INTESA SANPAOLO BANK IRELAND plc

Directors' report and
financial statements

Year ended **31 December 2016**

Registered number *125216*

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Directors and other information

Directors	Mr. R. Barkley (Chairman, British) Mr. A. Plomp (Managing Director, British) Mr. J. Bowden Mr. M.Ciampolini (Italian) Mr. N. Copland (British) Mr. C. Persico (Italian) Ms. D. Migliasso (Italian) Mr. A. Faragalli Zenobi (Italian)
Registered office	3rd Floor KBC House 4 George's Dock International Financial Services Centre Dublin D01 E4W9
Secretary	Capita International Financial Services (Ireland) Ltd 2 Grand Canal Square, Grand Canal Harbour Dublin D02 A342
Independent Auditors	KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin D01 F6F5
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 D02 X576

INTESA SANPAOLO BANK IRELAND plc

Directors' report

Financial Statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2016.

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 principal areas of business include: international lending to corporate clients and financial institutions mainly in Europe both on a bilateral and syndicated basis; the management of a portfolio of securities held for liquidity purposes; treasury activities; intra-group lending and issuance of guarantees and transaction services.

Review of Results and Development of the Business

During 2016 the Eurozone economy proved resilient and continued a slow recovery process, resulting in a 1.6% GDP growth and a reduction in unemployment rate (to a still high 9.8%) even though inflation climbed only to 1.1% and external worldwide shocks contributed to volatility and uncertainty on the financial markets. In response to the above, the ECB cut interest rates to historic lows and extended its QE programme (to December 2017), resulting in a weaker Euro and cheaper credit conditions, but putting more pressure on banks' interest margins. For 2017 many analysts expect an improvement in the global economy (with the US to fare better than the EU), stronger corporate earnings and an accommodative policy, with political/event risks as the main uncertainties (elections in France, Germany, The Netherlands and, possibly, Italy and the trigger of Art. 50 by the UK to leave the EU).

The results and financial position of the Company for 2016 are set out on pages 12-16 of the financial statements. The highlights for the year ended 31 December 2016 were the following:

– Gross interest income decreased by 12.2% to €239.57m mainly due to (i) the negative interest rate environment, (ii) seasoned loans run-off and (iii) contracting bond yields.

– Gross interest expense decreased by 12.7% to €167.95m.

– Net interest income decreased by 10.9% to €71.62m with marginal improvement in the net interest margin to 29.89% (29.46% in 2015).

– Other operating income increased by 66.8% to €9.8m, mainly as a result of certain targeted sales of AFS securities and gains on liabilities early redemptions, only partly offset by higher fees & commissions paid.

– Operating expenses increased by 32.4% to €6.64m mainly due to the increase in Single Resolution Fund Levy to €2.24m (2015: €1.03m) and higher employee costs. Overall, operating costs continued to be well under control and the cost-to-income ratio (excluding the SRF Levy) stood at 5.41%.

– Impairment provisions recorded a €0.92m write-back in 2016 ((2015: €1.11m charge) mainly resulting from recoveries of previously written-off Republic of Argentina position (recovery €0.4m) and changes in the Group impairment provisioning methodology (recovery €0.7m) .

– Profit after tax decreased by 5.9% to €66.24m (2015: €70.35m).

– Total assets increased by 1.2% to €13.87bn.

– The securities portfolio increased by 9.1% to € 2.68bn and further diversification was achieved both in terms of asset class and geographical split.

– Medium-term intragroup lending increased by 1.1% to €7.69bn as 2016 scheduled maturities were replaced during the second half of the year.

- Third party customer loans increased by 3.2% y/y as new loans granted exceeded loan scheduled repayments and run-offs. The Company continues to remain focused on the development of Irish-domestic corporate relationships.
- The Company's liabilities were relatively unchanged during the year, as lower EMTN issuance was offset by greater appetite for the Company's ECP/CD issuance and ad hoc short term activity with the parent company.
- Total shareholders equity decreased by 1.2% y/y to €1.23bn as a result of a 51% reduction in the AFS security reserve.

The directors have proposed a dividend of 16.4794 cent per ordinary share, amounting to € 66 million in respect of the year 2016 (2015: €70.0 million dividend was paid, equivalent to 17.4781 cent per ordinary share).

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

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

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

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, maintaining a focus on actively marketing Irish-domestic corporate clients and international customers operating out of Ireland. In addition, the Company intends to retain the diversification of the securities portfolio.

Risk Management and Control

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

Regulatory capital ratios remain healthy, with a tier 1 capital ratio of 18.14% (2015: 16.68%) and a total capital ratio of 18.15% as at 31 December 2016 (2015: 16.70%).

Accounting Record

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

Directors

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

Mr. R. Barkley
Mr. A. Plomp
Mr. N. Copland
Mr. C. Persico
Mr. A. Faragalli Zenobi
Mr. M. Ciampolini (appointed 21/06/2016)
Ms. D. Migliasso (appointed 22/08/2016)
Mr. J. Bowden (appointed 06/09/2016)
Mr. E. Dosa (resigned 26/02/2016)
Mr. P. N. Virgili (resigned 28/04/2016)
Mr. I. Letchford (resigned 28/10/2016)

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 2016 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, 10121 Turin, Italy, or via its website www.group.intesasanpaolo.com.

Articles of Association

In accordance with its Constitution, 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 Constitution.

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

The Constitution 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. R. Barkley	(Member of Credit Committee) - Independent Non-Executive
Mr. A. Plomp	(Member of Credit Committee and Risk Committee)
Mr. N. Copland	(Member of Risk Committee) - Independent Non-Executive
Mr. C. Persico	(Member of Audit Committee)
Mr. J. Bowden	(Member of Audit Committee) - Independent Non-Executive
Mr. M. Ciampolini	(Member of Risk Committee)
Ms. D. Migliasso	(Member of Audit Committee and Risk Committee)
Mr. A. Faragalli Zenobi	

Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2016 and their spouses had no interest in the shares or debentures or loan stock of the Company.

The directors and secretary of the Company at 31 December 2016 and their spouses had no interest of at least 1% with respect to the of shares or debentures or loan stock of the Group companies.

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.

Shareholders

The Company is controlled by the sole shareholder, INTESA SANPAOLO S.p.A.

Transactions involving Directors

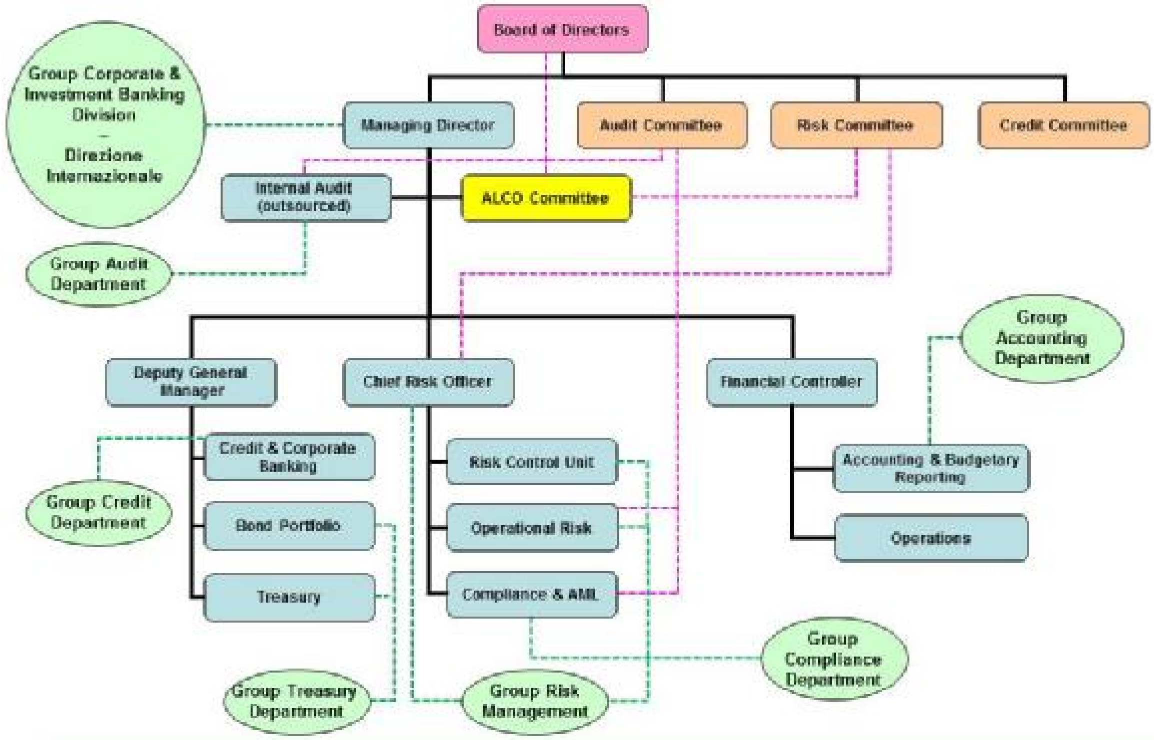
There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 2014, at any time during the year ended 31 December 2016.

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 2016 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 has been performed using an Italian Law 262-2005 compliant methodology.

Risk Management Framework

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

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

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

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

- business transactions are properly authorised, approved and executed within the transaction limits identified by the Risk Control department;

- financial reporting is accurate and complies with the financial reporting framework; and
- systems are in place to achieve high standards of compliance with regulatory requirements.

Operational Risk

As per the Guidelines for Group Operational Risk Management adopted by the Board of Directors of Intesa Sanpaolo Bank Ireland Plc ("ISP Ireland") on 26 February 2016, operational risk is defined in the Group as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but does not include strategic or reputational risk" in line with the definition of the Basel 2 Committee.

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

The objectives of ORM are as follows:

- Asset Protection
- Ex ante Monitoring and Control of Processes
- Compliance with Processes and Rules
- Use of the Internal Operational Risk Model for Management Purposes

Although ISP Ireland belongs to the core group of entities within Intesa Sanpaolo Group for the consolidated computation of the operational risk capital charge under the Advanced Measurement Approach (AMA), the current roll-out plan of the Group methodologies stipulates the implementation of the Standardised Approach (TSA) for the local computation. TSA has been used for the calculation of the capital charge for Operational Risk since 1 January 2010.

The Board of Directors of the ISP Ireland approved the classification of Operational Risk among the list of the material risk factors the Bank 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 Bank can be exposed to, it has demonstrated its risk appetite by a continued focus on this area in their agenda and the ongoing monitoring of the internal control framework. The Board has also approved 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 are:

- 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 Bank with a documentation of the same processes, of the attached risks, and of the controls in place
- The Monitoring of Key Risk Indicators (KRI) defined under the Banks Operational Risk Policy.
- The involvement of Operational Risk in all discussions with respect to "New Products" to ensure

all aspects of risks have been assessed and documented.

