INTESA SANPAOLO BANK IRELAND plc

Directors’ report and financial statements

Year ended **31 December 2011**

Registered number *125216*

INTESA SANPAOLO BANK IRELAND plc

Contents *Page*

INTESA SANPAOLO BANK IRELAND plc

Directors and other information

Directors	Mr. M.A. Bertotti (Chairman, Italian) Mr. S. Catalano (Deputy Chairman, Italian) Mr. G. Pizzutto (Managing Director, Italian) Mr. I. Letchford (British) Mr. F. Introzzi (Italian) Mr. L. Ruggerone (Italian) Mr. R. Barkley (British)
Registered office	3rd Floor KBC House 4 George's Dock International Financial Services Centre Dublin 1
Secretary	Capita International Financial Services (Ireland) Ltd
Auditors	Ernst & Young Chartered Accountants and Registered Auditors Harcourt Centre Harcourt Street Dublin 2
Principal bankers	INTESA SANPAOLO S.p.A. Piazza della Scala, 6 Milan I-20121 Italy INTESA SANPAOLO – New York Branch One William Street New York NY 10004 USA
Solicitors	McCann Fitzgerald Sir John Rogerson's Quay Dublin 2

Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2011.

Principal Activities

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

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

Review of Results and Development of the Business

The results and financial position of the Company are set out on pages 10 – 12 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.

Liquidity in the money markets proved to be a dominant issue for banks in 2011 and this is set to continue in 2012, although ECB measures, particularly though the LTRO funding facilities, has provided relief to a certain extent. Tensions in the funding markets as liquidity failed to flow normally between banks were more pronounced in Europe after several meetings of European Union leaders attempted to solve the European debt crisis. The European sovereign debt crisis had a significant impact on the commercial paper market, in particular, resulting in limited access of European financial institutions to traditional sources of short term funding. As a result, the Company's debt securities in issue fell by one third and finished the year with a total utilisation of €6.99 billion against €10.60 billion in the previous year.

Apart from liquidity stress, new solvency and regulatory requirements are additional issues which banks, in general, face in 2012, and balance sheet shrinkage is likely to be the industry's response to such pressures.

The euro area debt crisis dictated economic and market sentiment in 2011 and will continue to do so in 2012, especially following the New Year downgrades to nine euro-zone countries. We are now four years into the debt crisis and with no clear resolution fashioned to date. Therefore, the outlook remains subject to high uncertainty, even though the US economy showed signs of stronger growth in the final quarter of 2011. Leverage remains high across much of the developed economies, while unemployment continues to grow, particularly within the European periphery.

In terms of profitability, the exceptional performance by the Company in 2010 was restricted somewhat by the rising costs of funding which were evident in the last quarter of that year and continued throughout 2011. However the Company recovered impairment provisions of €9.1m in 2011 following the receipt of the full scheduled maturity of certain loans / commitments and the sale of a loan position in the secondary market.

The prospects for 2012 depend on several issues, many of which remain in the hands of the policymakers of Europe. These include restructuring the Greek debt (now nearing completion) and placing Greece on a sustainable fiscal path, together with implementing fiscal and structural reform in other European peripheral states. If the challenge of stabilising sovereign debt is met, the reopening of wholesale funding markets to pan-European financial institutions should follow.

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 3 to the financial statements. In July 2011, a Risk Sub-Committee of the Board of Directors was established to provide advice and assistance to the Board of Directors in fulfilling its responsibilities for the oversight on the current risk exposure of the Company (excluding specific credit risk which remains the responsibility of the Credit Sub-Committee).

The profit after tax for the financial year was €89.46 million (2010: €111.25 million). The results for the year were in line with the expectations of the management. The directors have proposed a dividend of 11.24 cent (2010: 16.67 cent) per ordinary share, amounting to €45.00 million in respect of the year 2011 (2010: €66.76 million).

Future Developments in the Business

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

Events since the year end 2011

There are no post balance sheet events which would require disclosure.

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	(resigned 31 July 2011)
Mr. S. Catalano	
Mr. I. Letchford	
Mr. M. A. Bertotti	
Mr. F. Introzzi	
Mr. W. Ambrogi	(resigned 22 July 2011)
Mr. G. Pizzutto	
Mr L. Ruggerone	(appointed 18 August 2011)
Mr. R. Barkley	(appointed 30 August 2011)

CORPORATE GOVERNANCE STATEMENT

Parent
Intesa Sanpaolo Bank Ireland plc is a public limited liability company and is incorporated and domiciled in Ireland. The Company is a wholly owned subsidiary of INTESA SANPAOLO S.p.A. which beneficially holds 100% of the ordinary share capital of the Company. INTESA SANPAOLO S.p.A. is a public limited company and is incorporated and domiciled in Italy. The consolidated financial statements for 2011 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Turin, Italy, or via its website www.group.intesasanpaolo.com.

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

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

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

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

Mr. M. A. Bertotti	(Member of Risk Committee)
Mr. S. Catalano	- Independent Non - Executive
Mr. I. Letchford	(Member of Audit Committee) - Independent Non - Executive
Mr. F. Introzzi	(Member of Audit Committee and Credit Committee)
Mr. G. Pizzutto	(Member of Credit Committee and Risk Committee)
Mr. L. Ruggerone	(Member of Audit Committee and Risk Committee)
Mr. R. Barkley	(Member of Credit Committee) - Independent Non - Executive

Interests of directors and secretary
The directors and secretary of the Company at 31 December 2011 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 2011	31 December 2010
Mr. M. A. Bertotti	**1,073**	835
Mr. F. Introzzi	**554**	554

INTESA SANPAOLO S.p.A 4.125% Bond (Maturity 14 April 2020)

	31 December 2011	31 December 2010
Mr. M. A. Bertotti	**50,000**	-

Transactions involving directors

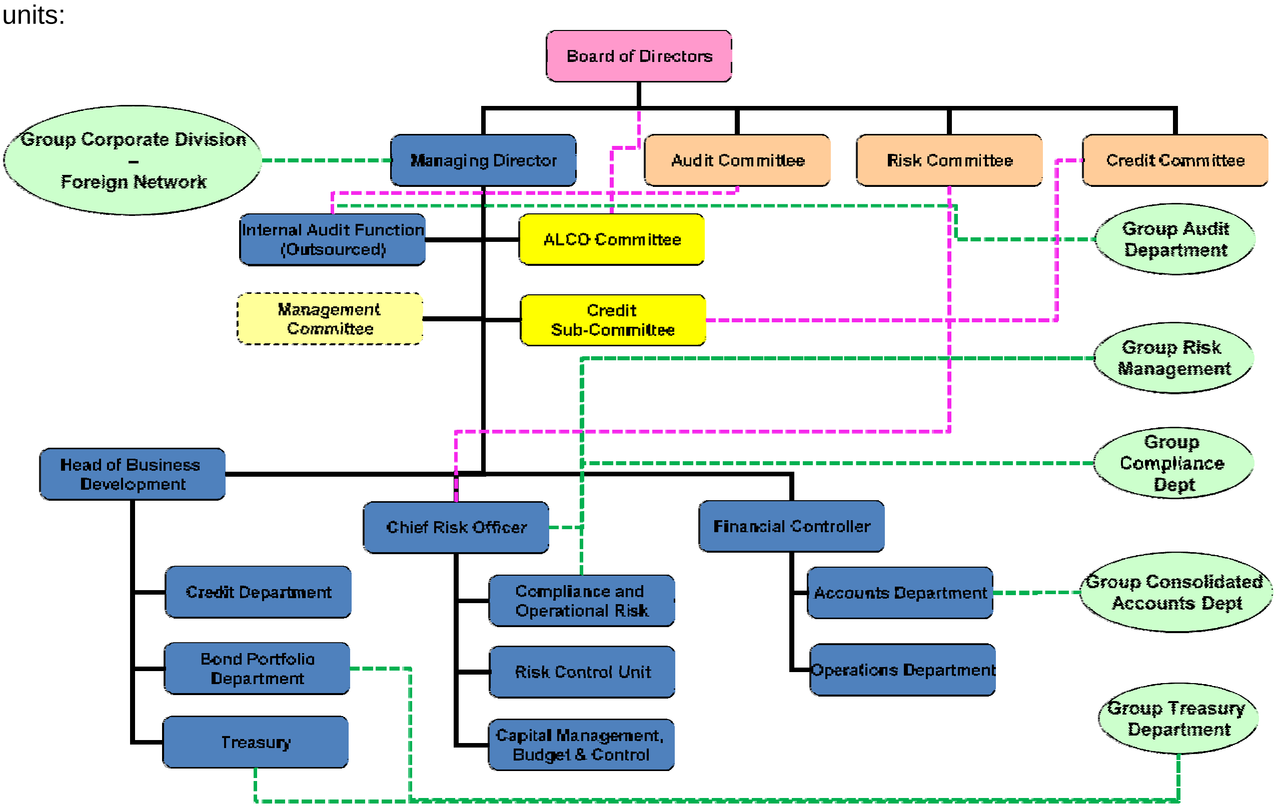
There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2011.

Directors' responsibilities

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

Corporate Structure

The overview of the Board and Executive Management structure in the chart below as at 31 December 2011 identifies key individuals and committees and their inter-relationship with business and control units:



Management responsibilities

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

Directors' report *(continued)*

Risk management framework

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

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

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

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

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

COMPLIANCE STATEMENT

Intesa Sanpaolo Bank Ireland plc is subject to the requirements laid out under the Corporate Governance Code for Credit Institutions for "non major institution" and is required under section 25 of said code to submit an Annual Compliance Statement to the Central Bank for the period 1 January to 31 December 2011. Such statement will be duly communicated in accordance with the Central Bank requirements in 2012.

On behalf of the board

M. A. Bertotti	G. Pizzutto	F. Introzzi	I. Letchford
Chairman	*Managing Director*	*Director*	*Director*

2 March 2012

INTESA SANPAOLO BANK IRELAND plc

Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2011.

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 applicable to companies reporting under IFRS.

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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to prepare the financial statements in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS.

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

On behalf of the board

M. A. Bertotti	G. Pizzutto	F. Introzzi	I. Letchford
Chairman	*Managing Director*	*Director*	*Director*

2 March 2012

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

We have audited the financial statements of INTESA SANPAOLO BANK IRELAND plc (the 'Company') for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 39. 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) 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. 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 financial statements are 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 IFRS as adopted by the European Union, of the state of affairs of the Company as at 31 December 2011 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

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.

Kieran Kelly
for and on behalf of Ernst & Young

Dublin

2 March 2012

INTESA SANPAOLO BANK IRELAND plc

Income statement *Year ended 31 December 2011*	Note	**2011** **€'000**	2010 €'000
Interest and similar income	*7*	**546,463**	416,498
Interest expense and similar charges	*7*	**(435,147)**	(273,787)
Net interest income		**111,316**	142,711
Fees and commission income	*8*	**9,179**	15,390
Fees and commission expense	*8*	**(18,622)**	(23,049)
Net fees and commission expense		**(9,443)**	(7,659)
Net trading expense	*9*	**(3,360)**	(920)
Foreign exchange loss		**(12)**	(399)
Provisions for impairment of loans and receivables	*20*	**6,925**	(1,471)
Provisions for liabilities and commitments	*30*	**2,205**	(162)
Net operating income		**107,631**	132,100
Administrative expenses	*11*	**(5,334)**	(4,900)
Depreciation		**(52)**	(50)
Total operating expenses		**(5,386)**	(4,950)
Profit before tax	*12*	**102,245**	127,150
Income tax expense	*13*	**(12,790)**	(15,899)
Profit for the financial year		**89,455**	111,251
Profit attributable to the equity holders of the parent		**89,455**	111,251

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

The notes on pages 15 to 74 are an integral part of these financial statements.

