2023 Annual Report

Company of INTESA SANPAOLO

INTESA SANPAOLO BANK IRELAND plc

Directors' report and financial statements

Year ended **31 December 2023**

Registered number *125216*

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INTESA SANPAOLO BANK IRELAND plc

Directors and other information

Directors	Mr. J. Bowden (Chairman) (Irish) Mr. R. Paolelli (Managing Director, Italian) Ms. D. Orlando (Italian) Mr. F. Introzzi (Italian) Mr. R. Carducci (Italian) Mr. M. Bermingham (Irish) Ms. C. Lege (Italian) Mr. J. Kelly (Irish)
Registered office	2nd Floor International House 3 Harbourmaster Place International Financial Services Centre Dublin D01 K8F1
Secretary	Apex IFS Limited 2nd Floor Block 5, Irish Life Building Abbey Street Lower Dublin D01 P767
Independent Auditor	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin D02 YA40
Principal bankers	INTESA SANPAOLO S.p.A. Piazza della Scala, 6 Milan I-20121 Italy The Bank of New York Mellon 240 Greenwich Street New York NY 10286 USA (United States)
Solicitors	McCann FitzGerald Sir John Rogerson's Quay Dublin D02 X576

Directors' report

INTESA SANPAOLO BANK IRELAND plc

Directors' report

Financial Statements

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2023.

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 both on a bilateral and syndicated basis; the management of a portfolio of securities held for liquidity purposes; the issuance of debt securities through Commercial Paper and Medium Term Note programmes and treasury related activities in terms of Foreign Exchange, Interest Rate Swaps and Money Market activity.

Review of Results and Development of the Business

The results and financial position of the Company for 2023 are set out on pages 30-34 of the financial statements. The highlights for the year ended 31 December 2023 were the following:

- Gross interest income increased by 112% to €319.5 million, mainly due to the prevailing higher interest rate environment.
- Gross interest expense increased by 107% to €264.2 million, due to higher cost of funding as a result of the higher interest rate environment .
- The resulting net interest income increased by 143% to €55.3 million.
- Other operating income (comprising net fees and commission expenses plus dividend and similar income and net trading income and foreign exchange profit) aggregated to €1.2 million in 2023 (€2.7 million loss in 2022) driven by;
  - Foreign exchange €0.26m profit 2023 (2022 loss €6.2m)
  - Fees and commissions received from lending transactions of €2.7m 2023 (2022 €1.6m)
  - Fees and commissions expenses of €2.9m 2023 (2022 €3.1m)
  - Net trading income[i] of €1.1 million 2023 (2022 €5.1 million).
- Net impairment write backs aggregated to €76.8 million (€175.3 million impairment provisions in 2022) mainly due to impairment provisions release on corporate exposures following derisking activities including (loan disposals, loan maturities, and principal repayments).
- Operating expenses decreased by 11.9% to €10.2 million (€11.6 million in 2022), mainly due to a 28.9% reduction in the Single Resolution Fund Levy to €2.7 million (€3.8 million in 2022) and an 8% decrease in administration expenses to €3.3 million (€3.5 million in 2022). The cost-to-income ratio (excluding SFR Levy)[ii] reduced to 13.4% (39.0% in 2022).
- Profit after tax aggregated to €107.7 million (loss after tax of €146.1 million in 2022).
- Total assets increased by 3.1% to €9.05 billion (€8.78 billion in 2022).
- The securities portfolio, in line with the strategy of the Company increased by 43.9% to €2.83 billion (€1.97 billion in 2022), remaining diversified both in asset class and geographical split.

[i] Includes elements related to realised gains, operational risk and hedge accounting

[ii] Calculated as total Operation Expenses (before SRF Levy) divided by Total Operating Income (before Impairments)

Directors' report *(continued)*

- Total loans to banks decreased by 3.3% to €4.96 billion (€5.13 billion in 2022) mainly due to scheduled loan repayments in both intragroup and third-party bank lending. The largest component of outstanding loans to the Company remained placements to Intesa Sanpaolo SpA (as the Parent Company) of €4.58 billion driven by excess liquidity from debt issuance activities (€4.61 billion in 2022).
- Total loans to customers decreased by 31.8% to €790 million (€1.16 billion in 2022) as a result of derisking activities through loan disposals, loan maturities, and scheduled repayments. In line with Group strategy for Risk Weighted Asset (RWA) management, new lending activity was restricted in 2023. The Company continues to remain focussed on the development of selected third-party corporate relationships, both Irish-domestic and international with the aim of increasing current levels moderately over the coming years.
- In terms of liabilities, the Company's outstanding loan amounts under issuance programmes increased by 32.8% to €6.09 billion (€4.59 billion in 2022): EMTN outstandings decreased by 19.2% to €674 million (€834 million in 2022) while ECP/CD outstandings increased by 44.5% to €5.42 billion (€3.75 billion in 2022). Total deposits from banks decreased to €816 million (€1.89 billion in 2022) due to lower intragroup deposits from the Parent Company.
- Total shareholders' equity increased by 10.7% to €1.12 billion (€1.02 billion in 2022) due to higher retained earnings.

The directors have proposed a dividend of 26.72 cent per ordinary share, amounting to €107 million in respect of the year 2023 (no dividend was declared and paid in respect of the year 2022).

The principal risks faced by the Company in the normal course of its activities remain:

- Credit Risk and Counterparty Credit Risk[i]
- 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 targeting Irish and international customers including those operating out of Ireland. In addition, the Company intends to continue to increase the size of the securities portfolio held for liquidity purposes, always ensuring a high level of diversification both in terms of issuer type and geographical split and in line with the prescribed limits defined under the Bank's Risk Appetite Framework and Financial Portfolio Policy.

[i] This includes all related risks including Pricing Risk. Leverage Risk, RWA, ESG… which are reviewed as part of the overall assessment of credit risk at on-boarding

Directors' report *(continued)*

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 strong, with Tier 1 Capital Ratio (CET1) of 34.27% (2022: 34.75%) and a Total Capital Ratio (TCR) of 34.27% as at 31 December 2023 (2022: 34.90%).

Accounting Records

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 2nd Floor, International House, 3 Harbourmaster Place, IFSC, Dublin 1.

Directors

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

Mr. R. Paolelli
Mr. J. Bowden
Mr. M. Bermingham
Mr. F. Introzzi
Ms. D. Orlando
Mr. R. Carducci
Ms. M. C. Lege
Mr. J. Kelly (appointed on 02/06/2023)
Mr. N. Copland (resigned on 28/04/2023)

CORPORATE GOVERNANCE STATEMENT

Parent

Intesa Sanpaolo Bank Ireland is a public limited 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 latest consolidated financial statements 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 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 Company.

Directors' report *(continued)*

Director

The composition of the Board of Directors and sub-committees at year-end:

Mr. J. Bowden	Independent Non-Executive (Chairman of the Board)
Mr. R. Paolelli	(Member of Credit Committee) - Executive
Mr. M. Bermingham	(Member of Risk Committee and Chairman Audit Committee) - Independent Non-Executive
Mr. J. Kelly	(Member of Audit Committee) - Independent Non-Executive
Mr. R. Carducci	(Chairman of Risk Committee) - Non-Executive
Ms. M. C. Lege	(Member of Risk Committee) - Non-Executive
Ms. D. Orlando	(Member of Audit Committee) - Non-Executive
Mr. F. Introzzi	Non-Executive

Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2023 and/or at the date of appointment had no interest in the shares or debentures or loan stock of the Company (2022: nil).

The directors and secretary of the Company at 31 December 2023 and/or at the date of appointment had no interest of at least 1% with respect to the shares or debentures or loan stock of the Group companies (2022: nil).

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 2023.

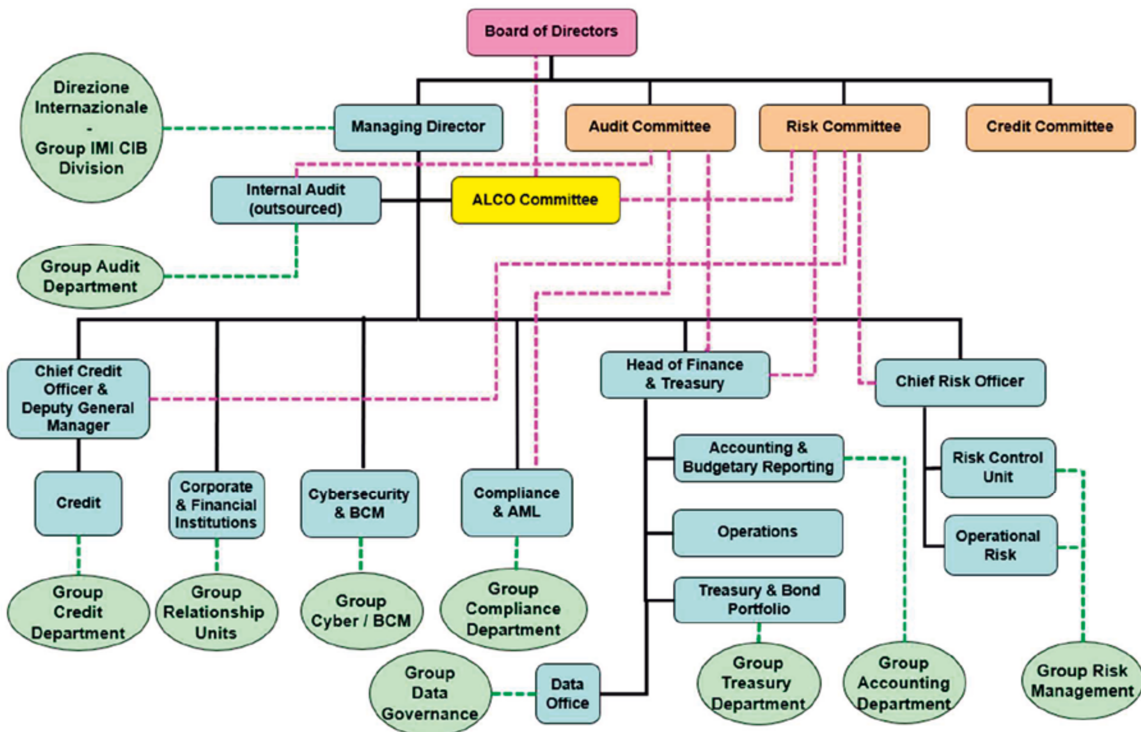
Directors' Responsibilities

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 2023 identifies key individuals and committees and their inter-relationship with business and control units:

Directors' report *(continued)*



Management Responsibilities

Management at departmental level has primary responsibility for the execution of all internal controls implemented by the Directors in collaboration with the Senior Management of the Company. They ensure risks relating to all business processes are identified and mitigated through internal controls.. The mapping of these processes and the identification of associated risks has been performed using an Italian Law 262-2005 compliant methodology and the processes and procedures are subject to annual assessment and reporting.

Risk Management Framework

The Company has a dedicated Risk Control function responsible for the measurement and monitoring of financial and market risks. The Risk Control function, through the Chief Risk Officer, reports to the Risk Committee of the Company, which is responsible in conjunction with the Chief Risk Officer for defining and proposing the risk management framework to the Directors and ensuring its consistency with the framework laid down by the Group Risk Appetite Framework ("RAF").

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

Directors' report *(continued)*

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

With respect to the financial reporting process, the Company has mapped, internal controls that must be complied with. 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 and compliant with Risk Appetite Framework (RAF) limits;
- financial reporting is accurate and complies with the financial reporting framework; and
- systems are in place to achieve compliance with regulatory requirements.

Operational Risk

As per the Guidelines for Group Operational Risk Management re-acknowledged by the Board of Directors of the Company on 14th December 2023 and the local Operational Risk policy approved on 7th March 2024, 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 "Principles for the Sound Management of Operational Risk" of the Basel Committee on Banking Supervision.

Operational Risk Management ("ORM") is the structured set of processes, functions, and resources for identifying, assessing, and controlling operational risk, 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 the Company 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 Group methodologies stipulates the implementation of the Standardised Approach (TSA) for the local computation of capital held to cover operational loss risks.

The Board of Directors of the Company approved the classification of Operational Risk among the list of the material risk factors the Company is exposed to as part of its Internal Capital Adequacy Assessment Process ("ICAAP") submission. The Board is committed to continued focus on Operational Risk through the assigning of specific limits under its Risk Appetite Framework and the on-going monitoring and reporting in this area to the Risk Committee as a standing agenda item. 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;

Directors' report *(continued)*

- Rationalisation and optimisation, by means of costs/benefits of taking out insurance and other forms of risk transfer adopted by the Intesa Sanpaolo 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 Company with documentation of the processes of the attached risks, and of the controls in place.
- The Monitoring of Key Risk Indicators (KRI) defined under the Company's 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 alternative location[i], replication servers in Italy, a Persons Unavailability[ii] framework subject to annual training and testing
- Appropriate Insurance policies in line with the Company's activities.

ESG (Environmental, Social and Governance) Evolution

The Intesa Sanpaolo Group is aware of the importance of a responsible allocation of resources, according to the criteria of social and environmental sustainability. Therefore, it promotes balanced development that can redirect capital flows towards sustainable investments that balance interests such as the preservation of the natural environment, health, work, the well-being of the community, and the safeguarding of the system of social relations. To this end, it considers the environmental, social, and governance risks, known as "ESG," associated with the activities of customer companies and pays particular attention to in-depth analysis of sustainability issues related to sectors considered sensitive, i.e. those with a significant risk profile.

In line with the Group Risk Appetite Framework, **Environmental, Social and Governance (ESG) and Climate Change (CC) risks**: ISP Group continues to maintain a control on Oil & Gas and Coal mining sectors and on orange sectors (tobacco, mining, and gambling). Moreover, to comply with the commitments undertaken (Oil & Gas, Automotive and Power Generation) within the Net-Zero Banking Alliance, the Group is developing an emissions reduction trajectory with a time horizon of 2030.

With reference to Oil & Gas and Automotive sectors, new group early warning thresholds have been introduced in terms of CO2 emissions, in line with target setting goals. For the Power Generation sector (considering the exceptional circumstances since 2022), due to the limited availability of gas resources resulting from the Ukraine crisis, specific monitoring is performed and any increase in loan amounts advanced to this sector is analysed through the Most Significant Transactions' (MST) process with the aim to concentrate new activity on "best in class" counterparties.

In addition, the inclusion within the ESG and Reputational risk clearing and MST process of transactions in the coal mining sector and with counterparties contained in the Group list of companies operating in "sensitive sectors" has been confirmed and extended to "top polluters"

i A hot site is located at Milan, Via Giambellino, 135, 20147, Milano MI, Italy
ii Critical Activities covered by personnel from London Branch using shared applications and understanding of processes

Directors' report *(continued)*

counterparties from the point of view of CO2 emissions, identified as part of the disclosure obligations under Pillar 3

Intesa Sanpaolo's ESG risk governance model includes but is not limited to:

- a specific statement, on Climate Change risk within the Risk Appetite framework, with the commitment to integrate climate change risk considerations into the risk management framework.
- a regulatory framework, consistent with the values and general principles of the Group outlined by the "Code of Ethics" and the "Principles on Human Rights" that defines the business sectors considered as most sensitive to ESG risks. .
- Specific policies are in place such as ("Rules for credit operations in the coal sector" and "Rules on operations in the armaments sector").
- a process for assessing the ESG risks associated with the Group's operations, regarding the financing of corporate customers (ESG & Reputational Risk Clearing process), embedded within the relevant decision-making processes.
- Compliance with Equator Principles.

The Board is kept abreast of evolving processes in relation to ESG through the of specific guidelines for acknowledgment such as but not limited to "the Group Rules on ESG and Reputational Risk Clearing," "Group Guidelines for the Governance and Rules for the Management of Most Significant Transactions" and all new credit proposals incorporate a dedicated review of ESG related impacts.

In November 2022, the European commission has adopted the "Commission Implementing Regulation (EU) 2022/2453" which defined the standards on Tables and Templates for disclosure for ESG Risk to be integrated into Pillar 3 in accordance with CRR (Capital Requirements Regulation) II (*see art. 449a of the Regulation (EU) No 575/2013*). In this context, the Group implemented **the ESG Reporting project** which developed processes that lead to the production of ESG Pillar 3 Tables and Templates at a consolidated group level, in accordance with the standards and timeline/frequency indicated by the Regulator.

The requirement is addressed to large institutions with securities traded on a regulated market of any Member State. These disclosure requirements are applicable from 2022 annual disclosure and biannually thereinafter.

The ITS set's requirements for tables and templates for the disclosure required in article 449a, including:

- qualitative disclosure on environmental, social and governance risks (3 tables);
- quantitative disclosure on climate change transition risk (4 templates);
- quantitative disclosure on climate change physical risk (1 template);
- Green Asset Ratio/Banking Book Alignment Ratio and other climate change mitigating actions(5 templates).

These disclosures are at a consolidated level and the Company locally is supplying as part of its reporting packages information pertinent to the aforementioned templates.

With respect to lending activity, all local credit proposals from the Corporate area are required, as part of said proposal to have details on the ESG status of the borrower and subject to specific limits at divisional and consolidated level.

With respect to Bond investment the Company has introduced a specific set of ESG limits related to the Hold to Collect and Sell (HTC&S) portfolio which includes the following:

Directors' report *(continued)*

- Investment in bonds issued by counterparties operating in Oil & Gas sector[i] are not allowed[ii];
- Implementation of a specific €200 million limit on Investments in bonds issued by governments, including local / regional government and government agency classified as "Sovereign ESG High Risk" and with a residual maturity > 5 years [iii];

Macroeconomic Factors: Russian Exposure

The strategy of de-risking of Russian exposures which began in 2022 continued into 2023 with the Company reducing its overall exposure pre risk mitigation to €151 million as at December 2023. Including risk mitigation this exposure falls below €100 million and it is expected to reduce further in 2024.

With respect to IFRS9 ECL, the Company has seen a significant recovery from 2022 levels through loan disposals and repayments with a net impairement gain €76.84 million. The Company recognised an impairment provision of €17.34 million against these exposures and we expect further positive improvements in 2024 in line with the de-risking strategy and scheduled repayment profile.

Macroeconomic Factors: IFRS9 ECL Macro Economic Outlook

In accordance with the Group Impairment Policy, (see Section 1.8), the calculation of ECL% includes a forward looking macro-economic outlook (to calculate a most likely ECL add on) which is dynamically updated semi-annually by the Parent Company Macro-Economic area. The 4-year analysis for 2023-2026 focusses on global indicators, with specific indicators for Europe and Italy along with the main market indices.

Subsequent events as at 22 March 2024

The Company notes the following post Balance sheet events .

Funds outstanding in relation to an interest payment[iv] due on 15th December 2023 from a corporate counterparty were received on 24th January 2024.

Funds outstanding from scheduled principal and interest repayments[v] due for the period October 2023 to January 2024 from a corporate counterparty were received on 1st February 2024.

Funds due in relation to Principal and Interest payments[vi] due on 29 December 2023 from a corporate counterparty were not received and remain outstanding. These amounts are fully covered through risk mitigation insurance contracts.

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[i] Excluding gas infrastructure management sub sector
[ii] Investment in Green Oil & Gas are excluded from limit monitoring
[iii] Investments in green / social / sustainable bonds are excluded from limit monitoring
iv Usd 1.5 million
v Usd 8.7 million
vi €10.5 million

Directors' report *(continued)*

Independent Auditor

Ernst & Young, Chartered Accountants, were appointed auditors on 26 April 2021. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

Corporate Governance

The 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 the Board 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 2023. Such a statement will be duly communicated in accordance with the Central Bank requirements in 2024.

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 fiscal year, of those arrangements and structures.

Statement on Relevant Audit Information

The directors have taken all the steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditor are unaware.

On behalf of the board

John Bowden	R. Paolelli	M. Bermingham	J. Kelly
Chairman	*Managing Director*	*Director*	*Director*

22 March 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and 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 European Union (EU).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 the financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 director's report that complies with the requirements of the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

J. Bowden	R. Paolelli	M. Bermingham	J. Kelly
Chairman	*Managing Director*	*D irector*	*Director*

22 March 2024

Independent auditor’s report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Intesa Sanpaolo Bank Ireland Plc ('the Company') for the year ended 31 December 2023, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflow and notes to the financial statements, including the material accounting policy information set out in note 1. 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.

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 2023 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the going concern assessment prepared by management and the validity of the going concern assumptions which includes considerations of the Russian invasion of Ukraine and other relevant industry factors.
- Reviewing board minutes and holding discussions with management concerning business performance and future intentions.

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

Conclusions relating to going concern (continued)

- Reviewing the current financial indicators of the Company including the Company's outstanding exposure to Russian-domiciled entities.
- Reviewing the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Loans and advances and Debt Securities – ECL model At 31 December 2023 the Company reported total gross loans and advances to customers of €809.4m and an expected credit loss (ECL) of €19.3m (2022: total gross loans and advances to customers of €1,317m and an ECL of €157.4m). Refer to note 19 to the financial statements. The Company also reported gross loans to banks of €4,964m and an ECL of €0.57m (2022: total gross loans and advances to banks of €5,133m and an ECL of €0.73m). Refer to note 18 to the financial statements. Finally, the Company reported gross debt securities of €2,836m and an ECL of €2.11m (2022: total gross debt securities of €1,970m and an ECL of €0.68m). Refer to note 17 to the financial statements. There are a number of significant assumptions involved in estimating expected credit losses under IFRS 9. ECL estimates may need to change due to economic uncertainty that may impact the recoverability of loans and advances and securities. This gives rise to the risk of management override of controls.	Given the centralised IFRS 9 expected credit loss models at the Intesa group level, with the assistance from our team in EY Italy, we performed a walkthrough of the ECL process and tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into the impairment models. We involved our IFRS 9 specialist to assist in the review and assessment of the Group impairment policy and ECL model. We tested the design and implementation of key controls over credit risk parameters' implementation, rating models validation, stage assignment automation and application of stage overrides, cumulative Probability of Default (PD) calculation, calculation of Loss Given Default (LGD) grids, and the accuracy of PD models, including controls over updating of Significant Increase in Credit Risk (SICR) thresholds, economic scenarios and credit enhancements. We also tested the design and operating effectiveness of the Bank's controls around credit monitoring and provisioning performed locally. We involved our IFRS 9 specialist to assist in evaluating the appropriateness of the SICR criteria including evaluating the appropriateness of the IFRS 9 methodologies, the accuracy of the IFRS 9 models and the appropriateness and reasonableness of the macroeconomic scenarios. We tested samples of loans and advances and debt securities and challenged management's assumptions in relation to SICR and the allocation of loans and advances to the three stages. We assessed the underlying documentation and tested whether indicators for a	Our planned audit procedures were completed, and no material exceptions were noted.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
For the current year our risk extended to debt securities (both carried at amortised cost and at fair value through other comprehensive income) given the significant assumptions involved in estimating the ECL. A judgement also relates to the assessment as to whether guarantees are integral to the contractual terms and the guarantees' related impact on the measurement of the ECL. Refer to Notes 17, 18, 19, and 20 in the financial statements.	significant deterioration in credit risk or credit impairment existed. We assessed the Company's treatment of guarantees in the measurement of the ECLs.	
Valuation of Loans and advances – ECL on loans and advances relating to Russian exposures At 31 December 2023, the Company reported total gross loans and advances to Russian customers of €150.9m (2022: €454m) and €17.3m of expected credit loss provisions (ECL) (2022: €151.4m) disclosed as part of Note 19. The on-going conflict between Ukraine and Russia has resulted in imposition of various sanction on Russia. As a result we have identified a significant risk relating to the Russian related exposures, given the level of judgement involved in determining the ECL provision.	In addition to the work performed at the valuation of Loans and advances and Debt Securities – ECL model, we performed the following for Russian exposures specifically. We engaged our IFRS 9 specialist to assist in the review and assessment of the Group impairment policy and ECL model, which considered the impact of Russian exposures. We engaged our IFRS 9 specialist to assist in evaluating the appropriateness of the SICR criteria including evaluating the appropriateness of the IFRS 9 methodologies, the accuracy of the IFRS 9 models and the appropriateness and reasonableness of the macroeconomic scenarios and specifically considering the impact of Russian/ Ukraine conflict. We reviewed both quantitative and qualitative factors applied by the management in determining the recoverability, risk rating and staging of the Russian exposures.	Our planned audit procedures were completed, and no material exceptions were noted.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	For all Russian exposures, we assessed management's assumptions in relation to SICR and the allocation of loans to stage 2 and 3. We assessed the underlying documentation and tested whether indicators for a significant deterioration in credit risk or credit impairment exists. We reviewed the adequacy of disclosures made in the financial statements to ensure that required disclosures in respect of the ECL are sufficiently disclosed in the notes to the financial statements in line with the requirements of IFRS 9.	
Application of Hedge Accounting The Company's application of hedge accounting, including determining effectiveness, is manual in nature which increases the risk of errors and the risk that financial reporting is not in line with IFRS requirements. Refer to Note 21 in the financial statements.	We performed walkthrough of the hedge accounting process and tested the design and operating effectiveness of the key controls over the management of hedge accounting relationships, including testing of hedge effectiveness. We engaged our specialist to review the Company's application of hedge accounting. On a sample basis, we reviewed the designation of the hedging relationships and the Company's related hedge documentation in consideration of the requirements of hedge accounting under IAS 39. This included the review of the key terms of the synthetic assets, ensuring a prospective effectiveness test was carried out at inception and testing of hedge effectiveness. We engaged valuation specialists to evaluate the reasonableness of the valuation of synthetic assets and the related hedging derivatives on a sample basis.	Our planned audit procedures were completed, and no material exceptions were noted.