- The existence of a local Disaster Recovery and Business Continuity framework including:
  - A local UPS (uninterruptible power supply) at the main office
  - A back up power generator is located at the main office
  - A hot site is located at Farnborough, Armstrong Mall, Southwood Business Park, Apollo Rise, UK supported by an annual full test of the functionality of the site to conduct critical activities.
  - Annual participation in Persons Unavailability training scenarios on critical activities supported by subsequent testing where a backup staff member carries out critical activities as per the affected department's business continuity plan.
  - 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.).

Independent Auditor

The Auditor, KPMG Chartered Accountants have indicated their willingness to continue in office in accordance with Section 383(2) of Companies Act, 2014.

Corporate Governance

Directors' Compliance Statement is subject to the requirements laid out under the Corporate Governance Code for Credit Institutions ("the Code") for "non major institution" and is required under section 26 of the code to submit an Annual Compliance Statement to the Central Bank of Ireland for the period 1 January to 31 December 2016. Such statement will be duly communicated in accordance with the Central Bank requirements in 2017.

Directors Compliance Statement

The directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014 and Tax laws ('relevant obligations'). The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;

- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and

- a review has been conducted, during the financial year, of those arrangements and structures.

On behalf of the board

R. Barkley	A. Plomp	J. Bowden	N. Copland
Chairman	*Managing Director*	*Director*	*Director*

20 February 2017

INTESA SANPAOLO BANK IRELAND plc

Directors’ report *(continued)*

The Directors present herewith the audited financial statements for the year ended 31 December 2016.

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing the 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 whether they have been prepared in accordance with IFRS as adopted by the EU; 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 are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a Directors’ Report that complies with the requirements of the Companies Act 2014.

On behalf of the board

R. Barkley	A. Plomp	J. Bowden	N. Copland
Chairman	*Managing Director*	*Director*	*Director*

20 February 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTESA SANPAOLO BANK IRELAND PLC

We have audited the financial statements (''financial statements'') of Intesa Sanpaolo ("the Company") for the year ended 31 December 2016 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes as set out on pages 17 to 70 except where identified as unaudited. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.
In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTESA SANPAOLO BANK IRELAND PLC *(continued)*

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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20 *February 2017*

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

INTESA SANPAOLO BANK IRELAND plc

Income statement *For the year ended 31 December 2016*	Note	**2016** **€'000**	2015 €'000
Interest and similar income	7	**239,569**	272,728
Interest expense and similar charges	7	**(167,953)**	(192,374)
Net interest income		**71,616**	80,354
Fees and commission income	8	**1,892**	1,342
Fees and commission expense	8	**(9,152)**	(7,936)
Net fees and commission expense		**(7,260)**	(6,594)
Dividend and similar income		**7**	4
Net trading income	9	**17,159**	12,604
Foreign exchange loss		**(108)**	(141)
Release / (Charge) of provision for impairment of loans and receivables	19	**812**	(1,004)
Release / (Charge) of provision for liabilities and Commitments	28	**104**	(111)
Net operating income		**82,330**	85,112
Administrative expenses	11	**(6,613)**	(4,979)
Depreciation		**(24)**	(35)
Total operating expenses		**(6,637)**	(5,014)
Profit before tax	12	**75,693**	80,098
Income tax expense	13	**(9,456)**	(9,748)
Profit for the financial year		**66,237**	70,350
Profit attributable to the equity holders of the parent		**66,237**	70,350

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

The notes on pages 17 to 70 are an integral part of these financial statements.

On behalf of the board

R. Barkley
Chairman

A. Plomp
Managing Director

J. Bowden
Director

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

20 February 2017

INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income *For the year ended 31 December 2016*	**2016** **€'000**	2015 €'000
Profit for the year	**66,237**	70,350
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Movements in fair value reserve (available-for-sale financial assets):		
Net change in fair value	**(958)**	6,786
Net amount transferred to profit or loss	**(12,302)**	(5,817)
Related tax	**1,657**	(121)
Other comprehensive income for the year, net of tax	**(11,603)**	848
Total comprehensive income for the year, net of tax	**54,634**	71,198
Total comprehensive income for the year attributable to equity holders of the parent	**54,634**	71,198

The notes on pages 17 to 70 are an integral part of these financial statements.

INTESA SANPAOLO BANK IRELAND plc

Statement of financial position *As at 31 December 2016*	Note	**2016** **€'000**	2015 €'000
ASSETS			
Cash and balances with central banks	15	**68,909**	59,715
Available for sale investments	16	**2,675,210**	2,452,022
Loans and advances to banks	17	**9,523,936**	9,677,881
Loans and advances to customers	18	**1,093,565**	1,059,934
Derivative financial instruments	20	**503,577**	449,790
Prepayments and accrued income		**52**	95
Current tax		**74**	-
Deferred tax asset	21	**366**	31
Other assets	22	**3,798**	2,906
Property, plant and equipment	23	**22**	38
Total assets		**13,869,509**	13,702,412
LIABILITIES			
Deposits from banks	24	**1,087,883**	643,371
Debt securities in issue	25	**8,861,958**	9,310,563
Repurchase agreements	26	**508,658**	290,114
Due to customers		**1,461,533**	1,604,386
Derivative financial instruments	20	**715,844**	603,067
Current tax		**-**	17
Deferred tax liability	21	**1,951**	3,273
Accruals and deferred income		**4,959**	5,763
Other liabilities	27	**967**	633
Provisions for liabilities and commitments	28	**79**	182
Total liabilities		**12,643,832**	12,461,369
EQUITY attributable to the equity holders of the parent company			
Share capital	29	**400,500**	400,500
Share premium	29	**1,025**	1,025
Available for sale reserves		**11,091**	22,694
Capital contribution reserves		**506,764**	506,764
Retained earnings		**306,297**	310,060
Total equity		**1,225,677**	1,241,043
Total liabilities and shareholders' funds		**13,869,509**	13,702,412

The notes on pages 17 to 70 are an integral part of these financial statements.

On behalf of the board

R. Barkley
Chairman

A. Plomp
Managing Director

J. Bowden
Director

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

20 February 2017

INTESA SANPAOLO BANK IRELAND plc

Statement of Changes in Equity for the year ended 31 December 2016

	Attributable to equity shareholders of the Company					
	Share capital €'000	Share premium €'000	Available for sale reserves €'000	Capital Contribution reserves €'000	Retained earnings €'000	Total €'000
1 January 2016	400,500	1,025	22,694	506,764	310,060	1,241,043
Profit for the financial year	-	-	-	-	66,237	66,237
Other comprehensive income	-	-	(11,603)	-	-	(11,603)
Total comprehensive income for the year	-	-	(11,603)	-	66,237	54,634
Equity dividends	-	-	-	-	(70,000)	(70,000)
31 December 2016	**400,500**	**1,025**	**11,091**	**506,764**	**306,297**	**1,225,697**
1 January 2015	400,500	1,025	21,846	506,764	296,636	1,226,771
Profit for the financial year	-	-	-	-	70,350	70,350
Other comprehensive income	-	-	848	-	-	848
Total comprehensive income for the year			848	-	70,350	71,198
Equity dividends	-	-	-	-	(56,926)	(56,926)
31 December 2015	**400,500**	**1,025**	**22,694**	**506,764**	**310,060**	**1,241,043**

Other reserves include a distributable capital contribution of €506,764,365 (2015: €506,764,365).

INTESA SANPAOLO BANK IRELAND plc

Statement of Cashflow for the year ended 31 December 2016

	Note	2016	2015
		€'000	€'000
Cash flows from operating activities			
Interest received		**286,059**	329,367
Dividend received		**7**	4
Fees and commission receipts		**1,130**	(2,472)
Fees and commission paid		**(9,656)**	(4,656)
Net trading and other receipts and payments		**16,346**	(985)
Interest paid		**(218,719)**	(244,659)
Cash payments to employees and suppliers		**(6,668)**	(5,045)
Recoveries on loans previously written off		**393**	-
Income taxes paid		**(9,547)**	(10,223)
Cash flows from operating activities before changes in operating assets and liabilities		**59,345**	61,331
Changes in operating assets and liabilities			
Net (increase) in cash and balances with central banks		**(1,678)**	(47,044)
Net decrease / (increase) in loans and advances to banks		**172,007**	(2,441,272)
Net (increase) / decrease in loans and advances to customers		**(33,494)**	511,251
Net increase / (decrease) in deposits from banks		**75,584**	(578,131)
Net (decrease) in amounts due to customers		**(140,348)**	(27,399)
Proceeds from repurchase agreements		**97,979**	290,000
Cash flows from changes in operating assets and liabilities		**170,050**	(2,292,595)
Net cash from operating activities		**229,395**	(2,231,264)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(8)**	(7)
Purchases of available for sale investments		**(1,168,028)**	(984,180)
Proceeds from sale of available for sale investments		**992,052**	1,509,843
Proceeds from sale of assets at fair value though profit or loss		**-**	47,352
Net cash used in / generated by investing activities		**(175,984)**	573,008
Cash flows used in financing activities			
Proceeds from debt securities in issue		**5,491,987**	7,373,690
Repayment of debt securities		**(5,887,284)**	(5,057,222)
Dividends paid		**(70,000)**	(56,926)
Net cash used in financing activities		**(465,297)**	2,259,542
Net (decrease) / increase in cash and cash equivalents		**(411,886)**	601,286
Cash and cash equivalents at beginning of year		**(90,632)**	(691,918)
Cash and cash equivalents at end of year	30	**(502,518)**	(90,632)

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, 2014 with the registration number 125216 and is regulated by the Central Bank of Ireland.

1.2. Basis of preparation and Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and with those parts of the Companies Acts, 2014 applicable to companies reporting under IFRS.

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

Key Estimates and Judgements

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

Going Concern

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

1.3. Segment reporting

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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

1.4. Interest income and expense

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

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

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

1.5. Fee and commission

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

1.6. Financial assets / financial liabilities

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

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

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

(b) Loans and receivables

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

(c) Available for sale financial assets

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

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

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

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

1.7. Offsetting financial instruments

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

1.8. Impairment of financial assets

(a) Assets carried at amortised cost

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

1.1. signicicant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

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

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

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

If there is no objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the internal credit rating) for the purpose of a collective evaluation of impairment. Collective Impairment is based on the Exposure at Default (EAD) after risk re-allocation and will be applied on the ultimate obligor subsequent to the introduction of mitigation such as Risk Participation Agreements or Guarantees received. 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. Specific Impairments are applied only on the residual Exposure at Default (EAD) after recourse to risk mitigation. The level of specific impairment is set by the specialised department of the Parent Company. Where there is a simultaneous default of the borrower and failure of recourse through risk mitigation, the level of specific impairment will be based on the full exposure.