On behalf of the board

M. A. Bertotti
Chairman

G. Pizzutto
Managing Director

F. Intozzi
Director

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

INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income *Year ended 31 December 2011*	**2011** **€'000**	2010 €'000
Profit for the year	**89,455**	111,251
Other comprehensive income		
Net unrealised loss on available for sale debt securities	**(25,754)**	(11,783)
Net realised gain on available for sale debt securities reclassified to the income statement	**631**	695
Income tax relating to components of other comprehensive income	**3,140**	1,386
Other comprehensive income for the year, net of tax	**(21,983)**	(9,702)
Total comprehensive income for the year, net of tax	**67,472**	101,549
Attributable to equity holders of the parent	**67,472**	101,549

INTESA SANPAOLO BANK IRELAND plc

Statement of financial position *at 31 December 2011*	Note	**2011** **€'000**	2010 €'000
ASSETS			
Cash and balances with central banks	*15*	**77,385**	166,012
Financial assets at fair value through profit or loss	*16*	**65,289**	69,728
Available for sale debt securities	*17*	**1,148,962**	807,307
Loans and advances to banks	*18*	**15,041,088**	13,109,809
Loans and advances to customers	*19*	**4,118,547**	4,436,018
Derivative financial instruments	*21*	**330,264**	214,990
Prepayments and accrued income		**480**	501
Deferred tax asset	*22*	**5,591**	2,328
Other assets	*24*	**8,208**	8,378
Property, plant and equipment	25	**52**	71
Total assets		**20,795,866**	18,815,142
LIABILITIES			
Deposits from banks	*26*	**10,297,226**	4,542,611
Debt securities in issue	*27*	**6,989,181**	10,597,586
Repurchase agreements	*28*	**1,001**	358,978
Due to customers		**1,908,470**	1,860,810
Derivative financial instruments	*21*	**469,733**	318,375
Current tax		**490**	351
Deferred tax liability	*22*	**279**	164
Accruals and deferred income		**10,853**	13,528
Other liabilities	*29*	**2,206**	4,820
Provisions for liabilities and commitments	*30*	**90**	2,291
Total liabilities		**19,679,529**	17,699,514
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		**(33,077)**	(11,094)
Other reserves		**506,764**	506,764
Retained earnings		**241,125**	218,433
Total equity		**1,116,337**	1,115,628
Total liabilities and shareholders' funds		**20,795,866**	18,815,142

The notes on pages 15 to 74 are an integral part of these financial statements.

On behalf of the board

M. A. Bertotti
Chairman

G. Pizzutto
Managing Director

F. Introzzi
Director

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

INTESA SANPAOLO BANK IRELAND plc

Statement of changes in equity for the year ended 31 December 2011

	Other reserves attributable to equity shareholders of the Company					
	Share capital	**Share premium**	**Available for sale reserves**	**Other reserves**	**Retained earnings**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
1 January 2010	400,500	1,025	(1,392)	506,764	175,467	1,082,364
Profit for the financial year	-	-	-	-	111,251	111,251
Other comprehensive income	-	-	(9,702)	-	-	(9,702)
Equity dividends	-	-	-	-	(68,285)	(68,285)
31 December 2010	400,500	1,025	(11,094)	506,764	218,433	1,115,628
1 January 2011	400,500	1,025	(11,094)	506,764	218,433	1,115,628
Profit for the financial year	-	-	-	-	89,455	89,455
Other comprehensive income	-	-	(21,983)	-	-	(21,983)
Equity dividends	-	-	-	-	(66,763)	(66,763)
31 December 2011	400,500	1,025	(33,077)	506,764	241,125	1,116,337

Other reserves include a capital contribution of €506,764,365 (2010: €506,764,365).

INTESA SANPAOLO BANK IRELAND plc

Statement of cash flows for the year ended 31 December 2011

		2011	2010
Cash flows from operating activities			
Interest received		**547,363**	366,176
Fee and commission receipts		**6,525**	11,271
Fee and commission paid		**(19,265)**	(22,276)
Net trading and other income / (expense)		**5,621**	(17,606)
Recoveries on loans previously written off		**-**	953
Interest paid		**(416,143)**	(245,796)
Cash payments to employees and suppliers		**(7,135)**	(3,245)
Income taxes paid		**(12,651)**	(16,553)
Cash flows from operating activities before changes in operating assets and liabilities		**104,315**	72,924
Changes in operating assets and liabilities			
Net increase in cash and balances with central bank		**(197)**	(104)
Net (increase) / decrease in loans and advances to banks		**(1,985,246)**	448,372
Net decrease / (increase) in loans and advances to customers		**341,611**	(936,529)
Net decrease in deposits from banks		**4,231,360**	1,703,893
Decrease in other liabilities		**-**	(574)
Net decrease in amounts due to customers		**47,287**	163,177
(Proceeds from) / purchase of repurchase agreements		**(357,862)**	358,861
Cash flows from changes in operating assets and liabilities		**2,276,953**	1,737,096
Net cash from operating activities		**2,381,268**	1,810,020
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(34)**	(33)
Purchases of available for sale debt securities		**(544,478)**	(415,786)
Proceeds of available for sale debt securities		**195,429**	170,084
Proceeds of assets at fair value though profit or loss		**433**	80,577
Net cash used in investing activities		**(348,650)**	(165,158)
Cash flows used in financing activities			
Net repayments of debt securities in issue		**(3,599,837)**	(3,036,521)
Dividends paid		**(66,763)**	(68,285)
Net cash used in financing activities		**(3,666,600)**	(3,104,806)
Net decrease in cash and cash equivalents		**(1,633,982)**	(1,459,944)
Cash and cash equivalents at beginning of year		**471,800**	1,931,744
Cash and cash equivalents at end of year	32	**(1,162,182)**	471,800

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 applicable to companies reporting under IFRS.

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 securities and derivative contracts that have been measured at fair value.

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

Going Concern

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

1.3. Segment reporting

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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

1.4. Interest income and expense

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

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

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

1.5. Fee and commission

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

1.6. Financial assets / financial liabilities

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

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

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

(b) *Loans and receivables*

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

(c) *Available for sale financial assets*

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

Purchases and sales of financial assets at fair value through profit or loss and available for sale are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not 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 the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Loss Confirmation Period (LCP): the Company has opted for a LCP of 1 year given the predominantly corporate structure of the portfolio, and
- Concentration Index: the Company is aware of relative concentration of its credit portfolio due to its exclusive dealing with major corporate groups and financial institutions. The Company has therefore opted in line with group methodology to apply an adjustment of the collective impairment provisions by multiplying the sum of incurred losses relating to counterpart credit risk only by a concentration index defined as a prudential correlation factor linked to the concentration of the portfolio as described below:

Concentration Index	
1.4	for business groups with exposure exceeding €500 million at the group consolidated level
1.0	for business groups with exposure not exceeding €500 million at the group consolidated level

(b) Assets carried at fair value through equity

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

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

Where the issuer does not default, though the fair value of the bonds is lower than their carrying amount, further checks will need to be conducted. In particular, it is necessary to determine whether the fair value of the bonds is more than 20% less than their carrying amount, or alternatively whether other indicators of impairment exist:

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

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

(c) Provisions for liabilities and commitments

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

1.9. Derivative financial instruments and hedge accounting

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

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

The method of recognising the resulting fair value gain or loss 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 the income statement over the period to maturity. If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in the income statement. 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 Company 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;
- 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") 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" over the hedged assets/liabilities' NPV is within the 80-125% range (the conditions detailed in the previous paragraph still apply). The "amended NPV" 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 adjusted if appropriate, at each statement of financial position date.

1.11. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturity of less than three months, including cash, loans and advances to banks 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 statement of financial position 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. Borrowings

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

1.16. Guarantees

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

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

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

1.17. Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements", reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

1.18. New standards

Adoption of new and amendment of accounting standards

From 1 January 2011 the Company has adopted the following amendments to standards:

- IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. No significant impact.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. No significant impact.

- IAS 24, Related Party Disclosures (amendment) effective 1 January 2011. The IASB issued an amendment to IAS 24 that clarifies the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affected related party relationships of an entity. The adoption of the amendment did not have any impact on the financial statements of the Company.
- Various improvements to IFRS

Prospective accounting changes

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

	Effective date
• IFRS 7 Financial Instruments -:Disclosures –Enhanced derecognition disclosure requirements	1 July 2011
• IAS 12 Income Taxes – Recovery of underlying assets	1 January 2012
• IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income	1 July 2012
• IAS 19 Employee Benefits (Amendment)	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015

IFRS 9, "Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

2. Qualitative risk disclosures and Basel 2 Project

Capital Management

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

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

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

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

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

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

Regulatory Capital

The Company 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. Following notification to the Central Bank of Ireland, a Foundation Internal Rating Based approach for the risk exposures related to corporate obligors (excluding non-bank financial institutions) was introduced starting 31 March 2010 for regulatory purposes, while the Basel II Standardised Approach is used to calculate capital requirements for Credit and Counterparty Risk related to other obligors. With regard to Operational Risk, the Company adopted a Standardised Approach from January 2010.

The table below discloses the regulatory capital requirements of the Company and the associated solvency ratios for 2011 and 2010 year-ends and underlines its prudential capital management objective:

Regulatory Capital Information 2011 and 2010

	Eligible Own Funds 2011 €'000	**Capital Requirement 2011 €'000**	Eligible Own Funds 2010 €'000	Capital Requirement 2010 €'000
Equity	1,026,883		1,004,378	
Prudential filters and regulatory adjustments	(87,781)		(102,549)	
Core Tier 1	**939,102**	**788,445**	901,829	651,640
Total Tier 1	**939,102**	**788,445**	901,829	651,640
Collective provisions	497		3,005	
Prudential filters and regulatory adjustments	(497)		(3,005)	
Tier 2	-		-	
Total Capital	**939,102**	**788,445**	901,829	651,640
Risk Weighted Assets	**9,199,775**		7,592,650	
Tier 1 Capital Ratio	9.53%		11.07%	
Total Capital Ratio	9.53%		11.07%	

3. Quantitative risk disclosures

The Company has streamlined its risk management disclosures in order to be in line with industry practice.

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.

<u>Credit Risk Exposures related to Loans & Receivables:</u>

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to €19.16 billion at the end of 2011 (€17.55 billion in 2010):

	2011 (€'000)	2010 (€'000)
Loans and advances to banks *(as per Statement of Financial Position)*	15,041,088	13,109,809
Loans and advances to customers *(as per Statement of Financial Position)*	4,118,547	4,436,018
	19,159,635	17,545,827

The breakdown of the Company's credit risk exposures relating to Loans and Receivables at year-ends 2011 and 2010 by activity sectors is provided in the table below (physical non-cash collateral is assigned to the relevant activity sector while cash collateral is shown separately).