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €7.863 million (2022: €0.853 million), which is 0.7% of equity (2022: 5% of normalised profit before tax). Given the volatility in the previous indicator given global geopolitical events, a capital based measure has become a more stable indicator and we believe that equity provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely €5.897 million (2022: €0.640 million). We have set performance materiality at this percentage due to our knowledge of the Company and industry, effectiveness of the control environment and our assessment of the risks associated with the engagement.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.39m (2022: €0.04m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team, with appropriate oversight of work performed by the parent auditor in Italy.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year ended for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are 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 addition, we report, in relation to information given in the Corporate Governance Statement on pages 4 to 11, that:

- based on knowledge and understanding of the company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;

- based on the work undertaken in the course of our audit, in our opinion:

    - the description of the main features of the internal control and risk management systems in relation to the process for preparing the financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the

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

financial statements and have been prepared in accordance with the Companies Act 2014; and
- the Corporate Governance Statement contains the information required by the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation to what extent the audit was considered capable detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud, that could reasonably be expected to have a material effect on the financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. In addition, the further removed any non-compliance is from the events and transactions reflected in the financial statements, the less likely it is that our procedure will identify such non-compliance. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary

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

responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are in relation to compliance with:
  - Irish Companies Act 2014
  - IFRS as adopted by the European Union
  - Central Bank of Ireland requirements for credit institutions
- We understood how the Company is complying with these legal and regulatory requirements by reviewing policy framework, inquiring of key management including compliance personnel, internal audit, amongst others.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding the financial statement close process and holding discussions with senior management.
- In relation to the key audit matters relating to the risk of management override of controls over the valuation of loans and advances and debt securities ECL model, ECL on loans and advances relating to Russian exposures and the application of hedge accounting, further discussions are set out in the Key Audit Matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management, reviewing key policies and reports on the aforementioned regulatory frameworks as well as reviewing correspondences exchanged with the regulators.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 26 April 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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

The purpose of our audit work and to whom we owe our responsibilities

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.

Helen Kerr
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 22 March 2024

Income statement
For the year ended 31 December 2023

	Note	**2023 €000**	2022 €000
Interest income calculated using the effective interest method	7	**315,828**	**139,421**
Other interest income	7	**3,699**	**11,112**
Interest expense and similar charges	7	**(264,194)**	**(127,746)**
Net interest income		**55,333**	**22,787**
Fees and commission income	8	**2,679**	**1,551**
Fees and commission expense	8	**(2,870)**	**(3,113)**
Net fees and commission (expense)		**(191)**	**(1,562)**
Dividend and similar income		**2**	**1**
Net trading income	9	**1,100**	**5,107**
Net gain from other financial instruments at Fair value to Profit or Loss	10	**23**	**3**
Foreign exchange profit /(loss)	11	**258**	**(6,209)**
Net impairment gains / (losses) on financial instruments	20	**76,844**	**(175,323)**
Net operating income / (loss)		**133,369**	**(155,196)**
Administrative expenses	12	**(10,029)**	**(11,324)**
Depreciation		**(215)**	**(302)**
Total operating expenses		**(10,244)**	**(11,626)**
Profit / (Loss) before tax	13	**123,125**	**(166,822)**
Income tax (expense) / benefit	14	**(15,394)**	**20,705**
Profit / (Loss) for the financial year		**107,731**	**(146,117)**
Profit / (Loss) attributable to the equity holders of the company		**107,731**	**(146,117)**

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

The notes on pages 35 to 142 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2023

	Note	**2023** **€'000**	2022 €'000
Profit / (Loss) for the year		**107,731**	**(146,117)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Movements in financial assets at fair value through other comprehensive income:			
Net change in fair value		**(225)**	**(15,373)**
Net amount transferred to profit or loss		**830**	**(2,817)**
Related tax	23	**(76)**	**2,274**
Other comprehensive Income for the year, net of tax		**529**	**(15,916)**
Total comprehensive Income for the year, net of tax		**108,260**	**(162,033)**
Total comprehensive Income for the year attributable to equity holders of the company		**108,260**	**(162,033)**

The notes on pages 35 to 142 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2023

	Note	2023 €'000	2022 €'000
ASSETS			
Cash and balances with central banks	16	52,962	47,721
Financial assets at fair value through other comprehensive income	17	2,833,834	1,969,563
Financial assets at fair value through profit or loss		42	36
Loans and advances to banks	18	4,963,702	5,132,677
Loans and advances to customers	19	790,110	1,159,145
Derivative financial instruments	21	395,719	443,796
Prepayments and accrued income		288	190
Current tax	22	-	3,125
Deferred tax asset	23	1,583	6,163
Other assets	24	13,973	13,809
Property, plant, and equipment	25	2,639	2,845
Total assets		9,054,852	8,779,070
LIABILITIES			
Deposits from banks	26	816,263	1,894,490
Debt securities in issue	27	6,094,266	4,588,040
Due to customers	28	627,529	954,803
Derivative financial instruments	21	377,099	320,556
Current tax	22	10,670	-
Deferred tax liability	23	548	343
Accruals and deferred income		201	295
Other liabilities	29	4,941	5,449
Provisions for liabilities and commitments	30	30	49
Total liabilities		7,931,547	7,764,025
EQUITY attributable to the equity holders of the company			
Share capital	31	400,500	400,500
Share premium	31	1,025	1,025
Fair value through other comprehensive income reserves		(7,243)	(7,772)
Capital contribution reserves		506,764	506,764
Retained earnings		222,259	114,528
Total equity		1,123,305	1,015,045
Total liabilities and shareholders' funds		9,054,852	8,779,070

The notes on pages 35 to 142 are an integral part of these financial statements.

On behalf of the board

Chairman

Managing Director

Director

For and on behalf of Apex IFS Limited
Company Secretary

22 March 2024

Statement of Changes in Equity for the year ended 31 December 2023

	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	Total
	Attributable to equity shareholders of the Company					
	€'000	€'000	€'000	€'000	€'000	€'000
Note	31	31		31	31	
1 January 2023	400,500	1,025	(7,772)	506,764	114,528	1,015,045
Profit for the financial year	-	-	-	-	107,731	107,731
Other comprehensive income	-	-	529	-	-	529
Total comprehensive income for the year	-	-	529	-	107,731	108,260
Dividends paid	-	-	-	-	-	-
31 December 2023	**400,500**	**1,025**	**(7,243)**	**506,764**	**222,259**	**1,123,305**

	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Note	31	31		31	31	
1 January 2022	400,500	1,025	8,144	506,764	282,645	1,199,078
Loss for the financial year	-	-	-	-	(146,117)	(146,117)
Other comprehensive income	-	-	(15,916)	-	-	(15,916)
Total comprehensive income for the year	-	-	(15,916)	-	(146,117)	(162,033)
Dividends paid	-	-	-	-	(22,000)	(22,000)
31 December 2022	**400,500**	**1,025**	**(7,772)**	**506,764**	**114,528**	**1,015,045**

Statement of Cashflow for the year ended 31 December 2023

	Note	2023 €'000	2022 €'000
Cash flows from operating activities			
Interest received		282,355	127,830
Dividend received		1	1
Fees and commission receipts		2,488	1,646
Fees and commission paid		(2,976)	(2,958)
Net trading and other receipts and payments		7,162	(18,340)
Interest paid		(280,095)	(125,945)
Payments to employees and suppliers		(10,161)	(9,296)
Recoveries on loans previously written off		44,980	52
Income taxes refunded/(paid)		3,112	(589)
Cash flows generated from /(used in) operating activities before changes in operating assets and liabilities		46,866	(27,599)
Changes in operating assets and liabilities			
Net (increase)/ decrease in cash and balances with central banks		(17,208)	6,966
Net (increase)/ decrease in loans and advances to banks		(584,988)	369,548
Net decrease in loans and advances to customers		405,483	267,014
Net (decrease) / increase in deposits from banks		(329,493)	176,762
Net (decrease)/ increase in amounts due to customers		(314,750)	6,341
Proceeds from repurchase agreements		-	(54,000)
Cash flows (used in)/generated from changes in operating assets and liabilities		(840,956)	772,631
Net cash (used in)/generated from operating activities		(794,090)	745,032
Cash flows used in investing activities			
Purchase of property, plant, and equipment		(9)	(13)
Purchases of financial assets at FVOCI		(1,431,922)	(574,948)
Proceeds from sale of financial assets at FVOCI		686,634	534,035
Proceeds from financial assets at FVTPL		2	(32)
Net cash used in investing activities		(745,295)	(40,958)
Cash flows generated by / (used in) financing activities			
Proceeds from debt securities in issue		5,420,189	3,754,023
Repayment of debt securities		(3,917,963)	(4,039,618)
Lease liabilities	29	(184)	(210)
Dividends paid	15	-	(22,000)
Net cash generated by / (used in) financing activities		1,502,042	(307,805)
Net (decrease) / increase in cash and cash equivalents		(37.343)	396,269
Cash and cash equivalents at beginning of year		605,322	209,053
Cash and cash equivalents at end of year	32	567,979	605,322

Notes to the financial statements

Notes to the Financial Statements for the year ended 31 December 2023

1. Summary of material accounting policy information

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 public limited company incorporated and domiciled in Ireland under the Companies Act, 2014 registration number 125216 and is regulated by the Central Bank of Ireland. The registered office of the company is: 2nd Floor, International House, 3 Harbourmaster Place, International Financial Services Centre, Dublin in 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 as modified to include the fair valuation of certain financial instruments as required by IFRS.

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 their 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.

A judgement also relates to determining whether an amount charged to a customer at inception of a loan represents a fee for structuring the loan (arrangement fee) or part of the transaction price for the credit risk of the financial asset. The Company provides arrangement of loan services and recognises revenues as the related services are performed rather than including them in the effective interest rate.

Going Concern

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for a period of 12 months from date of approval of these financial statements. 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 Bank's management team and subsequently by the the Board of Directors to review 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 for financial instruments measured at amortised cost and for financial assets measured at fair value through other comprehensive income.

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 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.

In the case of a credit-impaired financial asset, interest income is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount adjusted for any impairment loss allowance.

Non-performing assets include financial assets classified as bad, unlikely to pay or past due over ninety days. In the case of unlikely to pay assets, the recognition of contractual interest is reversed against the loan.

Interest income and expense on financial assets and liabilities classified at fair value through profit or loss is recognised in 'other interest income' or 'interest expense and similar charges,' as applicable.

1.5. Fee and commission

Fees and commissions income and expenses are generally recognised on an accrual basis when the service has been provided unless it is appropriate to include them in the effective interest rate calculation. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Other fees and commission income including loan syndication and arrangement fees are recognised at a point in time when the related services are performed.

1.6. Financial assets / financial liabilities

In accordance with IFRS 9 and its business model, the Company classifies its financial assets at initial recognition into one of the following categories.

(a) Financial Assets at Fair Value through Profit or Loss "FVPL" / Mandatorily at "FVPL"

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income, gains, or losses (excluding interest income or expense) on such assets are recognised in profit or loss on an ongoing basis.

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 financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if the contract does not pass the solely payments of principal and interest (SPPI) test and is not in line with the definition of a "basic

lending agreement" or if so, designated by management. Derivatives are categorised as held for trading unless they are designated as hedged.

(b) Amortised cost (AC)

Assets that have not been designated as at FVTPL and are held within a "hold to collect" business model whose objective is to hold assets to collect contractual cash flows; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). The carrying amount of these assets is calculated using the effective interest method, an impairment loss allowance is recognised for ECL with corresponding impairment gains or losses recognised in profit or loss.

(c) Fair value through other comprehensive income (FVTOCI)

Assets that have not been designated as at FVTPL and are held within a "hold to collect and sell" business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). Movements in carrying amount of these asses are taken through other comprehensive income (OCI), except for the recognition of credit impairment gains or losses, interest revenue and FX gains and losses which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss other than in the case of equity instruments designated at FVTOCI.

(d) Financial Liabilities

Financial liabilities are measured at amortised cost, except for liabilities designated at fair value, which are measured through profit or loss and derivative liabilities which are required to be measured mandatorily at FVTPL. The company has designated certain financial liabilities as at FVTPL because the designation eliminates or significantly reduces the accounting mismatch that would otherwise arise.

The movement in own credit risk related to financial liabilities designated at FVTPL is recorded in OCI unless this would create or enlarge an accounting mismatch in profit or loss for the Company (in which case all gains and losses are recognised in 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

In accordance with the provisions of accounting Standard IFRS 9 (the "Standard"), the time horizon for measurement of value adjustments to financial instruments for credit risk depends on comparison of the risk level of the exposure at the valuation date with the situation at the time of loan granting/purchase. The Group and by extension the Company rules for the application of the standard are governed by the "Rules on the Measurement of Expected Credit Loss Pursuant to Standard IFRS9" known as the "Impairment Policy" with updates at 31 December 2023 acknowledged by the Board of Directors and incorporated within the accounting data provided to the Company through an automated Group Model.

The section below gives an overview of the framework of the Impairment Process as it applies to the Company

- Staging and Lifetime PD
- Assigning Ratings
- ECL Methodology
- Significant Increase in Credit Risk / Determining Thresholds

1.8.1.Staging Overview

Under the Standard, at each reporting date, the financial instruments must be assigned to the following categories ("Stage Assignment" or "Staging"):

- Stage 1: which includes two types of assets: (i) those financial instruments for which from the time of their initial recognition to the reporting date the Company did not find any evidence of a significant increase in credit risk; (ii) those financial instruments which, at the measurement date, are considered to have low credit risk ("Low Credit Risk Exemption", LCRE) regardless of analyses on changes in credit risk levels conducted after the initial recognition[i]. It should be noted that as described in the Impairment Policy, the latter case only applies to debt securities held as at First Time Adoption recorded as Available for Sale (now Hold to Collect) as at 31.12.2017
- Stage 2: includes those financial assets that showed a significant increase in credit risk compared to their initial recognition or which, on application of the LCRE, showed high credit risk;
- Stage 3: includes financial assets that have incurred permanent impairment losses. The expected credit losses ("ECL") must be calculated with reference to the entire contractual lifetime of the exposure. Instruments that at the time of the initial purchase or granting were" non-performing" (purchased/originated credit impaired ("POCI")[ii] are entered in this Stage 3 from their first recognition in the financial statements and in all subsequent reporting periods; however, they may later be moved to Stage 2 if the objective evidence of impairment is no longer present.

The rules described for the Staging of Performing loans are applied to each individual loan, whether drawn or undrawn.

With respect to the debt securities portfolio, the position is represented by the individual purchase tranche, identified with the First in First Out "FIFO" approach.

1.8.1.1. Staging Criteria – Lifetime PD Delta

The main criteria for Staging, to assess the significant increase in credit risk of the individual loans, the Company has identified the change in lifetime PDs (Probability of Default) (lifetime PD delta).

This consists in the comparison between the Lifetime Probability of Default, inclusive of macroeconomic influences, determined at the date of first recognition of the financial asset and PD at the observation date. Both PDs (Probability of Default) (Life time Probability of Default) have the same time horizon, which is the loan's remaining life at the measurement date. Comparison of lifetime PDs is expressed in relative terms, as a ratio of the difference between the lifetime PDs (observation and first recognition), placed in the numerator, to lifetime PD at the time of first purchase (placed in the denominator). The ratio obtained is compared with a pre-set threshold, which differs according to model, original rating class and remaining term. If the ratio results in a value below the threshold, the position will be classified in Stage 1; if higher, the position will be

[i] According to IFRS 9, the concept of "low credit risk" can include exposures having investment grade rating.
[ii] Such activity is not performed by the Company

classified in Stage 2. To make the comparison, it is necessary to assign to each loan/purchase tranche, the Probability of Default associated with it on its first recognition date and on the observation date.

The Group has implemented a "Backstop" measure for SICR (Signaficant Increase in Credit Risk)through Life Time PD. The methodology determines a cap for the classification in stage 2 of the operations whose lifetime PD on the observation date is at least three times (so-called "threefold increase") higher than that recorded at the date of first recognition of the financial asset (both with the same time horizon equal to the residual life existing at the measurement date).

In order to avoid the sliding to stage 2 of positions of particularly high credit quality, and for which therefore the increase in the lifetime PD to the aforementioned extent is not indicative of an actual significant increased riskiness of the debtor, the threshold is activated only for credits and securities with a level of risk higher than the one corresponding to the so-called "investment grade" rating, taking into account the Group's internal definitions.

1.8.1.2. Staging Criteria – Low Credit Risk Exemption

Lending

Pursuant to paragraphs 5.5.10 and B5.5.22-B5.5.24 of the IFRS 9, if a financial instrument has low credit risk at the reporting date, it is possible to derogate from the above Stage Assignment process, assuming that the credit risk has not increased significantly from the initial recognition date ("Low Credit Risk Exemption" or "LCRE"). The LCRE is applicable on an "instrument basis," i.e. at the level of individual financial instruments. The credit risk of a financial instrument is considered low if:

- the instrument has a low risk of default;
- the debtor has, in the short term, strong capacity to meet it's contractual cash flows obligations;
- adverse changes in economic and business conditions in the longer term might, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

In defining whether a financial instrument has or does not have a low credit risk, no account is taken of guarantees.

This Staging assignment methodology will also be used subsequently for intercompany entries, since these are equivalent to the credit risk recognised for Intesa Sanpaolo.

Bonds

As per First Time Adoption of IFRS9, the Group opted to use the LCRE for performing bonds recognized at fair value through comprehensive income (FVTOCI) held at 1 January 2018.

The Low Credit Risk Exemption for Staging is applied at the level of the individual debt security via detailed analysis of the counterparty rating (or of the rating of the issue for securitised instruments) assigned according to the rules. If the assigned rating is investment grade, the position is classified in Stage 1, otherwise it is classified in Stage 2.

Effective from 1 January 2018, if subsequent purchases are made, they will be subjected to the FIFO approach; hence any sales will be deducted from the initial stock starting from the first tranche, i.e. that existing as at 31 December 2017.

To manage the initial tranche correctly, until it is fully sold at each measurement date the issuer's new risk status will be analysed at each measurement date. This comparison may produce the following outcomes:

- investment grade rating both at origin and at observation date: the tranche remains in Stage 1;
- below-investment grade rating both at origin and at observation date: the tranche remains in Stage 2;
- investment grade rating at origin and below-investment grade rating at observation date: the tranche is subjected to the lifetime PD delta methodology to measure its credit risk increase;
- below-investment grade rating at origin and investment grade rating at observation date: the tranche remains in Stage 2.

As concerns the tranches purchased from 1 January 2018, the lifetime PD delta methodology is applied similarly to the rest of the portfolio.

1.8.1.3. Staging Criteria – 30 Days Past Due

If a loan is more than 30 days past due, all the loans held by the debtor holding the past-due loan are allocated to Stage 2. The choice of allocating the debtor's entire exposure to Stage 2, if the past-due amount exceeds the materiality threshold[i], is in line with rules laid out as per the impairment policy of the Company aligned with EBA (European Banking Authority) Guidelines on the application of the Default Definition contained in art. 1781 of Regulation 575/2013 (Capital Requirements Regulation).

1.8.1.4. Staging Criteria – Forborne

In accordance with the Company's Credit Policy and in line with Intesa Sanpaolo S.p.A. Rules on Forborne Exposures, a forborne exposure is a credit position whose original contractual legal obligations have been modified / amended by mutual agreement because of the client entering financial difficulties. The restructuring or partial / total/ total refinancing of debt is intended to enable the client to fulfil its new debt obligations.

Therefore, an exposure is identified as forborne if the following two conditions or both are satisfied:

1. the exposure must be subject to modification of contractual terms/refinancing; and

2. the Company confirms the financial difficulties that the debtor is facing or about to face (or difficulties that would have occurred in the absence of the modification/refinancing measure).

Forborne exposures comprise both cash (loan advances, debt obligations) and non-cash positions (revocable and irrevocable commitments to lend), but it is not applicable to financial assets held for trading, guarantees issued and derivative transactions.
If a forbearance measure has been approved with respect to a Performing credit line, the credit line subject to forbearance is allocated to Stage 2. At the end of the forbearance status, the credit returns to being subjected to the ordinary staging criteria based on the lifetime Delta PD.

1.8.1.5. Staging Criteria: Early Warning Triggers & Management

The Impairment Policy has been updated to reflect coherence with existing monitoring deriving from credit monitoring systems "Early warning Systems" (EWS) which are now also considered for the purposes of the transition between "stages". Where there are persistent signals of high risk identified and measured through "traffic light" results and routing to strengthened management processes this is now included in the staging assessment.

In particular following the introduction of the new EWS model, implemented from 2023 for the Corporate, the classification to stage 2 is activated where the counterparty, both for the positions

[i] The materiality threshold is 5% of the greater of the two following values: a) the average of the due and/or past due share of the entire exposure surveyed on a daily basis during the previous quarter; and b) the due and/or past due share of the entire exposure surveyed on the reporting date.

managed centrally (under the responsibility of the CLO (Credit Lending Officer) area and for the positions in the competence of the Company, remains with a "red" traffic light result for at least three consecutive months, and has rating levels such as to identify the "potential difficulty" of the customer. The "potential difficulty" cluster is automatically calculated by the system and is attributed to the positions that have ratings worse than or equal to the lower range of the Bank's internal ratings. If the above conditions no longer exist, the counterparties will remain classified in stage 2 for the following 3 months.

1.8.1.6. Staging Criteria: Delta Notch Management

To further strengthen and prudentially manage staging assignation, the Group has applied a further method which acts on a residual basis for the positions attributable to the worst risk classes of the previous version of the Project Finance model still in production and of the new models Leverage and Acquisition Finance), Project Finance High), Real Estate High

For these cases, the migration matrix, which is the starting point for conditioning, is aggregated and therefore any variations within the classes listed above would not lead to staging variations, therefore the criterion called "Delta Notch" is used. This criterion consists in verifying any difference “in terms of notch” between the rating class assigned on the origination date and that recorded on the observation date, within the risk area attributed to the counterparty. The staging is calculated according to the following scheme:

RISK AREA AT ORIGINATION	RISK AREA AT OBSERVATION	DELTA NOTCH	STAGING
MEDIUM	MEDIUM	>2	2
MEDIUM	RISKY	≥ 2	2
RISKY	RISKY	≥ 1	2
MEDIUM	MEDIUM	≤2	1
MEDIUM	RISKY	<2	1
RISKY	RISKY	<1	1
RISKY	MEDIUM		1

1.8.2. Methodology for calculating the delta of lifetime PD

To assign at the observation date and at the date of initial recognition the corresponding value of lifetime PD to calculate the loan to be compared to the threshold, it is first necessary to assign to each individual loan or purchased tranche its rating at the reporting date.

Therefore, the following are listed, in order:

- the rating assignment rules at the initial recognition date and at the observation date for the purpose of determining significant increase of credit risk
- the manner of aligning the rating with lifetime PD;
- the comparison for the purpose of Staging;
- the determination of impairment thresholds.

