bucket and by currency, is shown in the tables on next page:

Sensitivity as at 31 December 09

CURRENCY	NPV	O/N	T/N	1D	1W	1W to 1M	1M	2M	3M	4M	5M	6M
Australian Dollar	-18,980	0	0	0	0	0	4	0	0	0	0	0
British Pound	76,323	0	0	-3,909	-2,030	4,329	6,725	35,123	9,762	-4	0	-4
Canadian Dollar	1,234	0	0	0	0	0	0	0	0	0	0	0
Danish Krone	2,450	0	0	0	0	0	0	0	0	0	0	0
European currency	1,755,524,754	0	0	1,427	-13,696	0	113,344	-97,584	-581,982	147,456	-623,210	-1,030,539
Hong Kong Dollar	70,275	0	0	0	0	0	0	0	0	-1	0	-1
Japanese Yen	413,681	0	0	0	0	0	-5	-6	-1	-4	-3	-3
Polish Zloty	-3,375	0	0	0	0	0	2	0	0	0	0	0
Russian Rouble	648	0	0	0	0	0	0	0	0	0	0	0
Singapore Dollar	260	0	0	0	0	0	0	0	0	0	0	0
Swedish Krona	18,083	0	0	1	-3	0	-1	0	0	0	0	0
Swiss Franc	17,966,776	0	0	-206	2,974	0	9,757	7,962	-41,846	8,259	-5,523	-46,184
US Dollar	-675,476,687	0	0	330	6,017	481	43,852	74,461	81,737	28,415	-25,846	-24,777
Total	**1,098,575,441**	**0**	**0**	**-2,356**	**-6,737**	**4,810**	**173,678**	**19,954**	**-532,331**	**184,121**	**-654,583**	**-1,101,508**

CURRENCY	7M	8M	9M	10M	11M	12M	2Y	3Y	4Y	5Y	Tot 31/12/09
Australian Dollar	0	0	0	0	0	0	0	0	0	0	**4**
British Pound	-5	0	-7	-7	0	-29	-14	0	0	0	**49,930**
Canadian Dollar	0	0	0	0	0	0	0	0	0	0	**0**
Danish Krone	0	0	0	0	0	0	0	0	0	0	**0**
European currency	242,070	115,889	-2,566	-3,944	-9	-69,147	-133,722	-166,195	-159,949	-357,063	**-2,619,420**
Hong Kong Dollar	-4	-3	-2	-2	-1	-10	-49	-71	-73	-439	**-656**
Japanese Yen	-34	-21	0	0	0	-228	-397	-508	-572	-982	**-2,764**
Polish Zloty	0	0	0	0	0	0	0	0	0	0	**2**
Russian Rouble	0	0	0	0	0	0	0	0	0	0	**0**
Singapore Dollar	0	0	0	0	0	0	0	0	0	0	**0**
Swedish Krona	0	0	0	0	0	0	0	0	0	0	**-3**
Swiss Franc	0	-406	-1,726	0	-633	-6,472	-22,184	-33,192	-26,963	0	**-156,383**
US Dollar	175	-606	-522	-347	-380	-1,838	-7,831	-7,974	-6,151	-15,234	**143,962**
Total	**242,202**	**114,855**	**-4,823**	**-4,300**	**-1,023**	**-77,724**	**-164,197**	**-207,940**	**-193,708**	**-373,718**	**-2,585,328**

Sensitivity as at 31 December 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	-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
Australian Dollar	0	0	0	0	0	0	0	0	0	0	**0**
British Pound	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**

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

The Board has set a limit on the total overnight open position (measured as the maximum of the sums of all long and short open positions) 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-ends 2009 and 2008:

	2009 Position in '000s		2008 Position in '000s	
Currency	**Original CCY**	**EUR**	**Original CCY**	**EUR**
USD	326	226	1,091	784
GBP	33	37	(679)	(713)
CHF	180	121	399	269
DKK	123	17	1,115	150
NOK	67	8	1	-
SEK	363	35	210	19
CAD	31	20	14	8
AUD	26	16	(28)	(14)
JPY	2,874	22	(42,291)	(335)
PLN	181	44	376	91
HKD	367	33	(50)	(5)
SGD	46	23	27	14
RUB	1,506	35	2,877	70
ZAR	2	-	2	-
NZD	23	12	(2)	(1)
HUF	6,618	24	3,921	15

Totals in EUR	2009	2008
Long Foreign currency:	673	1,420
Short Foreign currency:	-	1,068

Average position during the year in EUR	2009	2008
Average Long Foreign currency:	872	1,192
Average Short Foreign currency:	286	493

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 reputation risks are not included" in line with the definition outlined in the New Basel Capital Accord.