Sector of Risk	**2011**		2010	
	€'000	**%**	€'000	%
Central Government	163,227	17.60	104,438	9.90
Credit Institutions	83,971	9.05	241,060	22.85
Electricity, Gas and Water Supply	36,425	3.93	144,509	13.70
Financial Intermediation (Excl. Credit Institutions / Central Bank)	528,401	56.97	350,436	33.21
Manufacturing	41,562	4.48	163,044	15.45
Mining and Quarrying	110	0.01	489	0.05
Transport, Storage and Communications	73,756	7.95	51,103	4.84
Total	**927,453**	**100.00**	1,055,078	100.00

Group	**18,019,019**	16,275,954

Cash collateral	**213,163**	214,795

Grand Total, including cash collateral	**19,159,635**	17,545,827

The breakdown of the Company's credit risk exposures relating to Loans and Receivables at year-ends 2011 and 2010 by internal credit rating is provided in the table below (all collateral – cash and non cash were reported separately):

Counterparty Internal Rating	**2011**		2010	
	€'000	**%**	€'000	%
DEFAULT	17,104	1.87	17,509	1.68
I.1.A	163,227	17.82	104,440	10.03
I.1.C	232,115	25.34	148,782	14.29
I.1.D	347	0.04	33	0.00
I.1.E	16,706	1.82	37,074	3.56
I.1.F	97,620	10.66	180,510	17.34
I2	-	0.00	46,964	4.51
I3	35,831	3.91	101,001	9.70
I4	-	0.00	72,437	6.96
I5	299,379	32.69	27,239	2.62
I6	38,392	4.19	276,009	26.51
M1	-	0.00	6,002	0.58
M2	798	0.09	4,962	0.48
M3	14,146	1.54	5,035	0.48
R1	2	0.00	171	0.02
R3	-	0.00	2	0.00
R5	198	0.02	12,963	1.25
Total	**915,866**	**100.00**	1,041,130	100.00

Group I.1.D	62,688	0.35	10,029,361	61.62
Group I.1.E	-	0.00	2,329,878	14.31
Group I.1.F	17,757,392	98.55	1,639,828	10.08
Group I2	198,940	1.10	2,276,888	13.99
Group Total, excluding collateral	**18,019,019**	**100.00**	16,275,954	100.00

Physical Collateral (inc. cash) Non-Group	71,564	84,181
Physical Collateral (inc. cash) Group	153,186	144,562
Total of Physical Collateral (inc. cash)	**224,750**	228,743

Grand Total	**19,159,635**	17,545,827

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

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

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

	2011		2010		**Change net exposure**
	Net exposure (€'000)	**% break-down**	Net exposure (€'000)	% break-down	**€'000**
Doubtful Loans	17,104	0.1	17,509	0.1	-405
Restructured Loans	0	0.0	36,507	0.2	-36,507
Past Due Loans	46,655	0.2	46,598	0.3	57
Non Performing Loans	**63,759**	**0.3**	**100,614**	**0.6**	**-36,855**
Performing Loans	19,095,876	99.7	17,445,213	99.4	1,650,663
Loans and Advances to Banks and Customers	**19,159,635**	**100.0**	**17,545,827**	**100.0**	**1,613,808**

	2011 Gross exposure (€'000)	2011 Total adjustments (€'000)	2011 Net exposure (€'000)	2010 Gross exposure (€'000)	2010 Total adjustments (€'000)	2010 Net exposure (€'000)
Doubtful Loans	78,190	-61,086	17,104	78,444	-60,935	17,509
Restructured Loans	-	-	-	36,509	-2	36,507
Past Due Loans	46,680	-25	46,655	46,667	-69	46,598
Non Performing Loans	**124,870**	**-61,111**	**63,759**	161,602	-61,006	100,614
Performing Loans	19,096,531	-655	19,095,876	17,452,863	-7,650	17,445,213
Loans and Advances to Banks and Customers	**19,221,401**	**-61,766**	**19,159,635**	17,614,483	-68,656	17,545,827

Non-performing loans decreased last year both on a gross and net exposure basis, with a net exposure representing 0.3% of the total loans and advances to banks and customers in December 2011 (0.6% in December 2010).

Gross exposure relating to doubtful loans remained stable during 2011 amounting to €78.19 million at year-end. Individual impairment losses on these exposures covered 78.13% of the gross exposure at year-end 2011 (77.68% in December 2010) and is considered in line with market-driven recovery expectations. As a result, net exposure to doubtful loans reduced by 2% during the course of the year, dropping from €17.51 million at the end of 2010 to €17.1 million at the end of 2011,representing 0.09% of total loans and advances to banks and customers in December 2011 (0.1% in December 2010).

There is currently no exposure to restructured loans in December 2011 mainly due to contractual maturities and early prepayments, (2010: €36.51 million).

Gross exposure to past due loans also remained stable during 2011 with a year-end balance of €46.68 million (2010: €46.67 million). Net exposure to past due loans represented 0.2% of total loans and advances to banks and customers in December 2011 (0.3% in December 2010).

A breakdown of the Company's credit risk exposures relating to Loans and Receivables at year-ends 2011 and 2010 by country risk is shown in the table below (all collaterals including cash are assigned to the country of the location of the collateral; exposures to branches of the Parent Company are reported as Italian exposures):

Group Exposures	**2011**		2010	
Country of Risk	**€'000**	**%**	€'000	%
Croatia	60,058	0.33	59,995	0.37
Hungary	878,077	4.83	928,670	5.66
Italy	13,507,098	74.33	12,425,767	75.67
Luxembourg	3,309,673	18.21	2,301,516	14.02
Romania	65,172	0.36	79,945	0.49
Slovak Republic	158,396	0.87	198,067	1.21
Slovenia	40,544	0.22	281,995	1.72
United Kingdom	153,186	0.84	144,562	0.88
Total	**18,172,205**	**100.00**	16,420,516	100.00

Non-Group Exposures	**2011**		2010	
Country of Risk	**€'000**	**%**	€'000	%
Bahrain	-	0.00	29	0.00
Cayman Islands	-	0.00	12,793	1.14
Cyprus	198	0.02	170	0.02
France	-	0.00	62,361	5.54
Germany	172,896	17.51	189,272	16.82
Greece	-	0.00	4,962	0.44
Iceland	17,104	1.73	17,509	1.56
Ireland	236,070	23.91	271,593	24.13
Italy	338,156	34.25	303,325	26.95
Kuwait	-	0.00	7,136	0.63
Poland	24,671	2.50	25,461	2.26
Portugal	49,869	5.05	76,860	6.83
Qatar	23,910	2.42	23,150	2.06
Russia	20,141	2.04	8,696	0.77
Spain	-	0.00	6,694	0.59
Sweden	-	0.00	39,949	3.55
Switzerland	40,543	4.11	20,573	1.83
United Arab Emirates	-	0.00	29,938	2.66
United Kingdom	49,075	4.97	5,098	0.45
United States	14,797	1.50	19,743	1.75
Total	**987,430**	**100.00**	1,125,311	100.00

Grand Total	**19,159,635**	17,545,827

Credit Risk Exposures related to Undrawn Outstanding Commitments:

A breakdown of the Company's undrawn credit risk exposures at year-ends 2011 and 2010 by activity sectors is shown in the table below:

Sector of Risk	2011		2010	
	€'000	%	€'000	%
Central Government	62,617	16.04	86,064	8.85
Electricity, Gas and Water Supply	24,144	6.19	27,399	2.82
Financial Intermediation (Excl. Credit Institutions / Central Bank)	118,753	30.42	255,488	26.26
Manufacturing	102,794	26.33	475,604	48.89
Transport, Storage and Communications	82,039	21.02	88,199	9.07
Wholesale / Retail Trade & Repairs	-	0.00	40,000	4.11
Total	**390,347**	**100.00**	**972,754**	**100.00**
Group	**552,174**		**646,869**	
Grand Total	**942,522**		**1,619,623**	

A breakdown of the Company's undrawn credit risk exposures at year-ends 2011 and 2010 by internal credit rating is shown in the table below:

Rating	2011		2010	
	€'000	%	€'000	%
I.1.A	62,617	16.04	86,064	8.85
I.1.C	56,925	14.58	153,950	15.83
I.1.E	59,124	15.15	-	0.00
I.1.F	15,000	3.84	159,864	16.43
I2	111,829	28.65	69,871	7.18
I3	77,201	19.78	152,930	15.72
I4	-	0.00	232,355	23.89
I5	7,653	1.96	89,094	9.16
I6	-	0.00	24,754	2.54
R5	-	0.00	3,872	0.40
Total	**390,347**	**100.00**	**972,754**	**100.00**
Group I.1.D	-	-	125,267	19.37
Group I.1.E	-	-	521,602	80.63
Group I.1.F	122,174	22.13	-	0.00
Group I.2	430,000	77.87	-	0.00
Group Total	**552,174**	**100.00**	**646,869**	**100.00**
Grand Total	**942,522**		**1,619,623**	

A breakdown of the Company's undrawn credit risk exposures at year-ends 2011 and 2010 by country risk is shown in the table below:

Non-Group Exposures	**2011**		2010	
Country of Risk	**€'000**	**%**	€'000	%
Cayman Islands	-	0.00	3,872	0.40
France	-	0.00	64,754	6.66
Germany	136,740	35.03	430,884	44.33
Greece	-	0.00	41,667	4.28
Ireland	24,144	6.19	27,399	2.82
Italy	56,925	14.58	153,950	15.83
Netherlands	61,829	15.84	59,871	6.15
Poland	53,057	13.59	56,263	5.78
Sweden	50,000	12.81	45,000	4.63
Switzerland	7,653	1.96	69,402	7.13
United States	-	0.00	19,693	2.02
Total	**390,347**	**100.00**	972,754	100.00

Group Exposures	**2011**		2010	
Country of Risk	**€'000**	**%**	€'000	%
Italy	122,174	22.13	125,267	19.37
Slovenia	430,000	77.87	521,602	80.63
Total	**552,174**	**100.00**	646,869	100.00

Grand Total	**942,522**	**1,619,623**

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 €1,214 million at the end of 2011 (€877 million in 2010).

	2011	2010
	€'000	€'000
Securities Carried at Fair Value *(as per Statement of Financial Position)*	65,289	69,728
Securities Available for Sale *(as per Statement of Financial Position)*	1,148,962	807,307
	1,214,251	877,035

A breakdown of the Company's credit risk exposures related to bonds at year-ends 2011 and 2010 by activity sectors is shown in the table below:

Sector of Risk	**2011**	2010
Central Government (EU)	654,792	319,919
Credit Institutions	335,718	365,334
Extra-Territorial Organisations and Bodies	76,768	75,519
Financial Intermediation (Excl. Credit Institutions / Central Bank)	126,106	116,264
Transport, Storage and Communications	20,867	-
Total	**1,214,251**	877,035

A breakdown of the Company's credit risk exposures related to bonds at year-ends 2011 and 2010 by internal credit rating (refer to page 29 for the mapping of the internal rating with the external credit rating) is shown in the table below:

Internal Rating	**2011**	2010
I.1.A	134,739	111,879
I.1.B	-	5,587
I.1.C	9,705	67,396
I.1.D	52,554	46,891
I.1.E	140,841	396,194
I.1.F	762,986	132,930
I2	51,816	76,628
I3	-	4,885
I4	22,120	29,669
I5	31,013	-
I6	-	4,974
M1	8,475	-
Total	**1,214,251**	877,035

A breakdown of the Company's credit risk exposures related to bonds at year-ends 2011 and 2010 by country risk is shown in the table below:

Country of Risk	**2011 €'000**	2010 €'000
Austria	20,867	18,015
Finland	12,176	11,772
France	106,608	99,265
Germany	18,917	18,325
Italy	781,048	504,378
Luxembourg	76,768	75,519
Netherlands	21,316	9,946
Norway	24,047	23,526
Portugal	8,475	13,285
Spain	43,204	42,500
United Kingdom	72,480	21,528
United States	28,346	38,976
Total	**1,214,251**	877,035

The bond portfolio of the Company is subject to the volatility of credit spreads associated with 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 or loss ("CFV Securities") or equity ("AFS Securities) of the Company in 2011.