1.8.3. General Rules for Assigning of Ratings and application of Guarantees

<u>**Loans**</u>

A rating is assigned to each individual loan both at the initial recognition date of the position and at each of the subsequent measurement dates. The types of ratings are as follows:

- **Internal Rating:** this is assigned based on the analyses performed by the manager on the counterparty or based on predefined metrics that automatically process the information fed into the rating model. This score is based on the use of inside information, which may not be available on the

market. Hence it provides an accurate and prompt analysis of the actual risk status;

- **Agency Rating:** where a counterparty rating is not available, the creditworthiness opinion provided by external rating agencies is assigned.

If there is no rating assigned either internal or agency, the loan is classified as "unrated." For the purposes of Staging, the loan is assigned the average probability of default of the regulatory segment to which it belongs.

At each date of origin of a new asset in the portfolio, its rating is recorded in the ad hoc archive established from which the rating at recording date is derived; this element is one of the comparisons used – at the end of the processes, for the recalculation of the attributable rating to PD Lifetime – to determine lifetime Delta PD. This makes it possible to keep track over time of the rating assigned to the individual exposures being measured.

Securities

The rating is assigned by individual tranche purchased, according to the First In First Out (FIFO) approach, both at the initial recognition date of the individual unit purchased and at each of the subsequent measurement dates. To reflect the true risk status of the position and ensure alignment of the rating assigned to all the assets of the same counterparty, in respect of which the Company holds among its assets both loans and securities, the rating is assigned through:

- **Internal Rating by Issuer**: to ensure consistency with the creditworthiness judgment on the counterparties which have been granted a loan based on inside information, and which is continuously monitored, where available, the internal model rating in force at the date of purchase of the position or individual tranche and at the observation date is assigned;
- **Agency rating by issuer:** where no internal rating is available, the score on the issuer provided by external rating agencies is assigned, by applying the "second best" rule, i.e. the best of the worst available;
- **Agency rating by issue:** where neither an internal nor an external rating of the issuer are available, the score provided on the specific issue by rating agencies is assigned, by applying the "second best" rule, i.e. the best of the worst available.

If no rating can be assigned using the above criteria, the position or the individual tranche purchased will be classified as "unrated".
At each date of purchase of a new tranche, its rating is recorded in the archive established. This makes it possible to keep track over time of the rating assigned to each position being measured.

The rating process described above is applied to all the positions in the portfolio (except for securitisations), including guaranteed securities ("covered bonds"). This approach makes it possible, as provided for by the Standard, to measure a significant increase in Credit Risk for the purposes of Staging without taking into consideration any guarantees.

With respect to guarantees, they contribute for the overall calculation of ECL% but are excluded for determining staging classification.

As per the Group Model, for consolidation purposes the use of Intra Group Guarantees is not included as part of the calculation methodology and the lender of record is applied the full counterparty risk ECL%.

From a local perspective, the Management supported by the Board of Directors and External Auditors have incorporated Intra-Group guarantees using a LCRE (Low Credit Rate Exemption) methodology under group application.

However, where an Intra Group guarantee is from Banca Intesa Russia, the Management supported by the Board of Directors and External Auditors have agreed, for a prudent approach to disregard this mitigation due to the ongoing crisis and the practical difficulties in enforcing such a guarantee.

1.8.4. Expected Credit Loss Methodology

Based on the Standard, the estimate of expected credit losses associated with any financial instrument shall be determined taking into consideration:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available at the reporting date covering past events, current conditions, and forecasts of future economic conditions.

Therefore, assessment of the recoverability of the assets is not limited to consideration of the current conditions but also incorporates future conditions (forward-looking factors). In other words, the value of the prospective cash flows considers not only the losses already recognised at the time of the measurement based on observable and measurable elements, but also the expected losses which may be incurred in the future (not directly observable at the time of measurement).

Intesa Sanpaolo has defined IFRS 9-compliant processes and methods for estimating risk parameters, i.e. able to meet the need to determine expected losses:

- over a short-term period (12 months), for performing positions showing no significant increase in credit risk compared to the origination (classified as Stage 1);
- over the entire remaining life of the loan for performing positions showing a significant increase in credit risk compared to the origination (classified as Stage 2);
- Stage 3 assigning includes i) financial assets that have incurred permanent impairment losses i.e. non-performing where it has been found that the counterparty is no longer able to repay the principal and interest due, or receivables whose collection is uncertain in terms both of timeliness of payments and amount of the exposure. ii) Those instruments that at the time of the initial purchase or granting were felt to be "non-performing" (purchased/originated credit impaired ("POCI") and they are assigned Stage 3 status from their first recognition in the financial statements and in all subsequent reporting periods. Similarly, to the financial instruments classified in Stage 2, for these assets too, the expected credit losses ("ECL") must be calculated with reference to the entire contractual lifetime of the exposure being measured. They may move back to Stage 2 if the objective evidence of impairment no longer exists.
- The Company has as at 31 December 2023, counterparties designated as Stage 3 with a value net of Impairment of €60.49 million. The Company has no mandate for activity in Purchased or Originated Credit Impaired (POCI) financial assets.

According to the assigned staging, expected loss is determined by using the following calculation formulas:

$$ECL_{1y} = EAD * PD_{1y} * LGD \quad \text{for loans classified in } Stage1$$

$$ECL_{Lifetime} = EAD * PD_{Lifetime} * LGD \quad \text{for loans classified in } Stage2$$

Where:

- 1Y PD is the counterparty's probability of default in one year's time;
- Lifetime PD is the counterparty's probability of default over the remaining life of the instrument;
- LGD ("Loss Given Default") measures the percentage of loss relative to exposure in the event of counterparty default;
- EAD ("Exposure at Default"): represents the potential exposure in the event of counterparty default.

In general, the framework for estimating the risk parameters used to calculate ECL is based on the reference framework for the development of Advance Internal Rating Based (AIRB) internal models and the other risk metrics used for management purposes. The internal rating systems provide the basis for development of the IFRS 9 models. These internal systems have been adapted to align them with the requirements of the Standard. Indeed, determination of the risk parameters is based on a Point in Time (PIT) approach able to incorporate all available information, including forward-looking data (macroeconomic scenarios and forecasts), differently from the Through the Cycle (TTC) approach adopted in development of the models used to determine regulatory capital requirements.

Determination of the risk parameters, necessary to estimate "Expected Credit Loss" pursuant to the Standard, is based on the following steps:

Lifetime PD

#	Process stages	Description
1	**Determination of rating**	Ratings are calculated by means of internal models: • Regulatory • Managerial
2	**Determination of annual migration matrices**	Based on the assigned ratings, annual migrations between the various rating classes are observed.
3	**Determination of the Probability of Default**	The probability of migration to the default class, the last column of the matrix, represents the Probability of Default associated with each rating class.
4	**Determination of TTC ("Trough the Cycle") transition matrices**	TTC migration matrices are calculated as an average of the annual matrices observed, after excluding the effect of the economic cycle.
5	**Determination of PIT (*"Point in Time"*) migration matrices**	TTC migration matrices are expressed as PIT by applying the macroeconomic scenarios referred to years T+1, T+2 and T+3.
6	**Determination of the forward structure of PD**	The forward structure of PD is obtained by assuming a Markovian process and considering the PIT matrices for the first three years and the TTC matrices for the subsequent years.
7	**Determination of PD Add-on**	The Add-on determined by application of alternative scenarios is added to the forward structure of PD.

LGD

#	Process stages	Description
1	**Determination of LGD grids**	LGD grids are determined based on long-term time series differentiated by economically/statistically significant indicators (e.g., geographical area, type of loan, guarantees, …). For the purposes of IFRS 9, these grids are the TTC grids, in other words they are net of the component linked to the adverse economic cycle ("*downturn*") and of other prudential factors required by law (e.g., indirect costs).
2	**Determination of the PIT LGD grids (*"Point in Time LGD"*) for management purposes**	The TTC LGD grids are expressed as PIT grids by applying the macroeconomic scenarios for years T+1, T+2 and T+3. From the fourth year on, the TTC LGD grid is used.
3	**Determination of Add-on LGD**	The Add-on determined by application of alternative scenarios for years T+1, T+2 and T+3 is then added to TTC LGD grids

EAD

With regard to the amount used of the credit lines granted to the counterparty, EAD corresponds to gross exposure as per Statement of Financial Position, without considering adjustments arising from hedging transactions. In relation to debt securities, EAD is equal to the profile of amortised cost re-measured at the internal rate of return. As regards the unused portion of credit lines (i.e. revocable and irrevocable margins) the exposure is corrected by applying Credit Conversion Factors ("CCF"). Methodological approach is detailed in the Groups Impairment Policy and can be summarised as follows: For off-balance sheet transactions (guarantees issued and commitments), EAD is determined by Credit Conversion Factors representing the ratio of the unused part of the credit line that will be used in the event of default and the part currently not used. The sum of the share of funding used and the weighted available margin for the CCF determines the EAD of the loan. The methodology applied to develop the EAD model is based on a fixed time lag of 12 months to estimate the share of available margins that will be used in case of default. For relationships that do not have an available margin, in line with the validated regulatory framework, the corrective parameter called k-factor is also adopted, which measures the possible growth of the exposure of a performing loan at the time of default.

1.8.5. Determining Significant Increase

To analyse the significant increase of credit risk between the initial purchase date and the measurement date, the rating must be transformed into the equivalent probability of default (including the macroeconomic influence component). The procedure must be repeated at both dates.

Thus, the comparison involves

- **residual maturity:** for all the positions in the portfolio it is the difference between the contractual maturity date and the observation date, rounded up and the comparison for SICR can be seen by comparing:
- **PD at the initial recognition date**: the value of probability of default assigned at the initial recognition date of the position or tranche will be equal to that corresponding to the rating produced by the reference model (inclusive of any Bayesian transformation), with duration equal to the residual maturity at the measurement date of the individual position or tranche. The PD value considered includes the macroeconomic influences and the Add-on

component existing at the initial recognition date;

- **PD at the observation date**: the value of probability of default at the observation date of the position or tranche is that corresponding to the rating produced by the current model, with duration equal to the residual maturity of the individual position or tranche. The PD value considered includes the macroeconomic influences and the Add-on component existing at the recognition date.

1.8.6. Comparison for Staging purposes

After identifying the parameters necessary for comparison, as defined above, comparison by means of the lifetime PD delta method is launched on the individual tranches in the portfolio:

$$STAGING = \begin{cases} \frac{(PD_{OBS} - PD_{ORIG})}{PD_{ORIG}} < Threshold \rightarrow STAGE1 \\ \frac{(PD_{OBS} - PD_{ORIG})}{PD_{ORIG}} \geq Threshold \rightarrow STAGE2 \end{cases}$$

where:

PD_{OBS} = lifetime probability of default at the observation date

PD_{ORIG} = lifetime probability of default at the initial recognition date with time horizon equal to the remaining life of the position or tranche

Threshold = parameter for defining the significant increase of credit risk differentiated by remaining term, model and rating class assigned at the initial recognition date. If the ratio between lifetime PDs yields a value below this parameter, the exposure is classified in Stage 1; if not, it is classified in Stage 2.

Every month, the lifetime PD curves referred to each rating and regulatory segment are recorded. This process makes it possible to obtain, at each subsequent measurement date, the PD at the initial recognition date necessary for comparison.

These criteria are applied to the Performing portfolio, for which the increase in credit risk can be measured based on PDs. On the other hand, if reduction in the counterparty's creditworthiness requires the transfer to the non-performing portfolio, all exposures towards such counterparty shall be classified in Stage 3 ("debtor approach"). The write-downs of the non-performing portfolio are calculated, similarly to the procedure for the Performing portfolio, by forward-looking parameters. For the details of the classification of the non-performing portfolio, see the "Rules on Non-Performing Loans" and the "Rules on Forborne Exposures" adopted by the Intesa Sanpaolo Group

For non-performing loans classified as Unlikely to Pay ("UTP"), the Group Impairment Policy describe the procedures for:

- analytical-statistical measurement, for exposures equal to or less than 2 million euro, calculated at Banking Group level . This valuation is based on the application of specific LGD grids to which the different components of Add-on are added to include the impacts of internal management variables and of forward-looking information relating to the future macroeconomic scenarios and the continuation of the risk status;
- ·analytical measurement, for exposures greater than 2 million euro, calculated at Banking Group level. This valuation is based the impairment percentages established by the manager, following analyses and assessments based on predefined criteria described below, plus different Add-on components to take account the forward-looking information relating to the future macroeconomic scenarios and the continuation of the risk status.

For the Parent Company and for the Companies for which the Parent Company under the Service Contract and associated Operating Rules performs measurement of unlikely-to-pay exposures[i], the threshold value for identifying the positions to be subjected to analytical measurement is 2 million euro. For the other Group Companies, the threshold value is established by the competent governance bodies of each Company, together with the Credit Governance Head Office Department, ISBD Credit Head Office Department and the Credit Risk Management Head Office Department of Intesa Sanpaolo. In any case, the threshold cannot exceed that set by the Parent Company.

For current UTP (Unlikely to Pay) exposures the Company through the Chief Credit Officer is provided with specific provisions on the outstanding names.

1.8.7.Determining Thresholds

In order to measure the significant increase in the credit risk of the loan or purchase tranche, as described previously, the thresholds of Significant Increase in Credit Risk ("SICR"), expressed by the changes in lifetime PDs over time are defined.

The SICR thresholds are differentiated according to the rating model at the initial recognition date, to the associated rating in force at that date and to the residual maturity of the loan or purchased tranche at the observation date.

To ensure determination and maintenance of the thresholds, the entire estimation process is repeated in the event of changes to the rating models underlying quantification of the thresholds. If, on the other hand, the characteristics of the portfolio change significantly, the need to estimate or update anew the impairment thresholds will be taken into consideration.

The main methodological steps for establishing the SICR thresholds for the following models:

- Large Corporate, Corporate, SME (Small and Medium sized Enterprises) (Small and Medium sized Enterprises) Retail and Retail (Core Portfolio);
- Sovereign, Public Entities, Banks, Structured Finance and Other Portfolios

Core Portfolio

The thresholds for the core portfolio are determined by applying the following three steps:

Preliminary estimate of the SICR thresholds

The SICR thresholds are estimated using only the TTC (Through the Cycle) PDs, to avoid including in the estimate the effect of the economic cycle.

Below are the main steps of the estimation process:

1. calculating the lifetime PD ratio (ratio of PD at the observation date to PD at the initial recognition date) at individual loan level;

2. defining the buckets of residual maturity, differentiated by rating model, based on the characteristics of the portfolio being analysed;

3. calculating the 95th percentile of the distribution of the lifetime PD ratio (determined on an experiential basis to define a grid that will be subsequently fine-tuned through a statistical methodology for the "Calibration of the SICR thresholds", segmenting by:

- rating model at the initial recognition date;
- rating class at the initial recognition date;
- buckets of residual maturity at the observation date;

[i] ISPIRE is within Scope

4. defining the SICR thresholds by adjusting the 95th percentile calculated as per the

preceding point, to obtain decreasing monotonicity of the thresholds, jointly for ratings and buckets of residual maturity.

Calibration of SICR Threshold

The previously defined thresholds are calibrated by a performance analysis process designed to identify the SICR over a time horizon of 5 years. To this end, lifetime PDs inclusive of the Most-likely scenario plus the Add on are used, to include in the calibration the impacts of the macroeconomic scenario.

The steps of the calibration process are described hereunder:

1. analysing the performance of the SICR thresholds, differentiated by rating model, to maximise their accuracy, in particular:

- Recognition Rate: portion of the portfolio intercepted in Stage 2 and which subsequently defaulted (a high value is a measure of correct Staging);
- Stability Rate (complement to 1 of the Cure Rate): portion of portfolio intercepted in Stage 2 that does not return subsequently to Stage 1 (a high value is a measure of correct Staging);

2. repeating the analysis under point 1, varying the SICR thresholds by means of sensitivity analysis, using a multiplicative calibration coefficient;

3. identifying the optimum trade-off between the indicators of Recognition Rate and Cure Rate (complementing the Stability Rate), since the objectives of these two indicators are opposite to each other. Improvement in the Recognition Rate is matched by worsening of the Cure Rate;

4. defining the recalibrated SICR thresholds, obtained as translation of the estimated ones, applying the calibration coefficient (identified in point 3).

Determination of the Final SICR Threshold

After the calibration phase, the SICR thresholds are fine-tuned to make them more suitable for application. More specifically:

1. to differentiate the thresholds by individual year of residual maturity, a smoothing process was applied (estimation of an interpolation function of the 95th percentile of the PD ratios to determine a normalised multiplier to be applied to differentiate the thresholds). The purpose of this treatment is to make the thresholds more granular and, at the same time, avoid excessive deviations between contiguous maturity buckets;

2. applying a floor value to the SICR thresholds after the smoothing, differentiated by type of rating model, to avoid high volatility of the Staging. This floor is determined based on the thresholds recalibrated before differentiation by residual maturity, selecting a value ranging between the lowest in the grid before application of the floor and 10%. This floor has affects only on the worst-rating classes and on high residual maturities and acts in lieu of thresholds that would otherwise be close to zero. This makes it possible to avoid minimum changes in the scenario, assigned rating being equal, from triggering unjustified Staging changes;

Other Portfolio

As concerns the Other Portfolios, the estimate is derived from the thresholds of the core portfolio with similar characteristics, given the lack of sufficiently robust figures for an ad hoc estimate.

The portfolios relating to the Structured Finance models and RED models are aligned with the

thresholds estimated for the corporate segment, while the Sovereign, Public Entities and Banks portfolios are aligned with the thresholds estimated for the Large Corporate.

The methodology for deriving the thresholds is based on a statistical model that links the thresholds of the reference core portfolio (Corporate or Large Corporate) to the related PD value. In particular, to determine the final threshold value, the following step is applied:

- estimation of the coefficients by means of regression of the thresholds of the core portfolio (Corporate or Large Corporate) according to the TTC PD value;
- application of the regressions estimated at point 1) to the Other reference Portfolios, to calculate the final SICR thresholds;
- application of the same dynamic defined for the reference core portfolio to the thresholds of the Other Portfolios calculated at point 2), in order to obtain the differentiation of the thresholds by remaining life. This change ensures decreasing monotonicity of the thresholds (by rating and remaining term);
- in the same way as the core portfolios, Other Portfolios too are subject to a floor, differentiated by rating model, to avoid high volatility of the Staging in response to a single change in the macroeconomic scenario (rating being equal).

Similarly to therefore portfolio, to ensure updating of the parameters identified, the whole estimation process will be run again in the event of a change in the underlying rating models or in a significant change in the characteristics of the portfolio.

Determination of Forward-Looking Scenarios (IFRS9)

Definition of the Most-likely + Add-on Model

To determine value adjustments, the Standard requires consideration of all the information that is available at the reporting date concerning past events, current conditions, and forecasts of future economic conditions ("forward-looking"). In particular, to determine expected credit losses (at one year and lifetime), it is necessary to determine "an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes." To this end, as described earlier, Intesa Sanpaolo adopts an approach ("Most-likely scenario+Add-on") that starts from the determination of the parameters in a base scenario, considered more plausible ("Most-likely"), to which an adjustment is applied ("Add-on") to reflect the effects of alternative scenarios and the associated non-linear impacts due to the changes in the macroeconomic variables determined. Indeed, only on occurrence of (i) linear links between scenario and risk parameters and (ii) symmetry of the alternative macroeconomic trends, would the Most-likely scenario alone cover all possibilities.

The "Most-likely Scenario+Add-on" approach is consistent with the other projection-based corporate processes (e.g. business plan, budget, ICAAP) since it uses the same baseline macroeconomic scenario as the basis for building the alternative scenarios.

The implementation adopted, which includes calculation of one Add-on at lifetime PD level and one at LGD level, also makes it possible to ensure, for construction, consistency between the parameters used for Staging and those used to calculate ECL. Furthermore, incorporation of the effects of the alternative scenarios at the level of risk parameters makes it possible to assign the exposure to one Stage directly and uniquely and to make one calculation of the corresponding ECL for each exposure.

Definition of the Most-likely Macroeconomic Scenario

The baseline scenario is constructed every quarter (end March, June, September, and December)

The global macroeconomic scenario is designed using a set of stand-alone analytical and forecasting instruments, which determine the forecasting process using certain clusters of variables, specifically:

- macroeconomic indicators of the top 6 Eurozone countries, the United States and Japan;
- official rates (EBC, Fed, BoJ (Bank of Japan)), EUR and USD swap rate curves, some points of the government curves and stock exchange indexes;
- exchange rates for EUR, USD, JPY, and GBP;
- some detailed data on the Italian economy (industrial output, employment, public finance balances and real estate price index).

These forecasts are then applied to the multi-country structural model (Global Economic Model) of Oxford Economics, where they replace the forecasts of the baseline scenario provided by the Parent Company with the periodic updating of the database. The model is then resolved to obtain a coherent overall forecast, inclusive of variables for which no specific models have been developed, and to have a simulation environment that can be used to generate alternative scenarios. This step may require several iterations, especially if the forecast based on internally processed data diverges significantly from the one produced by Oxford Economics. In this case, additional fine tuning might be required on specific secondary variables that the analysts consider not consistent with the forward-looking scenario, or which display an unexplained quarterly volatility.

After this input and together with the semi-annual acquisition of system default rates, the calculation parameters are updated every six months:

March scenario that includes more or less complete historical data on the preceding year to be used to condition the parameters useful to the preparation of the half-yearly report and the third quarter reporting;

September scenario, used to support other company processes (budget, business plan) and the determination of other balance sheet parameters (e.g., goodwill), to be used to condition of the calculation parameters useful for the preparation of the Annual Report and first-quarter reporting

In any case, every quarter, in the event of significant changes in forecasts, especially in macro-economic indicators relevant to IFRS described in the Impairment Policy, timely assessment of the updating of the macro-economic scenario compared to the above schedules must be made by the Group Chief Risk Office (CRO) area, also considering the "expert judgment" of management as suggested by the regulators.

The Internal Credit Risk Models and Pillar 2 Committee has been informed of the assessments determining anticipation of the scenario update and approves the updating of the projection for accounting purposes.

Definition of alternative paths to calculate Add-on

At the same time intervals used to prepare the Most-likely scenario, alternative paths are identified; they are used as inputs to calculate the Add-on, using the Oxford Economics' Global Model simulation environment. For certain variables, alternative paths to that provided for in the Most-likely scenario are imposed. These are used as the basis to resolve the model to obtain coherent simulated paths for the other variables used in the process in question.

The key variables are the following:

- average annual GDP growth rates in several countries (Italy, United States, Germany, France, Spain, and United Kingdom);
- European stock exchange index (DJ Eurostoxx 50);
- US stock exchange index (S&P500);
- price of residential real estate (United States);

- price of residential real estate (Italy).

For each quarter, the percentile relating to the variation of the quarter present in the Most-likely scenario with respect to the historical distribution of the changes in the above-mentioned indicators is identified. Starting from the identified percentile value, the variations corresponding to probability deviation $\pm\Delta p$ are identified; they are calculated by statistical analysis of the historical distribution of the observations. The new values identified are then used as input to decide the negative Add-on factor (lowest value) and the input for the positive Add-on (highest value). The two changes (positive and negative) compared to the Most-likely scenario, are then used to calculate the level of the individual indices identified, reconstructing, for each, two alternative paths (one positive and one negative) which constitute the input for determining the Add-on factor. The probability deviation adopted is identified based on the variability characteristics of the series, to obtain a significantly large deviation from the Most-likely scenario.

In applying the annual changes to the quarterly profile of the variables, each deviation from the annual average is distributed, within that year's forecast quarters, according to a standardised levelling methodology that minimises the overall variability of the variable's profile.

The two sets of alternative variables thus obtained are used as inputs in the above-mentioned Global Model of Oxford Economics, which is then resolved to obtain coherent paths for all the remaining variables and countries. The output of the model consists of two datasets of variables that reflect, through the model's equations, the two shocks applied (respectively adverse and positive). The datasets are checked to detect any excessive quarterly volatility and/or inconsistencies in the path of the secondary variables. If necessary, the results are fine tuned. From these datasets, another set of variables is extracted; these are the narrower datasets supplied to produce the alternative Add-on scenarios in the next stages of the process.

Besides defining alternative paths, a map is maintained of the possible additional factors, i.e. adverse events, or idiosyncratic scenarios (e.g. Brexit, war in Ukraine-Russia, etc.), not expressly incorporated in the time series used to define the Most-likely scenario or in the alternative paths, which may produce further significant effects on expected losses.