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 of 1 and cyclicality factor of 0.67 for all counterparties

(b) Available for sale financial assets

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

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

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

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

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

(c) Provisions for liabilities and commitments

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

1.9. Derivative financial instruments and hedge accounting

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

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

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

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

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

In accordance with the Group Fair Value Policy, the Parent Company provides on a monthly basis a valuation component called “Bilateral Credit Value Adjustment bCVA.
It takes into account the counterparty risk premium related to the probability that the counterparties may not fulfil their obligations (e.g. in case of default). This component is the sum of two elements, named Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA):

CVA (which is negative) considers the scenarios where the Counterparty defaults before the Bank, and the Bank has a positive exposure towards the Counterparty. In these scenarios, the Bank incurs a loss equal to the replacement cost of the derivative;
DVA (which is positive) considers the scenarios where the Bank defaults before the Counterparty, and the Bank has a negative exposure towards the Counterparty. In these scenarios, the Bank makes a gain equal to the replacement cost of the derivative;

The bCVA depends on the probability of default, on the Loss Given Default of the counterparties and on the total exposure between the two counterparties.
The latter must be calculated taking into account any counterparty risk mitigation agreements, in particular collateral and netting agreements with each counterparty.

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

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

In line with Rules for Testing and Measuring the effectiveness of Interest Rate Risk Hedges (IAS39) published on 28.01.2016, the Company applies materiality thresholds and back-testing methodologies in its effectiveness testing processes.

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

In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately in the income statement. In 2015 the Bank did not have any instances of failures in relation to effectiveness testing.

1.10. Property, plant and equipment

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

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

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

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

1.11. Cash and cash equivalents

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

1.12. Foreign currency translation

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

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

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

exchange rates at the date when the fair value was determined.

1.13. Pension costs

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

1.14. Taxation

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

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

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

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

1.15. Borrowings

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

1.16. Guarantees

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

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

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

1.17. Repurchase / LTRO / MRO agreements

Securities sold under agreements to repurchase at a specified future date at a pre agreed price or form part of the Long Term Refinancing Operation / Main Refinancing Operation with the Central Bank of Ireland are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements", reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate. See Note 26.

1.18. New standards

Adoption of new and amendment of accounting standards

From 1 January 2016 the Company has adopted the following amendments to standards:

- Amendments to IFRS 10 Consolidated financial statements
  The standard is effective for annual periods beginning on or after 1 January 2016. It establishes a new control-based model for consolidation that replaces the existing requirements of both IAS 27 Separate financial statements and SIC 12 Consolidation – special purpose entities. The new standard does not have any impact on the financial position or performance of the Company.

- Amendments to IFRS 11 Accounting for acquisitions of interest in Joint Operations
  The standard is effective for annual periods beginning on or after 1 January 2016. It establishes principles for financial reporting by parties to a joint arrangement. The new standard does not have any impact on the financial position or performance of the Company.

- Amendments to IFRS 12 Disclosures of interests in other entities
  The standard is effective for annual periods beginning on or after 1 January 2016. It includes the disclosure requirements for all forms of interests in other entities. The new standard does not have any impact on the financial position or performance of the Company.

- Amendments to IAS 27 Separate financial statements
  The standard is effective for annual periods beginning on or after 1 January 2016. The standard was revised as a consequence of the introduction of IFRS 10, to relate only to separate financial statements. The revised standard does not have any impact on the financial position or performance of the Company.

- Amendments to IAS 28 Investments in associates and joint ventures
  The standard is effective for annual periods beginning on or after 1 January 2016. The standard was revised as a consequence of the introduction of IFRS 11, to include entities that qualify as joint ventures under that standard. The revised standard does not have any impact on the financial position or performance of the Company.

Prospective accounting changes to relevant accounting standards

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

	Effective date
• IFRS 16 Leases	1 January 2019

Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheets The revised standard does not have any impact on the financial position or performance of the Company.

	Effective date
• IFRS 9 - Financial Instruments	1 January 2018

The IASB completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 in July 2014. The improved standard includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement and carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.
Intesa Sanpaolo S.p.A has established an IFRS implementation working group which the company participates. The impact assessment phase is expected to be completed shortly.
In relation to Hedge Accounting the working group has decided to exercise the Opt-out option and to continue to apply IAS 39 for the management and accouting for hedging operations.
The standard becomes effective for annual periods beginning on or after 1 January 2018.

	Effective date
• IFRS 15 – Revenue from contracts with customers	1 January 2018

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15. The standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption.

2. Qualitative risk disclosures and Basel 2

Capital Management

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

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

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

The process of assessment of capital adequacy at the Company follows this “twin track” approach established by the Group: regulatory capital at risk against the total own funds of the bank for solvency purposes, and overall economic capital at risk for the purposes of the ICAAP (Internal 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 (regulatory & economic) identified within the Group Risk Appetite Framework are monitored on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets aggregate.

Regulatory Capital

[*]The Company is computing and monitoring regulatory capital adequacy in compliance with EU Capital Requirements Regulation 575/2013.

In relation to Credit and Counterparty Risk, the Bank, following notification to the Central Bank of Ireland applied an AIRB approach for the risk exposures related to corporate obligors (excluding non-bank financial institutions) starting from 31 March 2012 for regulatory purposes with a Standardised Approach used to calculate capital requirements for other obligors. With respect to Operational Risk, the Company adopted a Standardised Approach from January 2010.

*The Company maintains Total Capital Ratio in excess of requirements notified by the European Central Bank, as part of the Supervisory Review and Evaluation Process and as at 31 December 2016 the Total Capital Ratio was 18.15% (16.70% in December 2015).

[*] (Unaudited)

The table below discloses the own funds and regulatory capital requirements of the Company for 2016 and 2015 year-ends:

Regulatory Capital Information 2016 and 2015

	Eligible Own Funds 2016 €'000	**Capital Requirement 2016 €'000**	Eligible Own Funds 2015 €'000	Capital Requirement 2015 €'000
Equity	1,159,441		1,170,693	
Prudential filters and regulatory adjustments	(10,028)		(22,329)	
Core Tier 1	**1,149,412**	**554,435**	**1,148,364**	**688,487**
Total Tier 1	**1,149,412**	**554,435**	**1,148,364**	**688,487**
Collective provisions	853		1,583	
Prudential filters and regulatory adjustments	-		-	
Tier 2	853		1,583	
Total Capital	**1,150,265**	**554,435**	**1,149,948**	**688,487**

3. Quantitative risk disclosures

3.1. Credit Risk and Counterparty Credit Risk

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

The Company controls the levels of credit risk it is exposed to by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to also industry segments. Limits on the level of credit risk by industry sector are approved by the Company's Board of Directors, in compliance with local regulatory requirements.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Limits on the level of credit risk by borrower are assessed on the basis of a credit risk management model developed by the Group, including an internal rating system applied to all corporate clients, and are approved on an on-going basis by the Board of Directors. In the case of financial institutions and governments, the external credit rating assigned by an external credit assessment institution (ECAI) has been mapped onto the Group internal rating scale using the worse external rating when two are available, or the second worse when three are available.

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to €10.6 billion at the end of 2016 (€10.7 billion in 2015):

	2016 **€'000**	2015 €'000
Loans and advances to banks (as per Statement of Financial Position)	9,523,936	9,677,881
Loans and advances to customers (as per Statement of Financial Position)	1,093,565	1,059,934
	10,617,501	**10,737,815**

The Company has in place a Nominal Limit of €4 billion (€4 billion in 2015) equivalent for the purchase of bonds. Within the Company's approved Financial Portfolio Policy the investment in permissible bonds is subject to sub category limits as described therein.

The total exposure of the Company derived from bonds classified as Available for Sale and Carried at Fair Value through profit or loss shown in the following table, amounted up to €2.675 billion at the end of 2016 (€2.452 billion in 2015).

	2016 **€'000**	2015 €'000
Available for Sale Investments * (as per Statement of Financial Position)	2,675,210	2,452,022
	2,675,210	**2,452,022**

** AFS Investments in 2016 include € 128,000 of Equity Securities (2015: € 162,000)*

A breakdown of the Company's credit risk exposure relating to Loans and Receivables, Contingent Liabilities and Bonds at year-ends 2016 and 2015 **by activity sector** is provided in the tables below:

31 December 2016 **Sector of Risk**	**Loans/Receivables** **€'000**	**Contingent Liab.** **€'000**	**Bonds** **€'000**
Central Government	302,911	-	2,035,282
Credit Institutions	79,023	-	318,252
Electricity, Gas and Water Supply	263,861	70,000	-
Extra-Territorial Organisations and Bodies	-	-	160,189
Financial Intermediaries *(excluding Credit Institutions / Central Bank)*	42,191	13,672	97,289
Manufacturing	-	2,215	-
Transport, Storage and Communications	91,198	-	64,070
Wholesale / Retail Trade & Repair	-	33,204	-
Group	9,772,106	196,737	-
Cash Collateral	66,211	-	-
Grand Total	**10,617,501**	**315,828**	**2,675,082**

31 December 2015 **Sector of Risk**	**Loans/Receivables** **€'000**	**Contingent Liab.** **€'000**	**Bonds** **€'000**
Central Government	335,127	69,990	2,053,210
Credit Institutions	34,488	3,684	89,887
Electricity, Gas and Water Supply	268,111	57,846	-
Extra-Territorial Organisations and Bodies	-	-	198,358
Financial Intermediaries	157,553	10,181	86,526
(excluding Credit Institutions / Central Bank)			
Manufacturing	-	-	-
Transport, Storage and Communications	83,528	-	23,879
Wholesale / Retail Trade & Repair	5,077	37,460	-
Group	9,724,605	34,508	-
Cash Collateral	129,326	-	-
Grand Total	**10,737,815**	**213,669**	**2,451,860**

A breakdown of the Company's credit risk exposure relating to Loans and Receivables, Contingent Liabilities and Bonds at year-ends 2016 and 2015 **by credit rating (**Fitch, Moodys and S&P are the external agencies used to compute and the External Rating Proxy is S&P) is provided in the tables below:

31 December 2016 Internal Rating	**External Rating**	**Loans/Receivables €'000**	**Contingent Liab. €'000**	**Bonds €'000**
I.1.A	AAA	152,497	-	308,536
I.1.B	AA+	-	-	146,378
I.1.C	AA	-	-	331,015
I.1.D	AA-	-	-	157,114
I.1.E	A+	1,990	-	-
I.1.F	A	-	-	57,252
I2	A-	214,451	2,215	-
I3	BBB+	-	70,000	-
I4	BBB+	9,751,178	96,737	124,288
I5	BBB	50,911	100,000	1,550,499
I6	BBB-	30,021	33,204	-
M1	BB+	306,052	13,672	-
M2	BB+	44,190	-	-
Cash Collateral		66,211	-	-
Grand Total		**10,617,501**	**315,828**	**2,675,082**