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

The objectives of ORM are as follows:

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

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

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

The main operational risk-minimisation options therefore can be:

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

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

- The monitoring of the effectiveness of internal controls using Italian Law 262-2005 compliant methodology. This monitoring involves the on-going:
  - Review of processes affecting significant accounts of the Company with a documentation of the same processes, of the attached risks, and of the controls in place;
  - Identification of key controls with operative details (frequency, manual/automated, etc.);
  - Tests of key controls compliance and execution.

- 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 replicated daily in London or at Moncalieri in Italy as well as at the disaster recovery sites in both places.

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

4. Balance Sheet by accounting class

The table below summarizes the breakup of the assets and liabilities by category for 2009.

	Loans and receivables	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial items	Total
As at 31 December 2009	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	158,020	-	-	-	-	-	158,020
Financial instruments at fair value	-	-	151,564	-	-	-	151,564
Available for sale debt securities	-	-	-	-	566,098	-	566,098
Loans and advances to banks	12,791,748	-	-	-	-	-	12,791,748
Loans and advances to customers	3,488,798	-	-	-	-	-	3,488,798
Derivative financial instruments	-	240,739	-	732	-	-	241,471
Current tax	-	-	-	-	-	-	-
Prepayment and accrued income	223	-	-	-	-	-	223
Deferred tax asset	-	-	-	-	-	1,052	1,052
Other assets	8,651	-	-	-	-	-	8,651
Property, plant and equipment	-	-	-	-	-	88	88
Total assets	**16,447,440**	**240,739**	**151,564**	**732**	**566,098**	**1,140**	**17,407,713**
Liabilities							
Debt securities in issue	13,616,021	-	-	-	-	-	13,616,021
Deposits from banks	639,477	-	-	-	-	-	639,477
Due to customers	1,689,858	-	-	-	-	-	1,689,858
Derivative financial instruments	-	276,759	-	79,358	-	-	356,117
Current tax	-	-	-	-	-	1,004	1,004
Deferred tax liability	-	-	-	-	-	292	292
Accruals and deferred income	17,314	-	-	-	-	-	17,314
Other liabilities	-	-	-	-	-	3,241	3,241
Provisions for liabilities and commitments	2,025	**-**	**-**	**-**	**-**	**-**	2,025
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves						(1,392)	(1,392)
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	175,467	175,467
Total liabilities and shareholders' funds	**15,964,695**	**276,759**	**-**	**79,358**	**-**	**1,086,901**	**17,407,713**

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

	Loans and receivables	Held for trading	Designated at fair value through profit or losss	Derivatives used for hedging	Available for sale	Non-financial items	Total
As at 31 December 2008	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances 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
Prepayment and accrued income	103	-	-	-	-	-	103
Current tax	-	-	-	-	-	13	13
Deferred tax	-	-	-	-	-	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**
Liabilities							
Debt securities in issue	21,364,093	-	-	-	-	-	21,364,093
Deposits from banks	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
Provisions 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	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	90,133	90,133
Total liabilities and shareholders' funds	**26,843,269**	**294,479**	**-**	**60,044**	**-**	**973,594**	**28,171,386**

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 2009	**EUR**	**USD**	**CHF**	**GBP**
	%	**%**	**%**	**%**
ASSETS				
Cash and balances with central banks	0.98	-	-	-
Loans and advances to banks	2.33	0.50	2.38	0.49
Available-For-Sale debt securities	1.23	0.47	-	-
Loans and advances to customers	1.85	1.73	-	1.88
LIABILITIES				
Deposits from banks	2.03	0.55	-	-
Due to customers	4.11	1.00	-	1.00
Debt securities in issue	1.09	0.34	0.16	0.53
Other	-	-	-	-

At 31 December 2008	**EUR**	**USD**	**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	-	-	-

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 2009.

