INTESA SANPAOLO BANK IRELAND plc

Directors' report and financial statements

Year ended **31 December 2020**

Registered number *125216*

Contents

INTESA SANPAOLO BANK IRELAND plc

Directors and other information

Directors	Mr. R. Barkley (Chairman) Mr. R. Paolelli (Managing Director, Italian) Mr. J. Bowden Mr. M.Ciampolini (Italian) Mr. N. Copland Ms. D. Migliasso (Italian) Mr. A. Faragalli Zenobi (Italian) Mr. F. Introzzi (Italian)
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 Auditors	KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin D01 F6F5
Principal bankers	INTESA SANPAOLO S.p.A. Piazza della Scala, 6 Milan I-20121 Italy The Bank of New York Mellon 240 Greenwich Street New York NY 10286 USA
Solicitors	McCann FitzGerald Sir John Rogerson's Quay Dublin D02 X576

Financial Statements

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2020.

Principal Activities

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

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

Review of Results and Development of the Business

The results and financial position of the Company for 2020 are set out on pages 18-22 of the financial statements. The highlights for the year ended 31 December 2020 were the following:

- Gross interest income decreased by 5.3% to €123.2 million mainly due to (i) the prevailing negative interest rate environment, (ii) scheduled loan repayments and (iii) only partial utilisation of new loan transactions.
- Gross interest expense decreased by 4.6% to €104.4 million, mainly due to the prevailing lower interest rate environment
- Net interest income decreased by 9.0% to €18.8 million with a marginal reduction in the net interest margin to 15.2% (15.9% in 2019).
- Other operating income (net fees and commission expenses, dividend and similar income, net trading income and foreign exchange profit) increased to €7.6 million (€6.4 million in 2019), mainly as a result of higher fees and commissions received and positive fair value movements on financial assets and liabilities, only partially offset by the volatility in the capital markets that limited the active management of the securities portfolio.
- Operating expenses decreased by 11.5% to €9.5 million, mainly due to lower supervisory fees of €0.9 million (€1.9 million in 2019) and a 19.3% reduction in Single Resolution Fund Levy ("SRF") to €2.8 million (€3.4 million in 2019), only partially offset by a 7.9% increase in staff costs to €3.8 million (€3.5 million in 2019). The cost-to-income ratio (excluding SRF Levy)[i] stood at 25.4% (26.9% in 2019).
- Impairment charges increased to €4.3 million (€1.5 million in 2019) following the on-boarding of new loan transactions and impacts of the pandemic on the ECL model revision in relation to the existing loan portfolio.
- Profit after tax decreased by 15.2% to €11 million (€12.97 million in 2019).
- Total assets decreased by 8.7% to €10.49 billion (€11.49 billion in 2019).
- The securities portfolio decreased by 1.3% to €2.20 billion, remaining diversified both in terms of asset class and geographical split. All bond holdings continue to remain highly liquid securities.

---

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

- Medium-term intragroup lending decreased by 38% to €3.28 billion (€5.31 billion in 2019), whereas short-term lending to group increased by 97% to €2.17 billion (€1.1 billion in 2019) on the back of excess liquidity generated from debt issuance activities.
- Third party customer loans increased by 25.2% to €1.34 billion (€1.07 billion in 2019) as a result of new loans on-boarding. The Company remains focussed on the development of Irish-domestic corporate relationships and selected international lending opportunities.
- In terms of liabilities, the Company's outstanding amounts under issuance programmes decreased by 20.6% to €6.18 billion (€7.80 billion in 2019): EMTN outstandings decreased by 42.2% to €2.31 billion (€4.0 billion in 2019) and ECP/CD outstandings increased by 2.0% to €3.87 billion (€3.80 billion in 2019).
- Total shareholders' equity increased by 2.34% to €1.177 billion (€1.15 billion in 2019) mainly due to a positive movement in the FVTOCI reserve (to +€8.9 million) due to an improvement in market value of bond holdings.