The following elements of these events/scenarios are assessed:

1. the possible timeframe of their occurrence;
2. the degree of inclusion in the Most-likely scenario or in the alternative paths;
3. the potential impact assessed in qualitative terms.

The map of additional factors also relies on the lists of risk factors contained in the forecasting reports of the IMF (International Monetary Fund) (World Economic Outlook) and of the European Commission and may vary over time.

When assessing the timeframe of the additional factors, it is noted whether the factor cannot be placed in a specific timeframe. In this case it will be hard to include it in either the Most-likely scenario or the alternative paths.

The above assessments take into account the fact that consensus estimates could include forecasters that already include in their estimates the partial or full occurrence of one or more risk factors, and hence the alternative paths might already include to a certain extent those additional factors.

In conditions of marked uncertainty of national and international macroeconomic forecasts, and in the presence of significant deviations, in an improvement sense, of the projections with respect to the TTC scenario, considering the possibility of resorting to the expert judgment of the management, an element of prudence may be introduced with reference to the deviations of the minimum and maximum values of the Consensus-based or historical variables described. These elements of prudence consist in the possibility to use alternative, more asymmetric and conservative paths for the construction of the add-on, defined jointly by the DC Studies and Research and the CRO. This eventuality is applied on all the elements that use alternative

scenarios.

This conservative element may be introduced, or eliminated, with the prior approval of the Internal Credit Risk Models and Pillar 2 Committee.

Details of latest Scenario are shown below:

		Base				
		2022	**2023***	**2024**	**2025**	**2026**
World GDP	a/a %	3.30	3.10	2.80	3.40	3.40
Brent Crude	$/B	99	82	80	78	76
Gas (Europe)	€/MWh	131	43	35	30	26
US Fed Fund Rate	%	1.72	5.07	5.29	4.45	3.72
Area Euro						
GDP	a/a %	3.40	0.40	0.40	1.50	1.60
IPCA	€/MWh	8.40	5.40	2.30	2.00	1.90
ECB Refi Rate	%	0.57	3.80	4.34	3.49	3.00
Euribor 3 M	%	0.30	3.40	3.70	3.00	2.50
IRS 2 Y	%	1.50	3.60	2.90	2.90	3.20
IRS 5 Y	%	1.70	3.10	2.90	3.10	3.40
IRS 10 Y	%	1.90	3.10	3.10	3.40	3.70
Slope 10 – 3 M	bp	158	-36	-63	45	119
Bund 10 Y	%	1.17	2.48	2.50	2.90	3.47
EUR/USD		1.05	1.08	1.11	1.13	1.15
Italy						
GDP	a/a %	3.90	0.70	0.70	1.20	1.00
IPCA	a/a %	8.20	5.60	1.90	1.90	1.90
Unemployment)	%	8.10	7.60	7.90	7.80	8.00
Real Estate prices (Res)	a/a %	3.80	1.10	0.60	1.40	2.10
Bund 10 Y	%	3.00	4.20	4.10	4.50	5.20
Spread BTP-BUND	Bp	188	171	159	159	169
EuroStoxx	a/a %	-6.45	13.02	0.35	4.09	1.32
Slope 10-2 Y	%	0.45	-0.49	0.23	0.56	0.53

Note: (*) includes estimates for 2023Q4 (GDP (Gross Domestic Product), unemployment, real estate prices) or December 2023 (interest rates, inflation, exchange rate, stock market indices, spreads).

		Favourable			Unfavourable		
		2024	2025	2026	2025	2026	2027
World GDP	a/a %	3.20	3.70	3.80	2.30	2.80	3.20
Brent Crude	$/B	81	83	79	79	72	70
Gas (Europe)	€/MWh	35	31	26	35	28	25
US Fed Fund Rate	%	5.62	5.02	4.56	4.73	2.94	2.11
Area Euro							
GDP	a/a %	1.10	1.70	1.90	0.00	0.60	1.10
IPCA	a/a %	2.40	2.30	2.00	2.20	1.50	1.70
ECB Refi Rate	%	4.44	4.06	3.75	3.63	2.72	2.06
Euribor 3 M	%	3.80	3.50	3.30	3.00	2.20	1.60
IRS 2 Y	%	3.00	3.40	3.90	3.40	2.10	2.30
IRS 5 Y	%	3.00	3.50	4.00	2.20	2.40	2.60
IRS 10 Y	%	3.20	3.70	4.10	2.70	2.90	3.10
Slope 10 – 3 M	bp	-62	19	87	-19	67	154
Bund 10 Y	%	2.60	3.22	3.90	2.11	2.35	2.88
EUR/USD		1.10	1.13	1.15	1.11	1.15	1.15
Italy							
GDP	a/a %	1.10	1.60	1.40	-0.03	0.30	0.60
IPCA	a/a %	2.00	2.30	2.10	1.70	1.30	1.50
Unemployment	%	7.80	7.60	7.70	8.30	8.30	8.90
Real Estate prices (Res)	a/a %	1.50	2.00	2.60	-2.60	-1.80	-0.50
BTP 10 Y	%	4.00	4.70	5.40	3.90	4.20	5.00
Spread BTP – Bund	pb	143	145	153	181	186	209
EuroStoxx	a/a %	11.34	4.56	3.51	-3.16	-1.99	-5.05
Slope 10- 2 Y	%	0.24	0.35	0.28	0.50	0.73	0.81

Note: (*) includes estimates for 2023Q4 (GDP (Gross Domestic Product), unemployment, real estate prices) or December 2023 (interest rates, inflation, exchange rate, stock market indices, spreads).

Determination of the add-on to PD

To include in the ECL estimates the possible impacts of alternative scenarios to the base scenario, an Add-on is calculated, to be applied to the forward structure of PD, reflecting the non-linear nature and the asymmetries of the models and of the expected macroeconomic scenarios.

To this end, in addition to the Most-likely scenario, two alternative scenarios are considered: a best scenario and an adverse scenario, with respect to which PIT measures are calculated in the same way as for the Most-likely scenario.

Indicating with:

$PD_i^{Most\text{-}Likely}$, $PD_i^{Adverse}$ PD_i^{Best}, i=1,…,n

the annual lifetime PIT PD calculated in the Most-likely, adverse and best scenarios; the Add-on for the PD is given by:

$$\text{Add-on-}PD_i = (PD_i^{Adverse} - PD_i^{Most-Likely}) - (PD_i^{Most-Likely} - PD_i^{Best}),\ i=1\ldots n$$

The calculation is performed at the highest granularity level: subscript i varies on the basis of:

- the rating class of the TTC matrix;
- macro-sector;
- maturity.

To ensure the estimates are conservative, if the Add-on value shows an improvement with respect to the Most-likely scenario, the Add-on is not included in the calculation of lifetime PD values.

Determination of the add-on to LGD

In order to include in the ECL estimates the possible impacts of alternative scenarios to the base scenario, an Add-on is calculated, to be applied to the LGD grids, reflecting the non-linear nature and the asymmetries of the models and of the expected macroeconomic scenarios.

Indicating with $LGDiMost{-}Likely$, $LGDiAdverse$, $LGDiBest$, i=1,…,n the annual lifetime PIT LGD calculated in the Most-likely, adverse, and best scenarios, the Add-on for LGD is given by:

$$\text{Add-on-}LGD_i = (LGD_i^{Adverse} - LGD_i^{Most-Likely}) - (LGD_i^{Most-Likely} - LGD_i^{Best}),\ i=1\ldots n$$

For LGD too, the calculation is performed at the highest granularity level: subscript i varies according to the TTC grid opening variables (e.g.: geographical area, amount granted etc.).

To ensure the estimates are conservative, if the Add-on value shows an improvement with respect to the Most-likely scenario, the Add-on is not included in calculation of conditioned LGD values

We see the latest tables used in the IFRS9 Expected Loss Group Model under Baseline, Favourable and Non –Favourable Scenarios.

1.9. Derivative financial instruments and hedge accounting

1.9.1 Derivative financial instruments

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 (effectiveness 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 monthly a valuation component called "Bilateral Credit Value Adjustment (bCVA).
It considers 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 Company, and the Company has a positive exposure towards the Counterparty. In these scenarios, the Company incurs a loss equal to the replacement cost of the derivative;
- DVA (which is positive) considers the scenarios where the Company defaults before the Counterparty, and the Company has a negative exposure towards the Counterparty. In these scenarios, the Company 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 considering any counterparty risk mitigation agreements, in particular collateral and netting agreements with each counterparty.

The Funding Value Adjustment (FVA) is the fair value component which, for transactions not covered by Collateral Support Agreement (CSA), considers the additional funding costs/benefits with respect to those already included in the collateralized component V0. The methodology currently adopted envisages direct calculation of the non-collateralized component, corresponding to the sum

$$V(t) = V_0(t) + FVA(t)$$

Where:

$V_0(t) = Collateralized\ component\ of\ the\ Banks'\ funding\ at\ Treasury\ rates\ at\ time\ T$

$FVA(t) = Adjustment\ as\ the\ funding\ cost\ or\ benefit\ at\ Fair\ Value\ of\ non\ collateralized\ transactions\ at\ time\ T$

using relevant discount curves.

For Intesa Sanpaolo Bank Ireland, 100% of derivatives are covered by way of CSA agreements. Prudent valuation of one Collateralized Transfer Agreement, linked to certain interest rate derivatives, is calculated using internal credit risk models. Changes of values for that provision are also recognised immediately in the income statement."

1.9.2. Hedge Accounting

The Company has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

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 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), 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 82.6%-121%, but different to 100%, the Mark to Market (MTM) value associated to the differential is recorded into the income statement - see note 9 with the effective portion recorded in the Fair Value through Other Compershave Income reserves.

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. As at December 2023 the Company does not have any instances of failures in relation to effectiveness testing.

Hedge accounting is a technique that modifies the normal basis for recognizing gains and losses on associated hedging items and hedged item, so that both are recognized in P&L or OCI in the same accounting period. This avoids much of the volatility that would arise if the derivative gains and losses were solely recognised in the income statement. The Company follows the IAS39 approach for Hedge Effectiveness and in accordance with the Group approach has not implemented the IFRS9 approach. The Hedge effectiveness rule of IAS 39 with objective-based requirements focused on:

- Economic relationship exists
- Credit risk does not dominate value changes
- Designated hedge ratio is consistent with risk management strategy.

With Respect to Hedge Effectiveness the Company use OTC (Over the Counter) Interest Rate Swaps instruments to hedge fixed rate positions as part of its overall Interest Rate Risk management of the Banking Book. The Company has adopted two separate methodologies to test for hedge effectiveness prospectively: Critical Terms Comparison and Sensitivity Analysis. The Critical Terms Comparison method consists of comparing all critical terms of the hedging instrument with those of the hedged item. The hedge relationship is expected to be highly effective where all the principal terms of the hedging instrument and the hedged item match exactly and there are no features (such as optionality) that would invalidate an assumption of perfect effectiveness. This method does not require any calculations.

For the sensitivity analysis INSPIRE has adopted the Hypothetical Derivative Approach. The hedged risk is modelled as a fictitious derivative called a “hypothetical derivative.” The hypothetical derivative Approach compares the change in the fair value of the hedging instrument with the change in the fair value of the hypothetical derivative (“Synthetic”). This approach consists of measuring the effect of a hypothetical shift in the underlying hedged risk (for example, a 1bps shift in the interest rate curve being hedged) on both the hedging instrument and the hedged item. This is performed by computing the net sensitivity of the hedging package to a 1bps parallel shift of the interest rate curves. This sensitivity is known as the IR01 or BPV (basis point value). The operator needs to look up the BPV values of the Synthetic asset/liability and of the IRS in K+. These values are expected to almost offset each other perfectly, so that the combined sensitivity of the hedging package is close to zero.

For the on-going effectiveness, the Company uses the Dollar Offset Method, and the hedge effectiveness test is performed by comparing the Net Present Values (defined as the Present Value less Accruals) of both the synthetic asset/liability and the hedging derivative. This method is applied on a Fair Value basis: we consider the whole NPV of both instruments in the calculation of the hedging effectiveness ratio (whole NPV since inception, not just from period to period).

For a perfect hedge, the derivative fair value should exactly offset the hedged item fair value. Therefore, the ratio of the fair value of the derivative over the fair value of the hedged item should be equal to 100% in a perfect hedge (after multiplying the ratio by negative one to adjust for the two figures having opposite signs in a hedging relationship). With respect to IRS hedging activity with Intra-Group counterparties, the Company applies a more conservative critical value threshold of 82.60% and 121.06%.

Using the Dollar Offset Method, the results can show a rather high volatility with the risk of failing the test, when the level of the delta NPV of both the hedged instrument and the hedging derivative is low and the impact on the P&L is not significant. To avoid this risk, the Group has adopted the following materiality thresholds, which will force the effectiveness test to 100%, also if the raw test result is outside the range of 80% to 125% (non-group) or 82.60% and 121.06% (Group):

- Condition 1: the difference between the absolute values of the fair value deltas of the hedging instrument and hedged item is less than or equal to a maximum of € 50,000 and 0.1% of the hedged notional value;
- Condition 2: the fair value deltas of both the hedged item and the hedging instrument are less than or equal to 1.0% of the respective notional amounts outstanding at the test date.

Both these conditions must be simultaneously satisfied for the effectiveness test to be considered to have been passed. In that case, the result is forced to 100% and the ineffective portion of the hedge continues to be recognised on the income statement.

In particularly stressed market conditions, the volatility of the interest rate index used in the fixing of the present floating leg of a hedging derivative may result in the ineffectiveness of the hedge from an IAS point of view. In this case the Company would perform a back-testing exercise which generally occurs when all of the following conditions are met simultaneously:

- the frequency of the floating leg is at least quarterly;
- the fair value of the derivative is near zero;
- if the market rate used for indexing changes significantly shortly after the re-fixing of the floating leg.

The purpose of the back-testing procedure is to assess whether the ineffectiveness in a hedge relationship results from the volatility of the interest rate index. The back-testing method re-computes the NPV of the hedging derivative ("amended NPV") where the floating leg rate is replaced by a new rate which is in line with market rates on revaluation date, and for a period starting from the revaluation date to the next re-fixing date. This rate is applied on the full period (the start date of the current period is not changed). The test is considered effective if the ratio of the hedging derivative's amended NPV over the hedged asset/liability NPV is within the 80-125% effectiveness range (or 82.60% - 121.06% in the case of intra-group hedging). The amended NPV of the derivative is computed for back-testing purposes only and is not accounted for.

The NPV of the hedging derivative used in the back-testing is computed as follows:

NPVback-testing = NPV – PVCR contractual+ PVCR back-testing + Acccontractual- Accback-testing

With:

- NPVback-testing: it is the derivative Net Present Value to use for the back-testing;
- NPV: it is the derivative Net Present Value (net of accruals);
- PVCR contractual: it is the current period floating rate PV
- PVCR back-testing: it is the current period floating rate PV, using the back-testing rate which is aligned on the market rates at revaluation date;
- Acc contractual: accruals on the derivative floating leg using contractual rate;
- Acc back-testing: accruals on the derivative floating leg using back-testing rate.

The back-testing rates are determined using the formula:

$$r_{backtesting} = \frac{r_2 - r_1}{t_2 - t_1}(t - t_1) + r_1$$

With:

- r1: is the rate for the closest and smaller duration;
- t1: is the duration of the rate r1;
- r2: is the rate for the closest and longer duration;
- t2: is the duration of the rate r2;
- t: is the difference between revaluation date and next re-fixing date;

If the back-testing process does not produce a passing test result, the test failure cannot be explained by temporarily increased interest rate volatility. The construction of the hedge might in fact be not robust. In this case, senior management must be informed in order to authorise the break-up of the hedge relationship between the hedging derivative and the hedged asset/liability. No hedge effectiveness test (after back-testing) has ever failed up to now which is consistent with the Business Strategy of the Company to micro hedge contracts with fixed rate position.

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
Leasehold Improvement	20.0% straight line
Right of use asset (leases)	straight line over the lease term

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[i]. We do not have any accounts with restricted cash conditions outside of Collateral Security Agreement (CSA) accounts[ii]. In addition, we note that we have received funds designated as "Restricted Cash" which comprises cash funds received from counterparties not offset against loan exposures due to sanctions. Restricted cash is not considered as part of cash and cash equivalents and is reported separately as part of Funds due to customers.

[i] No outstanding as at 31 December 2023

[ii] Cash balances must cover derivative MTM which is revalued on a daily basis

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 other comprehensive income (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.

The company has adopted the amendments to IAS 12 by the IASB (International Tax Reform – Pillar Two Model Rules) issued in May 2023 and endorsed by the European Commission on 8th November 2023. The amendments provide a mandatory temporary exception from the requirements to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, the Company has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two.

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, grant committed facilities or other forms of financial money market credit facilities. 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 / TLTRO/ LTRO / MRO agreements

Securities sold under agreements to repurchase at a specified future date, at a pre-agreed price or that form part of the Long-Term Refinancing Operation / Main Refinancing Operation with the Central Bank of Ireland are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements" reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate. See Note 27.

1.18. Lease

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the ISP Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets directly to the Income Statement. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and the lease liability has been included in other liabilities.

1.19. New standards

The following new standards and amendments to standards have been adopted by the Company during the year ended 31 December 2023:

- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts; - effective date 1 January 2023
- Disclosures of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2; - effective date 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 Effective date 1st January 2023
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021); effective date 1 January 2023
- Amendment to IAS 12 Income Taxes International Tax Reform – Pilar Two Model rules effective immediately (Further details, note 1.21)

There have been no new standards or amendments during the year 2023, which have had a material impact on the Company.

1.20. Standards Issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non- current Date (issued on 23 January 2020); Classification of Liabilities as Current or Non- current - Deferral of Effective Date (issued on 15 July

2020); and Non- current Liabilities with Covenants (issued on 31 October 2022 and effective 01 January 2024)

1.21. International tax reform – Pillar Two legislation

The Minimum Tax Pillar Two model rules ("Global Minimum Tax") have been implemented in the European Union and endorsed by European Commission with European Council Directive 2022/2523 published in the EU Official Gazette on December 22nd 2022, effective from 1 January 2024. In Ireland, Part 4A of the Taxes Consolidation Act 1997 transposed Council Regulation (EU) 2023/2523 ensuring a global minimum level of taxation for multinational enterprises groups and large-scale domestic groups in the European union.

The Global Minimum Tax provisions apply to the entities which are members of the Intesa Sanpaolo Group due the fact that the Group's consolidated annual revenue exceeds euro 750 million threshold in at least two of the four fiscal years preceding the year 2024 requiring a payment of at least 15% effective tax rate on profits in each jurisdiction in which the Group operates.

The Intesa Sanpaolo Group established a dedicated project to closely monitor and assess its exposure to the Minimum tax Pillar Two model rules. The working Group has determined that the Irish entities of the Group are not able to take advantage of the transitional safe harbour provisions and therefore are obliged to apply the Global Minimum Tax provisions in full.

Intesa Sanpaolo Bank Ireland has adopted the amendments to IAS 12 by the IASB (International Tax Reform – Pillar Two Model Rules) issued in May 2023 and endorsed by the European Commission on 8th November 2023. The amendments provide a mandatory temporary exception from the requirements to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, the Company has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two.

The Company continues to assess its exposure to the Pillar Two legislation. An initial assessment indicates that if the Pillar Two legislation had been in effect in 2023, the Company would have had a top up tax expense for the year in Ireland. This is because the Pillar Two effective tax rate for the Irish entities of the Group would have been below the minimum 15% effective tax threshold. The impact is not expected to be material.

1.22. IFRS 9: Financial Instruments

Business Model Adopted

In accordance with the Group Business Model Rules adopted by the Company which incorporates all the Business Model requirements as laid down by the Regulation, the Company's Business Model incorporates the following macro areas:

Assessment

The assessment is made at an organizational level and reflects how the Company's financial asset groups are managed in order to achieve a particular business objective.

It should be noted that, the Business Model is required to assess the management of the financial assets specifically, the way in which cash flows are generated in the portfolio (collection of contractual cash flows, sale of financial assets or both of these activities).

As part of the Corporate & Investment Banking Division, the assessment of the Company's Business Model is carried out in line with the strategy of the division and considers the Company's organisation, specialisation of business functions, risks, and limits.

In summary, the business model

- reflects the ways in which financial assets are managed to generate cash flows;
- is defined by the senior management, in collaboration with the appropriate involvement of the business & divisional structures;

Valuation

The Business Model details that the Company determines the proper valuation of the Financial Assets (debt instruments and loans) included in portfolios are managed in accordance with the conduct of operations. This is reflective of the way the Company manages its financial assets in order to generate cash flow.

The Business Model does not depend on the activities of the Company with reference to a single financial instrument, but it refers to the ways the Company manages the groups of its financial assets for the purpose of achieving a specific business objective. It also allows the Company to have more than one business model which is the case for the Company where the Business Models are "Hold to Collect" (Lending) & "Hold to Collect and Sell" (Bonds).

Further to this Business Model the classification of financial assets (debt securities and loans), are described below.

- **Amortised Cost (A.C**): This category implies a valuation approach at amortized cost;

- **Fair Value through Other Comprehensive** Income (FVOCI): This classification provides for measurement at fair value, of the changes in fair value as a separate component of equity. The reserve flows into the profit or loss from the sale / redemption of the financial instrument.

- **Fair Value Through Profit or Loss (FVTPL**): This provision governs the measuring instruments at fair value, with changes in the income statement. The category FVTPL is defined from the beginning as a residual category that includes financial instruments that are not classified in the previous categories based on what

emerged from the business model tests or tests on the characteristics of contractual cash flows (SPPI test).

The application of classification and evaluation approaches applied to it and described above depends on two criteria:

- the business model with which they have managed financial instruments - BUSINESS MODEL TEST.
- the financial characteristics of the instrument, which are evident by analyzing the characteristics and determinants of the cash flows generated by the financial instrument, solely payment of principal and interest - SPPI TEST;

The Business Model looks at the prevailing strategy, risks, compensation, KPIs (key performance indicators) and reporting and has been assessed and detailed within the consolidated Group Business Rules in the Field of Business Model which details each subsidiary Business Model as defined by relevant Divisions

The SPPI test identifies instruments with contractual characteristics different from those of a basic lending agreement, and therefore assigning a classification of Fair Value Through Profit or Loss. The test is performed on all exposures and these relevant accounting classification is assigned according to the results.

Classification

The analysis of the business models, aims to maintain continuity with the previous classification categories.

With respect to the Company's activities, the Company can confirm the following treatment of its activities from a Business Model perspective.

Loans: This is the main exposure of the Company, and the Business Model is focused towards collecting purely interest and principal repayments over a medium term primarily in line with the Corporate & Investment Bank Division Risk Appetite.

It represents the most common management model within the division and is to be managed in financial terms, administrative and risk to maturity. The prevailing strategy for loans is deemed to be **Hold to Collect (HTC) and accounted for under Amortised Cost (AC).**

Debt Securities – Banking Book: This is a main activity of the Company, and its activity is integrated into the management of liquidity risk and financial risk aimed at establishing a management portfolio liquidity, containing positions in financial assets and liabilities held in order to provide a liquidity portfolio for the Company.

The prevailing strategy relating to debt securities **is (HTC&S (Hold to Collect and Sell)):** It is a mixed business model, which is achieved through the collection of the contractual cash flows of financial assets in the portfolio, and (also) through sales activity that is part of the strategy.

In this Business Model the sales are more frequent and significant than a business model Hold to Collect and are an integral part of the strategies pursued by the Company. The Company, in compliance with the Group approach, applies assessment of frequency & value of sales to ensure it is in line with IFRS 9 principles.

The Business Model of Hold to Collect & Sell ensures the Company is aligned with its strategy through

- providing a liquidity reserve through securities eligible for central banks or readily convertible into cash;
- observing and optimising the regulatory liquidity ratio (LCR);
- maintaining a specific trend in the interest margin;
- maximising the return on a portfolio, through sales to take advantage of favorable market movements followed by reinvestment;

The valuation of financial instruments entered into a business model Collect and Hold to Sell is at fair value with a specific equity reserve (FVOCI) (subject to the passing of the SPPI test).

Financial Liabilities: The financial liabilities (Deposits) of the Company are **accounted for under Amortised Cost.**

Financial Liabilities: The financial liabilities (ECP Issuance) of the Company are **accounted for under Amortised Cost.**

Financial Liabilities: The financial liabilities (EMTN Issuance[i]) of the Company are **accounted for under Amortised Cost.**

Financial Liabilities: Financial liabilities (deposits and EMTN issuance) are measured at amortised cost, except for liabilities designated at fair value, which are measured through profit or loss and derivative liabilities which are required to be **accounted for measured mandatorily at FVTPL.**

Derivatives: All derivatives of the Company are IFRS 9 measured at FVTPL, regardless of the portfolio in which they are inserted and the business model that is associated.