31 December 2015 Internal Rating	**External Rating**	**Loans/Receivables €'000**	**Contingent Liab. €'000**	**Bonds €'000**
I.1.A	AAA	166,868	10,400	295,916
I.1.B	AA+	-	-	34,976
I.1.C	AA	-	-	368,233
I.1.E	A+	2,000	-	-
I2	A-	169,449	69,990	56,499
I3	BBB+	28,636	-	-
I4	BBB+	9,680,929	92,354	111,509
I5	BBB	199,025	-	1,569,047
I6	BBB-	35,087	27,060	-
M1	BB+	325,187	10,181	-
M2	BB+	1,309	3,684	15,680
Cash Collateral		129,326	-	-
Grand Total		**10,737,815**	**213,669**	**2,451,860**

A breakdown of the Company's credit risk exposure relating to Loans and Receivables, Contingent Liabilities and Bonds at year-ends 2016 and 2015 **by country risk** is provided in the tables below:

31 December 2016 Country of Risk	**Loans/Receivables €'000**	**Contingent Liab. €'000**	**Bonds €'000**
Austria	-	-	23,714
Belgium	-	-	121,485
Bermuda	-	33,204	-
Canada	-	-	77,268
Denmark	-	-	9,977
France	-	-	287,625
Germany	152,497	-	-
Hungary	30,021	-	-
Ireland	102,194	85,887	139,246
Italy	9,980,349	96,737	1,618,786
Luxembourg	-	-	20,007
Netherlands	-	-	34,829
Norway	-	-	31,726
Romania	15,449	-	-
Russian Federation	265,481	-	-
Slovenia	20,893	100,000	-
Spain	-	-	124,288
Supranational	-	-	160,189
United Kingdom	50,617	-	25,941
Grand Total	**10,617,501**	**315,828**	**2,675,082**

31 December 2015 Country of Risk	**Loans/Receivables €'000**	**Contingent Liab. €'000**	**Bonds €'000**
Austria	-	-	23,879
Belgium	-	-	140,339
Bermuda	5,077	27,060	-
France	-	-	235,532
Germany	166,868	-	-
Hungary	30,010	-	-
Ireland	199,683	68,028	56,499
Italy	9,878,863	104,497	1,584,726
Netherlands	-	-	48,217
Romania	17,332	-	-
Russian Federation	257,279	3,684	-
Slovenia	25,807	-	-
Spain	-	-	111,509
Supranational	-	-	198,358
United Kingdom	156,896	10,400	52,801
Grand Total	**10,737,815**	**213,669**	**2,451,860**

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

	2016 Net exposure €'000	**2016** % break-down	2015 Net exposure €'000	2015 % break-down	**Change net exposure €'000**
Doubtful Loans	-	-	5,613	0.05	(5,613
Substandard Loans	-	-	-	-	-
Past Due Loans	-	-	-	-	-
Non-Performing Loans	**-**	**-**	**5,613**	**0.05**	**(5,613)**
Performing Loans	10,617,501	100.00	10,732,202	99.95	(114,701)
Loans and Advances to Banks and Customers	**10,617,501**	**100.00**	**10,737,815**	**100.00**	**120,314**

	2016 Gross exposure €'000	**2016** Impairment provisions €'000	**2016** Net exposure €'000	2015 Gross exposure €'000	2015 Impairment provisions €'000	2015 Net exposure €'000
Doubtful Loans	226	(226)	-	5,839	(226)	5,613
Substandard Loans	-	-	-	-	-	-
Past Due Loans	-	-	-	-	-	-
Non-Performing Loans	**226**	**(226)**	**-**	**5,839**	**(226)**	**5,613**
Performing Loans	10,619,714	(2,213)	10,617,501	10,734,742	(2,540)	10,732,202
Loans and Advances to Banks and Customers	**10,619,940**	**(2,439)**	**10,617,501**	**10,740,581**	**(2,766)**	**10,737,815**

Non-performing loans decreased last year both on a gross and net exposure basis, with a net exposure representing 0.00% of the total loans and advances to banks and customers in December 2016 (0.05% in December 2015).

Gross exposure relating to doubtful loans decreased in 2016 amounting to €0.23 million at year-end (€5.84 million at 31 December 2015). Individual impairment losses on these exposures covered 100% (2015:100%) of the exposures that are not guaranteed either by Government or by Group Entities at year-end 2016. Provisions are considered in line with market-driven recovery expectations. Net exposure to doubtful loans accounted for 0.00% of total loans and advances to banks and customers in December 2016 (0.05% in December 2015).

There is currently no exposure to past due loans in December 2016 (2015: Nil).

There is currently no exposure to substandard loans (2015: Nil).

Credit Spread Risk

The bond portfolio's fair value is subject to the volatility of credit spreads associated with each issuer, representative of both specific credit risk as well as systemic credit market conditions. The impact of the sensitivity of the portfolio to credit spread volatility will vary in accordance with the accounting classification of each bond and the relevant accounting principles. The table below provides estimates of the impact of a parallel upward shift of 25 basis points of individual credit spread curves on the revaluation of equity ("AFS Securities") of the Company in 2016.

Price Sensitivity Analysis as at 31 December 2016 of AFS Securities to Credit Spread Volatility

	Profit & Loss €'000	**Other Comprehensive Income and Equity €'000**
AFS Securities	-	(26,929)
Total	**-**	**(26,929)**

Price Sensitivity Analysis as at 31 December 2015 AFS Securities to Credit Spread Volatility

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
AFS Securities	-	(19,966)
Total	-	(19,966)

Use of Credit Risk Mitigants:

At year-end 2016, of the total amount of cash loans and advances (excluding intra-Group transactions) of €1.242 billion (2015: €1.192 billion), €0.871 billion (2015: €0.733 billion) (representing 70.15% (2015: 61.50%)) had a credit risk mitigation either through Risk Participation Agreements or Cash Collateral. Group guarantees amounted to €0.474 billion (2015: €0.307 billion).

Collateral Management:

An amount of €651.76 million of risk exposure was partially or fully covered by collateral at year-end 2016 (2015: €596.86 million), with an adjusted fair value of such collateral estimated at €653.18 million at 31 December 2016 (2015: €602.24 million). The collateral related to derivative exposure of €492.36 million (2015: €436.73 million) and loan and advances of €159.41 million (2015: €160.13 million).

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

In case of the default of an obligor (as defined in the terms and conditions of the contractual agreement linking the obligor to the Company), the Company will exercise its rights.

Offsetting financial assets and financial liabilities

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

31 December 2016

€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Derivatives	500,549	(8,193)	492,356	-	490,119	2,237

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

31 December 2016

€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral pledged	Net amount
Derivatives	600,372	(3,028)	597,344	-	596,100	1,244
Repurchase agreements	508,658	-	508,658	508,658	-	-

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

31 December 2015

€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Derivatives	449,790	(13,054)	436,736	-	436,736	-

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

31 December 2015

€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral pledged	Net amount
Derivatives	498,358	-	498,358	-	485,156	13,202
Repurchase agreements	290,114	-	290,114	290,114	-	-

Credit Concentrations Monitoring:

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

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

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

The Company has set the following limits:

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

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

Credit Risk Exposure related to derivatives

The Company had entered into stand-alone derivative transactions for a total notional of €5.82 billion at the end of 2016 (2015: €3.53 billion), of which €3.37 billion were classified as hedging derivatives with application of hedge accounting rules (2015: €3.45 billion). The increase is reflective of an increase in our macro swap activity to manage interest rate risk as detailed in following paragraph.

The remainder €2.45 bn (2015: €75 m) are used to mitigate interest rate risk, including asset and liability maturity mismatches, and foreign exchange risk generated by mismatches between the respective currencies of assets and liabilities. This increase is a result of the lengthening maturity of our ECP issuance (circa 1 year) which we have swapped into 3 / 6 month to ensure that it is consistent with our Asset re-fixing profile.

At the end of 2016, 82.09% of the derivatives involving the Company were dealt with another entity of the Group (2015: 73.86%). Cash Collateral received for derivatives amounted to €493.77 million (2015: €442.11 million). The Company computes a non-material amount for bilateral credit and debit risk adjustment (CVA / DVA) as 100% of all derivatives are covered through specific CSA contracts with Group and Non-Group counterparties.

3.2. Liquidity Risk

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

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

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

- defining the liquidity risk on the basis of mismatches between maturing or readily realisable assets and maturing liabilities for each time band (liquidity gap), amounts are deemed to include accrued interest;
- defining "target liquidity ratios" for the on-demand to 8 days and the 9 days – 1 month periods. Furthermore "attention thresholds" are defined on the liquidity gap for the 1-3 month, 3-6 month, 6-12 month, 1-2 years and more than 2 years periods. The target liquidity ratios and the attention thresholds are defined as the ratio of inflows to outflows in a given time period. The value of the first target liquidity ratio must remain above 1.0, while the value of the second target liquidity ratio, computed on a cumulative basis (including net inflows or outflows from the previous time band), must remain above 0.9. Attention thresholds are monitored for information purposes;
- defining rules for maintaining a minimum of liquid assets to cover very short-term liquidity risk, to be refinanced through borrowings;
- Defining rules for new regulatory reporting requirement, such as the Liquidity Coverage Ratio and the Net Stable Funding Ratio (NSFR, implementation in 2018).

[*]Historical statistics on liquidity ratios (standard case) for 2016 and 2015

	2016		2015	
	0-8 days	9d – 1m	0-8 days	9d – 1m
	%	%	%	%
Minimum	105.2	91.2	130.6	105.5
Maximum	487.0	1,529.9	1,065.0	1,314.0
Average	200.1	289.1	293.8	312.3

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.

[*] (Unaudited)

The following tables show the liquidity risk exposure of the Company for the year ended 2016 and 2015 using the IFRS 7 application guidance and assuming that all undrawn loan commitments are included in the time band containing the earliest date they can be drawn (0-8 days).