Price Sensitivity Analysis as at 31 December 2011 of CFV and AFS Securities to Credit Spread Volatility (€'000)

	Profit & Loss	**Equity**
AFS Securities	-	(5,315)
Hedged CFV Securities	(587)	-
Total	**(587)**	**(5,315)**

Price Sensitivity Analysis as at 31 December 2010 of CFV and AFS Securities to Credit Spread Volatility (€'000)

	Profit & Loss	**Equity**
AFS Securities	-	(4,974)
Hedged CFV Securities	(782)	-
Total	(782)	(4,974)

Use of Credit Risk Mitigants:

At year-end 2011, of the total amount of loans and advances (excluding intra-Group transactions) of €1.87 billion (2010: €2.52 billion), €1.48 billion (2010: €1.88 billion) (representing 79% (2010: 75%)) had a credit risk mitigation attached.

Collateral Management:

An amount of €511.72 million of risk exposures were partially or fully covered by physical collateral at year-end 2011 (2010: €398.70 million), with an adjusted fair value of such collateral estimated at €603.63 million at its last revaluation date (2010: €608.89 million). The Company has in some cases received guarantees in addition to the collateral pledged. In the case of guarantee received from the Group, the risk mitigation provided by the guarantee prevails over the collateral received. As at 31 December 2011, €471.81 million (2010: €336.80 million) of risk exposures 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 risk-weighted loans and undrawn commitments concentrated in one sector of business or economic activity, excluding credit institutions, government, extra-territorial organisations and central bank, must not exceed 200% of the Own Funds base. Where a common risk could be considered to apply to two or more separate sectors (for example, property development and building sectors), then not more than 250% of the Own Funds base shall be employed in such sectors on an aggregate basis.

Credit Risk Exposures related to derivatives

The Company had entered into stand-alone derivative transactions for a total notional of €4.52 billion at the end of 2011 (2010: €4.66 billion), of which €3.08 billion were classified as hedging derivatives with application of hedge accounting rules (2010: €2.82 billion). The rest of the stand-alone derivatives are used as macro-hedges in order to mitigate the interest rate risk derived from assets and liabilities maturity mismatches and foreign exchange risk generated by mismatches between the respective currencies of assets and liabilities.

At the end of 2011, 91% of the derivatives involving the Company were dealt with another entity of the Group (2010: 89%). The Company computes a credit risk adjustment for all derivatives with non-Group counterparts based on the risk of default of the counterpart (unless a collateral agreement exists between the counterpart and the Company), which is added to the valuation of the derivatives recorded by the Company.

3.2. Liquidity Risk

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

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

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

- Defining the liquidity risk on the basis of mismatches between maturing or readily realisable assets and maturing liabilities for each time band (liquidity gap), amounts are deemed to include accrued interest.
- Defining "target liquidity ratios" for the on-demand to 8 days and the 9 days – 1 month periods. Furthermore "attention thresholds" are defined on the liquidity gap for the 1-3 month, 3-6 month, 6-12 month, 1-2 years and more than 2 years periods. The target liquidity ratios and the attention thresholds are defined as the ratio of inflows to outflows in a given time period. The value of the first target liquidity ratio must remain above 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.

Historical statistics on liquidity ratios (standard case) for 2011 and 2010

	2011		2010	
	0-8 days	9d – 1m	0-8 days	9d – 1m
	%	%	%	%
Minimum	100.5	90.2	100.4	90.1
Maximum	270.7	131.8	253.9	161.5
Average	142.5	97.0	146.3	108.1

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

The tables below show the liquidity risk exposures of the Company for the year ended 2011 and 2010 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:

OUTSTANDING DRAWN 31-Dec-2011 €'000 Time band	Sight to 8 days	Over 8 days to 1 month	Over 1 mth to 3 mths	Over 3 mth to 6 mths	Over 6 mth to 1 year	1 year to 2 years	Over 2 years
INFLOWS							
Readily Marketable Assets/Liquid Assets	**3,121,107**	-	-	-	-	-	-
Cash	4,512	-	-	-	-	-	-
Lending to MFI's	1,939,763	-	-	-	-	-	-
Securities other than shares issued by MFI's	438,355	-	-	-	-	-	-
Central Government Securities	575,785	-	-	-	-	-	-
Securities other than shares issued by non MFI's	73,489	-	-	-	-	-	-
Accrued Interest	17,005	-	-	-	-	-	-
Minimum Reserve Balance	75,667	-	-	-	-	-	-
Less Deposit Protection Account	3,470	-	-	-	-	-	-
Monetary Financial Institutions	**42,000**	**540,345**	**4,440,138**	**680,479**	**1,522,787**	**2,235,707**	**10,442,908**
- Affiliates	-	520,610	4,412,763	676,924	1,471,308	2,087,316	10,347,541
- Other Credit Institutions - Non Irish	-	812	27,376	3,555	50,342	147,207	78,691
- All other Monetary Financial Institutions	-	18,923	-	-	1,138	1,184	16,676
- Sale of Securities or Investments in MFI's	42,000	-	-	-	-	-	-
Central Government	**43,742**	**-**	**998**	**-**	**-**	**-**	**-**
- from investments	43,742	-	998	-	-	-	-
- from lending operations	-	-	-	-	-	-	-
Non Government Credit	**35,133**	**440,883**	**513,514**	**139,524**	**182,396**	**212,912**	**1,016,535**
- Term Loans	35,133	440,883	513,514	139,524	182,396	212,912	1,016,535
Fee Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**4,044,349**	**45,632**	**23,592**	**24,077**	**40,841**	**62,806**	**521,616**
- Swap	4,044,349	45,632	23,592	24,077	40,841	62,806	521,616
Total Inflows	**7,286,330**	**1,026,860**	**4,978,242**	**844,080**	**1,746,025**	**2,511,425**	**11,981,058**
OUTFLOWS							
Monetary Financial Institutions	**1,359,278**	**1,815,871**	**5,092,311**	**2,657,893**	**1,445,741**	**89,267**	**2,713,196**
- Affiliates	1,274,821	1,808,955	5,059,546	2,629,799	1,413,593	2,274	21,847
- Other Credit Institutions - non Irish	-	-	-	3,325	3,571	11,801	21,061
- All other Monetary Financial Institutions	84,457	6,916	32,765	24,768	28,577	75,192	2,670,289
Debt Securities Issued	**330,866**	**721,943**	**3,322,039**	**649,543**	**682,077**	**387,886**	**1,226,267**
Non Government Deposits	**162**	**-**	**-**	**-**	**-**	**-**	**-**
- Current Accounts	162	-	-	-	-	-	-
Sale and Repurchase Agreements	**-**	**-**	**1,003**	**-**	**-**	**-**	**-**
- Affiliated Credit Institutions	-	-	1,003	-	-	-	-
Fees Payable	**221**	**725**	**1,890**	**2,899**	**5,766**	**11,500**	**-**
Other Costs	**109**	**359**	**937**	**1,437**	**2,858**	**5,700**	**-**
Undrawn Committed Facilities Granted	**930,566**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**4,051,289**	**49,536**	**29,094**	**29,221**	**64,782**	**104,050**	**588,933**
- Swap	4,051,289	49,536	29,094	29,221	64,782	104,050	588,933
Total Outflows	**6,672,490**	**2,588,434**	**8,447,275**	**3,340,993**	**2,201,224**	**598,403**	**4,528,397**

Net Position in the Period	613,840	-1,561,574	-3,469,033	-2,496,912	-455,199	1,913,022	7,452,661
Net Cumulative Inflow/Outflow	613,840	-947,734	-4,416,768	-6,913,680	-7,368,879	-5,455,856	1,996,805
Liquidity Ratio (%)	109.2	63.4	53.0	10.9	19.2	31.5	120.0

OUTSTANDING DRAWN 31-Dec-2010 €'000 Time band	Sight to 8 days	Over 8 days to 1 month	Over 1 mth to 3 mths	Over 3 mth to 6 mths	Over 6 mth to 1 year	1 year to 2 years	Over 2 years
INFLOWS							
Readily Marketable Assets/Liquid Assets	1,697,495	-	-	-	-	-	-
Cash	1,478	-	-	-	-	-	-
Lending to MFI's	1,068,676	-	-	-	-	-	-
Securities other than shares issued by MFI's	325,469	-	-	-	-	-	-
Central Government Securities	104,698	-	-	-	-	-	-
Securities other than shares issued by non MFI's	37,653	-	-	-	-	-	-
Accrued Interest	3,524	-	-	-	-	-	-
Minimum Reserve Balance	159,467	-	-	-	-	-	-
Less Deposit Protection Account	3,470	-	-	-	-	-	-
Monetary Financial Institutions	327	2,263,026	721,563	558,517	1,596,964	1,730,765	11,152,353
- Affiliates	-	2,247,155	614,415	480,190	1,385,204	1,690,424	10,989,993
- Other Credit Institutions - Non Irish	-	15,871	73,309	8,559	210,667	39,204	144,501
- All other Monetary Financial Institutions	-	-	-	-	1,093	1,138	17,860
- Sale of Securities or Investments in MFI's	327	-	33,839	69,768	-	-	-
ECB and Other Central Banks	-	163,123	-	-	-	-	-
Central Government	-	48,626	-	177,208	264	-	-
- from investments	-	48,626	-	176,911	-	-	-
- from lending operations	-	-	-	296	264	-	-
Other General Government Credit	-	17,558	-	-	-	-	-
- from investments	-	17,558	-	-	-	-	-
Non Government Credit	125,664	702,321	626,957	227,959	137,820	719,403	1,206,293
- Term Loans	125,664	702,321	626,957	227,959	137,820	719,403	1,206,293
Fee Income	133	436	1,118	1,724	3,487	6,936	-
Derivative and OBS Activity	116,690	371,762	570,108	90,066	29,403	62,572	676,529
- Swap	116,690	371,762	570,108	90,066	29,403	62,572	676,529
Total Inflows	1,940,310	3,566,851	1,919,747	1,055,474	1,767,938	2,519,676	13,035,176
OUTFLOWS							
Monetary Financial Institutions	538,171	727,675	2,048,900	1,886,914	85,842	93,895	2,797,342
-Affiliates	523,364	707,402	2,028,631	1,848,420	48,140	2,085	23,635
-Other Credit Institutions-Irish	-	14,224	1,203	3,141	8,153	6,044	14,099
-All other Monetary Financial Institutions	14,807	6,049	19,067	35,353	29,549	85,765	2,759,608
Debt Securities Issued	409,370	2,836,206	4,958,065	459,993	627,949	341,725	1,305,167
ECB and Other Central Banks	-	162,937	-	-	-	-	-
Non Government Deposits	2,028	-	-	-	-	-	-
-Current Accounts	2,028	-	-	-	-	-	-
Sale and Repurchase Agreements	-	67,882	35,508	256,335	-	-	-
-Affiliated Credit Institutions	-	67,882	35,508	256,335	-	-	-
Fees Payable	264	868	2,226	3,434	6,943	13,811	-
Other Costs	114	375	962	1,483	2,999	5,966	-
Undrawn Committed Facilities Granted	1,613,106	-	-	-	-	-	-
Derivative and OBS Activity	116,189	371,637	579,473	97,905	57,020	93,153	702,935
-Swap	116,189	371,637	579,473	97,905	57,020	93,153	702,935
Total Outflows	2,679,243	4,167,580	7,625,135	2,706,065	780,754	548,550	4,805,443

Net Position in the Period	-738,933	-600,729	-5,705,388	-1,650,590	987,185	1,971,126	8,229,732
Net Cumulative Inflow/Outflow	-738,933	-1,339,662	-7,045,050	-8,695,640	-7,708,456	-5,737,330	2,492,403
Liquidity Ratio (%)	72.4	72.7	21.4	10.8	18.7	30.5	123.6

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.