Reclassification

The reclassification of financial assets is allowable, and only if the entity's business model for managing those financial assets changes.

These changes should be exceedingly rare and should be determined by management because of external or internal changes. They must also have a significant effect on the entity's operations and be demonstrable to external parties.

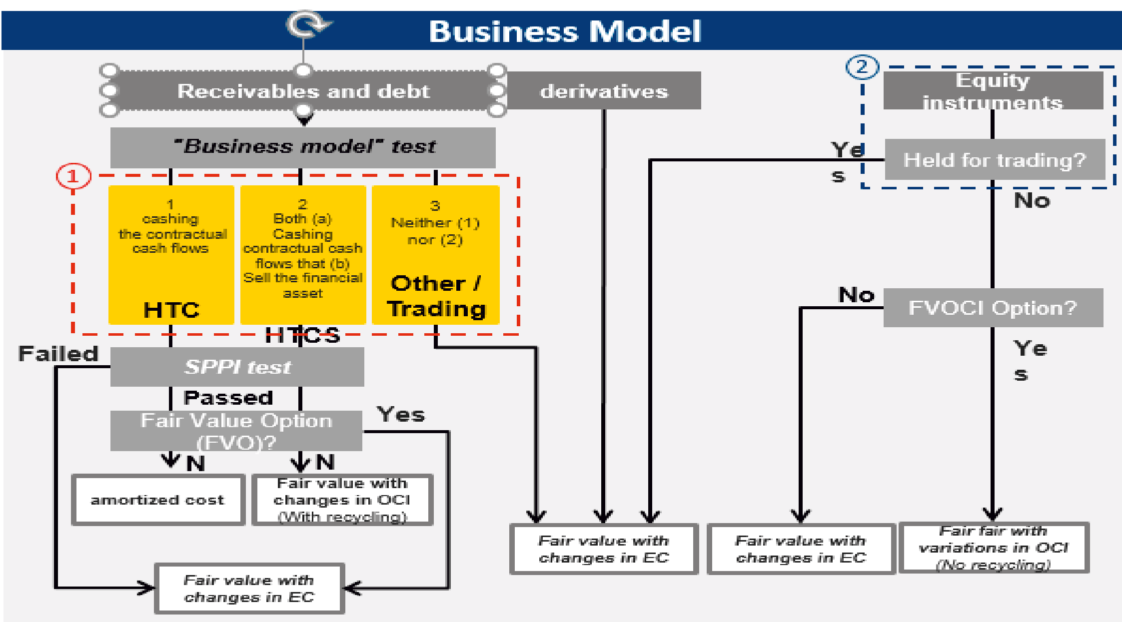
As a result, a change in the business model occurs only when an entity starts or disposes of an activity that is significant, such as an acquisition or disposal of a business line and / or when there are redefined management strategies on the existing business model.

Therefore, in accordance with the provisions, the business model of a group of assets cannot change as a result of a transfer of activities between the business structures having different business models. The structure that receives the task inherits the business model of the transferor structure.

The Company has not reclassified any assets in relation to a change of Business Model.

[i] Some legacy transactions linked to reciprocal lending contracts which failed the SPPI test are accounted for as FVTPL

Business Model Overview



IFRS 9 Hedge Accounting

Regarding hedge accounting, that does not apply to macro-hedging aims to align accounting recognition with risk management and reinforce the disclosure of the risk management activities of the entity preparing the financial statements.

The following is a brief analysis of the activities in relation to the application of IFRS 9 with respect to the review of the Business Model Rules of the Group incorporating the Corporate & Investment Banking Division (including specific sections for ISP Ireland).

The changes in the regulations on Hedge Accounting exclusively concern General Hedging and are strictly linked to th**e Group's decision to use the opt-in/opt-out** option (i.e. the possibility to adopt the new IFRS 9 rather than maintaining the old IAS 39). A, **the Group has decided to utilise the opt-out option during FTA of IFRS 9; subsequently, all hedging operations will be managed according to the current IAS 39 (carve-out).** The Group will continue to review this approach for future reporting

Classification and Measurement

In accordance with the requirements under IFRS9 the Group has issued Business Model Rules which have been adopted by the Company and incorporate all the requirements for the classification and measurement of all activities under IFRS9 for all divisions.

The rules describe the classification of the Company's operations according to the Business Models identified by IFRS 9 to determine the correct approach to assessing the financial assets (debt securities and loans) entered in the portfolios managed during the operations

The classification of the financial asset is guided by the contractual characteristics of the cash flows of the instrument (SPPI Test) and by the purpose for which the asset is held (Business Model)

In general terms, the approach to managing credit from commercial activities is attributable to a "Hold to Collect" Business Model, in which the loan is granted to be managed in financial, administrative and credit risk terms up to maturity.

With respect to debt issuance, an overview of the Business Model for the Company as per the Group Rules are displayed below:

Business Model elements	Description
Mission	The company manages a portfolio of level 1 and Level 2 assets, eligible for the ECB, aimed at managing liquidity, within which the bonds are purchased to[24]: • increase the amount assets that may be liquidated easily to mitigate exposure of the company to liquidity risk; • optimise liquidity regulatory ratios.
Strategy	The company pursues the objectives of its mission mainly through securities issued by sovereign states and supra-national entities, and covered bonds.
Management Compensation	No compensation tables specifically applicable to the management of the bond portfolio have been disclosed.
Risks	The prevalent risks are: • interest rate • credit • liquidity
Performance indicators	Interest accrual reported monthly; capital gains/loss only when the position is closed
Business model	Hold to Collect and Sell

As far as the SPPI Test on financial assets is concerned, the methodology has been defined and Intesa Sanpaolo Bank Ireland performed an analysis on the composition of its securities and loan portfolios to ensure correct classification per the Standard.

Currently all debt issuance under the Company's Financial Portfolio have passed the SPPI test and are treated as "Hold to Collect and Sell" while a small number of lending contracts because of specific contract clauses or the nature of the financing, led to the SPPI Test being failed. As these loans are matched with related liabilities and reclassified as FVTPL. There is no impact on the Company's Income Statement on an on-going basis. All other lending having passed the SPPI Test and is classified as "Hold to Collect"

2. Qualitative risk disclosures and Basel 3

Capital Management[i]

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 capital contributions. In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately into Income Statement, 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 distributed to the Business Units such as Intesa Sanpaolo Bank Ireland plc based on their specific requirements and forward-looking capacity to contribute to the creation of value, considering the level of return expected by the shareholders.

[i] unaudited

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 Company and the consequent measurement in relation to the exposure assumed.

Capital Management involves the control of capital soundness through the careful monitoring of both the regulatory constraints and current and prospective operational constraints (overall economic capital) to anticipate any critical situations within a reasonable period 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 Company 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 Company's Statement of Financial Position.

Regulatory Capital[i]

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 Company, 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 2023 the Total Capital Ratio was 34.27% (34.90% in December 2022).

[i] unaudited

The table below discloses the own funds and regulatory capital requirements of the Company for 2023 and 2022 year-ends:

Regulatory Capital Information 2023 and 2022[i]

	Eligible Own Funds 2023 €'000	**Capital Requirement 2023 €'000**	Eligible Own Funds 2022 €'000	Capital Requirement 2022 €'000
Equity	1,015,574	-	1,015,045	-
Regulatory Adjustments being phased in/out under CRD IV				
IFRS 9 Transitional Adjustment	-	-	1,301	-
Other regulatory adjustments				
Other adjustments (2)	(3,494)	-	(1,519)	-
Core Tier 1	**1,012,080**	**324,240**	**1,014,827**	**308,155**
Total Tier 1	**1,012,080**	**324,240**	**1,014,827**	**308,155**
Regulatory adjustments				
Expected loss deduction (3)	-	-	-	-
IRB Excess of provisions over expected losses eligible	-	-	4,446	-
Tier 2	-	-	-	-
Total Capital	**1,012,080**	**324,240**	**1,019,273**	**308,155**

(1) During the Transitional Period, the impact of IFRS 9 on Regulatory Capital was phased in. The First Time Adoption deduction from capital add back was 95% in 2018; 85% 2019; 70% 2020; 50% 2021; 25% 2022, fully phased in from 2023.

(2) Includes technical items such as non-qualifying CET 1 items, PVA, Impairment Provision Recovery.

(3) Overall Capital Requirement (OCR) OCR% is the Total Capital Requirement Ratio Plus the Combined Buffer Requirement at the reporting date[ii].

	TOTAL RISK EXPOSURE AMOUNT 2023 €'000	**TOTAL RISK EXPOSURE AMOUNT 2022 €'000**
	2,953,189	**2,920,374**
OCR%	10.979%	10.55%

[i] (Unaudited)
[ii] (Unaudited)

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 as part of the IMI Corporate and Investment Bank Division[i] is subject to controls on the level of credit risk through adherence to limits set on a consolidated level and managed at Parent Level on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. All local credit exposures proposals are reviewed against such limits as part of the Parent Company credit approval process.

Performance of credit is performed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations with details on all exposures and flows subject to daily review by the Credit department. Internal rating is assigned to all corporate exposures through a dedicated group internal rating application and the result of this analysis is part of the overall credit risk evaluation performed by the credit department and subject to approval by the local credit committee and a favourable opinion from the Parent Company. 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. The Financial Portfolio Banking Book Value at Risk (VAR) as at 31 December 2023 stood at €2.474m (2022 €3.960m) against a limit of €8m (2022 €8.8m). VAR encompasses a full revaluation of every single instrument in the bond banking book using historical simulations based on actual market scenarios observed in the past (250 days) including specific risk factors such as equity prices and indexes, FX rates, zero coupon rate curves, credit spread curves and implied volatilities with a confidence level of 99%.

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

- Export Credit Agencies' ("ECAs") insurance policies and/or financial guarantees to cover political and commercial risks generated by trade finance operations. ECAs (SACE, COFACE, ECGD, HERMES and other major ECA cover) must cover at least 85% of the political risk, while a guarantee issued by the exporter must secure at least 50% of the country risk not covered by ECA as per the Company's lending policy;
- Intra-group guarantees involving both counterparty and country risk outside the Company's Credit Risk Appetite;
- Parental and third-party bank / corporate guarantees or collateral for transactions involving exposures outside the Company's Credit Risk Appetite. Collateral is seen as a way of controlling the borrower and providing additional sources of repayment and its quality and liquidity are therefore particularly important and must be carefully appraised in the loan proposal. Secured loans are monitored so that money received from the collateral under foreclosure conditions will be sufficient to repay the loan. Guarantees must be issued by counterparties of good credit standing;
- Intra-group risk participations for large, syndicated facilities to limit concentration risk and comply with the regulatory Large Exposure limits.

[i] Official name of Intesa Corporate and Investment Banking Division

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to €5.754 billion at the end of 2023 (€6.292 billion in 2022):

	2023 **€'000**	2022 €'000
Loans and advances to banks	4,963,702	5,132,677
Loans and advances to customers	790,110	1,159,145
	5,753,812	**6,291,822**

The Company has in place a Market Value Limit of €4 billion (€4 billion in 2022) equivalent for the purchase of bonds. Within the Company's approved Financial Portfolio Policy, the investment in permissible bonds is subject to subcategory limits as described therein.

The total exposure of the Company derived from bonds classified as financial assets at fair value through other comprehensive income shown in the following table, amounted up to €2,834 billion at the end of 2023 (€1,970 billion in 2022).

	2023	2022
	€'000	€'000
Financial assets at fair value through other comprehensive income	2,833,834	1,969,563
	2,833,834	**1,969,563**

A breakdown of the Company's credit risk exposure relating to financial assets at amortised and fair value through profit and loss (FVTPL), Contingent Liabilities and financial assets at fair value through other comprehensive income (FVTOCI) at year-ends 2023 and 2022 **by activity sector** is provided in the tables below: The numbers are inclusive of risk mitigation.

31 December 2023 Sector of Risk	**At amortised cost / FVTPL €'000**	**Contingent liabilities & commitments €'000**	**At FVTOCI Securities €'000**
Central Government	178,200	80,906	981,549
Business and Administrative Services	33,917	-	-
Credit Institutions	96,681	-	1,491,446
Electricity, Gas and Water Supply	88,947	85,130	-
Extra-Territorial Organisations and Bodies	-	-	99,284
Financial Intermediaries *(excluding Credit Institutions / Central Bank)*	250,261	220,833	162,878
Manufacturing	148,484	71,265	4,920
Mining and Quarrying	16,165	-	-
Other Community, Social and Personal Services	-	-	-
Real Estate, Renting and Business	2,202	434	-
Transport, Storage and Communications	66,114	0	93,757
Wholesale/Retail Trade & Repairs	-	-	-
Group	4,872,841	7,575	-
Grand Total	**5,753,812**	**466,143**	**2,833,834**

31 December 2022 Sector of Risk	**At amortised cost / FVTPL €'000**	**Contingent liabilities & commitments €'000**	**At FVTOCI Securities €'000**
Central Government	208,376	24,186	857,307
Credit Institutions	212,773	41,250	876,034
Electricity, Gas and Water Supply	115,240	62,826	-
Extra-Territorial Organisations and Bodies	-	-	101,789
Financial Intermediaries *(excluding Credit Institutions / Central Bank)*	165,868	-	102,917
Manufacturing	163,506	42,504	9,804
Mining and Quarrying	146,606		
Other Community, Social and Personal Services	1,356	-	-
Real Estate, Renting and Business	1,843	32,566	-
Transport, Storage and Communications	269,754	-	21,712
Wholesale/Retail Trade & Repairs	-	-	
Group	5,006,500	7,656	
Grand Total	**6,291,822**	**210,988**	**1,969,563**

Impairment classification by stage

Financial asset exposure by stage (before impairment loss allowance)	31 December 2023				31 December 2022
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	579,821	161,760	67,791	809,372	1,316,542
Loans and advances to banks	4,934,868	-	-	4,934,868	4,903,679
Total Financial assets measured at amortised cost	5,514,689	161,760	67,791	5,744,240	6,220,221
Debt instruments at fair value through other comprehensive Income	2,796,597	39,345	-	2,835,942	1,970,245
Total	**8,311,286**	**201,105**	**67,791**	**8,580,182**	**8,190,466**

The Group's Impairment Model incorporates a forward-looking economic scenario[i] and the result of this assessment is incorporated into an add on the applicable ECL% applied to the borrowing. This assessment is performed on a semi-annual basis in June and November and will reflect the prevailing economic environment.

Looking at the Company's Stage 2 exposures Year on Year we see positive movements with the Bank's Stage 2 exposures at €161.76 million against a December 2022 level of €519.9 million. Excluding Russian exposures, we see a modest decrease with exposure as at December 2023 at €80.6 m (2 Counterparties) against December 2022 €106.4 m (2 Counterparties).

[i] Performed in June and November 2023 ,

Impairment loss allowance on financial assets	31 December 2023				31 December 2022
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	1,214	10,748	7,300	19,262	157,397
Loans and advances to banks	572	-	-	572	733
Total Financial assets measured at amortised cost	1,786	10,748	7,300	19,834	158,130
Debt instruments at fair value through other comprehensive Income	1,093	1,015	-	2,108	682
Total	**2,879**	**11,763**	**7,300**	**21,942**	**158,812**

	31 December 2023				31 December 2022
	Stage 1	Stage 2	Stage 3		
Contingent liabilities and commitments by stage (before impairment)	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	429,919	2	-	429,921	162,166
Banks	41,222	-	-	41,222	82,378
Total contingent liabilities and commitments subject to credit risk	471,141	2	-	471,143	244,544

	31 December 2023				31 December 2022
	Stage 1	Stage 2	Stage 3		
Impairment loss allowance on contingent liabilities and commitments	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	24	-	-	24	42
Banks	6	-	-	6	7
Total contingent liabilities and commitments subject to credit risk	30	-	-	30	49

Financial asset exposure by stage (before impairment loss allowance)	31 December 2022				31 December 2021
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	528,988	513,953	273,601	1,316,542	1,602,229
Loans and advances to banks	4,903,679	-	-	4,903,679	3.796,639
Total Financial assets measured at amortised cost	5,432,667	513,953	273,601	6,220,221	5,398,868
Debt instruments at fair value through other comprehensive Income	1,946,433	23,812	-	1,970,245	2,090,095
Total	**7,379,100**	**537,765**	**273,601**	**8,190,466**	7,488,963

Impairment loss allowance on financial assets	31 December 2022				31 December 2021
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	335	24,417	132,645	157,397	2,250
Loans and advances to banks	733	-	-	733	990
Total Financial assets measured at amortised cost	1,068	24,417	132,645	158,130	3,240
Debt instruments at fair value through other comprehensive Income	637	45	-	682	584
Total	**1,705**	**24,462**	**132,645**	**158,812**	**3,824**

Contingent liabilities and commitments by stage (before impairment)	31 December 2022				31 December 2021
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	162,083	83	-	162,166	494,285
Banks	82,378	-	-	82,378	58,652
Total contingent liabilities and commitments subject to credit risk	244,461	83	-	244,544	552,937

Impairment loss allowance on contingent liabilities and commitments	31 December 2022				31 December 2021
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	41	1	-	42	77
Banks	7	-	-	7	26
Total contingent liabilities and commitments subject to credit risk	48	1	-	49	103

A breakdown of the Company's credit risk exposure relating to financial assets at amortised and fair value through profit and loss (FVTPL), Contingent Liabilities and financial assets at fair value through other comprehensive income (FVTOCI) at year-ends 2023 and 2022 **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: The numbers are inclusive of risk mitigation.

31 December 2023 Internal Rating	External Rating equivalent	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
I.1.A	AAA	27,132	-	776,209
I.1.B	AA+	-	-	193,056
I.1.D	AA-	204,147	20,833	335,422
I.1.E	A+	-	-	591,781
I.1.F	A	-	-	86,121
I2	A-	50,342	-	28,442
I3	BBB+		-	179,976
I4	BBB+	364,810	61,300	-
I5	BBB	4,864,927	359,746	635,226
I6	BBB-	88,947	13,830	7,601
M1	BB+	2,202	10,434	-
M2	BB	60,917	-	-
R5	CCC	73,091	-	-
D	D	17,297	-	-
Grand Total		**5,753,812**	**466,143**	**2,833,834**

31 December 2022 Internal Rating	External Rating equivalent	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
I.1.A	AAA	35,705	-	581,244
I.1.B	AA+	-	-	118,478
I.1.D	AA-	-	-	189,709
I.1.E	A+	-	-	270,483
I.1.F	A	-	-	43,046
I2	A-	-	-	28,696
I3	BBB+	57,086	-	52,115
I4	BBB+	317,390	51,426	-
I5	BBB	5,302,131	31,842	630,259
I6	BBB-	212,223	95,154	6,532
M1	BB+	1,843	32,566	-
M2	BB	-	-	-
M3	BB	70,696	-	-
R3	B	1,356	-	-
R5	CCC	170,845	-	-
D	D	110,787		
UR	UR	11,760	-	-
Grand Total		**6,291,822**	**210,988**	**1,969,563**

A breakdown of the Company's credit risk exposure relating to, Contingent Liabilities and Bonds at year-ends 2023 and 2022 **by country risk** is provided in the tables below: The numbers are inclusive of risk mitigation.

2023 - Country Risk	Loans/Receivables €000	Contingent Liabilities €000	Bonds €000
Abu Dhabi	204,147	20,833	-
Austria	-	-	11,028
Belgium	-	-	91,098
Canada	-	-	139,276
Croatia	9,872	-	-
Denmark	-	-	32,796
Greece	-	10,000	-
France	-	-	416,427
Japan	-	-	76,192
Germany	27,132	-	138,212
Hong Kong	-	-	18,628
Iceland	-	-	4,369
Ireland	48,710	304,349	47,572
Italy	5,032,278	88,481	1,063,075
Luxembourg	-	-	12,043
Netherlands	60,917	-	111,623
Norway	88,947	13,830	27,917
Poland	46,115	-	43,326
Qatar	50,342	-	-
Romania	-	-	7,601
Russian Federation	33,746	-	-
Slovakia	-	-	13,904
Slovenia	7,036	-	6,482
Spain	-	-	175,168
South Korea	-	-	78,605
Supranational	-	-	133,253
Sweden	-	-	45,313
United Kingdom	98,177	-	77,096
United States	46,393	28,650	62,830
Grand Total	**5,753,812**	**466,143**	**2,833,834**

2022 - Country Risk	Loans/Receivables €000	Contingent Liabilities €000	Bonds €000
Austria	-	-	10,523
Belgium	11,760	-	24,527
Canada	-	-	105,319
Croatia	9,644	-	-
Denmark	-	-	7,510
France	-	-	250,331
Japan	-	-	28.797
Germany	35,705	-	118,408
Iceland	-	-	4,085
Ireland	71,221	167,746	72,308
Italy	5,123,070	31,842	785,193
Luxembourg	-	-	34,990
Mauritius	44,618	-	-
Netherlands	70,696	-	116,369
Norway	105,358	11,400	34,602
Poland	154,108	-	41,904
Qatar	98,917	-	-
Romania	-	-	6,532
Russian Federation	254,781	-	-
Slovakia	-	-	13,244
Slovenia	7,053	-	5,903
Spain	-	-	56,915
Supranational	-	-	134,366
Sweden	-	-	43,688
United Kingdom	304,891	-	74,049
Grand Total	**6,291,822**	**210,988**	**1,969,563**

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

	2023		2022		**Change net exposure**
	Net exposure €'000	**% break-down**	Net exposure €'000	% break-down	**€'000**
30 Days Past Due	-	-	-	-	-
Forborne	-	-	-	-	-
Credit Impaired	**60,491**	**1**	**140,956**	**2**	**(80,465)**
Not credit impaired	5,663,642	98	6,122,074	98	(458,432)
Forborne	29,679	1	28,792	0	**887**
Loans and Advances to Banks and Customers	**5,753,812**	**100**	**6,291,822**	**100**	**(538,010)**

	2023			2022		
	Gross exposure €'000	**Impairment provisions €'000**	**Net exposure €'000**	Gross exposure €'000	Impairment provisions €'000	Net exposure €'000
30 Days Past Due	-	-	-	-	-	-
Forborne	-	-	-	-	-	-
Credit impaired	**67,791**	**(7,300)**	**60,491**	**271,952**	**(130,996)**	**140,956**
Not credit impaired	5,676,173	(12,531)	5,663,642	6,147,555	(25,481)	6,122,074
Forborne	29,682	(3)	29,679	28,796	(4)	28,792
Loans and Advances to Banks and Customers	**5,773,646**	**(19,834)**	**5,753,812**	**6,448,303**	**(156,481)**	**6,291,822**

Gross exposure relating to 30 days past due €1.22 million exposure at 31 December 2023 (2022: €Nil million).
Gross non-performing exposures at 31 December 2023 €67.79m (2022: €271.95m).

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 baseline scenario for the purposes of monitoring the shift sensitivity of the exposure and control of the limits of a parallel instantaneous shock scenario is based on 100 basis points as per the Group Guidelines on The Governance of Interest Rate Risk in The Banking Book.

Therefore, the table below provides estimates of the impact of a parallel upward shift of 100 basis points of individual credit spread curves of bonds ("FVTOCI Securities") of the Company in 2023 and a revaluation of 2022 based on the same scenario for comparison purposes.

Price Sensitivity Analysis as at 30 December 2023
of FVTOCI Securities to Credit Spread Volatility (€'000) (100 basis points)

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value throughother comprehensive income	-	(110,635)
Total	**-**	**(110,635)**

Price Sensitivity Analysis as at 31 December 2022
of FVTOCI Securities to Credit Spread Volatility

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value throughother comprehensive income	-	(63,630)
Total	**-**	**(63,630)**

Use of Credit Risk Mitigants:

At year-end 2023, of the total amount of cash loans and advances[i] of €943.68 million (2022 €1,502.457 million), representing a year-on-year fall of 37%; €422.69 million (2022: €638.79million) (representing 44.79% (2022: 42.51%)) had a credit risk mitigation either through Sovereign Insurance cover, Parental Guarantee or Risk Participation Agreements. The Company had no positions covered by Cash Collateral. Group guarantees amounted to €42.63 million (2022: €84.69 million). It is noted that intragroup guarantees received from Banca Intesa Russia are not included in the above risk mitigation amounts.