31-Dec-2016 €'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	**1,465,250**	-	-	-	-	-	-
Cash	15,082	-	-	-	-	-	-
Lending to MFI's	45,000	-	-	-	-	-	-
Securities other than shares issued by MFI's	315,077	-	-	-	-	-	-
Central Government Securities	979,940	-	-	-	-	-	-
Securities other than shares issued by non MFI's	56,220	-	-	-	-	-	-
Accrued Interest	1,817	-	-	-	-	-	-
Minimum Reserve Balance	52,114	-	-	-	-	-	-
Less Deposit Protection Account	0	-	-	-	-	-	-
Monetary Financial Institutions	**-**	**1,128,624**	**510,563**	**251,582**	**3,461,872**	**913,399**	**4,024,414**
- Affiliates	-	1,078,615	510,513	244,247	3,454,485	900,081	3,956,248
- Other Credit Institutions - Non Irish	-	-	-	7,300	7,356	13,112	68,058
- Other Credit Institutions - Irish	-	50,000	-	-	-	-	-
- All other Monetary Financial Institutions	-	9	10	-	-	-	-
- Sale of Securities or Investments in MFIs	-	-	40	36	32	207	107
ECB and Other Central Banks	-	-	-	-	-	-	-
Central Government	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- From investments	-	-	-	-	-	-	-
- From Lending Operations	-	-	-	-	-	-	-
Non Government Credit	**46**	**6,302**	**75,352**	**166,413**	**129,695**	**281,473**	**693,108**
- Overdrafts	-	-	1,901	-	-	-	-
- Term Loans	46	6,302	73,451	166,413	129,695	281,473	693,108
Sale and Repurchase Agreements	-	**114,682**	-	-	-	-	**691,593**
-Affiliated Credit Institutions	**-**	114,682	**-**	**-**	**-**	**-**	**-**
- Other Credit Institutions	-	-	-	-	-	-	291,278
- ECB	-	-	-	-	-	-	400,315
Fee Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**150,000**	**24,200**	**45,044**	**6,376**	**19,156**	**34,549**	**934,722**
- Swap	150,000	24,200	45,044	6,376	19,156	34,549	934,722
Total Inflows	**1,615,296**	**1,273,807**	**630,959**	**424,371**	**3,610,723**	**1,229,422**	**6,343,837**
OUTFLOWS							
Monetary Financial Institutions	**524,262**	**22,443**	**28,998**	**137,241**	**24,953**	**117,371**	**2,248,988**
- Affiliates	474,258	-	584	100,073	657	197	100
- Other Credit Institutions - non Irish	-	6,648	-	3,501	585	10,585	488,360
- Other Credit Institutions - Irish	50,003	7	-	-	-	-	-
- All other Monetary Financial Institutions	-	15,788	28,414	33,668	23,711	106,589	1,760,529
Debt Securities Issued	**51,663**	**1,376,745**	**1,764,849**	**1,107,679**	**2,543,481**	**1,655,373**	**504,509**
ECB and Other Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-Government Deposits	**3,444**	**-**	**-**	**-**	**-**	**-**	**-**
- Current Accounts	3,444	-	-	-	-	-	-
- Demand Deposit Accounts	-	**-**	**-**	**-**	**-**	**-**	**-**
Sale and Repurchase Agreements	**-**	**120,418**	**-**	**-**	**-**	**365,516**	**23,000**
- Affiliated Credit Institutions	**-**	120,418	**-**	**-**	**-**	**-**	**-**
- ECB	-	-	-	-	-	365,516	23,000
Fees Payable	**88**	**290**	**744**	**1,159**	**2,306**	**4,600**	**-**
Other Costs	**92**	**304**	**779**	**1,214**	**2,416**	**4,818**	**-**
Undrawn Committed Facilities Granted	**215,233**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**151,032**	**23,505**	**62,325**	**16,265**	**43,530**	**76,610**	**1,048,699**
- Swap	151,032	23,505	62,325	16,265	43,530	76,610	1,048,699
Total Outflows	**945,815**	**1,543,705**	**1,857,694**	**1,263,559**	**2,616,686**	**2,224,288**	**3,825,196**
Net Position in the Period	669,481	-269,898	-1,226,735	-839,187	994,037	-994,865	2,518,641
Net Cumulative Inflow/Outflow	669,481	399,583	-827,152	-1,666,339	-672,302	-1,667,167	851,474
Liquidity Ratio (%)	170.8	125.9	55.5	20.3	84.3	42.4	115.5

31-Dec-2015 €'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	**1,419,547**	-	-	-	-	-	-
Cash	987	-	-	-	-	-	-
Lending to MFI's	-	-	-	-	-	-	-
Securities other than shares issued by MFI's	61,245	-	-	-	-	-	-
Central Government Securities	1,308,433	-	-	-	-	-	-
Securities other than shares issued by non MFI's	-	-	-	-	-	-	-
Accrued Interest	1,867	-	-	-	-	-	-
Minimum Reserve Balance	50,443	-	-	-	-	-	-
Less Deposit Protection Account	3,428	-	-	-	-	-	-
Monetary Financial Institutions	**871**	**68,638**	**524,888**	**582,816**	**1,460,027**	**3,715,910**	**4,375,083**
- Affiliates	871	10,916	524,880	576,906	1,454,140	3,701,708	4,283,530
- Other Credit Institutions - Non Irish	-	-	-	5,901	5,886	14,066	91,530
- Other Credit Institutions - Irish	-	-	-	-	-	-	-
- All other Monetary Financial Institutions	-	-	-	-	-	-	-
- Sale of Securities or Investments in MFIs	-	57,723	8	9	1	135	24
Central Government	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- From investments	-	-	-	-	-	-	-
Non-Government Credit	**47**	**108,178**	**122,724**	**59,433**	**91,329**	**196,796**	**744,477**
- Overdrafts	-	-	1,901	-	-	-	-
- Term Loans	47	108,178	120,823	59,433	91,329	196,796	744,477
Sale and Repurchase Agreements	**-**	**-**	**-**	**-**	**-**	**-**	**583,826**
- Other Credit Institutions	-	-	-	-	-	-	289,568
- ECB	-	-	-	-	-	-	294,258
Fee Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**365,822**	**79,988**	**43,477**	**31,701**	**22,316**	**37,835**	**1,001,467**
- Swap	365,822	79,988	43,477	31,701	22,316	37,835	1,001,467
Total Inflows	**1,786,287**	**256,804**	**691,089**	**673,950**	**1,573,672**	**3,950,541**	**6,704,854**
OUTFLOWS							
Monetary Financial Institutions	**88,723**	**108,869**	**23,629**	**27,735**	**25,459**	**84,619**	**2,585,525**
- Affiliates	88,723	83,642	2,022	8	518	1,230	20
- Other Credit Institutions - non Irish	-	9,191	4,000	3,500	587	585	452,045
- All other Monetary Financial Institutions	-	16,036	17,606	24,226	24,355	82,804	2,133,460
Debt Securities Issued	**1,682**	**229,472**	**1,133,102**	**3,515,724**	**2,012,060**	**1,512,419**	**1,143,674**
Non-Government Deposits	**1,034**	**-**	**-**	**-**	**-**	**-**	**-**
- Current Accounts	943	-	-	-	-	-	-
- Demand Deposit Accounts	91	-	-	-	-	-	-
Sale and Repurchase Agreements	**-**	**-**	**-**	**-**	**-**	**-**	**290,516**
- ECB	-	-	-	-	-	-	290,516
Fees Payable	**88**	**290**	**756**	**1,147**	**2,319**	**4,600**	**-**
Other Costs	**92**	**304**	**792**	**1,201**	**2,429**	**4,818**	**-**
Undrawn Committed Facilities Granted	**182,863**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative and OBS Activity	**367,411**	**78,780**	**56,080**	**38,104**	**50,048**	**71,324**	**1,070,907**
- Swap	367,411	78,780	56,080	38,104	50,048	71,324	1,070,907
Total Outflows	**641,893**	**417,714**	**1,214,359**	**3,583,910**	**2,092,315**	**1,677,780**	**5,090,622**
Net Position in the Period	1,144,394	-160,910	-523,270	-2,909,960	-518,643	2,272,761	1,614,232
Net Cumulative Inflow/Outflow	1,144,394	983,484	460,213	-2,449,747	-2,968,390	-695,629	918,603
Liquidity Ratio (%)	278.3	335.4	137.9	31.6	34.6	85.0	115.9

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 fixed rate assets and liabilities with a maturity exceeding one year into floating rate, and to re-align the interest rate profile of its assets with that of the corresponding funding.

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

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

As at 31 December 2016, the Company's overall interest rate sensitivity (which is the total interest rate sensitivity of all the assets and Liabilities of the Company) on all balance sheet financial non-derivative assets, liabilities and derivatives amounted to €48 thousand (2015: €4.434 million), within the limit approved by the Board of Directors of +/- €16 million.

Historical Interest Rate Sensitivity Review
01/01/2016 to 31/12/2016

100 bps Shift Sensitivity	**€'000**
Average	2,591
High	6,709
Low	(1,925)

Historical Interest Rate Sensitivity Review
01/01/2015 to 31/12/2015

100 bps Shift Sensitivity	€'000
Average	755
High	8,692
Low	(12,980)

Whereas the above sensitivity measure on the recognised non-derivative financial assets and liabilities and derivatives of the Company provides information as to the potential future impact which a parallel upward shift of 100 basis points of interest rate curves would have on the interest margin of the Company, the financial impact of the sensitivity to interest rate risk of instruments will vary in accordance with their accounting classification and the relevant accounting principles. The following tables provide estimates of the impact of a parallel upward shift of 100 basis points of interest rate curves on the revaluation of instruments classified at fair value through profit or loss or other comprehensive income and equity of the Company in 2016 and in 2015.

Interest Rate Sensitivity Analysis as at 31 December 2016
Instruments classified at Fair Value through Profit or Loss or Equity

	Profit & Loss €'000	**Other Comprehensive Income and Equity €'000**
AFS Securities	-	(3,300)
Hedged Assets and Liabilities	(4,191)	-
Trading Derivatives	7,922	-
Total	**3,731**	**(3,300)**

Interest Rate Sensitivity Analysis as at 31 December 2015
Instruments classified at Fair Value through Profit or Loss or Equity

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
AFS Securities	-	(2,868)
Hedged Assets and Liabilities	(4,092)	-
Trading Derivatives	287	-
Total	**(3,805)**	**(2,868)**

The management of the Company monitors daily the concentration of interest rate risk in the banking book on a time bucket and currency basis. The interest rate risk sensitivity of the Company at year-ends 2016 and 2015, by currency, is shown in the following tables:

Sensitivity as at 31 December 2016
(100 basis points shift)

Currency	**2016 €'000**	2015 €'000
EUR	**1,610**	5,726
USD	**(1,556)**	(1,293)
Other	**(6)**	1
Total	**48**	4,434

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

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

Total Position at Year-end	**2016 €'000**	2015 €'000
Long Foreign Currency:	**299**	1,355
Short Foreign Currency:	**446**	-

Average Position during the Year	**2016 €'000**	2015 €'000
Average Long Foreign Currency:	**1,064**	804
Average Short Foreign Currency:	**33**	29

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

4. Statement of financial position by accounting class

The table below summarizes the analyses of the various classes of financial assets and liabilities by IAS 39 measurement category for 2016.