	At 31-12-09 Carrying value €'000	**At 31-12-09 Fair value €'000**	At 31-12-08 Carrying value €'000	At 31-12-08 Fair value €'000
Assets				
Cash and balances at central banks	158,020	158,020	219,543	219,543
Loans and advances to banks	12,791,748	12,791,748	24,070,260	24,070,260
Loans and advances to customers	3,488,798	3,488,798	2,837,857	2,837,857
Liabilities				
Deposits by banks	639,477	639,477	3,720,689	3,720,689
Due to customers	1,689,858	1,689,858	1,734,962	1,734,962
Debt securities in issue	13,616,021	13,616,021	21,364,092	21,364,092

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 2009 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 has the responsibility to produce the valuation of the securities and structured derivatives for all the entities of the Group. These valuations are therefore used by the Company for the relevant instruments.

With regard to securities holdings, the existence of official prices in an active market represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the 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 valued and derived from products with the same risk profile (comparable approach)
- Valuations performed using – even partly - inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (mark-to-model).

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 (Level 1)

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 507.90 million, of which € 6.46 million are carried at fair value securities and € 501.44 million classified as available for sale securities representing 71% of the portfolio and a market valuation including accruals of € 508.51 million at the end of 2009.
At the end of 2008 there were Euro equivalent 260.25 million of securities, of which € 65.00 million carried at fair value and €195.25 million available for sale, representing 39% of the portfolio and a market valuation including accruals of € 247.93 million which were valued using the aforesaid methodology.

A total nominal amount of €4.03 million of carried at fair value securities and € 31.94 million of available for sale securities that were valued using the comparable approach valuation techniques at the end of 2008 have been valued using effective market quotes at the end of 2009. The valuation difference between 2008 and 2009 for these securities resulted in a € 0.10 million loss on P&L and in a €1.58 million release on the available for sale reserves.

Valuation techniques: comparable approach (Level 2)

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 203.77 million of which €141.61 million are carried at fair value securities and € 62.16 million are classified as available for sale securities, representing 29% of the portfolio and a market valuation of €209.15 million) at the end of 2009.
At the end of 2008 there were Euro equivalent 410.81 million of securities, of which €187.71 million carried at fair value and €223.10 million available for sale, representing 61% of the portfolio and a market valuation including accruals of €408.45 million which were valued using the aforesaid methodology.
A total nominal amount of € 25.75 million of available for sale securities that were valued using the comparable approach valuation techniques at the end of 2008 have been valued using effective market quotes at the end of 2009. The valuation difference between 2008 and 2009 for these securities resulted in a € 2.72 million release on the available for sale reserves.

Valuation techniques: Mark-to-Model approach (Level 3)

- 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 2009 or 2008.

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 (Level 2), 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 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 reviews its debt securities classified as available-for-sale investments at each statement of financial position to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. 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 Bank has one reporting segment, the provision of banking products and services carried out from Ireland.

9. Net interest income

	2009	2008
	€'000	€'000
Interest and similar income		
Cash and short term funds	**7,866**	30,885
Available For Sale debt securities	**12,409**	21,035
Financial assets at fair value through profit or loss	**7,727**	10,402
Loans and advances *	**575,305**	1,130,696
Net income on Fair value option trading derivatives	**-**	466
	603,307	1,193,484

* Interest income includes € 1,501,063 (2008: € 1,020,860) accrued on impaired loans.