In January 2011, the Group Financial Risks Committee recommended to modify the rules governing the measurement and the monitoring of interest rate risk in the banking book by increasing the parallel shift of yield curves for determination of the banking book' sensitivity to interest rate risk from 25 basis points to 100 basis points. These amended rules were adopted by the Parent's Supervisory and Management Board meetings of 8 February 2011 and subsequently approved by the Company's Board of Directors on 3 March 2011.

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 100 basis points (2010: 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 100 basis points (2010: 25 basis points) of index reference yield curves is similar and opposite to the measure monitored daily by Management.

As at 31 December 2011, the Company's interest rate sensitivity on all balance sheet assets, liabilities and derivatives of the Company amounted up to €9,400,697 (2010: €3,103,019 – (based on 25 basis points) ,within the limit approved on 3 March 2011 by the Board of Directors of +/- €16,000,000 (2010: +/- €4,000,000 based on 25bps).

Historical Interest Rate Sensitivity Review
01/01/2011 to 03/03/2011

	2011 (**€'000**)	2010 (€'000)
Average	(2,514)	(1,686)
High	(1,804)	(226)
Low	(3,048)	(3,844)

Historical Interest Rate Sensitivity Review
04/03/2011 to 31/12/2011

	2011 (**€'000**)
Average	(10,978)
High	(4,752)
Low	(15,647)

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 100 basis points (2010: 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 100 (2010: 25 basis points) basis points of index reference yield curves on the revaluation of instruments classified at fair value through profit or loss or equity of the Company in 2011 and in 2010.

Interest Rate Sensitivity Analysis as at 31 December 2011
Instruments classified at Fair Value through Profit or Loss or Equity

€'000	**Profit & Loss**	**Equity**
AFS Securities	-	(2,528)
Hedged CFV Securities	(148)	-
Hedged Assets and Liabilities	(9,380)	-
Trading Derivatives	-	-
Total	**(9,528)**	**(2,528)**

Interest Rate Sensitivity Analysis as at 31 December 2010 (25 basis points)
Instruments classified at Fair Value through Profit or Loss or Equity

€'000	**Profit & Loss**	**Equity**
AFS Securities	-	(192)
Hedged CFV Securities	(29)	-
Hedged Assets and Liabilities	(2,254)	-
Trading Derivatives	(3)	-
Total	(2,286)	(192)

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 2011 and 2010, by currency, is shown in the following tables:

Sensitivity as at 31 December 2011 (using 100 basis points)

	€'000
Currency	**Total**
GBP	**32**
EUR	**-7,524**
CHF	**-59**
USD	**-1,841**
Other	**-9**
Total	**-9,401**

Sensitivity as at 31 December 2010 (using 25 basis points)

	€'000
Currency	**Total**
GBP	**-12**
EUR	**-2,863**
CHF	**-66**
USD	**-159**
Other	**-3**
Total	**-3,103**

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

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

	2011	2010
Total	**€'000**	€'000
Long foreign currency:	**707**	709
Short foreign currency:	**132**	198

Average position during the year		
Average long foreign currency:	**1,541**	903
Average short foreign currency:	**111**	115

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

3.4. Operational Risk

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

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

The objectives of ORM are as follows:

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

The table below summarizes the breakup of the assets and liabilities by category for 2011.

	Loans and receivables	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	*Other	Total
As at 31 December 2011	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	77,385	-	-	-	-	-	77,385
Financial instruments at fair value	-	-	65,289	-	-	-	65,289
Available for sale debt securities	-	-	-	-	1,148,962	-	1,148,962
Loans and advances to banks	15,041,088	-	-	-	-	-	15,041,088
Loans and advances to customers	4,118,547	-	-	-	-	-	4,118,547
Derivative financial instruments	-	329,974	-	290	-	-	330,264
Prepayment and accrued income	480	-	-	-	-	-	480
Deferred tax asset	-	-	-	-	-	5,591	5,591
Other assets	8,208	-	-	-	-	-	8,208
Property, plant and equipment	-	-	-	-	-	52	52
Total assets	**19,245,708**	**329,974**	**65,289**	**290**	**1,148,962**	**5,643**	**20,795,866**
Liabilities							
Deposits from banks	10,297,226	-	-	-	-	-	10,297,226
Debt securities in issue	6,989,181	-	-	-	-	-	6,989,181
Repurchase agreements	1,001	-	-	-	-	-	1,001
Due to customers	1,908,470	-	-	-	-	-	1,908,470
Derivative financial instruments	-	363,453	-	106,280	-	-	469,733
Current tax	-	-	-	-	-	490	490
Deferred tax liability	-	-	-	-	-	279	279
Accruals and deferred income	10,853	-	-	-	-	-	10,853
Other liabilities	2,206	-	-	-	-	-	2,206
Provisions for liabilities and commitments	90	-	-	-	-	-	90
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	(33,077)	-	(33,077)
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	241,125	241,125
Total liabilities and shareholders' funds	**19,209,027**	**363,453**	**-**	**106,280**	**(33,077)**	**1,150,183**	**20,795,866**

*Other includes non financial items and equity instruments

Notes to the Financial Statements for the year ended 31 December 2011

The table below summarizes the breakup of assets and liabilities by category for 2010.

	Loans and receivables	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	*Other	Total
As at 31 December 2010	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	166,012	-	-	-	-	-	166,012
Financial instruments at fair value	-	-	69,728	-	-	-	69,728
Available for sale debt securities	-	-	-	-	807,307	-	807,307
Loans and advances to banks	13,109,809	-	-	-	-	-	13,109,809
Loans and advances to customers	4,436,018	-	-	-	-	-	4,436,018
Derivative financial instruments	-	211,469	-	3,521	-	-	214,990
Prepayment and accrued income	501	-	-	-	-	-	501
Deferred tax asset	-	-	-	-	-	2,328	2,328
Other assets	8,378	-	-	-	-	-	8,378
Property, plant and equipment	-	-	-	-	-	71	71
Total assets	17,720,718	211,469	69,728	3,521	807,307	2,399	18,815,142
Liabilities							
Deposits from banks	4,542,611	-	-	-	-	-	4,542,611
Debt securities in issue	10,597,586	-	-	-	-	-	10,597,586
Repurchase agreements	358,978	-	-	-	-	-	358,978
Due to customers	1,860,810	-	-	-	-	-	1,860,810
Derivative financial instruments	-	234,872	-	83,503	-	-	318,375
Current tax	-	-	-	-	-	351	351
Deferred tax liability	-	-	-	-	-	164	164
Accruals and deferred income	13,528	-	-	-	-	-	13,528
Other liabilities	4,820	-	-	-	-	-	4,820
Provisions for liabilities and commitments	2,291	-	-	-	-	-	2,291
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	(11,094)	-	(11,094)
Other reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	218,433	218,433
Total liabilities and shareholders' funds	17,380,624	234,872	-	83,503	(11,094)	1,127,237	18,815,142

*Other includes non financial items and equity instruments

5. Fair values of financial instruments

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

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

With regard to securities holdings, the existence of official prices in an active market represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the 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).

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

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

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

With regard to derivatives, the Company values non-structured derivatives using 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 (Level 2 approach)

A credit risk adjustment is added to the valuation of some 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), 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 also using a comparable approach valuation technique.

	2011						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	-	-	65,289	100.00	-	-	65,289
Available for Sale financial Assets							
- Debt instruments	1,140,384	99.30	8,578	0.70	-	-	1,148,962
Total Financial Assets	1,140,384		73,867		-	-	1,214,251

	2010						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	66,034	94.70	3,694	5.30	-	-	69,728
Available for Sale financial Assets							
- Debt instruments	729,165	90.32	78,142	9.68	-	-	807,307
Total Financial Assets	759,199		81,836		-	-	877,035

The above debt instruments classified as financial assets designated at fair value though profit or loss were transferred from level 1 to level 2 as they ceased to be actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs.

	2011						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Derivatives Assets							
- Trading	-	-	329,974	99.9	-	-	329,974
- Hedging	-	-	290	0.1	-	-	290
Total			**330,264**	**100.0**			**330,264**
Derivatives Liabilities							
-Trading	-	-	363,453	77.4	-	-	363,453
- Hedging	-	-	106,280	22.6	-	-	106,280
Total	**-**	**-**	**469,733**	**100.0**			**469,733**

	2010						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Derivatives Assets							
- Trading	-	-	211,470	98.4	-	-	211,470
- Hedging	-	-	3,521	1.6	-	-	3,521
Total		**-**	**214,990**	**100.0**			**214,990**
Derivatives Liabilities							
- Trading	-	-	234,872	73.8	-	-	234,872
-Hedging	-	-	83,503	26.2	-	-	83,503
Total	**-**	**-**	**318,375**	**100.0**			**318,375**

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

Set out below is a comparison of carrying values and fair values of the financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value) held as at 31 December 2011 and at 31 December 2010.

	31-Dec-11	**31-Dec-11**	31-Dec-10	31-Dec-10
	Carrying value	**Fair value**	Carrying value	Fair value
	€'000	**€'000**	€'000	€'000
Assets				
Cash and balances at central banks	75,703	75,703	163,044	163,044
Loans and advances to banks	15,041,088	14,301,177	13,108,348	12,943,293
Loans and advances to customers	4,118,547	4,058,953	4,400,308	4,397,576
Liabilities				
Deposits by banks	10,297,226	10,295,977	4,542,483	4,535,930
Due to customers	1,908,470	1,576,683	1,860,307	1,754,922
Repurchase agreements	1,001	1,001	358,978	358,978
Debt securities in issue	6,989,181	6,732,913	10,597,586	10,542,510

The Company introduced in 2010 valuation methodologies developed by the Parent Company for financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value).

With regard to assets, the methodology used is based on a discount of future cash flows using the observable interest rate curve on reporting date plus a credit spread estimated with an internally-developed model. The model involves the construction of a matrix of credit spreads by levels of probability of default, loss given default, and weighted average residual duration. For cash, money market transactions and balances at the Central Bank and intra group assets, the book value is considered to be the fair value. In the case of intra-Group assets matching with identified liabilities of the Company, the fair value of these assets has been matched with those of the associated liabilities.

With regard to liabilities, the methodology used is based on a discount of future cash flows using the observable credit curve of the Intesa Sanpaolo Group at reporting date. For intra-Group liabilities and liabilities with an original duration lesser than 12 months, the book value is considered to be the fair value.

6. Segmental Analysis

The Bank has one reporting segment, the provision of banking products and services carried out from Ireland. Geographic concentrations are reported in Note 36. There are no non group customers with revenue exceeding 10% of the total revenue of the Company.