	Loans and receivables/ Amortised cost liabilities	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	* Other	Total
As at 31 December 2016	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	68,909	-	-	-	-	-	68,909
Available for sale investments	-	-	-	-	2,675,210	-	2,675,210
Loans and advances to banks	9,523,936	-	-	-	-	-	9,523,936
Loans and advances to customers	1,093,565	-	-	-	-	-	1,093,565
Derivative financial instruments	-	500,549	-	3,028	-	-	503,577
Prepayment and accrued income	52	-	-	-	-	-	52
Current tax	-	-	-	-	-	74	74
Deferred tax	-	-	-	-	-	366	366
Other assets	3,798	-	-	-	-	-	3,798
Property, plant and equipment	-	-	-	-	-	22	22
Total assets	**10,690,260**	**500,549**	**-**	**3,028**	**2,675,210**	**462**	**13,869,509**
Liabilities							
Deposits from banks	1,087,883	-	-	-	-	-	1,087,883
Debt securities in issue	8,861,958	-	-	-	-	-	8,861,958
Repurchase agreements	508,658	-	-	-	-	-	508,658
Due to customers	1,461,533	-	-	-	-	-	1,461,533
Derivative financial instruments	-	505,553	-	210,291	-	-	715,844
Deferred tax liability	-	-	-	-	-	1,951	1,951
Accruals and deferred income	4,959	-	-	-	-	-	4,959
Other liabilities	967	-	-	-	-	-	967
Provisions for liabilities and commitments	79	-	-	-	-	-	79
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	-	11,091	11,091
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	306,297	306,297
Total liabilities and shareholders' funds	**11,926,037**	**505,553**	**-**	**210,291**	**-**	**1,227,628**	**13,869,509**

*Other includes non-financial items and equity instruments

The table below summarizes the analyses of various classes of financial assets and liabilities by IAS 39 measurement category for 2015.

	Loans and receivables/ Amortised cost liabilities	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	* Other	Total
As at 31 December 2015	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	59,715	-	-	-	-	-	59,715
Available for sale investments	-	-	-	-	2,452,022	-	2,452,022
Loans and advances to banks	9,677,881	-	-	-	-	-	9,677,881
Loans and advances to customers	1,059,934	-	-	-	-	-	1,059,934
Derivative financial instruments	-	449,790	-	-	-	-	449,790
Prepayment and accrued income	95	-	-	-	-	-	95
Deferred tax	-	-	-	-	-	31	31
Other assets	2,906	-	-	-	-	-	2,906
Property, plant and equipment	-	-	-	-	-	38	38
Total assets	**10,800,531**	**449,790**	**-**	**-**	**2,452,022**	**69**	**13,702,412**
Liabilities							
Deposits from banks	643,371	-	-	-	-	-	643,371
Debt securities in issue	9,310,563	-	-	-	-	-	9,310,563
Repurchase agreements	290,114	-	-	-	-	-	290,114
Due to customers	1,604,386	-	-	-	-	-	1,604,386
Derivative financial instruments	-	453,477	-	149,590	-	-	603,067
Current tax	-	-	-	-	-	17	17
Deferred tax liability	-	-	-	-	-	3,273	3,273
Accruals and deferred income	5,763	-	-	-	-	-	5,763
Other liabilities	633	-	-	-	-	-	633
Provisions for liabilities and commitments	182	-	-	-	-	-	182
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Available for sale reserves	-	-	-	-	-	22,694	22,694
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	310,060	310,060
Total liabilities and shareholders' funds	**11,855,012**	**453,477**	**-**	**149,590**	**-**	**1,244,333**	**13,702,412**

*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, which are reviewed by management, are therefore used by the Company for the relevant instruments.

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

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

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

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

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

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

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

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

	2016						
	Level 1		**Level 2**		**Level 3**		**Total**
	€'000	**%**	**€'000**	**%**	**€'000**	**%**	
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	-	-	-	-	-	-	-
Available for Sale financial Assets							
- Debt instruments	2,675,082	100.0	-	-	-	-	2,675,082
- Equity instruments	128	0.00	-	-	-	-	128
Total Financial Assets	**2,675,210**	**100.0**	**-**	**-**	**-**	**-**	**2,675,210**

	2015						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Financial Assets designated at Fair Value through Profit or Loss							
- Debt instruments	-	-	-	-	-	-	-
Available for Sale financial Assets							
- Debt instruments	2,451,860	100.0	-	-	-	-	2,451,860
- Equity instruments	162	0.00	-	-	-	-	162
Total Financial Assets	**2,452,022**	**100.0**	**-**	**-**	**-**	**-**	**2,452,022**

2016/2015

The level 2 assets were not actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs.There has been no movement in level 3 instruments other than fair value.

	2016						
	Level 1		**Level 2**		**Level 3**		**Total**
	€'000	**%**	**€'000**	**%**	**€'000**	**%**	
Derivatives Assets							
-Trading	-	-	433,303	100.0	67,245	100.0	500,549
-Hedging	-	-	-	-	-	-	-
Total	-		**433,303**	**100.0**	**67,245**	**100.0**	**500,549**
Derivatives Liabilities							
-Trading	-	-	438,308	67.6	67,245	100.0	505,553
-Hedging	-	-	210,291	32.4	-	-	210,291
Total	**-**	**-**	**648,599**	**100.0**	**67,245**	**100.0**	**715,844**

	2015						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Derivatives Assets							449,790
-Trading	-	-	385,223	100.0	64,567	100.0	-
-Hedging	-	-	-	-	-	-	**449,790**
Total	-	-	**385,223**	**100.0**	**64,567**	**100.0**	
Derivatives Liabilities							
-Trading	-	-	388,910	72.2	64,567	100.0	453,477
-Hedging	-	-	149,590	27.8	-	-	149,590
Total	-	-	**538,500**	**100.0**	**64,567**	**100.0**	**603,067**

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

Set out below is a comparison of carrying values and fair values of the financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value) held as at 31 December 2016 and at 31 December 2015.

	Level 1	Level 2	Level 3	**31-Dec-16 Fair value €'000**	**31-Dec-16 Carrying value €'000**
Assets					
Cash and balances at central banks	-	68,909	-	68,909	68,909
Loans and advances to banks	-	5,614,340	4,313,765	9,928,105	9,523,936
Loans and advances to customers	-	1,021,697	105,009	1,126,706	1,093,565
Liabilities					
Deposits by banks	-	574,204	513,680	1,087,884	1,087,884
Due to customers	-	26,731	1,768,018	1,794,749	1,461,533
Debt securities in issue	499,637	5,973,729	2,433,044	8,906,409	8,861,958
Repurchase agreements	-	120,397	385,288	505,686	508,658

	Level 1	Level 2	Level 3	31-Dec-15 Fair value €'000	31-Dec-15 Carrying value €'000
Assets					
Cash and balances at central banks	-	59,715	-	59,715	59,715
Loans and advances to banks	-	8,103,221	2,056,679	10,159,900	9,677,881
Loans and advances to customers	-	1,035,695	45,249	1,080,945	1,059,934
Liabilities					
Deposits by banks	-	227,192	417,503	644,696	643,371
Due to customers	-	22,537	1,957,370	1,979,907	1,604,386
Debt securities in issue	499,399	6,263,570	2,591,978	9,354,946	9,310,563
Repurchase agreements	-	-	285,207	285,207	290,114

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

The valuations are reviewed by the Risk Control Unit of the Company to ensure the results are in compliance with management expectations. The performance and impact on the accounts resulting from changes in valuations is reviewed by the Board of Directors on a quarterly basis.

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

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

6. Segmental Analysis

The Company has one reporting segment, the provision of banking products and services carried out from Ireland. Geographic concentrations are reported in Note 34. There are no non-Group customers with revenue exceeding 10% of the total revenue of the Company.

7. Net interest income

	2016	2015
	€'000	€'000
Interest and similar income		
Cash and short term funds	2,433	918
Available for sale debt securities	50,490	54,568
Financial assets at fair value through profit or loss	-	841
Loans and advances *	186,109	216,225
Repurchase agreements	244	72
Debt securities in issue	293	104
	239,569	272,728

* Interest income includes €Nil (2015: €Nil) accrued on impaired loans.

	2016	2015
	€'000	€'000
Interest expense and similar charges		
Banks and customers	73,022	73,574
Debt securities in issue	44,730	69,533
Repurchase agreements	148	120
Net swap interest expense	50,053	48,378
Net expense on fair value option trading derivatives	-	769
	167,953	192,374

8. Fees and commission income and expense

	2016	2015
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	1,828	1,243
Other fees	64	99
	1,892	1,342
Fee and commission expense		
Credit related fees and commissions	9,082	7,883
Brokerage fees paid	9	-
Other fees paid	61	53
	9,152	7,936

9. Net trading expense

	2016	2015
	€'000	€'000
Mark-to-market gains / (losses):		
- Derivatives	**1,007**	7,335
- Net result hedge accounting ***	**167**	64
Net realised gain on available for sale debt securities	**12,436**	2,665
Net realised loss on financial instruments designated at Fair Fair Value through profit and loss	**-**	(387)
Net realised loss on debt securities	**3,549**	2,927
	17,159	12,604

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

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

2016 - Net results of hedge accounting

	Loans and Receivables	Available for Sale	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains / (losses) on Hedged asset / liability	(7,364)	107,695	1,092	101,423
Net gains / (losses) on Fair value of hedging Derivatives	7,396	(107,849)	(803)	(101,256)
	32	**(154)**	**289**	**167**

2015 - Net results of hedge accounting

	Loans and Receivables	Available for Sale	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains / (losses) on Hedged asset / liability	(12,290)	29,433	719	17,862
Net gains / (losses) on Fair value of hedging Derivatives	12,394	(29,346)	(846)	(17,798)
	104	**87**	**(127)**	**64**

10. Employee numbers

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

	Number of employees	
	2016	2015
Administration	**27**	25

11. Administrative expenses

	2016	2015
	€'000	€'000
Staff costs		
- wages and salaries	**2,001**	**1,751**
- social welfare costs	**187**	**183**
- pension costs	**367**	**291**
- other personnel expenses	**6**	**6**
	2,561	**2,231**
Other administrative expenses	**4,052**	**2,748**
	6,613	**4,979**

12. Profit before taxation

		2016	2015
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and equipment		**24**	35
Auditors' remuneration *(excluding VAT):*			
Audit services	Statutory audit	**65**	64
	Other services	**25**	22
		90	86
Directors' remuneration:			
Executive		**256**	256
Non-executive		**124**	94
		380	350

13. Income tax expense

	2016 €'000	2015 €'000
Corporation tax charge 12.5% (2015:12.5%) on the profit for the year on ordinary activities	**9,455**	10,013
Current tax charge for the year	**9,455**	10,013
Under / (Over) provision in prior year	**1**	(265)
	9,456	9,748
Deferred Tax		
Adjustment for prior years	**-**	-
Total current Tax	**9,456**	9,748

The current tax charge for the year is higher (2015: lower) than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The difference is explained below:

	2016 €'000	2015 €'000
Profit on ordinary activities before tax	**80,098**	80,098
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for year of 12.5% (2015:12.5%)	**9,455**	10,013
Effects of:		
Adjustments to tax charge in respect of previous periods	**1**	(265)
Deferred tax charge in respect of previous years	**-**	-
Current tax charge for the year	**9,456**	9,748

14. Dividends paid and proposed

	2016 €'000	2015 €'000
Declared and paid during the year		
Declared on ordinary shares:		
Final dividend for 2015: 17.48 cent per share (2014: 14.21 cent per share)	**70,000**	56,926
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Dividend on ordinary shares:		
Final dividend for 2016: 16.48 cent per share (2015:17.48 cent per share)	**66,000**	70,000

15. Cash and balances with central banks

	2016	2015
	€'000	€'000
Mandatory reserve deposits with central bank	**52,114**	**50,438**
Other cash balances	**16,795**	**9,343**
Less allowances for losses	**-**	**(66)**
	68,909	**59,715**

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

Of which included in cash and cash equivalents (Note 30) €17 million (2015: €9 million).