The directors have proposed a dividend of 2.7466 cent per ordinary share, amounting to €11 million in respect of the year 2020 (no dividend was paid in respect of the year 2019).

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

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

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

Future Developments in the Business

The directors intend to continue the development of the Company's lending activities on a selected basis and in line with group policy, maintaining a focus on actively marketing Irish-domestic corporate clients and international customers operating out of Ireland. In addition, the Company intends to 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.

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 a tier 1 capital ratio of 35.44% (2019: 28.83%) and a total capital ratio of 35.44% as at 31 December 2020 (2019: 28.83%).

Accounting Record

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The books of account are available at the registered office at 2nd Floor, International House, 3 Harbourmaster Place, IFSC, Dublin 1.

Directors' report *(continued)*

Directors

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

Mr. R. Barkley
Mr. R.Paolelli
Mr. N. Copland
Mr. A. Faragalli Zenobi
Mr. M. Ciampolini
Ms. D. Migliasso
Mr. J. Bowden
Mr. F.Introzzi

CORPORATE GOVERNANCE STATEMENT

Parent

Intesa Sanpaolo Bank Ireland plc is a public limited liability company and is incorporated and domiciled in Ireland. The Company is a wholly owned subsidiary of INTESA SANPAOLO S.p.A. which beneficially holds 100% of the ordinary share capital of the Company. INTESA SANPAOLO S.p.A. is a public limited company and is incorporated and domiciled in Italy. The consolidated financial statements for 2020 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, 10121 Turin, Italy, or via its website www.group.intesasanpaolo.com.

Articles of Association

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

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

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

Directors

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

Mr. R. Barkley	Independent Non-Executive
Mr. R. Paolelli	(Member of Credit Committee)
Mr. N. Copland	(Member of Risk Committee and Audit Committee) - Independent Non-Executive
Mr. J. Bowden	(Member of Audit Committee) - Independent Non-Executive
Mr. M. Ciampolini	(Member of Risk Committee)
Ms. D. Migliasso	(Member of Audit Committee and Risk Committee)
Mr. A. Faragalli Zenobi	
Mr. F. Introzzi	

Directors' report *(continued)*

Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2020 had no interest in the shares or debentures or loan stock of the Company.

The directors and secretary of the Company at 31 December 2020 had no interest of at least 1% with respect to the of shares or debentures or loan stock of the Group companies.

Shareholders

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

Transactions involving Directors

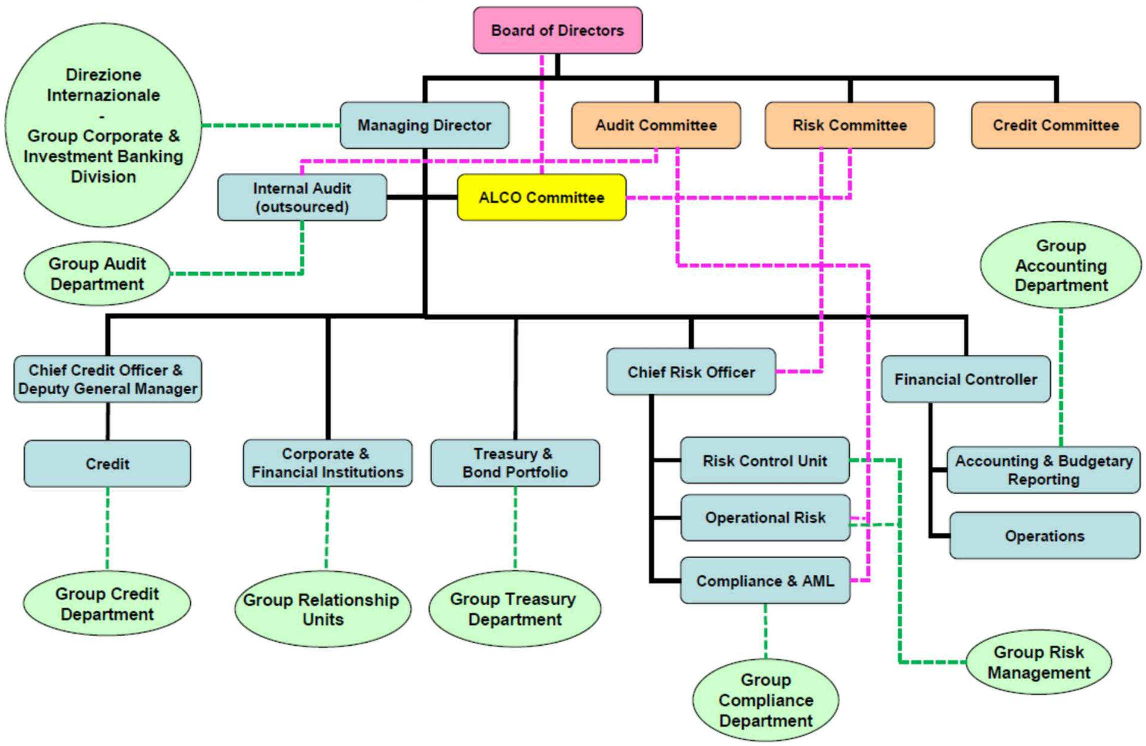
There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 2014, at any time during the year ended 31 December 2020.