Collateral Management:

It is noted that the Company's derivative activity is solely with ISP SPA and we only have 1 legacy counterparty non-ISP SPA from which there will be no future activity. It is noted that the Company's derivative activity is solely with ISP SPA and we have 1 non-ISP SPA legacy counterparty. An amount of €271.26 million of adjusted fair value IRS derivative risk exposure was fully covered by Cash collateral at year-end 2023 (2022: €222.91 million). Collateral received in the form of cash amounted to € 284.93 million (2022: €231.70 million). It is noted that derivative positions are subject to daily margining in cash under terms of CSA.

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

[i] Excluding Intra-Group, Investments under Financial Portfolio, Guarantees Issued, Nostro Accounts and Undrawn Commitments

Offsetting financial assets and financial liabilities

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

31 December 2023

€'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	395,719	-	395,719	-	284,929	110,790

31 December 2022

€'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	320,556	-	320,556	-	76,097	244,459

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

31 December 2023

€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives	377,099		377,099	-	238,398	138,701

31 December 2022

€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Derivatives	443,796	-	443,796	-	231,697	212,099

Credit Concentrations Monitoring:

It is sound banking practice to avoid concentration of lending to specific industries and specific clients or group of clients.

It is the policy of the Company to monitor regulatory and ECAP concentrations of credit risk. ECAP Concentration Risk is monitored as part of Pillar II ECAP and subject to measurement as part of overall Available Financial Reserves / ECAP in line with Risk Appetite Limits of 110%. No specific limits are implemented locally for concentration risk as these limits are managed on a divisional level.
It is the policy of the Company to monitor and control concentrations of credit risk so that they do not exceed specified limits.

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. Large Exposures are reported as part of the Core Reporting packages of the Company to the regulator in accordance with prescribed regulatory rules.

The Company respects the following limits for all its lending activities which are assessed prior to approval by Credit Committee:

- Large Exposures to a client or group of connected clients not to exceed 25%[i] 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[ii] 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 stand-alone derivative transactions for a total notional of €3.666 billion at the end of 2023 (2022: €2.876 billion), of which €2.266 billion were classified as hedging derivatives with application of hedge accounting rules (2022: €1.476 billion).

The remainder €1.4bn (2022: €1.4 bn) is made up of legacy Back-to-Back economic hedges which are performed on reciprocal terms and have no economic impact on the Company's Profit and Loss.

At the end of 2023, 80.90% in notional terms of the derivatives involving the Company were dealt with another entity of the Group (2022: 73.92%) while 98.06% of all contracts are performed with Intra-Group Counterparties. Cash Collateral paid for derivatives amounted to €238.398million (2022: €75.950 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 all Group and Non-Group counterparties.

3.2. Liquidity Risk

Liquidity risk is defined as the risk that the Company will not be able to meet its payment obligations due to its inability to obtain funds on the market (funding liquidity risk) or to liquidate its assets (market 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.

The Board of Directors of the Company define the Liquidity Risk Tolerance Threshold, understood as the maximum exposure to risk deemed acceptable during the normal course of business integrated by situations of stress.

It was established that the Company must maintain an adequate liquidity position to face periods of stress, including extended periods, on the various funding markets, also by setting up adequate liquidity reserves represented by marketable securities and securities that can be refinanced with Central Banks.

[i] Limits respected throughout 2023
[ii] Limits respected throughout 2023

To this end, Company must maintain a balanced ratio between incoming sources and outflows, in both the short and medium-long term. This target is stated by the agreement of the ALCO committee using the following European regulatory metrics in addition to local liquidity requirements:

The aim of Liquidity Coverage Ratio (LCR): is to promote the short-term resilience of the liquidity risk profile, ensuring through a retention of sufficient high-quality liquid assets. .

A minimum **Survival Period at least 30 days**, is in place to maintain the requirement in line with the regulatory limit. The LCR provides in its structure a combined idiosyncratic and market-wide shock for the purpose of assessing potential and/or expected inflows/outflows on the basis of such scenario. The Risk Appetite Framework provides for a ratio in excess of regulatory requirements.

The aim of the Net Stable Funding Ratio (NSFR): is to fpromote the Company's resilience over a longer time horizon, ensuring the use of more stable and longer-term funding sources to fund existing assets..

The NFSR is structured to promote a sustainable maturity structure of assets and liabilities to ensure the Bank maintains an appropriate level of stable funding to meet it's regulatory requirements under standard and stress conditions , The Risk Appetite Framework provides for an adherence to a ratio in excess of the minimum regulatory ratio...

[i]Historical statistics on liquidity ratios (standard case) for 2023 and 2022

	2023	2022
	LCR %	LCR %
Minimum	242.9	172.8
Maximum	2463.9	2,740.0
Average	804.0	659.6

Further to the Committee of European Banking Supervision (CEBS) Guidelines on Liquidity Buffers & Survival Periods the Company has implemented a committed money market line dedicated to cover potential liquidity shortfalls which maybe experienced by the Company under stressed conditions.

The following table shows the liquidity risk exposure of the Company for the year ended 2023 and 2022 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).

[i] (Unaudited)

	2023 Unweighted Value (€000's)	2023 Weighted Value (€000's)	2022 Unweighted Value (€000's)	2022 Weighted Value (€000's)
Total Unadjusted Liquid Assets	**2,249,230**	**2,117,429**	**1,417,586**	**1,344,346**
Total unadjusted level 1 assets	**1,789,197**	**1,732,866**	**1,196,770**	**1,165,204**
Total unadjusted LEVEL 1 assets excluding extremely high-quality covered bonds	**984,462**	**984,462**	**745,821**	**745,821**
Central government assets	702,525	702,525	657,582	657,582
Regional government / local authorities' assets	100,481	100,481	36,892	36,892
Public Sector Entity assets	86,784	86,784	0	0
Multilateral development bank and international organisations assets	94,672	94,672	51,347	51,347
Total unadjusted LEVEL 1 extremely high-quality covered bonds	**804,735**	**748,404**	**450,949**	**419,383**
Extremely high-quality covered bonds	804,735	748,404	450,949	419,383
Total unadjusted level 2 assets	**460,033**	**384,563**	**220,816**	**179,142**
Total unadjusted LEVEL 2A assets	**441,562**	**375,328**	**196,384**	**166,927**
Regional government / local authorities or Public Sector Entity assets (Member State, RW20%)	95,021	80,768	31,656	26,908
Central bank or central / regional government or local authorities or Public Sector Entity assets (Third Country, RW20%)	151,855	129,076	28,515	24,238
High quality covered bonds (CQS2)	53,396	45,386	63,371	53,865
High quality covered bonds (Third Country, CQS1)	141,290	120,097	67,893	57,709
Corporate debt securities (CQS1)	0	0	4,949	4,207
Total unadjusted LEVEL 2B assets	**18,471**	**9,235**	**24,431**	**12,216**
Corporate debt securities (CQS2/3)	18,471	9,235	24,431	12,216

	2023 Unweighted Value (€000's)	2023 Weighted Value (€000's)	2022 Unweighted Value (€000's)	2022 Weighted Value (€000's)
OUTFLOWS	**1,326,227**	**981,932**	**1,935,948**	**1,647,441**
Outflows from unsecured transactions/deposits	**1,326,227**	**981,932**	**1,935,948**	**1,647,441**
Non-operational deposits	**26,868**	**26,781**	**741,137**	**741,052**
deposits by financial customers	26,722	26,722	740,996	740,996
deposits by other customers	146	58	142	57
not covered by DGS (Deposit Guarantee Scheme)	146	58	142	57
Additional outflows	**78,650**	**78,650**	**73,880**	**73,880**
impact of an adverse market scenario on derivatives transactions	78,650	78,650	73,880	73,880
Committed facilities	**458,571**	**127,237**	**203,416**	**45,468**
credit facilities	458,571	127,237	203,416	45,468
to non-financial customers other than retail customers	187,306	18,731	119,661	11,966
to credit institutions	271,265	108,506	83,754	33,502
other	271,265	108,506	83,754	33,502
Other products and services	**12,572**	**100**	**132,572**	**2,500**
Uncommitted funding facilities	5,000	100	125,000	2,500
trade finance off-balance sheet related products	7,572	0	7,572	0
Other liabilities and due commitments	**749,566**	**749,165**	**784,942**	**784,541**
liabilities resulting from operating expenses	402	0	402	0
in the form of debt securities if not treated as retail deposits	749,165	749,165	784,541	784,541
TOTAL INFLOWS	**819,401**	**809,947**	**1,363,602**	**1,356,656**
Inflows from unsecured transactions/deposits	**819,401**	**809,947**	**1,363,602**	**1,356,656**
monies due from non-financial customers (except for central banks)	**19,509**	**10,055**	**15,725**	**8,779**
monies due from non-financial customers (except for central banks) not corresponding to principal repayment	601	601	1,833	1,833
monies due from non-financial corporates	18,909	9,454	13,892	6,946
monies due from central banks and financial customers	**793,720**	**793,720**	**1,346,273**	**1,346,273**
monies due from central banks and financial customers not being classified as operational deposits	793,720	793,720	1,346,273	1,346,273
monies due from financial customers	793,720	793,720	1,346,273	1,346,273

inflows from derivatives	**6,172**	**6,172**	**1,604**	**1,604**
Total HQLA	**2,117,429**		**1,344,346**	
Total Net Cash Flows (25% of Outflows)	**245,483**		**411,860**	
Liquidity Coverage Ratio	**862%**		**326%**	

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 using interest rate swaps to convert fixed rate assets and liabilities with a maturity exceeding one year into a 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, SOFR), 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 optionality 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 2023, 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 Statement of Financial Positions financial non-derivative assets, liabilities and derivatives amounted to a positive value of €2.537 million (2022: - €1.352 million), within the limit approved by the Board of Directors of €+8/-12 million.

Historical Interest Rate Sensitivity Review
01/01/2023 to 31/12/2023

100 bps Shift Sensitivity	**€'000**
Average	2,142
High	5,242
Low	-1,655

Historical Interest Rate Sensitivity Review
01/01/2022 to 31/12/2022

100 bps Shift Sensitivity	**€'000**
Average	-714
High	3,237
Low	-4,348

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 2023 and in 2022.

Interest Rate Sensitivity Analysis as at 31 December 2023
Instruments classified at Fair Value through Profit or Loss or Other Comprehensive Income

	Profit & Loss €'000	**Other Comprehensive Income €'000**
HTCS Securities	-	(2,537)
Hedged CFV Securities	-	-
Hedged Assets & Liabilities	(4,094)	
Trading Derivatives	-	-
Total	(4,094)	(2,537)

Interest Rate Sensitivity Analysis as at 31 December 2022
Instruments classified at Fair Value through Profit or Loss or Other Comprehensive Income

	Profit & Loss €'000	**Other Comprehensive Income €'000**
HTCS Securities		(1,352)
Hedged CFV Securities	-	
Hedged Assets & Liabilities	(2,544)	
Trading Derivatives	2	
Total	(2,542)	(1,352)

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 2023 and 2022, by currency, is shown in the following tables:

Sensitivity as at 31 December 2023
(100 basis points shift)

Currency	2023 €'000	2022 €'000
EUR	3,127	1,841
USD	(603)	(734)
Other	(187)	(285)
Total	**2,337**	**822**

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 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	2023 Notional €'000	2022 Notional €'000
Long Foreign Currency:	2,621	11,679

Average Position during the Year	2023 Notional €'000	2022 Notional €'000
Average Long Foreign Currency:	3,306	2,584
Average Short Foreign Currency:	111	662

As a consequence of the limited exposure of the Company to foreign exchange risk in the Banking book on the notional limit of up to €6 million with management approval (2022: €6 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.

The IBOR (Interbank Offered Rates) transitional process had all non-USD Libor contracts already migrated to new "Risk Free Rates" structure and all USD Libor contracts having been migrated according to the transitional date deadline with 2 contracts currently applied Synthethic Libor pending completion of required documentation. It is noted that 1 contract matures prior to cessation of Synthethic Libor in September 2024 and therefore only one contract remains to be finalised by the Credit department. All other in-scope IBOR (Interbank Offered Rates) related contracts have been migrated to new index.

4. Statement of financial position by accounting class

The table below summarizes the analyses of the various classes of assets and liabilities by IFRS 9 measurement category for 2023.

	Loans and advances/ Amortised cost liabilities	Mandatorily at FVTPL	Designated at fair value through profit or loss	Derivatives used for hedging	Debt instruments at FVOCI	* Other	Total
As at 31 December 2023	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	52,962	-	-	-	-	-	52,962
Financial assets at fair value through other comprehensive income	-	-	-	-	2,833,834	-	2,833,834
Financial assets at fair value -Equities	-	42	-	-	-	-	42
Loans and advances to banks	4,934,296	29,406	-	-	-	-	4,963,702
Loans and advances to customers	790,110	-	-	-	-	-	790,110
Derivative financial instruments	-	326,069	-	69,650	-	-	395,719
Prepayment and accrued income	-	-	-	-	-	288	288
Deferred tax asset	-	-	-	-	-	1,583	1,583
Other assets	13,000	-	-	-	-	973	13,973
Property, plant, and equipment	-	-	-	-	-	2,639	2,639
Total assets	**5,790,368**	**355,517**	**-**	**69,650**	**2,833,834**	**5,483**	**9,054,852**
Liabilities							
Deposits from banks	816,263	-	-	-	-	-	816,263
Debt securities in issue	6,075,359	-	18,907	-	-	-	6,094,266
Due to customers	617,030	-	10,499	-	-	-	627,529
Derivative financial instruments	-	329,096	-	48,003	-	-	377,099
Current Tax	-	-	-	-	-	10,670	10,670
Deferred tax liability	-	-	-	-	-	548	548
Accruals and deferred income	201	-	-	-	-	-	201
Other liabilities	4,941	-	-	-	-	-	4,941
Provisions for liabilities and commitments	30	-	-	-	-	-	30
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	(7,243)	(7,243)
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	222,259	222,2598
Total liabilities and shareholders' funds	**7,513,824**	**329,096**	**29,406**	**48,003**	**-**	**1,134,523**	**9,054,852**

*Other includes non-financial items and equity instruments

The table below summarizes the analyses of various classes of assets and liabilities by IFRS 9 measurement category for 2022.

	Loans and advances/ Amortised cost liabilities	Mandatorily at FVTPL	Designated at fair value through profit or loss	Derivatives used for hedging	Debt instruments at FVOCI	* Other	Total
As at 31 December	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	47,721	-	-	-	-	-	47,721
Financial assets at fair value through other comprehensive income	-	-	-	-	1,969,563	-	1,969,563
Financial assets at fair value -Equities		36					36
Loans and advances to banks	4,902,946	229,731	-	-	-	-	5,132,677
Loans and advances to customers	1,159,145	-	-	-	-	-	1,159,145
Derivative financial instruments	-	315,040	-	128,756	-	-	443,796
Prepayment and accrued income	-	-	-	-	-	190	190
Current Tax	-	-	-	-	-	3,125	3,125
Deferred tax asset	-	-	-	-	-	6,163	6,163
Other assets	-	-	-	-	-	13,809	13,809
Property, plant, and equipment	-	-	-	-	-	2,845	2,845
Total assets	**6,109,812**	**544,807**	**-**	**128,756**	**1,969,563**	**26,132**	**8,779,070**
Liabilities							
Deposits from banks	1,894,490	-	-	-	-	-	1,894,490
Debt securities in issue	4,570,060	-	17,980	-	-	-	4,588,040
Due to customers	743,052	-	211,751	-	-	-	954,803
Derivative financial instruments	-	320,438	-	118	-	-	320,556
Deferred tax liability	-	-	-	-	-	343	343
Accruals and deferred income	295	-	-	-	-	-	295
Other liabilities	5,449	-	-	-	-	-	5,449
Provisions for liabilities and commitments	49	-	-	-	-	-	49
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	(7,772)	(7,772)
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	114,528	114,528
Total liabilities and shareholders' funds	**7,213,395**	**320,438**	**229,731**	**118**	**-**	**1,015,388**	**8,779,070**

*Other includes non-financial items and equity instruments

5. Fair values of financial instruments

Determination of fair value of financial instruments recorded at fair value

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 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 based on 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 consider 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.

When Level 1 (market price) and Level 2 (comparable price) approaches are unavailable for the valuation of Structured Credit Products, Intesa Sanpaolo has adopted a framework to Level 3

valuation that is characterized by three key features:

- a Mark-to-Model component, using an appropriately calibrated tool for modelling structured credit products including credit default swaps with CDO as the reference entity;
- a Stress Test component where the parameters used for the valuation (i.e. correlation, spreads, recovery and expected maturity) are stressed to factor in the model the impact of adverse events; and
- a Qualitative Collateral Review, whose impact is incorporated into the valuation, to identify the specific weaknesses of the collateral of the product.

	2023						
	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total €'000
Financial Assets designated at Fair Value through Profit or Loss							
- Equities	42	0%	-	-	-	-	42
Loans and advances to banks			29,406	100%			29,406
Financial assets at fair value through other comprehensive income							
- Debt instruments	2,833,834	100%	-	-	-	-	2,833,834
Total Financial Assets	**2,833,876**	**100%**	**29,406**	**100%**	**-**	**-**	**2,863,282**
Financial Liabilities designated at Fair Value through Profit or Loss							
Debt securities in issue	**-**	**-**	**18,907**	**64%**	**-**	**-**	**18,907**
Due to customers			**10,499**	**36%**			**10,499**
Total Financial Liabilities	**-**	**-**	**29,406**	**100%**	**-**	**-**	**29,406**

	2022						
	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total €'000
Financial Assets designed at Fair Value through Profit or Loss							
- Equities	36	0%		-	-		36
Loans and advances to banks			229,731	100%			229,731
Financial assets at fair value through other comprehensive income							
- Debt instruments	1,969,563	99.99%	-	-	-	-	1,969,563
Total Financial Assets	**1,969,599**	**100%**	**229,731**	**100%**	**-**	**-**	**2,199,330**
Financial Liabilities designated at Fair Value through Profit or Loss							
Debt securities in issue	**-**	**-**	17,980	8%			17,980
Due to customers			211,751	92%			211,751
Total Financial Liabilities	**-**	**-**	**229,731**	**100%**	**-**	**-**	**229,731**

2023/2022

The level 2 assets were not actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs. Instruments previously classified as level 3 have been reclassified for the period of 2023 as level 2, due to existing pricing consensus from market data services which meet the necessary conditions for the new classification.

	2023						
	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total €'000
Derivatives Assets							
-Trading	-	-	326,069	82	-	-	326,069
-Hedging	-	-	69,650	18	-	-	69,650
Total	-	-	**395,719**	**100**	**-**	**-**	**395,719**
Derivatives Liabilities							
-Trading	-	-	329,096	87	-	-	329,096
-Hedging	-	-	48,003	13	-	-	48,003
Total	-	-	**377,099**	**100.0**	**-**	**-**	**377,099**

The movement in levels are governed by the Group Market Risk Charter as previously described.

Movement from Level 3 to Level 2 (excluding fair movements)

	2023		2022	
	Level 2 €'000	Level 3 €'000	Level 2 €'000	Level 3 €'000
Derivatives Assets				
-Trading	3,442	(3,952)	-	-
Derivatives Liabilities				
-Trading	3,442	(3,952)	-	-

	2022						
	Level 1 €'000		Level 2 €'000	%	Level 3 €'000	%	Total €'000
Derivatives Assets							
-Trading	-	-	311,088	70.7	3,952	100	315,040
-Hedging	-	-	128,756	29.3	-	-	128,756
Total	-	-	**439,844**	**100.0**	**3,952**	**100.0**	**433,796**
Derivatives Liabilities							
-Trading	-	-	316,486	99.96	3,952	100.0	320,438
-Hedging	-	-	118	0.04	-	-	118
Total	-	-	**316,604**	**100.0**	**3,952**	**100.0**	**320,556**

Level 3 fair value measurement - unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3[i] in the fair value hierarchy:

Financial assets/liabilities	**Non-observable parameters**
OTC (Over the Counter) Derivatives - Interest Rates	Correlation for spread options between swap rates

The Sensitivity analysis as calculated by the Group Risk Management assesses the sensitivity correlation between different swap rates but given that every CMS spread option is backed with ISP the exposure is Nil.

In accordance with the Fair Value Policy of the Company the Interest rate derivatives using the bivariate log normal model (CMS Spread Option, etc.) are classified in Fair Value Level 2 if the following conditions are met:

- contributions for the underlying linear instruments are available
- the conditions on interpolated volatilities using the Stochastic Alpha Beta Rho (SABR) model apply

and either one of the following conditions is met:

[i] No level 3 exposures as at 31st December 2023

- regular contributions are made to a consensus market data service (e.g. Markit-Totem) with reference to input data, and regular positive feedback is received
- the prices or correlations are contributed on info providers (Bloomberg, Reuters, etc.) with reference to the maturity and moneyness of the respective instruments, or regular (at least monthly) contributions on maturity and moneyness are available from at least two counterparties (other than the counterparty for the deal which is being valued), or
    - the time between the last contributed maturity and the maturity of the derivative to be valued is less than 1 year.
    - a contributed correlation smile/skew exists, and the moneyness of the specific option to be valued, if non-contributed, is extrapolated from the nearest comparable one.
- if there is no implicit correlation between the specific underlying pair, the correlation of a similar underlying pair should be used (comparable approach), which meets the above criteria

With respect to the Significance threshold: if the preceding conditions are not met, the derivatives are classified in Fair Value Level 2 if

- the assumed value of the sensitivity to the overall correlation for each underlying is lower than €3 thousand, or
- the ratio between the absolute values of the sensitivity to the overall correlation for each underlying and of the Net Present Value for the instrument is lower than 0.05%.

While the overall impact for the Company is zero due to the presence of mirroring options with ISP SPA, each debt instrument is reviewed at trade level.

According to the conditions as detailed above, all CMS spread options are classified as Level 2, having the two CMS options previously classified as level 3 been reclassified as level 2 since regular contributions are now made available to consensus market data service.

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 2023 and at 31 December 2022.

	Level 1 €'000	Level 2 €'000	Level 3 €'000	31-Dec-23 Fair value €'000	**31-Dec-23** Carrying value €'000
Assets					
Cash and balances at central banks	-	52,962	-	52,962	52.962
Loans and advances to banks	-	4,868,396	78,214	4,946,610	4,934,296
Loans and advances to customers	-	682,069	117,718	799,787	790,110
Liabilities					
Deposits from banks	-	814,477	-	814,477	816,263
Due to customers	-	157,183	472,740	629,923	617,030
Debt securities in issue	-	6,074,918	-	6,074,918	6,075,359

	Level 1 €'000	Level 2 €'000	Level 3 €'000	31-Dec-22 Fair value €'000	**31-Dec-22** Carrying value €'000
Assets					
Cash and balances at central banks	-	47,721	-	47,721	47,721
Loans and advances to banks	-	4,814,822	61,273	4,876,095	4,902,946
Loans and advances to customers	-	846,195	316,116	1,164,311	1,159,145
Liabilities					
Deposits from banks	-	1,890,640	-	1,890,640	1,894,490
Due to customers	-	188,190	558,298	746,488	743,052
Debt securities in issue	-	4,539,422	-	4,539,422	4,570,060
Repurchase agreements	-	-	-	-	-

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 an 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. For structured or complex contracts[i] or those at Level 3 the pricing is provided by Head Office and pricing is provided monthly.

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

[i] Inflation Linked Swaps, Embedded Options and Contracts failing SPPI test

life of less than 12 months). For structured or complex contracts[i] or those at Level 3 the pricing is provided by Head Office and pricing is provided monthly.

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 36. There are no non-Group customers with revenue exceeding 10% of the total revenue of the Company.

[i] Infalation Linked Swaps, Embedded Options and Contracts failing SPPI test

7. Net interest income

	2023	2022
	€'000	€'000
Financial assets measured at amortised cost		
Cash and short-term funds	**5,898**	998
Loans and advances to banks	**160,899**	69,134
Loans and advances to customers *	**57,000**	43,252
Interest income on financial assets measured at amortised cost	**223,797**	113,384
Debt securities at fair value through other comprehensive income	**52,062**	12,142
Net swap interest income	**39,892**	-
Negative interest on financial liabilities	**77**	13,895
Interest income calculated using the effective interest method	**315,828**	139,421
Interest income on financial assets mandatorily measured at FVTPL		
Loans and advances to banks	**3,699**	11,112
	319,527	150,533

* Interest income includes €NIL (2022: €1,650,105) agreed audit adjustment relating grossed up interest amounts on Unlikely to Pay loans reflective of Interest from June to December 2022 with commensurate offsetting amount is shown in Impairment caption.