16. Available for sale debt investments

	2016	2015
Debt securities	**€'000**	€'000
Issued by public bodies		
- government securities	**2,086,921**	2,105,288
Issued by other issuers		
- banks	**524,091**	322,693
- other debt securities	**64,070**	23,879
	2,675,082	2,451,860
Of which:		
- listed on a recognised exchange	**2,675,082**	2,451,860
Equity Securities		
Equity Securities – Other	**128**	162
	128	162
	2,675,210	2,452,022

17. Loans and advances to banks

	2016	2015
	€'000	€'000
Placement with other banks	**9,523,987**	9,677,927
Gross loans and advances	**9,523,987**	9,677,927
Less allowances for losses	**(51)**	(46)
	9,523,936	9,677,881

Of which included in cash and cash equivalents (Note 30) €75 million (2015: €5 million).

18. Loans and advances to customers

	2016	2015
	€'000	€'000
Loans to corporate entities	**1,095,953**	1,062,654
- Syndicated and bilateral loans		
Gross loans and advances	**1,095,953**	1,062,654
Less allowances for losses	**(2,388)**	(2,720)
	1,093,565	1,059,934

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

	2016	2015
	€'000	€'000
Balance at beginning of year	**2,832**	1,728
Charge to income statement	**835**	1,446
Released to income statement	**(1,255)**	(442)
Translation adjustment	**27**	100
Balance at end of year	**2,439**	2,832

The net release of the provision for impairment of loans and receivabes of €420,000 (2015: charge €1,004,000) is comprosed of a release to the income statement of €1,255,000 (2015: €442,000) and a charge of €835,000 (2015: €1,446,000) and a credit of 392,000 (2015: Nil) in relation to loans previously written off.

Amounts include:

	2016	2015
	€'000	€'000
Cash and balances with central bank (Note 15)	**-**	66
Loans and advances to banks (Note 17)	**51**	46
Loans and advances to customers (Note 18)	**2,388**	2,720
Balance at end of year	**2,439**	2,832

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

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

	2016	**2016**	**2016**
	Individual	**Collective**	**Total**
	€'000	**€'000**	**€'000**
Balance at beginning of year	**227**	**2,605**	**2,832**
Charge to income statement	**-**	**835**	**835**
Released to income statement	**-**	**(1,255)**	**(1,255)**
Translation adjustment	**-**	**27**	**27**
Balance at end of year	**227**	**2,212**	**2,439**

	2015	2015	2015
	Individual	Collective	Total
	€'000	€'000	€'000
Balance at beginning of year	227	1,501	1,728
Charge to income statement	-	1,446	1,446
Released to income statement	-	(442)	(442)
Translation adjustment	-	100	100
Balance at end of year	227	2,605	2,832

Impaired loans: Amounts include:

	2016	2015
	€'000	€'000
Loans and advances to customers	**227**	227
Balance at end of year	**227**	227

20. Derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency.

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

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

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

At 31 December 2016		**Fair values including accruals**	
	Contract / notional amount €'000	**Assets €'000**	**Liabilities €'000**
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	204,921	1,336	(952)
Total OTC derivatives		1,336	(952)
b) Interest rate derivatives			
Interest rate swaps	4,095,900	391,958	(397,346)
Total OTC derivatives		391,958	(397,346)
c) Equity options			
Equity options purchases	245,900	107,255	-
Equity options sold	245,900	-	(107,255)
Total OTC derivatives		107,255	(107,255)
Total derivative assets/(liabilities) held for trading		**500,549**	**(505,553)**

		Contract / notional amount €'000	Fair values including accruals Assets €'000	Liabilities €'000
2)	**Derivatives held for risk management**			
	Derivatives designated as fair value hedges			
	Interest rate swaps	1,973,007	3,028	(210,291)
	Total OTC derivatives		3,028	(210,291)
	Total derivative assets/(liabilities) held for risk management		3,028	(210,291)
	Total derivative financial instruments		**503,577**	**(715,844)**

At 31 December 2015

		Contract / notional amount €'000	Fair values including accruals Assets €'000	Liabilities €'000
1)	**Derivatives held for trading**			
	a) Foreign exchange derivatives			
	Currency swaps	496,510	1,963	(2,050)
	Total OTC derivatives		1,963	(2,050)
	b) Interest rate derivatives			
	Interest rate swaps	1,475,000	343,158	(346,758)
	Total OTC derivatives		343,158	(346,758)
	c) Equity options			
	Equity options purchases	235,900	104,669	-
	Equity options sold	235,900	-	(104,669)
	Total OTC derivatives		104,669	(104,669)
	Total derivative assets/(liabilities) held for trading		**449,790**	**(453,477)**
2)	**Derivatives held for risk management**			
	Derivatives designated as fair value hedges			
	Interest rate swaps	2,056,372	-	(149,590)
	Total OTC derivatives		-	(149,590)
	Total derivative assets/(liabilities) held for risk management		-	(149,590)
	Total derivative financial instruments		**449,790**	**(603,067)**

21. Deferred Taxation

	2016	2015
	€'000	€'000
Deferred Tax assets:		
Available for sale debt securities	**366**	31
Total deferred tax assets	**366**	31
Deferred Tax liabilities:		
Available for sale debt securities	**1,951**	3,273
Total deferred tax liabilities	**1,951**	3,273
Net Deferred Tax (liability) / assets	**(1,585)**	(3,242)

	2016	2015
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**(3,242)**	(3,121)
Exchange translation adjustment	**-**	-
Deferred tax through income statement	**-**	-
Deferred tax through other comprehensive income	**1,657**	(121)
At 31 December	**(1,585)**	(3,242)

22. Other assets

	2016	2015
	€'000	€'000
Deferred expenses	**3,604**	2,883
Sundry debtors	**194**	23
	3,798	2,906

23. Property, plant and equipment

	Office equipment	Computer equipment and software	Total
	€'000	**€'000**	**€'000**
Cost			
At beginning of year	174	230	404
Additions in year	-	8	8
Disposals in year	-	-	-
At end of year	**174**	**238**	**412**
Depreciation			
At beginning of year	154	212	366
Charge for year	8	16	24
Disposals in year	-	-	-
At end of year	**162**	**228**	**390**
Net book value			
At 31 December 2016	**12**	**10**	**22**
At 31 December 2015	20	18	38

	Office equipment	Computer equipment and software	Total
	€'000	**€'000**	**€'000**
Cost			
At beginning of year	171	231	402
Additions in year	3	4	7
Disposals in year	-	(5)	(5)
At end of year	**174**	**230**	**404**
Depreciation			
At beginning of year	146	190	336
Charge for year	8	27	35
Disposals in year	-	(5)	(5)
At end of year	**154**	**212**	**366**
Net book value			
At 31 December 2015	**20**	**18**	**38**
At 31 December 2014	25	41	66

24. Deposits from banks

	2016	2015
	€'000	€'000
Deposits from other banks	**1,087,883**	643,371
	1,087,883	643,371

Of which include cash and cash equivalents (Note 30) €474 million (2015: €105 million).

25. Debt securities in issue

At 31 December 2016

	2016	2015
	€'000	€'000
At amortised cost	**8,861,958**	9,310,563
	8,861,958	9,310,563

	2016	2015
	€'000	€'000
Floating Rate	**4,358,886**	6,137,764
Fixed Rate	**4,503,072**	3,172,799
	8,861,958	9,310,563

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

26. Repurchase agreements

	2016	2015
	€'000	€'000
Due to central bank	**388,261**	290,114
Due to banks	**120,397**	-
	508,658	290,114

Included in cash and cash equivalents (Note 30) €120,418,418 (2015: Nil).

Collateral given: The carrying amount of securities sold under agreements to repurchase at 31 December 2016 was €509,433,329 (2015: €298,499,399) of which securities with a fair value of €509,433,329 (2015: €298,499,399) are classified as available for sale (Note 17 / Note 1.17).

27. Other liabilities

	2016	2015
	€'000	€'000
Other payable and accrued expenses	**958**	623
VAT payable	**9**	10
	967	633

28. Movement in the provisions for liabilities and commitments

	2016	2015
	€'000	€'000
Balance at beginning of year	**182**	64
Charge to income statement	**13**	124
Released to income statement	**(117)**	(13)
Translation adjustment	**1**	7
Balance at end of year	**79**	182

Please refer to Note 1.8 (c) for the accounting policy and Note 31 for the outstanding undrawn commitments.

29. Share capital

	Number of shares	Ordinary shares	Share Premium	Total
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2015	400,500	400,500	1,025	401,525
At 31 December 2015 / 1 January 2016	400,500	400,500	1,025	401,525
At 31 December 2016	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2015: 500,000,000) with a par value of €1 per share (2015: €1 per share). All issued shares are fully paid.

At 31 December 2016, the capital and reserves of the Company amounted to €1,159.44 million (2015: €1,170.69 million), €1,225.68 million including year end profits after tax (2015: €1,241.04 million including YTD profits after Tax).

30. 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.

	2016	2015
	€'000	€'000
Cash and balances with central bank (Note 15)	**16,795**	9,343
Loans and advances to banks (Note 17)	**75,000**	5,000
Deposits from banks (Note 24)	**(473,895)**	(104,975)
Repurchase agreements (Note 26)	**(120,418)**	-
	(502,518)	(90,632)

31. Contingent liabilities and commitments

At 31 December 2016 the contracted amounts of contingent liabilities and financial commitments were:

	2016	2015
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**5,753**	14,102
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	**100,000**	-
- one year and over	**210,075**	199,567
	315,828	213,669

32. 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 €367,396 (2015: €291,232). At the 31 December 2016, the pension accrual amounted to €57,864 (2015: €9,223).