7. Net interest income

	2011	2010
	€'000	€'000
Interest and similar income		
Cash and short term funds	**35,196**	15,515
Available for sale debt securities	**27,899**	16,840
Financial assets at fair value through profit or loss	**2,662**	3,253
Loans and advances *	**477,767**	380,430
Net swap interest income	**2,939**	460
	546,463	416,498

* Interest income includes €Nil (2010: €1,323) accrued on impaired loans.

	2011	2010
	€'000	€'000
Interest expense and similar charges		
Banks and customers	**205,895**	91,496
Debt securities in issue	**182,443**	122,588
Repurchase agreements	**5,052**	121
Net swap interest expense	**39,303**	56,633
Net expense on Fair value option trading derivatives	**2,454**	2,949
	435,147	273,787

8. Fees and commission income and expense

	2011	2010
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	**9,082**	15,292
Other fees	**97**	98
	9,179	15,390
Fee and commission expense		
Credit related fees and commissions	**18,556**	22,979
Brokerage fees paid	**1**	40
Other fees paid	**65**	30
	18,622	23,049

9. Net trading expense

	2011 €'000	2010 €'000
Mark-to-Market gains / (losses):		
- Derivatives	**2,357**	(2,358)
- Net result Hedge Accounting ***	**2,480**	(103)
- Financial instruments designated at Fair Value through profit or loss	**(9,132)**	1,553
Net realised gain / (loss) on available for sale debt securities	**2,732**	(407)
Net realised loss on financial assets at fair value through profit or loss	**-**	(545)
Net realised gains on loans and advances to banks – unlisted securities	**-**	1,130
Net realised loss on loans	**(1,659)**	-
Net realised loss on debt securities	**(138)**	(190)
	(3,360)	(920)

*** 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.

2011 - Net results of hedge accounting (€'000)

	Loans and Receivables	**Available for Sale**	**Debt Securities in Issue**	**Total**
Net gains / (losses) on Hedged Asset / Liability	18,379	12,978	(187)	31,170
Net gains / (losses) on Fair Value of Hedging Derivatives	(16,365)	(12,512)	187	(28,690)
	2,014	**466**	-	**2,480**

2010 - Net results of hedge accounting (€'000)

	Loans and Receivables	**Available for Sale**	**Total**
Net gains / (losses) on Hedged Asset / Liability	(11,382)	2,930	(8,454)
Net gains / (losses) on Fair Value of Hedging Derivatives	(11,233)	(2,882)	8,351
	(150)	47	(103)

10. Employee numbers

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

	Number of employees	
	2011	2010
Administration	**28**	30

11. Administrative expenses

	2011	2010
	€'000	€'000
Staff costs		
- wages and salaries	**2,748**	2,674
- social welfare costs	**189**	191
- pension costs	**502**	363
- other personnel expenses	**6**	6
	3,445	3,234
Other administrative expenses	**1,889**	1,666
	5,334	4,900

12. Profit before taxation

		2011	2010
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and equipment		**52**	50
Auditors' remuneration *(including VAT):*			
Audit services	Statutory audit	**70**	68
Non-audit services	Taxation services	**22**	58
	Other consultancy	**12**	12
	Subtotal	**34**	70
		104	138
Directors' remuneration:			
Executive		**420**	385
Non-executive		**100**	95
		520	480

The following tables detail the total remuneration of the directors.

2011	**Salary €'000**	**Directors Fees €'000**	**Taxable/ Other Benefits €'000**	**Pension Contribution €'000**	**Total €'000**
Executive Director					
G. Pizzutto	254	0	49	117	420
Total	254	0	49	117	420
Non – Executive Directors					
Ian Letchford	0	30	0	0	30
Nathaniel Healy **	0	22	15	0	32
Salvatore Catalano	0	20	0	0	20
Richard Barkley	0	13	0	0	13
Total	0	85	15	0	100

** Includes termination of service payment.

2010	Salary €'000	Directors Fees €'000	Taxable/ Other Benefits €'000	Pension Contribution €'000	Total €'000
Executive Director					
G. Pizzutto	256	0	52	58	366
P.C. Arena	12	0	12	(5)	19
Total	268	0	64	53	385
Non – Executive Directors					
Ian Letchford	0	30	0	0	30
Nathaniel Healy	0	45	0	0	45
Salvatore Catalano	0	20	0	0	20
Total	0	95	0	0	95

13. Income tax expense

	2011 €'000	2010 €'000
Corporation tax charge 12.5% (2010: 12.5%) on the profit for the year on ordinary activities	**12,783**	15,896
Current tax charge for the year	**12,783**	15,896
Under provision in prior year	**7**	3
Total Current Tax	**12,790**	15,899
	12,790	15,899

The current tax charge for the year is higher (2010: higher) than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The difference is explained below:

	2011	2010
	€'000	€'000
Profit on ordinary activities before tax	**102,245**	127,150
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 12.5% (2010: 12.5%)	**12,781**	15,894
Effects of:		
Adjustments to tax charge in respect of previous periods	**7**	3
Other adjustments	**2**	2
Current tax charge for the year	**12,790**	15,899

14. Dividends paid and proposed

	2011	2010
	€'000	€'000
Declared and paid during the year		
Declared on ordinary shares:		
Final dividend for 2010: 16.67 cent per share (2009:17.05 cent per share)	**66,763**	68,285
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Dividend on ordinary shares:		
Final dividend for 2011: 11.24 cent per share (2010: 16.67 cent per share)	**45,000**	66,763

15. Cash and balances with central banks

	2011	2010
	€'000	€'000
Mandatory reserve deposits with central bank	**75,703**	163,044
Other cash balances	**1,683**	2,968
Less allowances for losses	**(1)**	-
	77,385	166,012

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) €73,682,896 (2010: €162,434,928).

16. Financial instruments at fair value through profit or loss

	2011	2010
	€'000	€'000
Debt securities at fair value		
Issued by public bodies		
- government securities	**62,543**	66,034
Issued by other issuers		
- banks	**2,746**	3,694
	65,289	69,728
Of which:		
- listed on a recognized exchange	**2,746**	3,232
- unlisted	**62,543**	66,496
	65,289	69,728

17. Available for sale debt securities

	2011	2010
	€'000	€'000
Issued by public bodies		
- government securities	**632,467**	275,369
- other public sector securities	**36,549**	74,581
Issued by other issuers		
- banks	**459,079**	457,357
- other debt securities	**20,867**	-
	1,148,962	807,307
Of which:		
- listed on a recognized exchange	**1,148,962**	802,421
- unlisted	**-**	4,886
	1,148,962	807,307

18. Loans and advances to banks

	2011	2010
	€'000	€'000
Placement with other banks	**14,943,060**	12,973,061
Unlisted securities	**158,396**	198,067
Gross loans and advances	**15,101,456**	13,171,128
Less allowances for losses	**(60,368)**	(61,319)
	15,041,088	13,109,809

Of which included in cash and cash equivalents (Note 32) €2,525,523,710 (2010: €2,575,000,000).

19. Loans and advances to customers

	2011 €'000	2010 €'000
Loans to corporate entities - Syndicated and Bilateral loans	**4,119,944**	4,443,354
Gross loans and advances	**4,119,944**	4,443,354
Less allowances for losses	**(1,397)**	(7,336)
	4,118,547	4,436,018

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

	2011 €'000	2010 €'000
Balance at beginning of year	**68,655**	67,155
Disposed loans	**-**	(913)
Charge to income statement	**127**	5,387
Released to income statement	**(7,052)**	(3,018)
Translation adjustment	**36**	(44)
Balance at end of year	**61,766**	68,655

Included in the Provisions for Bad Debts figure in the income statement is a credit of €Nil (2010: €952,906) in relation to loans previously written-off.

Further, included in the Provisions for Bad Debts figure in the income statement is a charge of €Nil (2010: €54,083) in relation to commitment fee income written off.

Amounts include:

	2011 €'000	2010 €'000
Cash and balances with central bank (Note 15)	**1**	-
Loans and advances to banks (Note 18)	**60,368**	61,319
Loans and advances to customers (Note 19)	**1,397**	7,336
Balance at end of year	**61,766**	68,655

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

	2011	**2011**	**2011**
	Individual	**Collective**	**Total**
	€'000	**€'000**	**€'000**
Balance at beginning of year	**60,936**	**7,719**	**68,655**
Charge to income statement	**127**	**-**	**127**
Released to income statement	**-**	**(7,052)**	**(7,052)**
Translation adjustment	**23**	**13**	**36**
Balance at end of year	**61,086**	**7,719**	**61,766**

	2010	2010	2010
	Individual	Collective	Total
	€'000	€'000	€'000
Balance at beginning of year	59,265	7,890	67,155
Disposed loans	(913)	-	(913)
Charge to income statement	2,559	2,828	5,387
Released to income statement	(86)	(2,932)	(3,018)
Translation adjustment	111	(67)	44
Balance at end of year	60,936	7,719	68,655

Impaired loans: Amounts include:

	2011	2010
	€'000	€'000
Loans and advances to banks	**60,347**	60,220
Loans and advances to customers	**739**	715
Balance at end of year	**61,086**	60,935

Impaired loans mainly relate to the Company's exposure to Icelandic banks totalling €77.45 million (2010: €77.73 million) with an individual impairment amounting to €60.35 million (2010: €60.22 million).

21. Derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency.

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

	At 31 December 2011		Fair values including accruals	
		Contract / notional amount €'000	Assets €'000	Liabilities €'000
1)	**Derivatives held for trading**			
	a) Foreign exchange derivatives			
	Currency swaps	1,708,795	3,762	(739)
	Total OTC derivatives		3,762	(739)
	b) Interest rate derivatives			
	Interest rate swaps	1,402,582	246,969	(245,896)
	Cross-currency interest rate swaps	38,190	-	(37,575)
	Total OTC derivatives		246,969	(283,471)
	c) Equity options			
	Equity options purchased	239,500	79,243	-
	Equity options sold	239,500	-	(79,243)
	Total OTC derivatives		79,243	(79,243)
	Total derivative assets/(liabilities) held for trading		329,974	(363,453)

2)	**Derivatives held for risk management**			
	Derivatives designated as fair value hedges			
	Interest rate swaps	3,079,657	290	(106,280)
	Total OTC derivatives		290	(106,280)
	Total derivative assets/(liabilities) held for risk management		290	(106,280)
	Total derivative financial instruments		**330,264**	**(469,733)**

	At 31 December 2010		Fair values including accruals	
		Contract / notional amount €'000	**Assets €'000**	**Liabilities €'000**
1)	**Derivatives held for trading**			
	a) Foreign exchange derivatives			
	Currency swaps	1,104,926	16,394	(4,616)
	Total OTC derivatives		16,394	(4,616)
	b) Interest rate derivatives			
	Interest rate swaps	703,015	108,060	(108,926)
	Cross-currency interest rate swaps	36,981	-	(34,316)
	Total OTC derivatives		108,060	(143,242)
	c) Equity options			
	Equity options purchased	353,870	87,015	-
	Equity options sold	353,870	-	(87,015)
	Total OTC derivatives		87,015	(87,015)
	Total derivative assets/(liabilities) held for trading		211,469	(234,873)
2)	**Derivatives held for risk management**			
	Derivatives designated as fair value hedges			
	Interest rate swaps	2,820,022	3,521	(83,502)
	Total OTC derivatives		3,521	(83,502)
	Total derivative assets/(liabilities) held for risk management		3,521	(83,502)
	Total derivative financial instruments		214,990	(318,375)

22. Deferred Taxation

	2011	2010
	€'000	€'000
Deferred Tax assets:		
Provision for impairment of loans and receivables	**580**	561
Available For Sale debt securities	**5,003**	1,748
Exchange Translation adjustment	**8**	19
Total deferred tax assets	**5,591**	2,328
Deferred Tax liabilities:		
Available For Sale debt securities	**279**	164
Total deferred tax liabilities	**279**	164
Net Deferred Tax assets	**5,312**	2,164

	2011	2010
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**2,164**	760
Exchange translation adjustment	**8**	18
Deferred tax through equity	**3,140**	1,386
At 31 December	**5,312**	2,164

23. Investments in Group undertakings

In 2011 the Company held an investment of Nil (2010: 2 shares at €1.27 each) ordinary shares in Tobuk Limited. Tobuk Limited was voluntarily liquidated on 25 February 2011.