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 2020 identifies key individuals and committees and their inter-relationship with business and control units:



Board of Directors
Direzione Internazionale - Group Corporate & Investment Banking Division
Managing Director
Audit Committee
Risk Committee
Credit Committee
Internal Audit (outsourced)
ALCO Committee
Group Audit Department
Group Accounting Department
Chief Credit Officer & Deputy General Manager
Chief Risk Officer
Financial Controller
Credit
Corporate & Financial Institutions
Treasury & Bond Portfolio
Risk Control Unit
Accounting & Budgetary Reporting
Operational Risk
Operations
Compliance & AML
Group Credit Department
Group Relationship Units
Group Treasury Department
Group Risk Management
Group Compliance Department

Management Responsibilities

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

Risk Management Framework

The Company has a dedicated Risk Control function responsible for the measurement and monitoring of financial and market risks. The Risk Control function, through the Chief Risk Officer, reports to the Risk Committee of the Company, who is responsible 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 in the supervision over the financial reporting process, the auditing process, the existing internal control system, the risk management reporting and the compliance with laws, regulations, rules and code of conduct of the Company.

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

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

- business transactions are properly authorised, approved and executed within the transaction limits identified by the Risk Control department and compliant with 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 adopted by the Board of Directors of the Company and the local Operational Risk policy approved on 30 March 2017, 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, in order to ensure effective risk prevention and mitigation in accordance with the Group's stated appetite for risk in its Risk Appetite Framework.

The objectives of ORM are as follows:

- Asset Protection
- Ex ante Monitoring and Control of Processes
- Compliance with Processes and Rules

- Use of the Internal Operational Risk Model for Management Purposes

Although 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.

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 to the Central Bank of Ireland. Although the Board has not set any quantitative limits to the amount of operational risk the Company can be exposed to, it has demonstrated its risk appetite by a continued focus on this area in their agenda and the ongoing monitoring of the internal control framework. The Board has also approved an organisational structure compatible with the overall objective of operational risk-minimisation.

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

- Identification and implementation of mitigation actions and risk transfer, in accordance with the qualitative risk appetite defined by the Board;
- Rationalisation and optimisation, by means of costs/benefits of insurance recovery system 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 a documentation of the same processes, of the attached risks, and of the controls in place.
- The Monitoring of Key Risk Indicators (KRI) defined under the 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:
  - A local UPS (uninterruptible power supply) at the main office;
  - A back up power generator is located at the main office;
  - A hot site is located at Milan, Via Giambellino, 135, 20147, Milano MI, Italy supported by an annual full test of the functionality of the site to conduct critical activities.
  - Annual participation in Persons Unavailability training scenarios on critical activities supported by subsequent testing where a backup staff member carries out critical activities as per the affected department's business continuity plan;
  - The critical IT systems of the Company are centralised Group systems with local access. These centralised systems are replicated daily in London or at Moncalieri in Italy as well as at the disaster recovery sites in both places.
- The purchase of insurance policies, including:
  - Property damage insurance (all risks property and contents);
  - Liability insurance (third party and employer's liability);
  - Directors and Officers liability;
  - IT insurance (Electronic Data Processing Equipment, cyber risk);

- Internal fraud insurance (i.e. internal theft, falsification of documents, internal system fraud, etc.).