33. 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 2016

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Available for sale investments		128	-	**128**
Cash and balances with central banks		16,422	-	**16,422**
Loans and advances to banks		6,108,215	2,674,244	**8,782,458**
Derivative financial instruments:				
	Forex	1,336	-	**1,336**
	IRS	38	3,028	**3,066**
	Options	107,255	-	**107,255**
LIABILITIES				
Deposits from Banks		582,144	100,024	**682,168**
Repurchase Agreements		120,397	-	**120,397**
Deposits from Clients		939	56,088	**57,028**
Derivative financial instruments:				
	Forex	952	-	**952**
	IRS	7,242	582,627	**589,869**
INCOME STATEMENT				
Interest and similar income		128,536	29,672	**158,208**
Interest expense and similar charges		(7,229)	(45,363)	**(52,592)**
Fees and commission income		138	1	**139**
Fees and commission expense		(7,854)	(350)	**(8,204)**
Net trading expense		(4,008)	(148,382)	**(152,390)**
Administration expense		(102)	-	**(102)**
GUARANTEES AND COMMITMENTS				
Issued		2,121	100,041	**102,162**
Received		2,164.601	49,139	**2,213,740**
DERIVATIVES				
Derivatives (notional)		2,980,822	2,248,000	**5,228,822**

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

31 December 2016

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Available for sale investments		138	-	**138**
Cash and Balances with central banks		44,430	-	**44,430**
Loans and advances to banks		7,485,299	3,526,789	**11,012,088**
Derivative financial instruments:				
	IRS	308	3,397	**3,705**
	Forex	1,336	-	**1,336**
	Options	111,839	-	**111,839**
LIABILITIES				
Deposits from Banks		1,052,505	264,131	**1,316,637**
Deposits from Clients		-	223,524	**223.524**
Repurchase Agreements		283,157	-	**283,157**
Derivative financial instruments:				
	IRS	11,687	660,573	**672,260**
	Forex	952	-	**952**
INCOME STATEMENT				
Interest and similar income		128,536	29,672	**158,208**
Interest expense and similar charges		(7,229)	(45,363)	**(52,592)**
Fees and commission income		138	1	**139**
Fees and commission expense		(7,854)	(350)	**(8,204)**
Net trading expense		(4,008)	(148,382)	**(152,390)**
Administration expense		(102)	-	**(102)**
GUARANTEES AND COMMITMENTS				
Issued		1,908	100,253	**102,161**
Received		2,242,485	51,779	**2,294,264**
DERIVATIVES				
Derivatives (notional)		3,148,863	2,547,399	**5,596,262**

31 December 2015

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Available for sale investments		163	-	**163**
Cash and balances with central banks		9,049	-	**9,049**
Loans and advances to banks		6,038,432	3,020,709	**9,059,141**
Derivative financial instruments:				
	Forex	1,963	-	**1,963**
	IRS	8	-	**8**
	Options	104,669	-	**104,669**
LIABILITIES				
Deposits from Banks		162,053	27,234	**189,287**
Deposits from Clients		-	91,337	**91,337**
Derivative financial instruments:				
	Forex	2,050	-	**2,050**
	IRS	11,004	482,361	**493,365**
INCOME STATEMENT				
Interest and similar income		136,720	67,471	**204,191**
Interest expense and similar charges		(10,171)	(53,041)	**(63,212)**
Fees and commission income		73	-	**73**
Fees and commission expense		(7,310)	(338)	**(7,648)**
Net trading income / (expense)		(9,712)	3,353	**(6,359)**
GUARANTEES AND COMMITMENTS				
Issued		34,508	-	**34,508**
Received		2,132,281	362,526	**2,494,807**
DERIVATIVES				
Derivatives (notional)		1,029,410	2,311,899	**3,341,309**

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

31 December 2015

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Available for sale investments		184	-	**184**
Cash and Balances with central banks		30,212	-	**30,212**
Loans and advances to banks		7,665,017	3,908,694	**11,573,711**
Loans and advances to customers		-	732,963	**732,963**
Derivative financial instruments:				
	IRS	8	233,483	**233,491**
	Forex	6,807	-	**6,807**
	Options	133,636	-	**133,636**
LIABILITIES				
Deposits from Banks		2,273,803	269,743	**2,443,546**
Deposits from Clients		-	233,128	**233,128**
Repurchase Agreements		556,280	-	**556,280**
Derivative financial instruments:				
	IRS	25,507	607,572	**633,079**
	Forex	8,945	-	**8,945**
INCOME STATEMENT				
Interest and similar income		136,720	67,471	**204,191**
Interest expense and similar charges		(10,171)	(53,041)	**(63,212)**
Fees and commission income		73	-	**73**
Fees and commission expense		(7,310)	(338)	**(7,648)**
Net trading income / (expense)		(9,712)	3,353	**(6,359)**
GUARANTEES AND COMMITMENTS				
Issued		65,266	-	**65,266**
Received		2,180,440	83,967	**2,264,407**
DERIVATIVES				
Derivatives (notional)		1,527,438	2,644,286	**4,171,724**

Number of transactions performed with connected parties in 2016

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	70	6	76
Derivative financial instruments	73	37	110
Deposits from banks	434	122	556
Repurchase agreements	9	-	9
Total	**586**	**165**	**751**

Number of transactions performed with connected parties in 2015

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to banks	46	2	48
Derivative financial instruments	110	6	116
Deposits from banks	358	50	408
Repurchase agreements	9	-	9
Total	**523**	**58**	**581**

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.

Directors Remuneration

Key management personnel comprise the members of the Board of Directors. A listing of the Board of Directors is provided on page 3. In 2016 the total remuneration of the Directors was €380,237 (2015: €350,281). Included in total remuneration is €124,103 (2015: €94,179) in respect of fees earned in the capacity of directors, €207,975 (2015: €207,943) in respect of compensation earned in the capacity of management and €48,159(2015: €48,159) in respect of post-employment benefits.

Further analysis of key management personnel compensation in total and for each of the following categories;

	2016	2015
	€	€
Short Term Employee Benefits	**332,078**	302,122
Post –Employment Benefits	**48,159**	48,159
Other Long Term Benefits	**-**	-
Termination Payments	**-**	-
Share Based Payments	**-**	-

34. Geographic concentrations

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2016	**Total Assets €'000**	**Total Liabilities & Equity €'000**	**Credit commitments €'000**	**Operating Income €'000**
Ireland	332,718	1,698,423	85,888	9,047
E.U. (excl. Ireland)	12,498,692	12,157,613	194,899	33,477
U.S.A.	100,524	212	35,041	2,728
Rest of the World	937,575	13,261	-	20,592
South America	-	-	-	393
Total	**13,869,509**	**13,869,509**	**315,828**	**66,237**

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2015	Total Assets €'000	Total Liabilities & Equity €'000	Credit commitments €'000	Operating Income €'000
Ireland	358,474	1,620,306	78,428	3,275
E.U. (excl. Ireland)	12,447,363	12,038,156	32,706	49,781
U.S.A.	70,536	326	28,862	1,565
Rest of the World	826,039	43,624	73,673	15,729
Total	**13,702,412**	**13,702,412**	**213,669**	**70,350**

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

	2016 €'000	**2016 %**	2015 €'000	2015 %
Ireland	80,557	7	221,233	21
E.U. (excl. Ireland)	169,795	16	44,374	4
U.S.A.	100,007	9	70,227	7
Rest of the World	743,206	68	724,100	68
Total	**1,093,565**	**100**	**1,059,934**	**100**

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

	2016 €'000	**2016 %**	2015 €'000	2015 %
Ireland	60,003	1	29,989	1
E.U. (excl. Ireland)	9,378,558	98	9,546,031	98
Rest of the World	85,375	1	101,861	1
Total	**9,523,936**	**100**	**9,677,881**	**100**

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

	2016 €'000	2016 %	2015 €'000	2015 %
Ireland	139,246	5	56,499	2
E.U. (excl. Ireland)	2,426,970	91	2,395,523	98
Rest of the World	108,994	4	-	-
Total	**2,675,210**	**100**	**2,452,022**	**100**

36. Financial Assets and Financial Liabilities by contractual residual maturity

31-Dec-2016 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and balances with CB (1)	16,795	52,114	-	-	-	-	**68,909**
Available for sale securities	128	-	102,013	294,327	1,262,989	1,015,753	**2,675,210**
Loans and advances to banks (1)	-	1,115,710	509,114	3,592,076	2,227,551	2,079,485	**9,523,936**
Loans and advances to customers (1)	1,268	134	190	10,399	795,894	258,680	**1,093,565**
Derivative financial instruments	-	1,098	238	4,576	5,581	492,084	**503,577**
Total	**18,191**	**1,169,056**	**611,555**	**3,901,378**	**4,292,015**	**3,873,002**	**13,865,197**
LIABILITIES							
Debt securities in issue	-	1,425,152	1,757,933	3,632,708	1,745,492	300,673	**8,861,958**
Deposits from banks	-	480,075	388	107,450	8,686	491,284	**1,087,883**
Repurchase agreements	-	120,397	-	-	388,261	-	**508,658**
Due to customers	1,800	10,741	14,998	16,360	237,767	1,179,867	**1,461,533**
Derivative financial instruments	-	895	2,878	7,566	90,123	614,382	**715,844**
Total	**1,800**	**2,037,260**	**1,776,197**	**3,764,084**	**2,470,32**	**2,586,206**	**12,635,876**

31-Dec-2015 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and balances with CB (1)	12,764	46,951	-	-	-	-	**59,715**
Available for sale securities	163	20,002	82,562	247,404	1,725,362	376,530	**2,452,022**
Loans and advances to banks (1)	440	4,933	514,201	1,891,114	5,086,423	2,180,740	**9,677,881**
Loans and advances to customers (1)	1,127	100,111	67,142	83	553,173	338,298	**1,059,934**
Derivative financial instruments	-	1,391	-	580	5,524	442,295	**449,790**
Total	**14,494**	**173,418**	**663,905**	**2139,181**	**7,370,481**	**3,337,863**	**13,699,342**
LIABILITIES							
Debt securities in issue	-	227,597	1,123,239	4,444,532	3,254,795	260,400	**9,310,563**
Deposits from banks	-	125,609	2,382	1,911	70,825	442,644	**643,371**
Repurchase agreements	-	-	-	-	290,114	-	**290,114**
Due to customers	7,875	13,011	1,311	600	186,279	1,395,310	**1,604,386**
Derivative financial instruments	-	1,520	3,005	9,491	79,379	509,672	**603,067**
Total	**7,875**	**367,737**	**1,129,937**	**4,456,534**	**3,881,392**	**2,608,026**	**12,451,501**

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

37. Subsequent events

The directors have proposed a dividend of 16.48 cent per ordinary share, amounting to €66.00 million in respect of the year 2016. Final dividends are not accounted for until they have been ratified by the Shareholders at the Annual General Meeting.

38. Date of approval

The financial statements were approved and authorised by the directors on 20 February 2017.