24. Other assets

	2011	2010
	€'000	€'000
Deferred expenses *	**8,134**	8,303
Stamp duty	**34**	34
Sundry debtors	**40**	41
	8,208	8,378

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

25. Property, plant and equipment

	Office equipment €'000	Computer equipment and software €'000	Total €'000
Cost			
At beginning of year	273	657	930
Additions in year	3	30	33
Disposals in year	(26)	(413)	(439)
At end of year	**250**	**274**	**524**
Depreciation			
At beginning of year	241	618	859
Charge for year	24	28	52
Disposals in year	(26)	(413)	(439)
At end of year	**239**	**233**	**472**
Net book value			
At 31 December 2011	**11**	**41**	**52**
At 31 December 2010	32	39	71

	Office equipment €'000	Computer equipment and software €'000	Total €'000
Cost			
At beginning of year	271	626	897
Additions in year	2	31	33
Disposals in year	-	-	-
At end of year	**273**	**657**	**930**
69			
Depreciation			
At beginning of year	211	598	809
Charge for year	30	20	50
Disposals in year	-	-	-
At end of year	**241**	**618**	**859**
Net book value			
At 31 December 2010	**32**	**39**	**71**
At 31 December 2009	60	28	88

26. Deposits from banks

	2011	2010
	€'000	€'000
Deposits from other banks	**10,297,226**	4,542,611
	10,297,226	4,542,611

Included in cash and cash equivalents (Note 32) €3,761,388,615 (2010: €2,265,634,524).

27. Debt securities in issue

At 31 December 2011

Currency	**Type**	**Maturity**	**Interest Rates %**	**Average Rate %**	**€'000**
European Medium Term Notes (EMTN) - Listed					
CZK	Floating Rate Note	21/01/2013	1.640%		6,225
				1.640%	
EUR	Floating Rate Note	26/01/2012	2.388%		12,059
EUR	Floating Rate Note	10/02/2012	2.074%		125,368
EUR	Floating Rate Note	10/02/2012	2.074%		125,368
EUR	Floating Rate Note	17/02/2012	2.357%		1.504,419
EUR	Floating Rate Note	05/03/2012	2.319%		98,162
EUR	Floating Rate Note	16/03/2012	2.323%		100,103
EUR	Floating Rate Note	30/03/2012	0.000%		6,158
EUR	Floating Rate Note	18/04/2012	2.824%		113,162
EUR	Floating Rate Note	04/05/2012	1.924%		25,077
EUR	Floating Rate Note	20/06/2012	1.497%		7,504
EUR	Floating Rate Note	23/06/2012	2.413%		10,531
EUR	Floating Rate Note	07/07/2012	3.069%		5,277
EUR	Floating Rate Note	09/07/2012	1.756%		51,193
EUR	Floating Rate Note	15/07/2012	1.972%		50,197
EUR	Floating Rate Note	23/07/2012	2.182%		100,399
EUR	Floating Rate Note	22/12/2012	3.238%		560,504
EUR	Floating Rate Note	18/01/2013	2.074%		79,963
EUR	Floating Rate Note	04/02/2013	2.185%		6,020
EUR	Floating Rate Note	21/02/2013	2.060%		20,043
EUR	Floating Rate Note	01/03/2013	2.077%		50,075
EUR	Floating Rate Note	12/04/2013	1.967%		150,616
EUR	Floating Rate Note	22/04/2013	1.979%		40,148
EUR	Floating Rate Note	21/06/2013	1.718%		100,016
EUR	Floating Rate Note	27/09/2013	2.185%		4,727
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	2.588%		46,714
EUR	Fixed Note	27/09/2015	5.738%		53,225

EUR	Fixed Note	31/10/2015	5.858%		50,490
EUR	Fixed Note	27/12/2015	5.773%		68,074
EUR	Fixed Note	18/02/2016	5.806%		137,543
EUR	Floating Rate Note	15/03/2016	2.724%		27,418
EUR	Floating Rate Note	21/03/2016	4.100%		7,739
EUR	Floating Rate Note	28/03/2016	1.974%		80,268
EUR	Floating Rate Note	09/05/2016	2.316%		26,540
EUR	Floating Rate Note	17/05/2016	2.150%		5,067
EUR	Floating Rate Note	23/06/2016	2.256%		23,111
EUR	Floating Rate Note	01/09/2016	2.237%		52,351
EUR	Floating Rate Note	18/05/2017	4.200%		5,113
EUR	Floating Rate Note	01/01/2018	5.535%		9,287
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
EUR	Floating Rate Note	01/08/2022	3.936%		50,333
EUR	Floating Rate Note	06/03/2023	7.872%		20,288
EUR	Floating Rate Note	01/10/2024	7.000%		50,875
EUR	Floating Rate Note	15/12/2024	6.749%		40,120
EUR	Floating Rate Note	20/04/2025	5.646%		14,381
EUR	Floating Rate Note	20/06/2035	5.000%		20,531
EUR	Floating Rate Note	25/01/2036	5.000%		5,233
EUR	Floating Rate Note	01/01/2038	5.960%		24,477
				2.846%	
HKD	Fixed Note	18/09/2012	3.640%		10,052
HKD	Fixed Note	30/07/2013	4.405%		12,671
				4.067%	
CHF	Floating Rate Note	30/11/2013	0.180%		1,646
				0.180%	
USD	Floating Rate Note	17/05/2012	0.616%		193,363
USD	Floating Rate Note	10/06/2013	0.673%		27,062
USD	Floating Rate Note	15/04/2014	2.400%		3,884
				0.653%	
JPY	Fixed Note	20/09/2012	0.120%		86,376
				0.120%	
Total EMTN - Listed					**4,542,789**

At 31 December 2011

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - unlisted					
EUR	Fixed Note	03/01/2012	3.121%		6,011
EUR	Fixed Note	28/01/2013	3.800%		33,452
EUR	Fixed Note	21/02/2013	4.000%		10,143
EUR	Floating Rate Note	25/10/2017	6.000%		15,167
EUR	Fixed Note	30/06/2021	0.000%		20,000

EUR	Fixed Note	30/06/2026	0.000%		20,000
				2.648%	
GBP	Floating Rate Note	20/02/2012	1.471%		59,958
				1.471%	
HKD	Fixed Note	14/08/2018	4.480%		40,031
				4.480%	
JPY	Fixed Note	25/06/2014	1.820%		50,369
JPY	Fixed Note	22/06/2015	0.822%		9,982
				1.655%	
Total EMTN - unlisted					**265,114**
Total EMTN					**4,807,904**
Certificates of Deposits (ECD)					
EUR				1.080%	261,648
GBP				1.844%	42,016
Total ECD					**303,664**
European Commercial Paper (ECP)					
CHF				0.580%	3,290
EUR				2.279%	1,870,467
USD				1.130%	3,856
Total ECP					**1,877,613**
Total Debt Securities Issued					**6,989,181**

Debt securities in issue at 31 December 2010

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN) - Listed					
EUR	Floating Rate Note	29/04/2011	0.000%		19,720
EUR	Floating Rate Note	16/05/2011	2.150%		5,022
EUR	Floating Rate Note	02/08/2011	1.700%		10,222
EUR	Fixed Note	27/09/2011	5.108%		87,333
EUR	Fixed Note	31/10/2011	5.125%		77,176
EUR	Fixed Note	30/11/2011	1.500%		70,092
EUR	Fixed Note	14/12/2011	1.370%		20,008
EUR	Fixed Note	27/12/2011	5.019%		107,479
EUR	Floating Rate Note	30/03/2012	0.000%		6,158
EUR	Floating Rate Note	04/05/2012	1.387%		25,056
EUR	Floating Rate Note	20/06/2012	1.104%		7,503
EUR	Floating Rate Note	23/06/2012	1.000%		10,454
EUR	Floating Rate Note	07/07/2012	1.000%		5,225

EUR	Fixed Note	07/12/2012	3.117%		4,670
EUR	Fixed Note	27/09/2013	2.530%		4,732
EUR	Floating Rate Note	10/05/2015	1.000%		15,021
EUR	Floating Rate Note	27/07/2015	2.032%		46,668
EUR	Fixed Note	27/09/2015	5.738%		50,772
EUR	Fixed Note	31/10/2015	5.858%		48,113
EUR	Fixed Note	27/12/2015	5.773%		64,883
EUR	Fixed Note	18/02/2016	5.806%		131,023
EUR	Floating Rate Note	15/03/2016	2.138%		27,371
EUR	Floating Rate Note	21/03/2016	4.050%		7,736
EUR	Floating Rate Note	28/03/2016	1.584%		80,264
EUR	Floating Rate Note	09/05/2016	1.890%		26,524
EUR	Floating Rate Note	17/05/2016	2.150%		5,067
EUR	Floating Rate Note	23/06/2016	1.862%		23,111
EUR	Floating Rate Note	01/09/2016	1.787%		52,330
EUR	Floating Rate Note	01/01/2018	4.550%		9,200
EUR	Floating Rate Note	06/04/2021	1.500%		20,221
EUR	Floating Rate Note	01/08/2022	3.809%		50,323
EUR	Floating Rate Note	06/03/2023	7.785%		20,270
EUR	Floating Rate Note	01/10/2024	7.000%		50,875
EUR	Floating Rate Note	15/12/2024	7.000%		40,124
EUR	Floating Rate Note	20/04/2025	5.274%		13,828
EUR	Floating Rate Note	20/06/2035	5.000%		20,531
EUR	Floating Rate Note	25/01/2036	5.000%		5,233
EUR	Floating Rate Note	01/01/2038	4.980%		24,250
				4.048%	
GBP	Floating Rate Note	08/02/2011	0.816%		149,380
				0.816%	
HKD	Fixed Note	18/09/2012	3.640%		9,728
HKD	Fixed Note	30/07/2013	4.405%		12,261
				4.067%	
CHF	Fixed Note	30/11/2013	2.150%		1,603
				2.150%	
USD	Floating Rate Note	17/05/2012	0.434%		187,199
USD	Floating Rate Note	07/06/2013	0.435%		26,201
USD	Floating Rate Note	15/04/2014	2.400%		3,760
				0.468%	
Total					1,684,720

Currency	**Type**	**Maturity**	**Interest Rates %**	**Average Rate %**	**€'000**
European Medium Term Notes (EMTN) - Unlisted					
EUR	Fixed Note	03/01/2012	3.121%		5,830
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
				1.790%	
GBP	Floating Rate Note	20/02/2012	1.190%		58,187
				1.190%	
HKD	Fixed Note	14/08/2018	4.480%		38,737
				4.480%	
JPY	Fixed Note	14/06/2011	1.710%		18,580
JPY	Fixed Note	25/06/2014	1.820%		46,452
JPY	Floating Rate Note	22/06/2015	0.961%		9,206
				1.686%	
Total EMTN - unlisted					232,160
Total EMTN					1,916,880

Certificates of Deposits (ECD)		
AUD	4.965%	24,118
CHF	0.210%	12,795
EUR	0.983%	2,637,848
GBP	0.794%	199,750
NZD	3.330%	21,919
USD	0.459%	35,149
Total ECD		2,931,579

European Commercial Paper (ECP)		
AUD	4.750%	31,086
CHF	0.218%	204,281
SGD	0.270%	8,752
EUR	1.038%	4,626,073
GBP	0.813%	610,694
USD	0.562%	222,244
JPY	0.330%	45,997
Total ECP		5,749,127
Total Debt Securities Issued		10,597,586

The Company is one of the three issuers in the €70.0 billion Euro Medium Term Note Programme established by Intesa Sanpaolo S.p.A., which is also the guarantor of the notes issued by the Company under the Programme.