In relation to Brexit, the Company maintains the view that no major risks are envisaged as our business activity is not UK dependant, however we continue to work closely with the international department of Intesa Sanpaolo S.p.A. to monitor the situation.
The COVID_19 pandemic and uncertainties over its consequences have increased market volatility during the year and contributed to a slowdown in the demand for credit, which was particularly evident during the second and third quarters of 2020. Against this backdrop of a challenging and uncertain market environment, the Company showed an ongoing support to its customers during the year and continues to monitor the developing situation and any impacts on the customer portfolio very closely.

Independent Auditor

The Auditors, KPMG Chartered Accountants will be mandatorily rotating from their role as statutory auditor for the 31 December 2021 audit.

Corporate Governance

Directors' Compliance Statement is subject to the requirements laid out under the Corporate Governance Code for Credit Institutions ("the Code") for "non major institution" and is required under section 26 of the Code to submit an Annual Compliance Statement to the Central Bank of Ireland for the period 1 January to 31 December 2020. Such statement will be duly communicated in accordance with the Central Bank requirements in 2021.

Directors' Compliance Statement

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

- a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structures.

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

On behalf of the board

R. Barkley	J. Bowden	N. Copland	R. Paolelli
Chairman	*Director*	*Director*	*Managing Director*

19 March 2021

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 directors 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 the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

R. Barkley	J. Bowden	N. Copland	R. Paolelli
Chairman	*Director*	*Director*	*Managing Director*

19 March 2021

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 2020 set out on pages [17 to 123], which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflow and related notes, including the summary of significant accounting policies 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 2020 and of its profit for the year then ended;

• the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and

• the financial statements 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 section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 12 December 2011. The period of total uninterrupted engagement is the 9 years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 using our knowledge of the Company, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the twelve months from the date of when the financial statements are authorised for issue (the 'going concern period').

The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

• the availability of funding and liquidity in the event of a market wide stress scenario including the impact in which the global Covid-19 pandemic continues to unfold; and

• the impact on regulatory capital requirements in the event of an economic slowdown or recession.

We considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing the Company's downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts. Our procedures also included:

• critically assessing significant assumptions in the directors' stress testing, relevant to liquidity and capital metrics. In particular, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of the impact of severe but plausible scenarios on these and assessing whether the downside scenarios applied take into account reasonably possible outcomes.

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 the date when the financial statements are authorised for issue.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2019):

Valuation of Loans and Advances €7,450m (2019 - €8,167m)

Refer to pages 23 to 36, 44 to 54 (accounting policy) and pages 97 to 102 (financial disclosures)

The key audit matter	**How the matter was addressed in our audit**
Credit monitoring and the calculation of credit provisions require a high degree of judgement to reflect recent developments in credit quality, arrears experience, and/or emerging macroeconomic risks. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's compliance with IFRS 9 include: • Accuracy of PD models: The Probability of Default (PD) models are the key drivers of the expected credit loss calculation and also impact the staging of assets. ECLs may be inappropriate if PD models do not accurately predict defaults over time, become out of line with wider industry experience, or fail to reflect the credit risk	I. We assessed the Company's provisioning methodology by inspecting the Impairment policy and compared it with the requirements of IFRS 9. II. With support from the Group auditor in Milan where the IFRS 9 ECL models and process are centralised, we tested the design, implementation and operating effectiveness of the key controls over the accuracy of the significant data inputs into the impairment models. In addition, we tested the design and implementation of key controls over the accuracy of PD models, including SICR, economic scenarios and credit enhancements. III. We evaluated the design, implementation and operating effectiveness of the Company's controls around credit monitoring and provisioning. IV. We assessed the application of the IFRS 9 business model assessment to loan and bond portfolios and