	2009	2008
	€'000	€'000
Interest expense and similar charges		
Banks and customers	**98,467**	153,411
Debt securities in issue	**338,194**	951,976
Net swap interest expense	**31,274**	11,648
Net expense on Fair value option trading derivatives	**3,545**	-
	471,480	1,117,035

10. Fees and commission income and expense

	2009	2008
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	**8,112**	5,409
Other fees	**517**	217
	8,629	5,626
Fee and commission expense		
Credit related fees and commissions	**(19,559)**	(9,507)
Brokerage fees paid	**-**	(21)
Other fees paid	**(256)**	(26)
	(19,815)	(9,554)

11. Net trading expense

	2009	2008
	€'000	€'000
Mark-To-Market (losses) / gains:		
- Derivatives	**1,221**	(19,786)
- Net result Hedge Accounting ***	**(6,703)**	8,222
- Financial instruments designated at Fair Value through profit or loss	**(9,560)**	4,584
Net realised (loss) / gains on available for sale debt securities	**(3,519)**	2,452
Net realised gain / (loss) on financial assets at fair value through profit or loss	**4,667**	(658)
Net realised gains on debt securities	**200**	81
	(13,694)	(5,105)

*** 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.

2009 Net results of hedge accounting (€'000)

	Loans and Receivables	Available for Sale	ECP	MTN	Total
Net gains / (losses) on Hedged Asset / Liability	(3,647)	2,348	-	-	(1,299)
Net gains / (losses) on Fair Value of Hedged Derivatives	(3,152)	(2,252)	-	-	(5,404)
	(6,799)	96	-	-	(6,703)

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 Derivatives	(63,204)	14,387	(88)	5	(48,900)
	8,043	276	0	(97)	8,222

12. Employee numbers

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

	Number of employees	
	2009	2008
Administration	**31**	30

13. Administrative expenses

	2009	2008
	€'000	€'000
Staff costs		
- wages and salaries	**2,710**	2,461
- social welfare costs	**195**	187
- pension costs	**401**	328
- other personnel expenses	**4**	169
	3,310	3,145
Other administrative expenses	**1,524**	2,036
	4,834	5,181

14. Profit before taxation

		2009	2008
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and equipment		**48**	47
Auditors' remuneration *(including VAT):*			
Audit Services	Statutory audit	**60**	62
Non-audit services	Taxation services	**9**	21
	Other consultancy	**12**	12
	Subtotal	**21**	33
		81	95
Directors' remuneration:			
Executive		**418**	387
Non-executive		**82**	50
		500	437

The following tables detail the total remuneration of the directors.

2009	Salary (‘000)	Directors Fees (‘000)	Taxable Benefits (‘000)	Pension Contribution (‘000)	Total (‘000)
Executive Director					
P.C. Arena	262	0	56	100	418
Total	262	0	56	100	418
Non – Executive Directors					
Ian Letchford	0	29	0	0	29
Nathaniel Healy	0	40	0	0	40
Salvatore Catalano	0	13	0	0	13
Total	0	82	0	0	82

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

15. Income Tax expense

	2009 €’000	2008 €’000
Corporation tax charge 12.5% *(2008: 12.5%)* on the profit for the year on ordinary activities	**12,196**	934
Current tax charge for the year	**12,196**	934
Under provision in prior year	**13**	2
Total Current Tax	**12,209**	936
	12,209	936

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

	2009	2008
	€'000	€'000
Profit on ordinary activities before tax	**97,543**	7,454
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 12.5% (2008: 12.5%)	**12,193**	932
Effects of:		
Adjustments to tax charge in respect of previous periods	**13**	2
Other adjustments	**3**	2
Current tax charge for the year	**12,209**	936

16. Cash and balances with central banks

	2009	2008
	€'000	€'000
Mandatory reserve deposits with central bank	**156,368**	217,794
Other cash balances	**1,652**	1,749
	158,020	219,543

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) € 154,551,880 (2008: €216,405,925).

17. Financial instruments at fair value through profit or loss

	2009 €'000	2008 €'000
Debt securities at fair value		
Issued by public bodies		
- government securities	**143,583**	163,487
- other public sector securities	**-**	83,580
Issued by other issuers		
- banks	**7,981**	15,852
- other debt securities	**-**	5,163
	151,564	268,082
Of which:		
- listed on a recognized exchange	**93,865**	197,531
- unlisted	**57,699**	70,551
	151,564	268,082

18. Available for sale debt securities

	2009	2008
Debt securities - at fair value		
Debt securities – at fair value	**566,098**	388,296
Issued by public bodies		
- government securities	**178,191**	-
- other public sector securities	**48,676**	-
Issued by other issuers		
- banks	**326,308**	376,112
- other debt securities	**12,923**	12,184
	566,098	388,296
Of which:		
- listed on a recognized exchange	**561,287**	373,676
- unlisted	**4,811**	14,620
	566,098	388,296