28. Repurchase agreements

	2011	2010
	€'000	€'000
Due to banks	-	358,978
Due to central bank	**1,001**	-
	1,001	358,978

Collateral given: The carrying amount of securities sold under agreements to repurchase at 31 December 2011 was €1,011,225 (2010:€357,085,015) of which securities with a fair value of €1,011,225 (2010: €357,085,015) are classified as available for sale (Note 17).

29. Other liabilities

	2011	2010
	€'000	€'000
Other payable and accrued expenses	**2,198**	4,818
VAT payable	**8**	2
	2,206	4,820

30. Movement in the provisions for liabilities and commitments

	2011	2010
	€'000	€'000
Balance at beginning of year	**2,291**	2,025
Charge to income statement	**-**	724
Released to income statement	**(2,205)**	(562)
Translation adjustment	**4**	104
Balance at end of year	**90**	2,291

Please refer to Note 1.8 (c) for the accounting policy and Note 33 for the outstanding undrawn commitments.

31. Share capital

	Number of shares	Ordinary shares	Share Premium	Total
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2010	400,500	400,500	1,025	401,525
At 31 December 2010 / 1 January 2011	400,500	400,500	1,025	401,525
At 31 December 2011	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2010: 500,000,000) with a par value of €1 per share (2010: €1 per share). All issued shares are fully paid.

At 31 December 2011, the capital and reserves of the Company amounted to €1,026.88 million (2010: €1,004.38 million), €1,116.34 million including YTD profits after Tax (2010: €1,115.63 million including YTD profits after Tax).

32. Cash and cash equivalents

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

	2011	2010
	€'000	€'000
Cash and balances with central bank (Note 15)	**73,683**	162,435
Loans and advances to banks (Note 18)	**2,525,524**	2,575,000
Deposits from banks (Note 26)	**(3,761,389)**	(2,265,635)
	(1,162,182)	471,800

33. Contingent liabilities and commitments

At 31 December 2011 the contracted amounts of contingent liabilities and financial commitments were:

	2011	2010
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**7,127**	6,718
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	**564,926**	539,246
- one year and over	**370,469**	1,073,659
	942,522	1,619,623

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 €502,160 (2010: €362,800).

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 2011

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	1,215	-	**1,215**
Loans and advances to banks	5,939,592	8,812,002	**14,751,594**
Loans and advances to customers	-	2,533,197	**2,533,197**
Derivative financial instruments	85,121	168	**85,289**
LIABILITIES			
Deposits from banks	10,276,743	-	**10,276,743**
Derivative financial instruments	56,807	325,740	**382,547**
Due to Customers	-	164,906	**164,906**
INCOME STATEMENT			
Interest and similar income	197,444	266,194	**463,638**
Interest expense and similar charges	(136,896)	(34,802)	**(171,698)**
Fees and commission income	528	1,078	**1,606**
Fees and commission expense	(15,411)	(93)	**(15,504)**
Net trading income / (expense)	1,231	(4,184)	**(2,953)**
FINANCIAL COMMITMENTS			
Commitments – financial issued	7,516	430,000	**437,516**
Commitments - financial received	3,000,000	-	**3,000,000**
DERIVATIVES			
Derivatives (notional)	3,067,207	2,976,482	**6,043,689**

31 December 2010

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and balances with central banks	1,489	-	1,489
Loans and advances to banks	4,074,846	8,401,376	12,476,222
Loans and advances to customers	-	2,515,765	2,515,765
Financial instruments at fair value though profit or loss	462	-	462
Derivative financial instruments	106,783	180,095	286,878
LIABILITIES			
Deposits from banks	4,445,911	-	4,445,911
Repurchase agreements	358,978	-	358,978
Derivative financial instruments	39,726	2,339	42,065
Due to Customers	-	96,306	96,306
INCOME STATEMENT			
Interest and similar income	178,135	170,049	348,184
Interest expense and similar charges	(21,777)	(52,156)	(73,933)
Fees and commission income	73	743	816
Fees and commission expense	(21,410)	(291)	(21,701)
Net trading income	(5,023)	(8,002)	(13,025)
FINANCIAL COMMITMENTS			
Commitments - financial issued	14,210	521,602	535,812
DERIVATIVES			
Derivatives (notional)	1,712,139	2,790,015	4,502,154

Number of transactions performed with connected parties in 2011

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	727	162	889
Loans and advances to clients	-	18	18
Derivative financial instruments	462	22	484
Deposits from banks	797	10	889
Repos	48	-	48
Total	**2,034**	**212**	**2,328**

Number of transactions performed with connected parties in 2010

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	667	174	841
Loans and advances to clients	-	30	30
Derivative financial instruments	365	33	398
Deposits from banks	709	15	841
Repos	14	-	14
Total	1,755	252	2,124

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

Transactions with other related parties

Significant shareholder of INTESA SANPAOLO S.p.A

	2011	2010
	€'000	€'000
ASSETS		
Available for sale debt securities	**24,593**	24,944
INCOME STATEMENT		
Interest and similar income	**451**	399
Number of transactions	**1**	1

36. Geographic concentrations

Geographic concentrations of assets, liabilities and off balance sheet items	**Total assets**	**Total Liabilities & Equity**	**Credit commitments**	**Operating Income**
31 December 2011	**€'000**	**€'000**	**€'000**	**€'000**
Ireland	580,753	1,292,454	24,144	13,528
E.U. (excl. Ireland)	18,853,080	19,373,039	689,950	49,210
U.S.A.	191,884	76,696	-	5,195
Rest of the World	1,170,149	53,677	228,428	39,698
Total	**20,795,866**	**20,795,866**	**942,522**	**107,631**

Geographic concentrations of assets, liabilities and off balance sheet items	**Total assets**	**Total Liabilities & Equity**	**Credit commitments**	**Operating Income**
31 December 2010	**€'000**	**€'000**	**€'000**	**€'000**
Ireland	719,511	1,248,149	27,399	9,654
E.U. (excl. Ireland)	16,418,029	17,381813	1,190,500	84,718
U.S.A.	243,554	87,989	19,600	4,626
Rest of the World	1,434,048	97,191	382,124	33,102
Total	18,815,142	18,815,142	1,619,623	132,100

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

	2011 €'000	**2011 %**	2010 €'000	2010 %
Ireland	499,357	12	538,967	13
E.U. (excl. Ireland)	2,644,951	64	2,899,771	65
U.S.A.	162,905	4	203,307	4
Rest of the World	811,334	20	793,973	18
Total	4,118,547	100	4,436,018	100

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

	2011 €'000	**2011 %**	2010 €'000	2010 %
Ireland	-	-	14,996	-
E.U. (excl. Ireland)	14,707,246	98	12,479,475	95
Rest of the World	333,842	2	615,338	5
Total	15,041,088	100	13,109,809	100

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

	2011 €'000	**2011 %**	2010 €'000	2010 %
E.U. (excl. Ireland)	65,289	100	69,728	100
Total	65,289	100	69,728	100

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

	2011 €'000	**2011 %**	2010 €'000	2010 %
E.U. (excl. Ireland)	1,096,569	95	744,805	92
U.S.A.	28,346	3	38,976	5
Rest of the World	24,047	2	23,526	3
Total	1,148,962	100	807,307	100

INTESA SANPAOLO BANK IRELAND plc

Notes to the Financial Statements for the year ended 31 December 2011

37. Financial Assets and Financial Liabilities by contractual residual maturity

31-Dec-2011 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and Balances with CB (2)	1,683	72,035	-	3,667	-	-	**77,385**
Financial Assets CFV (1)	-4,094		1,102	836	35,509	31,936	**65,289**
Available for Sale Securities (1)	-17,827	2,411	13,859	469,117	661,402	20,000	**1,148,962**
Loans and Advances to Banks (2)	1,589	540,602	4,250,634	1,694,644	3,305,932	5,247,687	**15,041,088**
Loans and Advances to Customers (2)	59,985	369,566	167,077	536,021	2,230,542	755,176	**4,118,547**
Derivative Financial Instruments (1)	330,264	-	-	-	-	-	**330,264**
Total	**371,600**	**984,614**	**4,432,672**	**2,704,465**	**6,233,385**	**6,054,799**	**20,781,535**
LIABILITIES							
Debt securities in issue	188	843,237	3,153,972	1,507,679	1,138,426	345,679	**6,989,181**
Deposits from Banks	-	2,842,240	4,292,556	3,088,187	10,000	64,243	**10,297,226**
Repurchase Agreements	-	-	1,001	-	-	-	**1,001**
Due to customers	112	88,173	30,189	26,298	92,900	1,670,798	**1,908,470**
Derivatives (1)	469,733	-	-	-	-	-	**469,733**
Total	**470,033**	**3,773,650**	**7,477,718**	**4,622,164**	**1,241,326**	**2,080,720**	**19,665,611**

(1) Market values reported in time band “on demand”
(2) Collective impairment provision allocated to time band “up to 1 month”

31-Dec-2010 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and Balances with CB	2,968	159,574	-	3,470	-	-	166,012
Financial Assets CFV (1)	5,039	462	1,057	771	32,947	29,452	69,728
Available for Sale Securities (1)	-7,398	7,592	51,262	98,856	621,998	34,997	807,307
Loans and Advances to Banks (2)	-	2,337,380	634,180	1,583,090	3,066,982	5,488,177	13,109,809
Loans and Advances to Customers (2)	1,826	177,186	329,875	986,849	2,224,255	716,027	4,436,018
Derivative Financial Instruments (1)	214,990	-	-	-	-	-	214,990
Total	217,425	2,682,194	1,016,374	2,673,036	5,946,182	6,268,653	18,803,864
LIABILITIES							
Debt securities in issue	-	3,244,305	4,969,242	1,087,396	623,177	673,466	10,597,586
Deposits from Banks	-	1,234,549	2,024,706	1,162,031	10,000	111,325	4,542,611
Repurchase Agreements	-	67,872	35,449	255,657	-	-	358,978
Due to customers	186	90,770	17,702	72,033	61,019	1,619,100	1,860,810
Derivatives (1)	318,375	-	-	-	-	-	318,375
Total	318,561	4,637,496	7,047,099	2,577,117	694,196	2,403,891	17,678,360

(1) Market values reported in time band “on demand”
(2) Collective impairment provision allocated to time band “up to 1 month”

38. Events after the statement of financial position date

The directors have proposed a dividend of 11.24 cent per ordinary share, amounting to €45 million in respect of the year 2011. Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

39. Date of approval

The financial statements were approved and authorised by the directors on 2 March 2012.