of financial assets. This is particularly relevant for the current environment, where there are increased challenges in predicting defaults in light of the uncertainty created by COVID-19. • Significant Increase in Credit Risk (SICR): The criteria selected to identify a significant increase in credit risk and the allocation of loans to the three stages is a significant area of judgement within the Company's ECL calculation. • Economic Scenarios: Economic scenarios have a direct impact on the staging of loans and the resultant ECL. Significant management judgment is applied to the determination of the economic scenarios especially when considering the current uncertain economic environment as a result of COVID19. • Credit Enhancements: A judgement exists relating to the assessment as to whether guarantees are integral to the contractual terms of a credit exposure and the guarantees' related impact on the measurement of ECL.	inspected the results of the Solely Payments of Principal and Interest testing for a selection of financial instruments. V. We engaged with KPMG specialists to assist in evaluating the appropriateness of the SICR criteria including evaluating the accuracy of the IFRS 9 PD models and the reasonableness of the macroeconomic scenarios. In conjunction with the Group auditor in Milan, we also assessed the reasonableness of the Company's considerations of the ECL impact of anticipated economic uncertainty associated with COVID-19. VI. For a risk-based selection of loans, we challenged management's assumptions in relation to SICR and the allocation of loans to the three stages. We critically assessed, by reference to the underlying documentation and through inquiry of management, whether the indicators for a credit impairment were identified... I. We assessed the Company's treatment of guarantees in the measurement of ECL. II. We evaluated the disclosures made in the financial statements. In particular, we focused on challenging management that the disclosures are sufficiently clear in highlighting the significant uncertainties that exist in respect of the ECL allowance and the sensitivity of the allowance to changes in the underlying assumptions. The results of our testing were satisfactory, and we found the ECL charge and provision recognised to be reasonable.

Application of Hedge Accounting

Refer to page 38 to 43 (accounting policy) and pages 92 to 93 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Company enters into derivative contracts in order to manage and economically hedge risks such as interest and inflation rate risk. These arrangements create accounting mismatches which are addressed through designating instruments into fair value hedge accounting relationships.	I. We tested the design, implementation and operating effectiveness of key controls over the designation and ongoing management of hedge accounting relationships, including testing of hedge effectiveness. II. We examined selected hedge documentation and the matching of critical terms to assess whether they complied with the requirements

The Company's application of hedge accounting, including matching critical terms and putting in place appropriate hedging documentation is manual in nature, which increases the risk of errors and hence the risk that financial reporting is not in line with IFRS requirements.	of IFRS. III. We engaged with KPMG specialists to assist in re-performing a sample of hedge effectiveness calculations. IV. We assessed the application of hedge accounting by the Company for its continued effectiveness in light of Covid-19 implications for the year. V. We assessed the adequacy of disclosures in the financial statements for compliance with IFRS requirements. Based on the evidence obtained, we found the application of hedge accounting to be appropriate and compliant with the requirements of IFRS.

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at €1.2m (2019: €1.3m). This has been calculated as 1% (2019: 1%) of the benchmark of interest income (2019: interest income). Interest income is the metric we consider to be of principal consideration for members of the Company in assessing the financial performance of the Company in the current environment.

We applied materiality to assist us determine what risks were significant risks and the procedures to be performed

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.06m (2019: €0.06m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by KPMG Ireland, with the appropriate oversight of work performed by the parent auditor in Italy.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report on pages 2 to10.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit , we report that:

• we have not identified material misstatements in the directors' report;
• in our opinion, the information given in the directors' report is consistent with the financial statements;
• in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Corporate governance disclosures

As required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages [4 to 10], that:

• based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements and has been prepared in accordance with the Act; and

• based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose 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 Company's financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

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

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

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 our report, or for the opinions we have formed.