19. Loans and advances to banks

	2009 €'000	2008 €'000
Placement with other banks	**11,656,863**	22,931,706
Unlisted securities	**1,195,800**	1,198,040
Gross loans and advances	**12,852,663**	24,129,746
Less allowances for losses	**(60,915)**	(59,486)
	12,791,748	24,070,260

Of which included in cash and cash equivalents (Note 32) €1,845,598,406 (2008: €5,225,126,145).

20. Loans and advances to customers

	2009 €'000	2008 €'000
Loans to corporate entities - Syndicated and Bilateral loans	**3,495,038**	2,842,678
Gross loans and advances	**3,495,038**	2,842,678
Less allowances for losses	**(6,240)**	(4,821)
	3,488,798	2,837,857

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

	2009 €'000	2008 €'000
Balance at beginning of year	**64,307**	10,193
Transfer to provisions for liabilities and commitments	**-**	(1,281)
Disposed loans	**(1,875)**	(757)
Charge to profit and loss account	**7,698**	57,650
Released to profit and loss account	**(2,907)**	(1,550)
Translation adjustment	**(68)**	52
Balance at end of year	**67,155**	64,307

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of EUR 845,519 (2008: EUR 1,564,139) 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 Nil (2008: EUR 383,078) in relation to available for sale securities.

Amounts include:

	2009 €'000	2008 €'000
Loans and advances to banks (Note 19)	**60,915**	59,486
Loans and advances to customers (Note 20)	**6,240**	4,821
Balance at end of year	**67,155**	64,307

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.

	2009	**2009**	**2009**
	€'000	**€'000**	**€'000**
	Individual	**Collective**	**Total**
Balance at beginning of year	**57,426**	**6,881**	**64,307**
Disposed loans	**(1,875)**	**-**	**(1,875)**
Charge to profit and loss account	**3,847**	**3,851**	**7,698**
Released to profit and loss account	**(74)**	**(2,833)**	**(2,907)**
Translation adjustment	**(59)**	**(9)**	**(68)**
Balance at end of year	**59,265**	**7,890**	**67,155**

	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)
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

Impaired loans: Amounts include:

	2009	2008
	€'000	€'000
Loans and advances to banks	**57,661**	55,707
Loans and advances to customers	**1,604**	1,719
Balance at end of year	**59,265**	57,426

Impaired loans have increased due to the Company's exposure to Icelandic banks totalling €77.73 million (2008 :€78.81 million) with an individual impairment amounting to €57.66 million (2008: € 55.71 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 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 2009		**Fair values including accruals**	
	Contract/notional amount €'000	**Assets €'000**	**Liabilities €'000**
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	817,752	4,413	(6.348)
Total OTC derivatives		4.413	(6,348)
b) Interest rate derivatives			
Interest rate swaps	817,752	105,953	(115,500)
Cross-currency interest rate swaps	34,301		(24,538)
Forward rate agreements		-	-
Total OTC derivatives		105,953	(140,038)
c) Equity Options	609,550	130,373	
Equity options purchased	609,550		(130,373)
Equity options sold			
Total OTC derivatives		130,373	(130,373

	Total derivative assets/(liabilities) held for trading		240,739	(276,759)
2)	**Derivatives held for risk management**			
	a) Derivatives designated as fair value hedges			
	Interest rate swaps	1,894,700	732	(79,358)
	Total OTC derivatives		732	(79,358)
	Total derivative assets/(liabilities) held for risk management		732	(79,358)
	Total derivative financial instruments		**241,471**	**(356,117)**

	At 31 December 2008		**Fair values including accruals**	
		Contract/notional amount €'000	**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) 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)
	c) Equity Options			
	Equity options purchased	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)

23. Deferred Taxation

	2009	2008
	€'000	€'000
Deferred Tax assets:		
Provision for impairment of loans and receivables	**569**	556
Available For Sale debt securities	**490**	4,109
Exchange Translation adjustment	**(7)**	13
Total deferred tax assets	**1,052**	4,678
Deferred Tax liabilities:		
Available For Sale debt securities	**292**	2
Total deferred tax liabilities	**292**	2
Net Deferred Tax assets	**760**	4,676

	2009	2008
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**4,676**	36
Exchange translation adjustment	**(7)**	13
Deferred tax through equity	**(3,909)**	4,627
At 31 December	**760**	4,676

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 2009.