	2023	2022
	€'000	€'000
Interest expense and similar charges		
Deposits from Banks	**33,623**	19,145
Due to Customers	**25,431**	31,012
Debt securities in issue	**189,109**	38,284
Lease interest	**112**	68
Net swap interest expense	**12,227**	22,295
Interest expense from financial liabilities measured at amortised cost	**260,502**	110,804
Negative interest on financial assets	**-**	5,854
	260,502	116,658
Interest expense on financial liabilities measured at FVTPL		
Due to Customers	**3,215**	10,139
Debt securities in issue	**477**	949
	3,692	11,088
	264,194	127,746

8. Fees and commission income and expense

	2023	2022
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	**2,643**	1,517
Other fees	**36**	34
	2,679	1,551
Fee and commission expense		
Credit related fees and commissions	**2,853**	3,104
Other fees paid	**17**	9
	2,870	3,113

9. Net trading income

	2023	2022
	€'000	€'000
Mark-to-market movements:		
- *Derivatives*	***(235)***	***(1,671)***
- *Net result hedge accounting ****	***(496)***	***799***
Net realised gain on financial assets at fair value through other comprehensive income	***2,339***	***6,492***
Net realised gain on financial assets mandatory measured at Fair Value to Profit or Loss	***1***	*3*
Other trading expenses	**(509)**	(516)
	1,100	5,107

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

Interest rate derivatives designated as fair value hedges are entered, 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 financial assets at fair value through other comprehensive income.

2023 - Net results of hedge accounting

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains / (losses) on Hedged asset / liability	2,942	86,540	-	89,482
Net gains / (losses) on Fair value of hedging Derivatives	(3,007)	(86,971)	-	(89,978)
	(65)	**(431)**	**-**	**(496)**

2022 - Net results of hedge accounting

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Debt Securities in Issue	Total
	€'000	€'000	€'000	€'000
Net gains / (losses) on Hedged asset / liability	(8,581)	(155,619)	-	(164,200)
Net gains / (losses) on Fair value of hedging Derivatives	8,770	156,229	-	164,999
	189	**610**	**-**	**799**

10. Net gain from other financial instruments at Fair value to Profit or Loss (FVTPL)

	2023	2022
	€'000	€'000
Net income from financial instruments, mandatorily measured at FVTPL		
-Equities	**9**	3
- Loans and advances to banks	**136**	(14,792)
	145	(14,789)
Net loss from financial instruments designated as at FVTPL		
-Debt securities in issue	**(450)**	1,885
-Due to customers	**328**	12,907
	(122)	14,792
	23	3

11. Foreign Exchange Profit /(Loss)

	2023	2022
	€'000	€'000
Foreign exchange profit / (loss)	**258**	(6,209)
	258	(6,209)

12. Administrative expenses

	2023	2022
	€'000	€'000
Staff costs		
- wages and salaries	**3,061**	3,063
- social welfare costs	**298**	250
- pension costs	**565**	620
- other personnel expenses	**10**	8
	3,934	3,941
Other administrative expenses	**6,095**	7,383
	10,029	11,324

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

	Number of employees	
	2023	2022
Administration	**33**	33

13. Profit/(loss) before taxation

	2023	2022
	€'000	€'000
Profit / loss before tax is stated after charging:		
Depreciation – property, plant, and equipment	**215**	302
Auditors' remuneration *(excluding VAT)*		
Audit services Statutory audit	**134**	127
Other Assurance services[i]	**92**	88
	226	**215**

[i] Includes €76,500 (2022: €73,000) paid by ISP Milan.

	2023 €'000	2022 €'000
Directors' remuneration:		
Executive	**416**	490
Non-executive	**218**	157
	634	647

14. Income tax expense /(benefit)

	2023 €'000	2022 €'000
Corporation tax charge/ (income) 12.5% (2022:12.5%) on the profit /(loss) for the year on ordinary activities	**15,394**	(20,705)
Current tax charge / (income) for the year	**10,685**	(16,125)
Over provision in prior year	**-**	(12)
Total current tax Charge / (benefit)	**10,685**	(16,137)
Deferred tax		
IFRS 9 Transitional adjustment	-	149
Deferred tax utilised/ (benefit) for the year	**4,709**	(4,717)
Taxation Charge / (benefit)	**15,394**	(20,705)

The current tax charge/ (benefit) for the year is higher (2022: lower) than the tax charge/ benefit that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The difference is explained below:

	2023 €'000	2022 €'000
Profit / (Loss) on ordinary activities before tax	**123,124**	(166,822)
Profit / (loss) on ordinary activities multiplied by the standard rate of Irish corporation tax for year of 12.5% (2022:12.5%)	**15,391**	(20,853)
Effects of:		
Other adjustments for tax purposes	**3**	160
Adjustments to tax charge in respect of previous periods	**-**	(12)
Tax charge / (benefit) for the year	**15,394**	(20,705)

15. Dividends paid and proposed

	2023 €'000	2022 €'000
Declared and paid during the year		
Declared on ordinary shares:		
Final dividend paid in 2023: Nil cent per share (2022: 5.49 cent per share)	-	22,000
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Dividend on ordinary shares:		
Final dividend for 2023: 26.72 cent per share (2022: nil cent per share)	107,000	-

16. Cash and balances with central banks

	2023 €'000	2022 €'000
Mandatory reserve deposits with Central Bank	48,474	31,289
Other cash balances	4,488	16,432
Gross Cash and balances with Central Bank	52,962	47,721
Less allowances for losses	-	-
	52,962	47,721

Mandatory reserve deposits are maintained throuthout the reference period. The balances earn interest based on the average Main Refinancing Operations (MRO) interest rate issued by the European Central Bank.

Included in cash and cash equivalents (Note 32) €4 million (2022: €16 million).

17. Financial assets at fair value through other comprehensive income

	2023	2022
	€'000	€000
Gross debt securities	**2,835,942**	1,970,245
Less allowances for losses	**(2,108)**	(682)
Debt securities at fair value through other comprehensive income	**2,833,834**	1,969,563
Debt securities		
Issued by public bodies		
- government securities	**1,000,628**	908,876
Issued by other issuers		
- banks	**1,658,110**	984,147
- other debt securities	**175,096**	76,540
	2,833,834	1,969,563
Of which:		
- listed on a recognised exchange	**2,833,834**	1,969,563
	2,833,834	1,969,563

18. Loans and advances to banks

	2023	2022
	€'000	€'000
Placement with other banks	**4,934,868**	4,903,679
Gross loans and advances	**4,934,868**	4,903,679
Less allowances for losses	**(572)**	(733)
Loans and advances to banks at amortised cost	**4,934,296**	4,902,946
Loans and advances to banks mandatorily at fair value through profit and loss	**29,406**	229,731
Total loans and advances to banks	**4,963,702**	5,132,677

Included in cash and cash equivalents (Note 32) €622 million (2022: €1,396 million).

19. Loans and advances to customers

	2023	2022
	€'000	€'000
Loans to corporate entities	**763,250**	1,226,743
Debt securities at amortised cost	**46,122**	89,799
Gross loans and debt securities	**809,372**	1,316,542
Less allowances for losses	**(19,262)**	(157,397)
	790,110	1,159,145

Includes at the 31 December 2023, gross loans, and advances to Russian customers of €151m (2022: €454m) and €17m of expected credit loss provisions (2022: €151m)

20. Impairment / expected credit losses

	2023	2022
	€'000	€'000
Financial assets at amortised cost	**78,412**	(175,236)
Financial assets at fair value through other comprehensive income	**(1,587)**	(144)
Guaranteed and Commitments to lend	**19**	57
Net impairment gains/ (losses) on financial instruments	**76,844**	(175,323)

The net impairment gains / losses on financial instruments includes a credit of €12,037 (2022: €51,726) in relation to financial assets at amortised cost previously written off.

Amount includes agreed audit adjustment relating to grossed up interest amounts on Unlikely to Pay loans amounting to €NIL (2022 €1,650,105 reflective of Interest from June to December 2022) with commensurate offsetting amount shown in interest income caption.

Gross carrying amount of financial assets measured at amortised cost	Loans and advances to customers	Loans and advances to banks		**Total**
	€'000	€'000		€'000
Opening balance 1 January 2023	1,316,541	4,903,680		6,220,221
Stage 1 (not credit -impaired)	528,988	4,903,680		5,432,668
Stage 2 (not credit -impaired)	513,953	-		513,953
Stage 3 (credit -impaired)	273,600	-		273,600
Gross carrying amount 1 January 2023	1,316,541	4,903,680		6,220,221
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2023	5,432,668	513,953	273,600	6,220,221
Total net transfers	11,901	(68,810)	56,909	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	11,901	*(11,901)*	-	-
- to lifetime ECL credit impaired	-	*(56,909)*	*56,909*	-
Net change in exposure	75,203	(280,988)	(261,917)	(467,702)
Impairment loss allowance utilised	-	-	-	-
Exchange adjustments	(5,083)	(2,395)	(801)	(8,279)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2023	5,514,689	161,760	67,791	5,744,240

Impairment loss allowance on financial assets measured at amortised cost	31 December 2023			
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
	€ '000	€ '000	€ '000	€ '000
Opening balance 1 January 2023	1,068	24,417	132,645	158,130
Total net transfers	179	(501)	322	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	*179*	*(179)*	-	-
- to lifetime ECL credit impaired	-	*(322)*	*322*	
Impairment gains in income statement	(51)	(10,830)	(67,531)	(78,412)
- Re-measurement	-	-	-	-
- Net changes in exposures	(51)	(10,830)	(67,531)	(78,412)
- ECL model parameter and/or methodology changes	-	-	-	-
Decrease due to derecognition	-	(1,687)	(57,301)	(58,988)
Exchange adjustments	590	(651)	(835)	(896)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2023	1,786	10,748	7,300	19,834

	31 December 2023			
Gross carrying amount of securities measured at FVOCI				Total
Opening balance Securities FVOCI 1 January 2023		1,970,246		1,970,246
Stage 1 (not credit -impaired)		1,946,433		1,946,433
Stage 2 (not credit -impaired)		23,813		23,813
Stage 3 (credit -impaired)		-		-
Gross carrying amount 1 January 2023		1,970,246		1,970,246
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2023	1,946,433	23,813	-	1,970,246
Total net transfers	(12,461)	12,461	-	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	(12,461)	12,461	-	-
- to lifetime ECL credit impaired	-	-	-	-
Net change in exposure	862,625	3,071		865,696
Impairment loss allowance utilised	-	-	-	-
Exchange adjustments	-	-	-	-
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2023	2,796,597	39,345	-	2,835,942

Impairment loss allowance on securities measured at FVOCI	31 December 2023			
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
	€'000	€'000	€'000	€'000
Opening balance 1 January 2023	637	46	-	683
Total net transfers	(1)	1	-	-
- to 12-month ECL not credit impaired	-	-	-	
- to lifetime ECL not credit impaired	(1)	1	-	-
- to lifetime ECL credit impaired	-	-	-	-
impairment(losses)/gains in income statement	618	969	-	1,587
- Re-measurement	-	-	-	-
- Net changes in exposures	618	969	-	1,587
- ECL model parameter and/or methodology changes	-	-	-	-
Impairment loss allowance utilised	(161)	(1)	-	(162)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2023	1,093	1,015	-	2,108

Gross carrying amount of financial assets measured at amortised cost	Loans and advances to customers	Loans and advances to banks		**Total**
	€'000	€'000		€'000
Opening balance 1 January 2022	1,602,229	3,796,639		5,398,868
Stage 1 (not credit -impaired)	1,572,059	3,796,639		5,368,698
Stage 2 (not credit -impaired)	30,170	-		30,170
Stage 3 (credit -impaired)	-	-		-
Gross carrying amount 1 January 2022	1,602,229	3,796,639		5,398,868
	Stage 1	Stage 2	Stage 3	
	(not credit -impaired)	(not credit - impaired)	(credit - impaired)	Total
Opening balance 1 January 2022	5,368,698	30,170	-	5,398,868
Total net transfers	(742,503)	460,328	264,175	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	(460,328)	460,328	-	-
- to lifetime ECL credit impaired	(264,175)	-	264,175	-
Net change in exposure	756,320	25,054	9,425	790,799
Impairment loss allowance utilised	-	-	-	-
Exchange adjustments	32,153	(1,599)	-	30,554
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2022	5,432,668	513,953	273,600	6,220,221

Impairment loss allowance on financial assets measured at amortised cost	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	(not credit -impaired)	(not credit - impaired)	(credit - impaired)	Total
	€ '000	€ '000	€ '000	€ '000
Opening balance 1 January 2022	2,333	907	-	3,240
Total net transfers	(352)	207	145	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	*(207)*	*207*	-	-
- to lifetime ECL credit impaired	*(145)*	-	*145*	-
Impairment gains in income statement	2,484	40,869	132,063	175,236
- Re-measurement	-	-	-	-
- Net changes in exposures	2,484	40,869	132,063	175,236
- ECL model parameter and/or methodology changes	-	-	-	-
Impairment loss allowance utilised	-	(17,486)	-	(17,486)
Exchange adjustments	(3,397)	100	437	(2,860)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2022	1,068	24,417	132,645	158,130

Gross carrying amount of securities measured at FVOCI	31 December 2023			Total
Opening balance Securities FVOCI 1 January 2022		2,090,095		2,090,095
Stage 1 (not credit -impaired)		2,065,271		2,065,271
Stage 2 (not credit -impaired)		24,824		24,824
Stage 3 (credit -impaired)		-		-
Gross carrying amount 1 January 2022		2,090,095		2,090,095
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2022	2,065,271	24,824	-	2,090,095
Total net transfers	(2,936)	2,936	-	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	(2,936)	2,936	-	-
- to lifetime ECL credit impaired	-	-	-	-
Net change in exposure	(115,902)	(3,947)	-	(115,902)
Impairment loss allowance utilised	-	-	-	-
Exchange adjustments	-	-	-	-
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2022	1,946,433	23,813	-	1,970,246

Impairment loss allowance on securities measured at FVOCI	31 December 2022			
	Stage 1 (not credit - impaired) €'000	Stage 2 (not credit - impaired) €'000	Stage 3 (credit - impaired) €'000	Total €'000
Opening balance 1 January 2022	500	84	-	584
Total net transfers	42	(42)	-	-
- to 12-month ECL not credit impaired	-	-	-	-
- to lifetime ECL not credit impaired	42	(42)	-	-
- to lifetime ECL credit impaired	-	-	-	-
impairment(losses)/gains in income statement	140	4	-	144
- Re-measurement	-	-	-	-
- Net changes in exposures	140	4	-	144
- ECL model parameter and/or methodology changes	-	-	-	-
Impairment loss allowance utilised	(45)	-	-	
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2022	637	46	-	683

21. Derivative financial instruments

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

hedgingpurposes:

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.

The Company uses interest rate swaps to hedge its exposure to changes in the fair values of FVTOCI securities and fixed-rate loans and advances in respect of a benchmark interest rate (mainly Euribor). Pay-floating/receive-fixed interest rate swaps are matched to specific FVTOCI securities or pay-fixed/receive-floating interest rate swaps are matched to fixed-rate loans and advances with terms that closely align with the critical terms of the hedged item.

At 31 December 2023	Contract / notional amount €'000	Fair values including accruals Assets €'000	Fair values including accruals Liabilities €'000
1) Derivatives held for trading			
a) foreign exchange derivatives			
Currency swaps	409,100	2,400	(258)
Total OTC derivatives		2,400	(258)
b) Interest rate derivatives			
Interest rate swaps	1,400,000	297,049	(302,218)
Total OTC derivatives		297,049	(302,218)
c) Equity options			
Equity options purchases	183,100	26,620	-
Equity options sold	183,100	-	(26,620)
Total OTC derivatives		26,620	(26,620)
Total derivative assets/(liabilities) held for trading	**2,175,300**	**326,069**	**(329,096)**

	Contract / notional amount €'000	Fair values including accruals Assets €'000	Fair values including accruals Liabilities €'000
2) Derivatives held for risk management			
Derivatives designated as fair value hedges			
Interest rate swaps	2,266,446	69,650	(48,003)
Total OTC derivatives		69,650	(48,003)
Total derivative assets/(liabilities) held for risk management		69,650	(48,003)
Total derivative financial instruments	4,441,746	**395,719**	**(377,099)**

3) Hedge Accounting

Fair value hedges of Interest Rate Risk

The amounts relating to items designated as hedging instruments and hedge effectiveness were as follows:

Interest Rate Risk	Contract / notional amount €'000	Carrying amount Assets €'000	Carrying amount Liabilities €'000
Interest Rate Swaps – hedge of Securities FVOCI	2,193,200	66,790	(47,838)
Interest Rate Swaps – hedge of loans and advances	73,246	2,860	(165)

The amounts relating to items designated as hedged items were as follows:

	Carrying amount Assets €'000	Carrying amount Liabilities €'000
Securities FVOCI	**2,142,305**	**-**
Loans and advances	**70,789**	**-**

At 31 December 2022	Contract / notional amount €'000	Fair values including accruals Assets €'000	Fair values including accruals Liabilities €'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	66,326	71	(360)
Total OTC derivatives		71	(360)
b) Interest rate derivatives			
Interest rate swaps	1,400,000	282,658	(287,767)
Total OTC derivatives		282,658	(287,767)
c) Equity options			
Equity options purchases	202,100	32,311	-
Equity options sold	202,100	-	(32,311)
Total OTC derivatives		32,311	(32,311)
Total derivative assets/(liabilities) held for trading	**1,870,526**	**315,040**	**(320,438)**

	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	1,475,746	128,756	(118)
Total OTC derivatives		128,756	(118)
Total derivative assets/(liabilities) held for risk management		128,756	(118)
Total derivative financial instruments	3,346,272	**443,796**	**(320,556)**

3) **Hedge Accounting**

Fair value hedges of Interest Rate Risk

The amounts relating to items designated as hedging instruments and hedge effectiveness were as follows:

Interest Rate Risk	Contract / notional amount €'000	Carrying amount Assets €'000	Liabilities €'000
Interest Rate Swaps – hedge of Securities FVOCI	1,402,500	123,021	(118)
Interest Rate Swaps – hedge of loans and advances	73,246	5,735	-

The amounts relating to items designated as hedged items were as follows:

	Carrying amount Assets €'000	Liabilities €'000
Securities FVOCI	**1,278,594**	**-**
Loans and advances	**67,232**	**-**

The following tables analyses the notional principal amount of interest rate, exchange rate, and equity derivative contracts by residual maturity.

€'000 31-Dec-2023				
Residual Maturity	**Less than 1 year**	**1 to 5 years**	**5 years+**	**Total**
Derivatives Held for Trading				
Currency Swaps	409,100	-	-	**409,100**
Interest Rate Swaps	-	-	1,400,000	**1,400,000**
Equity Options Purchased	90,000	30,000	63,100	**183,100**
Equity Options Sold	90,000	30,000	63,100	**183,100**
	589,100	**60,000**	**1,526,200**	**2,175,300**
Derivatives held for risk management				
Interest Rate Swaps – Securities FVTOCI	84,500	1,047,500	1,061,200	**2,193,200**
Interest Rate Swaps – Loans and advances	15,591	57,655	-	**73,246**
	100,091	**1,105,155**	**1,061,200**	**2,266,446**

€'000 31-Dec-2022				
Residual Maturity	**Less than 1 year**	**1 to 5 years**	**5 years+**	**Total**
Derivatives Held for Trading				
Currency Swaps	66,326	-	-	**66,326**
Interest Rate Swaps	-	-	1,400,000	**1,400,000**
Equity Options Purchased	19,000	90,000	93,100	**202,100**
Equity Options Sold	19,000	90,000	93,100	**202,100**
	104,326	**180,000**	**1,586,200**	**1,870,526**
Derivatives held for risk management				
Interest Rate Swaps – Securities FVTOCI	69,500	871,500	461,500	**1,402,500**
Interest Rate Swaps – Loans and advances	-	67,883	5,363	**73,246**
	69,500	**939,383**	**466,863**	**1,475,746**

22. Current Tax

	2023	2022
	€'000	€'000
Current Tax	**(15,379)**	3,125
Deferred Tax Loss Utilised	**4,709**	-
	(10,670)	3,125

Irish domestic legislation provides that trading losses for a preceeding accounting period can be brought forward and set off against future income from the same trade in succeeding accounting periods.

The company intends to claim relief under Section 396(1) TCA 1997 and as such the 2022 Deferred tax loss of €4,709,211 will be refunded due to the offset of €37,673,688 lossses arisng in the year ended 31 December 2022.

The company claimed relief under Section 396(A) (3) TCA 1997 and as such the tax liability of €3,125,381 paid in 2021 was refunded in 2023 due to the offset of €25,003,048 losses arising in the year ended 31 December 2022.

23. Deferred Taxation

	2023	2022
	€'000	€'000
Deferred Tax assets:		
Financial assets at fair value through other comprehensive income	**1,583**	1,454
Loss carried forward*	**-**	4,709
Total deferred tax assets	**1,583**	6,163
Deferred Tax liabilities:		
Financial assets at fair value through other comprehensive income	**548**	343
Total deferred tax liabilities	**548**	343
Net Deferred Tax assets	**1,035**	5,820

	2023	2022
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**5,820**	(1,014)
Deferred tax through other comprehensive income	**(76)**	2,274
Deferred tax through income statement	**-**	4,560
Deferred tax losses utilised	**(4,709)**	-
At 31 December	**1,035**	5,820

- In 2023 the Company utilised the deferred tax asset on the tax losses incurred in 2022 amounting to €37,673,688.

24. Other assets

	2023	2022
	€'000	€'000
Deferred expenses	**82**	152
Other Intercompany receivables (*)	**13,000**	13,000
Sundry debtors	**891**	657
	13,973	13,809

(*) Group receivable due from Fideuram Asset Management (Ireland) DAC on surrender of group loss amounting to €104,000,000 in accordance with group loss agreement dated 21 December 2022. Cash received 13th March 2024.

25. Property, plant, and equipment

	2023	2022
	€'000	€'000
Property, plant, and equipment – owned	**19**	21
Right of use assets – leased	**2,620**	2,824
	2,639	2,845

Property, plant, and equipment – owned

	Office equipment	**Computer equipment and software**	**Leasehold Improvement**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Cost				
At beginning of year	200	140	557	897
Additions in year	2	7	-	9
Disposals in year	-	-	-	-
At end of year	**202**	**147**	**557**	**906**
Depreciation				
At beginning of year	190	131	555	876
Charge for year	3	7	1	11
Disposals in year	-	-	-	-
At end of year	**193**	**138**	**556**	**887**
Net book value				
At 31 December 2023	**9**	**9**	**1**	**19**
At 31 December 2022	10	9	2	21

	Office equipment	Computer equipment and software	Leasehold Improvement	Total
	€'000	€'000	€'000	€'000
Cost				
At beginning of year	189	139	557	885
Additions in year	11	2	-	13
Disposals in year	-	(1)	-	(1)
At end of year	**200**	**140**	**557**	**897**
Depreciation				
At beginning of year	173	110	502	785
Charge for year	17	22	53	92
Disposals in year	-	(1)	-	(1)
At end of year	**190**	**131**	**555**	**876**
Net book value				
At 31 December 2022	**10**	**9**	**2**	**21**
At 31 December 2021	16	29	55	100

The directors are satisfied that the carrying value of property, plant and equipment are not impaired.