James Black **19 March 2021**
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

INTESA SANPAOLO BANK IRELAND plc

Income statement *For the year ended 31 December 2020*	Note	**2020** **€'000**	2019 €'000
Interest income calculated using the effective interest method	7	**112,189**	**118,812**
Other interest income	7	**10,986**	**11,211**
Interest expense and similar charges	7	**(104,396)**	**(109,377)**
Net interest income		**18,779**	**20,646**
Fees and commission income	8	**7,757**	**5,490**
Fees and commission expense	8	**(3,996)**	**(4,415)**
Net fees and commission income / (expense)		**3,761**	**1,075**
Dividend and similar income		**-**	**10**
Net trading income	9	**3,918**	**5,326**
Foreign exchange loss		**(75)**	**(23)**
Net impairment (losses) on financial instruments	20	**(4,296)**	**(1,482)**
Net operating income		**22,087**	**25,552**
Administrative expenses	12	**(9,098)**	**(10,339)**
Depreciation		**(390)**	**(377)**
Total operating expenses		**(9,488)**	**(10,716)**
Profit before tax	13	**12,599**	**14,836**
Income tax expense	14	**(1,599)**	**(1,865)**
Profit for the financial year		**11,000**	**12,971**
Profit attributable to the equity holders of the parent		**11,000**	**12,971**

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

The notes on pages 23 to 125 are an integral part of these financial statements.

INTESA SANPAOLO BANK IRELAND plc

Statement of comprehensive income *For the year ended 31 December 2020*	**2020** **€'000**	2019 €'000
Profit for the year	**11,000**	**12,971**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Movement on equity investments at fair value through other comprehensive income		
Net change in fair value	**-**	**8**
Related tax	**-**	**(1)**
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	**13,787**	**38,964**
Net amount transferred to profit or loss	**(599)**	**2,476**
Related tax	**(1,649)**	**(5,180)**
Other comprehensive Income for the year, net of tax	**11,539**	**36,267**
Total comprehensive Income for the year, net of tax	**22,539**	**49,238**
Total comprehensive Income for the year attributable to equity holders of the parent	**22,539**	**49,238**

The notes on pages 23 to 125 are an integral part of these financial statements.

INTESA SANPAOLO BANK IRELAND plc

Statement of financial position *As at 31 December 2020*	Note	**2020 €'000**	2019 €'000
ASSETS			
Cash and balances with central banks	16	**271,476**	**559,358**
Financial assets at fair value through other comprehensive income	17	**2,197,398**	**2,226,730**
Loans and advances to banks	18	**6,104,416**	**7,089,202**
Loans and advances to customers	19	**1,345,742**	**1,077,338**
Derivative financial instruments	21	**568,914**	**536,506**
Prepayments and accrued income		**132**	**53**
Current tax		**-**	**866**
Deferred tax asset	22	**421**	**1,283**
Other assets	23	**456**	**774**
Property, plant and equipment	24	**586**	**929**
Total assets		**10,489,541**	**11,493,039**
LIABILITIES			
Deposits from banks	25	**1,357,497**	**736,079**
Debt securities in issue	26	**6,186,175**	**7,795,517**
Repurchase agreements	27	**53,831**	**32,391**
Due to customers	28	**1,045,272**	**1,151,612**
Derivative financial instruments	21	**664,181**	**618,260**
Current tax		**269**	**-**
Deferred tax liability	22	**1,392**	**457**
Accruals and deferred income		**628**	**903**
Other liabilities	29	**3,101**	**3,305**
Provisions for liabilities and commitments	30	**215**	**74**
Total liabilities		**9,312,561**	**10,338,598**
EQUITY attributable to the equity holders of the parent company			
Share capital	31	**400,500**	**400,500**
Share premium	31	**1,025**	**1,025**
Fair value through other comprehensive income reserves		**8,885**	**(2,654)**
Capital contribution reserves		**506,764**	**506,764**
Retained earnings		**259,806**	**248,806**
Total equity		**1,176,980**	**1,154,441**
Total liabilities and shareholders' funds		**10,489,541**	**11,493,039**

The notes on pages 23 to 125 are an integral part of these financial statements.