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

25. Other assets

	2009	2008
	€'000	€'000
Deferred expenses *	**8,607**	11,379
Withholding tax	**34**	78
Income tax	**-**	66
Sundry Debtors	**10**	12
	8,651	11,535

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

26. Property, plant and equipment

	Office equipment	Computer equipment and software	Total
	€'000	€'000	€'000
Cost			
At beginning of year	269	607	876
Additions in year	2	19	21
Disposals in year	-	-	-
At end of year	**271**	**626**	**897**
Depreciation			
At beginning of year	182	579	761
Charge for year	29	19	48
Disposals in year	-	-	-
At end of year	**211**	**598**	**809**
Net book value			
At 31 December 2009	**60**	**28**	**88**
At 31 December 2008	87	28	115

	Office equipment €'000	Computer equipment and software €'000	Total €'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

27. Debt securities in issue

At 31 December 2009

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - Listed					
CAD	Floating Rate Note	13/07/2010	0.466%		16,543
				0.466%	
EUR	Floating Rate Note	19/02/2010	1.265%		140,212
EUR	Floating Rate Note	30/03/2010	1.218%		50,157
EUR	Floating Rate Note	09/04/2010	1.996%		14,207
EUR	Floating Rate Note	23/04/2010	1.790%		17,513
EUR	Fixed Note	04/06/2010	4.438%		51,301
EUR	Floating Rate Note	14/06/2010	1.172%		10,006
EUR	Floating Rate Note	30/09/2010	4.500%		10,001
EUR	Floating Rate Note	29/04/2011	0.000%		21,000
EUR	Floating Rate Note	16/05/2011	1.814%		5,015
EUR	Floating Rate Note	02/08/2011	2.240%		10,245
EUR	Fixed Note	27/09/2011	5.108%		83,510
EUR	Fixed Note	31/10/2011	5.125%		73,773
EUR	Fixed Note	30/11/2011	1.500%		70,092
EUR	Fixed Note	27/12/2011	5.019%		102,793
EUR	Floating Rate Note	30/03/2012	0.000%		6,158
EUR	Floating Rate Note	20/06/2012	0.792%		7,502
EUR	Floating Rate Note	23/06/2012	6.735%		124,221
EUR	Floating Rate Note	07/07/2012	7.084%		62,054
EUR	Fixed Note	07/12/2012	3.117%		4,529
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	1.730%		46,643
EUR	Fixed Note	27/09/2015	5.738%		48,318
EUR	Fixed Note	31/10/2015	5.858%		45,736
EUR	Fixed Note	27/12/2015	5.773%		61,693
EUR	Fixed Note	18/02/2016	5.806%		124,503
EUR	Fixed Note	15/03/2016	0.000%		27,200
EUR	Floating Rate Note	21/03/2016	4.000%		7,733
EUR	Floating Rate Note	28/03/2016	1.276%		80,261
EUR	Floating Rate Note	09/05/2016	1.556%		26,511
EUR	Floating Rate Note	23/06/2016	1.549%		23,109
EUR	Floating Rate Note	01/09/2016	1.478%		52,316
EUR	Fixed Note	01/01/2018	3.420%		9,101
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
EUR	Floating Rate Note	01/08/2022	4.450%		50,371
EUR	Fixed Note	06/03/2023	0.000%		19,000