Right of Use Assets – leased

	Office building	Motor Vehicles	Office equipment	Total
	€'000	€'000	€'000	€'000
Cost				
At beginning of year	2,906	29	15	2,950
Additions in year	-	-	-	-
Disposals in year	-	-	-	-
At end of year	**2,906**	**29**	**15**	**2,950**
Depreciation				
At beginning of year	114	1	11	126
Charge for year	194	7	3	204
Disposals in year	-	-	-	-
At end of year	**308**	**8**	**14**	**330**
Net book value				
At 31 December 2023	**2,598**	**21**	**1**	**2,620**
At 31 December 2022	2,792	28	4	2,824

Right of Use Assets – leased

	Office building	Motor Vehicles	Office equipment	Total
	€'000	€'000	€'000	€'000
Cost				
At beginning of year	761	-	15	776
Additions in year	2,906	29	-	2,935
Disposals in year	(761)	-	-	(761)
At end of year	**2,906**	**29**	**15**	**2,950**
Depreciation				
At beginning of year	669	-	8	677
Charge for year	206	1	3	210
Disposals in year	(761)	-	-	(761)
At end of year	**114**	**1**	**11**	**126**
Net book value				
At 31 December 2022	**2,792**	**28**	**4**	**2,824**
At 31 December 2021	92	-	7	99

26. Deposits from banks

	2023	2022
	€'000	€'000
Deposits from other banks	**816,263**	1,894,490
	816,263	1,894,490

Included in cash and cash equivalents (Note 32) €58 million (2022: €807 million).

27. Debt securities in issue

At 31 December 2023

	2023	2022
	€'000	€'000
At amortised cost	**6,075,359**	4,570,060
At FVTPL	**18,907**	17,980
	6,094,266	4,588,040

	2023	2022
	€'000	€'000
Floating Rate	**157,333**	324,527
Fixed Rate	**5,936,933**	4,263,513
	6,094,266	4,588,040

Changes in liabilities arising from financing activities.

	2023	2022
	€'000	€'000
Beginning balance	**4,588,040**	4,854,001
Cash flow movements		
Issuances	**5,420,189**	3,754,023
Repayment	**(3,917,963)**	(4,039,618)
Non-cash flow items:		
Movement in accrued Interest	**(3,775)**	1,225
Foreign exchange movement	**7,325**	20,294
Fair value movements	**450**	(1,885)
Ending Balance	**6,094,266**	4,588,040

The Company is one of the three issuers[i] 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. The Programme is subject to specific prospectus and subject to yearly reviews (last review December 2023). Under the Programme there is no Subordinated Debt issued and all issuances are subject to bullet repayment based on contractual maturity. All notes were issued in the name of Intesa Sanpaolo Bank Ireland. There were no defaults of principal interest or any other issues during 2023 with all maturities repaid in good order. The Company is also in a €50 billion ECP Programme with no subordinated issuance allowed and all issuance for a period not exceeding 365 days. All settlements for both programmes are performed by regulated Paying Agents.

[i] Intesa Sanpaolo Bank SPA, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland

28. Due to customers

	2023	2022
	€'000	€'000
Current accounts *	**193**	19,891
Term deposits	**616,837**	723,161
At Amortised cost	**617,030**	743,052
Term deposits at fair value to profit or loss	**10,499**	211,751
	627,529	954,803

*Includes restricted cash of €Nil (2022; 19,700,179) funds received from Russian corporates not offset against loan exposure due to sanctions.

29. Other liabilities

	2023	2022
	€'000	€'000
Other payable and accrued expenses	**2,234**	2,586
Lease liabilities	**2,698**	2,854
VAT payable	**9**	9
	4,941	5,449

Lease liabilities

	2023	2022
	€'000	€'000
At 1 January	**2,854**	100
Additions	**-**	2,935
Lease payments	**(268)**	(249)
Interest expenses	**112**	68
At 31 December	**2,698**	2,854

The following are the amounts recognised in profit or loss:

	2023	2022
	€000	€000
Depreciation expense of right-of use asset	204	210
Interest expense on lease liabilities	112	68
Total Amount recognised in profit or loss	316	278

The company had total cash outflows for leases of €183,894 in 2023 (€209,550 in 2022).
The company also had non-cash additions to right-of-use assets and lease liabilities of €Nil in 2023 (€2,934,920 in 2022).

30. Movement in the impairment provisions for liabilities and commitments

	2023	2022
	€'000	€'000
Balance at beginning of year	**49**	103
Charge to income statement	**21**	14
Released to income statement	**(40)**	(71)
Translation adjustment	**-**	3
Balance at end of year	**30**	49

Please refer to Note 1.8 for the accounting policy and Note 34 for the outstanding undrawn commitments.

31. Share capital

	Number of shares	**Ordinary shares**	**Share Premium**	**Total**
	'000	**€'000**	**€'000**	**€'000**
At 1 January 2022	400,500	400,500	1,025	401,525
At 31 December 2022 / 1 January 2023	400,500	400,500	1,025	401,525
At 31 December 2023	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2022: 500,000,000) with a par value of €1 per share (2022: €1 per share). All issued shares are fully paid.

At 31 December 2023, the capital and reserves of the Company amounted to €1,015.57 million (2022: €1,161.16 million), €1,123.3 million including year-end profits / losses after tax (2022: €1,015.04 million including YTD profits after Tax).

32. Cash and cash equivalents

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

	2023	2022
	€'000	€'000
Cash and balances with central bank (Note 16)	**4,489**	16,432
Loans and advances to banks (Note 18)	**621,892**	1,396,068
Deposits from banks (Note 26)	**(58,402)**	(807,178)
	567,979	605,322

33. Contingent liabilities and commitments

At 31 December 2023 the contracted amounts of contingent liabilities and financial commitments were:

	2023	2022
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**7,572**	7,572
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	**205,912**	41,250
- one year and over	**252,659**	162,166
	466,143	210,988

Uncommitted facilities are not included in the above table.

The following table analyses undiscounted cash flows potentially payable under guarantees and undrawn commitments to lend at 31 December 2023 and 2022:

€'000 31-Dec-2023	On demand	1 to 5 years	5 years+	Total
Guarantees and Irrevocable Letters of Credit	7,572	-	-	**7,572**
Undrawn commitments to lend	458,581	-	-	**458,571**
	466,143	-	-	**466,143**

€'000 31-Dec-2022	On demand	1 to 5 years	5 years+	Total
Guarantees and Irrevocable Letters of Credit	7,572	-	-	**7,572**
Undrawn commitments to lend	203,416	-	-	**203,416**
	210,988	-	-	**210,988**

34. Pension scheme

The Company operates a defined contribution pension scheme. The scheme is trustee Administered and the assets are kept separate from those of the Company. Contributions to the scheme are charged to the income statement as incurred. The pension charge for the year was €565,091 (2022: €620,480). At the 31 December 2023, the pension accrual amounted to €Nil (2022: €2,145).

35. Related party transactions

The ultimate parent company is Intesa Sanpaolo S.p.A., incorporated in Italy. Several 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 2023		**PARENT**	**FELLOW SUBSIDIARIES**	**TOTAL**
		€'000	**€'000**	**€'000**
ASSETS				
Financial assets at fair value through other comprehensive income		16,827	-	**16,827**
Financial assets at fair value through profit or loss		42	-	**42**
Cash and balances with central banks		764	-	**764**
Loans and advances to banks		4,813,591	7,036	**4,820,627**
Loans and advances to customers		-	10.101	**10,101**
Derivative financial instruments:		111,444	-	**111,444**
	IRS	*82,424*	-	***82,424***
	Forex	*2,400*	-	***2,400***
	Options	*26,620*	-	***26.620***
Other Assets (*)		17	13,000	**13,017**
Property, plant, and equipment			2,599	2,599
LIABILITIES				
Deposits from Banks		482,088	-	**482,088**
Deposits from Clients		-	-	**-**
Derivative financial instruments:		337,437	-	**337,437**
	IRS	*337,179*	-	***337,179***
	Forex	*258*		***258***
Other Liabilities		207	2,679	**2,886**
INCOME STATEMENT				
Interest and similar income		197,781	595	**198,376**
Interest expense and similar charges		(35,993)	(111)	**(36,104)**
Fees and commission income		45	-	**45**
Fees and commission expense		(2,398)	(210)	**(2,608)**
Administration expense		(802)	-	**(802)**
Net trading income/expense		(142,297)	228	**(142,069)**
Net impairment gains /(losses) on financial instruments		148	1	**149**
Net gain from other financial instruments at Fair value to Profit or Loss		145		145
Depreciation		-	(194)	**(194)**
GUARANTEES AND COMMITMENTS				
Issued		7,572	-	**7,572**
Received		1,041,878	-	**1,041,878**
DERIVATIVES				
Derivatives (notional)		3,558,646	-	**3,558,646**

(*) Effective 21 December 2022, the company entered a group losses agreement with Fideuram Asset Management (Ireland) DAC (FAMI) in relation to the financial year 2022.. The company surrendered to FAMI tax losses of €104,000,000 and the company reflected a group relief eceipt of €13,000,000 fromFAMI which was received on the 13th March 2024.

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

31 December 2023		**PARENT**	**FELLOW SUBSIDIARIES**	**TOTAL**
		€'000	**€'000**	**€'000**
ASSETS				
Financial assets at fair value through other comprehensive income		16,827	-	**16,827**
Financial assets at fair value through profit or loss		44	-	**44**
Cash and balances with central banks		9,471	-	**9,471**
Loans and advances to banks		5,208,585	7,104	**5,215,689**
Loans and advances to customers		-	9,872	**9,872**
Derivative financial instruments:		204,695	-	**204,695**
	IRS	*171,036*	-	***171,036***
	Forex	*3,609*	-	***30,050***
Other Assets (*)		2,180	13,000	**15,180**
Property, plant, and equipment			2,777	**2,777**
LIABILITIES				
Deposits from Banks		1,083,993	-	**1083,993**
Deposits from Clients		-	-	**-**
Derivative financial instruments:		339,582	-	**339,582**
	IRS	*337,179*	-	***337,179***
	Forex	*2,403*	-	***2,403***
Other Liabilities		3,700	3,015	**6,715**
INCOME STATEMENT				
Interest and similar income		197,781	595	**198,376**
Interest expense and similar charges		(35,993)	(111)	**(36,104)**
Fees and commission income		45	-	**45**
Fees and commission expense		(2,398)	(210)	**(2,608)**
Administration expense		(802)	-	**(802)**
Net trading income/expense		(142,297)	228	**(142,069)**
Net impairment gains /(losses) on financial instruments		148	1	**149**
Net gain from other financial instruments at Fair value to Profit or Loss		145 -	-	**145**
Depreciation			(194)	**(194)**
GUARANTEES AND COMMITMENTS				
Issued		7,572	-	**7,572**
Received		1,045,878	-	**1,045,878**
DERIVATIVES				
Derivatives (notional)		3,558,646	-	**3,558,646**

(*) Effective 21 December 2022, the company entered a group losses agreement with Fideuram Asset Management (Ireland) DAC (FAMI) in relation to the financial year 2022. The company surrendered to FAMI tax losses of €104,000,000 and the company reflected a group relief receipt of €13,000,000 from FAMI which was received on the 13th March 2024

31 December 2022

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Financial assets at fair value through other comprehensive income		16,193	-	**16,193**
Equities - FVTOCI		36	-	**36**
Cash and balances with central banks		15,630	-	**15,630**
Loans and advances to banks		4,912,850	7,054	**4,919,904**
Loans and advances to customers		-	9,644	**9,644**
Other Assets (*)		-	13,000	**13,000**
Derivative financial instruments:		190,825		**190,825**
	IRS	*158,443*	-	***158,443***
	Forex	*71*	-	***71***
	Options	32,311	-	**32,311**
LIABILITIES				
Deposits from Banks		1,630,121	-	**1,630,121**
Deposits from Clients		-	2,823	**2,823**
Derivative financial instruments:		258,187	-	**258,187**
	IRS	257,827	-	**257,827**
	Forex	360	-	**360**
INCOME STATEMENT				
Interest and similar income		76,967	147	77,114
Interest expense and similar charges		(45,674)	(67)	**(45,741)**
Fees and commission income		54	-	**54**
Fees and commission expense		(2,475)	(388)	**(2,863)**
Administration expense		(850)	(206)	**(1,056)**
Net trading income/expense		332,111	(455)	**331,656**
Net impairment gains /(losses) on financial instruments		203	2	**205**
GUARANTEES AND COMMITMENTS				
Issued		7,572	-	**7,572**
Received		1,044,813	49,412	**1,094,225**
DERIVATIVES				
Derivatives (notional)		2,444,172	-	**2,444,172**

(*) Effective 21 December 2022, the company entered a group losses agreement with Fideuram Asset Management (Ireland) DAC (FAMI) in relation to the financial year 2022. FAMI is a wholly owned subsidiary of Intesa Sanpaolo S.p.A and hence the agreement satisfied the same group of companies for the purpose of surrendering tax losses in accordance with the definition under Section 411, as well as meeting the requirement set out under Section 412, Chapter 4 of Part 12 of TCA 1997. The company surrendered to FAMI tax losses of €104,000,000 and the company reflected a group relief receipt of €13,000,000 from FAMI.

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

31 December 2022

		PARENT	FELLOW SUBSIDIARIES	TOTAL
		€'000	€'000	€'000
ASSETS				
Financial assets at fair value through other comprehensive income		18,157	-	**18,157**
Equities Mandatorily Fair Value to Profit and Loss		53	-	**53**
Cash and Balances with central banks		21,208	-	**21,208**
Loans and advances to banks		4,912,850	7,087	**4,912,937**
Loans and advances to customers		-	10,016	**10,016**
Other Assets (*)		-	13,000	**13,000**
Derivative financial instruments:		217,201	-	**217,201**
	IRS	*158,443*	-	***158,443***
	Forex	*5,362*	-	***5,362***
	Options	*53,396*	-	***53,396***
LIABILITIES				
Deposits from Banks		1,766,066	-	**1,766,066**
Deposits from Clients		-	2,823	**2,823**
Derivative financial instruments:		475,358	-	**475,358**
	IRS	*465,809*	-	***465,809***
	Forex	*9,549*	-	***9,549***
Income Statement				
Interest and similar income		*76,967*	147	***77,114***
Interest expense and similar charges		(45,674)	(67)	**(45,741)**
Fees and commission income		54	-	**54**
Fees and commission expenses		(2,475)	(388)	**(2,863)**
Administration expenses		(850)	(206)	**(1,056)**
Net trading income / (expenses)		332,111	(455)	**331,656**
Net impairment gains /(losses) on financial instruments		203	2	**205**
GUARANTEES AND COMMITMENTS				
Issued		13,572	-	**13,572**
Received		1,056,242	54,633	**1,110,875**
DERIVATIVES				
Derivatives (notional)		5,464,248	-	**5,464,248**

(*) Effective 21 December 2022, the company entered a group losses agreement with Fideuram Asset Management (Ireland) DAC (FAMI) in relation to the financial year 2022. FAMI is a wholly owned subsidiary of Intesa Sanpaolo S.p.A and hence the agreement satisfied the same group of companies for the purpose of surrendering tax losses in accordance with the definition under Section 411, as well as meeting the requirement set out under Section 412, Chapter 4 of Part 12 of TCA 1997. The company surrendered to FAMI tax losses of €104,000,000 and the company reflected a group relief receipt of €13,000,000 from FAMI.

Number of transactions performed with connected parties in 2023

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to Banks	402	-	402
Loans and advances to Clients	-	1	1
Derivative financial instruments	393	-	393
Deposits from banks	64	-	64
Total	**859**	**1**	**860**

Number of transactions performed with connected parties in 2022

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to Banks	301	-	301
Loans and advances to Clients	-	1	1
Derivative financial instruments	339	-	339
Deposits from banks	180	-	180
Total	**820**	**1**	**821**

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 2023 the total remuneration of the Directors was €633,659 (2022: €647,291). Included in total remuneration is €217,668 (2022: €157,273) in respect of fees earned in the capacity of Directors, €374,858 (2022: €363.632) in respect of compensation earned in the capacity of management and €41,133 (paid €41,133) (2022: €126,386 paid €124,241) in respect of post-employment benefits.

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

	2023	2022
	€'000	**€'000**
Short Term Employee Benefits	**589**	499
Post –Employment Benefits[i]	**41**	126
Other Long-Term Benefits	**-**	-
Termination Payments	**-**	-
Share Based Payments	**4**	22

[i] Defined contribution scheme relates to one Executive Director

36. Geographical concentrations

Geographical concentrations of assets, liabilities and off-balance sheet items	Total Assets	Total Liabilities & Equity €'000	Credit commitments	Profit / Loss for the year
31 December 2023	**€'000**		**€'000**	**€'000**
Ireland	211,369	1,165,384	332,999	(23,501)
E.U. (excl. Ireland)	7,256,775	1,478,706	50,691	132,330
U.S.A.	63,034	-	5,481	14,805
South America	-	-	-	12
Rest of the World	1,523,674	6,410,762	76,972	(15,915)
Total	**9,054,852**	**9,054,852**	**466,143**	**107,731**

Geographical concentrations of assets, liabilities and off-balance sheet items	Total Assets	Total Liabilities & Equity €'000	Credit commitments	Profit / Loss for the year
31 December 2022	**€'000**		**€'000**	**€'000**
Ireland	200,252	1,055,971	167,747	(23,475)
E.U. (excl. Ireland)	7,035,933	2,829,960	2,091	282,740
U.S.A.	413	1	5,481	(72,024)
South America	-	-	-	52
Rest of the World	1,542,472	4,893,138	35,669	(333,410)
Total	**8,779,070**	**8,779,070**	**210,988**	**(146,117)**

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

	2023 €'000	**2023 %**	2022 €'000	2022 %
Ireland	2,371	1	12,171	1
E.U. (excl. Ireland)	154,844	19	258,435	22
Rest of the World	632,895	80	888,539	77
Total	**790,110**	**100**	**1,159,145**	**100**

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

	2023 €'000	**2023 %**	2022 €'000	2022 %
Ireland,	92,733	2	59,049	1
E.U. (excl. Ireland)	4,820,627	97	4,919,905	96
Rest of the World	50,342	1	153,723	3
Total	**4,963,702**	**100**	**5,132,677**	**100**

Geographic sector risk concentrations within the portfolio of financial assets at fair value through other comprehensive income were as follows:

	2023 €'000	**2023 %**	2022 €'000	2022 %
Ireland	47,572	1	72,308	4
E.U. (excl. Ireland)	2,168,096	77	1,650,403	84
U.S.A.	62,830	2	-	-
Rest of the World	555,336	20	246,852	12
Total	**2,833,834**	**100**	**1,969,563**	**100**

37. Financial Assets and Financial Liabilities by contractual residual maturity

31 Dec-2023 €'000 Time band	**On Demand €'000**	**Up to 1 month €'000**	**up to 3 months €'000**	**3 to 12 months €'000**	**1 to 5 years €'000**	**over 5 years €'000**	**Total €'000**
ASSETS							
Cash and balances with central banks (1)	4,488	48,474	-	-	-	-	**52,962**
FVTOCI securities	-	32,345	4,613	153,095	1,422,691	1,221,090	**2,833,834**
FVPL	42	-	-	-	-	-	**42**
Loans and advances to banks (1)	596	799,561	987,263	2,063,562	593,225	519,495	**4,963,702**
Loans and advances to customers (1)	-	(9,031)	42,891	39,776	551,801	146,611	**790,110**
Derivative financial instruments	(1)	2,400	-	2,057	41,313	349,950	**395,719**
Total	**5,125**	**891,811**	**1,034,767**	**2,258,490**	**2,609,030**	**2,237,146**	**9,036,369**
LIABILITIES							
Deposits from banks (2)	-	15,761	62,272	53,301	400,000	284,929	**816,263**
Debt securities in issue	-	762,711	1,295,799	3,735,527	157,302	142,927	**6,094,266**
Due to customers	193	9,668	38,261	64,297	404,910	110,200	**627,529**
Derivative financial instruments	165	258	-	-	20,561	356,115	**377,099**
Lease liabilities	-	77	40	65	671	1,845	**2,698**
Total	**358**	**772,714**	**1,334,100**	**3,799,889**	**583,444**	**611,087**	**7,101,592**

(1) Impairment provision allocated to time band of the contract

(2) Deposits from banks include net cash collateral deposits with positive maturities in the time bands 1 to 3 months and 3 to 12 months

31-Dec-2022 €'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 central banks (1)	16,431	-	31,290	-	-	-	**47,721**
FVTOCI securities	-	22,864	91,469	236,526	1,048,299	570,405	**1,969,563**
FVPL	36	-	-	-	-	-	**36**
Loans and advances to banks (1)	146	1,327,840	1,392,848	985,937	885,274	540,632	**5,132,677**
Loans and advances to customers (1)	-	(106,862)	43,781	276,573	773,068	172,585	**1,159,145**
Derivative financial instruments	-	117	1,487	121	69,327	372,744	**443,796**
Total	**16,613**	**1,243,959**	**1,560,875**	**1,499,157**	**2,775,968**	**1,656,366**	**8,752,938**
LIABILITIES							
Debt securities in issue	-	783,865	1,506,512	1,636,789	455,523	205,351	**4,588,040**
Deposits from banks (2)	349	712,479	236,617	13,967	700,000	231,348	**1,894,490**
Due to customers	19,961	26,723	75,481	250,207	400,231	182,200	**954,803**
Derivative financial instruments	-	-	1,963	-	616	317,977	**320,556**
Lease liabilities	-	56	(18)	118	673	2,025	**2,854**
Total	**20,310**	**1,523,123**	**1,820,555**	**1,900,811**	**1,557,043**	**938,901**	**7,760,743**

(1) Collective impairment provision allocated to time band of the contract

(2) Deposits from banks include net cash collateral deposits with positive maturities in the time bands 1 to 3 months and 3 to 12 months

38. Subsequent events as at 22 March 2024

The Company notes the following post Balance sheet events

Funds outstanding in relation to interest payment[i] due on 15th December 2023 from a corporate counterparty were received on 24th January 2024.

Funds outstanding from scheduled principal and interest repayments[ii] due for the period October 2023 to January 2024 from a corporate counterparty were received on 1st February 2024.

Funds due in relation to Principal and Interest payments[iii] due on 29 December 2023 from a corporate counterparty were not received and remain outstanding. These amounts are fully covered through risk mitigation insurance contracts.

39. Date of approval

The financial statements were approved and signed by the directors on 22 March 2024.

i Usd 1.5 million
ii Usd 8.7 million
iii €10.5 million

Editing and production: Agema®

“*Panta Rhei*, the aphorism attributed to Heraclitus, captures my artistic ethos - that everything flows and changes, nothing stands still and that all things are in a state of flux - perfectly”.

Alfredo Pini was born in Mirandola in 1958. Despite graduating with a diploma from vocational business school, in 1985, he devoted himself entirely to his true passion in life: painting. He moved to Ferrara, where he opened the *Lacerba* art gallery, visited the studios of various artists and enrolled in a number of painting courses. This led him to connect with a number of prominent contemporary artists, including Primo Conti, Bruno Cassinari, Mario Schifano, Bruno Ceccobelli, Concetto Pozzati and Omar Galliani.

In 1987, he began exhibiting work and enrolled in the DAMS (Drama, Art and Music Studies) degree programme at the University of Bologna, whose teachers included Renato Barilli, Umberto Eco and Alfredo De Paz.

Through his work as a painter, he established increasingly close collaborative ties with various galleries in cities in Italy, Spain and the United States, where he continues to present his works in solo and group exhibitions today.

Pini is a figurative artist whose style is characterised by rapid and expressive brush-strokes that capture the movement and vitality of the subjects he depicts.

Cover:

Alfredo Pini
(Mirandola, 1958)
Landscape, 20th century
oil on canvas, 49 x 68 cm

While this piece from the Intesa Sanpaolo collection retains the artist’s signature pulsating energy, it shows him adopting a slower and more reflective approach. Featuring stunning mountains with patches of snow in the background and a light blue sky populated with white clouds, which - much like the cerulean blue vein-like stream coursing down the mountainside - provides a subtle hint that spring is imminent, this landscape painting depicts a natural setting that, while imposing, is not oppressive.

Enlivened by small touches of colour provided by the cloths hung out to dry in the open air and the bell tower of the small church flanked by soaring green conifers, the small village in the middle of the composition is painted with heart-felt affection. Here, a quiet rural community reliant on hard work and household tasks lives and breathes.

A lone figure, portrayed from behind, ascends a white path cutting through the middle of a grassy expanse caressed by the wind and sun.

In this painting, there is a sense of a memory evoking a simple, tranquil and almost meditative life created by brush-strokes that, in contrast to the excitable and synthetic ones of the artist’s best-known works, are vibrant yet robust. The “flux” captured in this work is not that synonymous with the hectic, breakneck pace of the modern cities that Alfredo Pini often depicts on his canvases, but rather a slow and natural one that conveys the passing of the seasons and our ancient relationship with planet Earth.