On behalf of the board

R. Barkley	J. Bowden	R. Paolelli
Chairman	*Director*	*Managing Director*

C. Graham
For and on behalf of Apex IFS Limited
Company Secretary

19 March 2021

INTESA SANPAOLO BANK IRELAND plc

Statement of Changes in Equity for the year ended 31 December 2020

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000
1 January 2020	400,500	1,025	(2,654)	506,764	248,806	1,154,441
Profit for the financial year	-	-	-	-	11,000	11,000
Other comprehensive income	-	-	11,539	-	-	11,539
Total comprehensive income for the year	-	-	11,539	-	11,000	22,539
Equity dividends paid	-	-	-	-	-	-
31 December 2020	**400,500**	**1,025**	**8,885**	**506,764**	**259,806**	**1,176,980**

	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000
1 January 2019	400,500	1,025	(38,921)	506,764	262,835	1,132,203
Profit for the financial year	-	-	-	-	12,971	12,971
Other comprehensive income	-	-	36,267	-	-	36,267
Total comprehensive income for the year	-	-	36,267	-	12,971	49,238
Equity dividends paid	-	-	-	-	(27,000)	(27,000)
31 December 2019	**400,500**	**1,025**	**(2,654)**	**506,764**	**248,806**	**1,154,441**

INTESA SANPAOLO BANK IRELAND plc

Statement of Cashflow for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Cash flows from operating activities			
Interest received		129,293	148,865
Dividend received		-	10
Fees and commission receipts		7,404	4,340
Fees and commission paid		(3,460)	(3,696)
Net trading and other receipts and payments		2,427	7,308
Interest paid		(108,773)	(106,493)
Cash payments to employees and suppliers		(9,391)	(8,691)
Recoveries on loans previously written off		-	238
Income taxes paid		(316)	(1,873)
Cash flows from operating activities before changes in operating assets and liabilities		17,184	40,008
Changes in operating assets and liabilities			
Net decrease in cash and balances with central banks		10,278	1,673
Net decrease /(increase) in loans and advances to banks		873,225	(1,101,913)
Net (increase) in loans and advances to customers		(271,069)	(504,349)
Net increase in deposits from banks		207,145	54,210
Net (decrease)/ increase in amounts due to customers		(100,433)	17,530
Proceeds from repurchase agreements		21,280	9,954
Cash flows from changes in operating assets and liabilities		740,426	(1,522,895)
Net cash from operating activities		757,610	(1,482,887)
Cash flows used in investing activities			
Purchase of property, plant and equipment		(47)	(34)
Proceeds from sale of property, plant and equipment		-	2
Purchases of financial assets at FVOCI		(228,030)	(632,339)
Proceeds from sale of financial assets at FVOCI		283,987	503,504
Net cash generated / (used in) by investing activities		55,910	(128,867)
Cash flows used in financing activities			
Proceeds from debt securities in issue		4,123,897	7,469,700
Repayment of debt securities		(5,722,474)	(5,306,243)
Lease liabilities		(234)	(233)
Dividends paid		-	(27,000)
Net cash (used) / generated in financing activities		(1,598,811)	2,136,224
Net (decrease) / increase in cash and cash equivalents		(785,291)	524,470
Cash and cash equivalents at beginning of year		477,001	(47,469)
Cash and cash equivalents at end of year	32	(308,290)	477,001

1. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are material in relation to the Company's financial statements.

1.1. Reporting Entity

INTESA SANPAOLO BANK IRELAND plc is a public limited company incorporated and domiciled in the Republic of Ireland under the Companies Act, 2014 with the registration number 125216 and is regulated by the Central Bank of Ireland.