EUR	Floating Rate Note	01/10/2024	4.000%		50,500
EUR	Fixed Note	15/12/2024	4.000%		40,071
EUR	Floating Rate Note	20/04/2025	6.920%		13,250
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	3.420%		23,890
				3.760%	
GBP	Floating Rate Note	26/08/2010	0.785%		18,030
GBP	Floating Rate Note	08/02/2011	0.686%		143,677
				0.697%	
HKD	Fixed Note	18/09/2012	3.640%		9,046
HKD	Fixed Note	30/07/2013	4.405%		11,399
				4.067%	
JPY	Floating Rate Note	07/01/2010	0.344%		37,580
				0.344%	
USD	Fixed Note	12/03/2010	0.404%		208,289
USD	Floating Rate Note	29/03/2010	0.361%		277,670
USD	Floating Rate Note	27/07/2010	0.422%		312,611
USD	Floating Rate Note	17/05/2012	0.423%		173,630
USD	Floating Rate Note	07/06/2013	0.389%		24,301
				0.401%	
Total EMTN - Listed					2,908,326

At 31 December 2009

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - unlisted					
EUR	Fixed Note	13/07/2010	2.805%		30,182
EUR	Fixed Note	03/01/2012	3.121%		5,653
EUR	Floating Rate Note	25/10/2017	6.000%		15,168
EUR	Fixed Note	30/06/2021	0.000%		20,000
EUR	Fixed Note	30/06/2026	0.000%		20,000
				2.124%	
HKD	Fixed Note	14/08/2018	4.480%		36,009
				4.480%	
JPY	Fixed Note	14/06/2011	1.710%		15,160
JPY	Fixed Note	25/06/2014	1.820%		37,902
JPY	Fixed Note	22/06/2015	1.040%		7,512
				1.696%	
Total EMTN - unlisted					187,586
Total EMTN					3,095,912

Certificates of Deposits (ECD)		
in CHF	0.126%	43,803
in €	0.577%	4,630,052
in £	0.450%	22,504
In SGD	0.420%	7,428
in US$	0.301%	1,025,356
Total ECD		**5,729,143**
European Commercial Paper (ECP)		
in DKK	1.000%	21,496
in €	0.577%	3,692,789
in £	0.473%	464,145
in US$	0.288%	440,684
In CHF	0.167%	171,852
Total ECP		**4,790,966**
Total Debt Securities Issued		**13,616,021**

Debt securities in issue at 31 December 2008

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - Listed					
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	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	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	Fixed Note	01/01/2018	6.897%		9,301
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
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	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
				4.459%	
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
				3.939%	
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
				0.926%	
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 - Listed					**7,719,167**

Currency	**Type**	**Maturity**	**Interest Rates %**	**Average Rate %**	**€'000**
European medium Term Notes (EMTN) - Unlisted					
EUR	Fixed Note	13/07/2010	2.805%		30,182
EUR	Fixed Note	03/01/2012	3.121%		5,482
EUR	Fixed Note	30/06/2021	0.000%		20,000
EUR	Fixed Note	30/06/2026	0.000%		20,000
EUR	Floating Rate Note	20/06/2035	5.000%		20,531
				2.122%	
HKD	Fixed Note	14/08/2018	4.480%		37,320
				4.480%	
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
				1.672%	
Total EMTN - unlisted					**192,097**
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**

28. Deposits from banks

	2009	2008
	€'000	€'000
Deposits from other banks	**639,477**	3,720,689
	639,477	3,720,689

Included in cash and cash equivalents (Note 32) € 68,406,612 (2008: €1,543,449,625).

29. Other liabilities

	2009	2008
	€'000	€'000
Other accrued expenses	**2,659**	3,172
VAT	**8**	46
Other liabilities	**574**	-
	3,241	3,218

30. Movement in the provisions for liabilities and commitments

	2009	2008
	€'000	€'000
Balance at beginning of year	**1,234**	-
Transfer from provisions for bad and doubtful debts	**-**	1,281
Charge to profit and loss account	**1,020**	-
Released to profit and loss account	**(221)**	(45)
Translation adjustment	**(8)**	(2)
Balance at end of year	**2,025**	1,234

31. Share capital

	Number of shares '000	Ordinary shares €'000	Share Premium €'000	Total €'000
At 1 January 2008	400,500	400,500	1,025	401,525
At 31 December 2008 / 1 January 2009	400,500	400,500	1,025	401,525
At 31 December 2009	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2008: 500,000,000) with a par value of €1 per share (2008: €1 per share). All issued shares are fully paid.

At 31 December 2009, the capital and reserves of the Company amounted to € 997.03 million (2008: € 963.15 million) (1,082.36 million including YTD profits after Tax) (2008: € 969.67 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.

	2009	2008
	€'000	€'000
Cash and balances with central bank (Note 16)	**154,552**	216,406
Loans and advances to banks (Note 19)	**1,845,599**	5,225,126
Deposits from banks (Note 28)	**(68,407)**	(1,543,450)
	1,931,744	3,898,082

33. Contingent liabilities and commitments

At 31 December 2009 the contracted amounts of contingent liabilities and financial commitments were:

	2009	2008
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**25,707**	143,414
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	**285,576**	501,133
- one year and over	**1,469,777**	1,107,407
	1,781,060	1,751,954

34. Pension scheme

The Company operates a defined contribution pension scheme. The scheme is trustee administered and the assets are kept separate from those of the Company. Contributions to the scheme are charged to the income statement as incurred. The pension charge for the year was €400,787 *(2008: €327,657)*.

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 2009

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central banks	613	-	**613**
Loans and advances to banks	6,112,515	4,657,014	**10,769,529**
Financial instruments at fair value though profit or loss	1,406	-	**1,406**
Derivative financial instruments	134,814	704	**135,518**
Loans and advances to customers	-	1,679,922	**1,679,922**
LIABILITIES			
Deposits from Banks	568,674	-	**568,674**
Derivative financial instruments	36,678	184,186	**220,864**
INCOME STATEMENT			
Interest and similar income	295,388	179,897	**475,285**
Interest expense and similar charges	(27,812)	(4,212)	**(32,024)**
Fees and commission income	55	726	**781**
Fees and commission expense	(17,861)	(389)	**(18,250)**
Net trading income	(12,312)	-	**(12,312)**
FINANCIAL COMMITMENTS			
Commitments - financial commitments	3,926	506,431	**510,357**
DERIVATIVES			
Derivatives (notional)	1,614,354	2,097,983	**3,712,338**

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 income statement	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 clients	-	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**

Number of transactions performed with connected parties in 2009

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	765	173	938
Loans and advances to clients	-	14	14
Derivative financial instruments	237	28	265
Deposits from Banks	701	18	719
Total	**1,703**	**233**	**1,936**

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**

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

36. Geographic Concentrations

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2009	**Total assets €'000**	**Total Liabilities & Equity €'000**	**Credit commitments €'000**	**Operating Income €'000**
Ireland	663,149	1,215,812	73,477	52,965
E.U. (excl. Ireland)	15,131,406	15,919,927	1,360,043	10,068
U.S.A.	291,055	149,858	17,914	(3,507)
South America	-	-	-	16
Rest of the World	1,322,103	122,116	329,626	47,628
Total	17,407,713	17,407,713	1,781,060	107.170

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

	2009 €'000	**2009 %**	2008 €'000	2008 %
Ireland	505,610	14	654,393	23
E.U. (excl. Ireland)	2,055,964	59	791,822	28
U.S.A.	236,246	7	299,634	11
South America	-	-	1,224	-
Rest of the World	690,978	20	1,090,784	38
Total	3,488,798	100	2,837,857	100

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

	2009 €'000	**2009 %**	2008 €'000	2008 %
E.U. (excl. Ireland)	12,176,102	95	23,016,205	96
Rest of the World	15,646	5	1,054,055	4
Total	12,791,748	100	24,070,260	100

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

	2009 €'000	**2009 %**	2008 €'000	2008 %
E.U. (excl. Ireland)	151,564	100	268,082	100
Total	151,564	100	268,082	100

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

	2009 €'000	**2009 %**	2008 €'000	2008 %
E.U. (excl. Ireland)	496,891	88	302,784	78
U.S.A.	54,133	10	55,284	14
Rest of the World	15,074	2	30,228	8
Total	566,098	100	388,296	100

37. Post - balance sheet events

The directors have proposed a dividend of 17.05 cent per ordinary share, amounting to € 68.29 million in respect of the year 2009 (2008: Nil). Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

38. Date of approval

The financial statements were approved and authorised by the directors on 12 March 2010.