1.2. Basis of preparation and Statement of Compliance

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

The financial statements have been prepared under the historical cost convention 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 (an 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 made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for 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 entity's chief operating decision maker (the Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

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

1.4. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method for financial instruments measured at amortised cost.

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.

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"

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.

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 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.

If a significant increase in credit risk is detected (Significant Increase in Credit Risk – SICR, which makes it necessary to include exposures in Stage 2), it will be necessary to measure expected loss during the entire remaining life of the credit exposure. In other cases (absence of significant increase in credit risk), the expected loss shall be calculated having as reference a time horizon of 12 months (and the exposure shall be included in Stage 1).

In application of the Standard, in the approach adopted by the Intesa Sanpaolo Group and the Company the parameter that measures the change in credit risk (and, hence, the possible "SICR" is default risk, expressed by the changes in Probability of Default (below, "PD") along the entire remaining life of the financial asset (below, "lifetime PD"), calculated taking into account the effects of the expected macroeconomic scenarios (forward-looking measures).

In addition to the PD's lifetime, in identifying the SICR, Intesa Sanpaolo takes into account two more elements: (i) the Standard considers past due days as an indicator of reduction of the counterparty's creditworthiness, which is presumed to become "significant" if contractual payments become more than 30 days past due; (ii) in line with the instructions provided by the Basel Committee, the granting of forbearance measures is considered an indicator of a significant increase in the counterparty's credit risk.

These criteria are applied to the Performing portfolio, for which the increase in credit risk can be measured on the basis of 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 means of forward-looking parameters.

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].
- 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. Similarly to the financial instruments classified in Stage 2, for these impaired assets too, write down adjustments made to meet the expected credit losses ("ECL") must be calculated with reference to the entire contractual lifetime of the exposure being measured. Those instruments that at the time of the initial purchase or granting were felt to be "non-performing" (purchased/originated credit impaired ("POCI") are entered in this Stage 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.

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 (lifetime PD

[i] According to IFRS 9, the concept of "low credit risk" can include exposures having investment grade rating.

delta).

This consists of 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 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. 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 classified in Stage 2. In order 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.

1.8.1.2. 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.

1.8.1.3. Staging Criteria – Forborne

In accordance with the Bank's Credit Policy and in line with Intesas Sanpaolo S.p.A. Rules on Forborne Exposures – June 2018, a forborne exposure is a credit position whose original contractual legal obligations have been modified / amended by mutual agreement as a result of the client entering into financial difficulties. The restructuring or partial / total refinancing of debt is intended to enable the client 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 in line with the credit procedures where forbearance measure has been approved with respect to a Performing credit line, all the loans held by the debtor holding the credit line subject to forbearance are allocated to Stage 2.

1.8.2. Methodology for calculating the delta of lifetime PD

In order to assign at the observation date and at the date of initial recognition the corresponding value of lifetime PD so as 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.

[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.

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

a) Loans

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 on the basis of the analyses performed by the manager on the counterparty, or on the basis of 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 timely 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 internal 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. This makes it possible to keep track over time of the rating assigned to each exposure being measured.

b) 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. In order 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**: in order to ensure consistency with the creditworthiness judgment on the counterparties which have been granted a loan on the basis of 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".

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. Guarantees received are deemed to be integral for the purpose of calculating ECL but are excluded for determining staging classification.

At each date of purchase of a new tranche, its rating is recorded in the ad hoc archive established. This makes it possible to keep track over time of the rating assigned to each position being measured.

1.8.4. Expected Credit Loss Methodology

The calculation of Impairment is performed by the Parent Company on a centralised level for all subsidiaries including the Company through the use of dedicated centralised systems.

The estimate of Expected Credit Losses (ECL) 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 information). In other words, the value of the prospective cash flows takes into account not only the losses already recognised at the time of the measurement on the basis of 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 identified 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 is no longer exists.

  Currently, Intesa Sanpaolo Bank Ireland has no net exposures at Stage 3 and has no activity in POCI.

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

$ECL_{1y} = EAD * PD_{1y} * LGD$ for loans classified in *Stage 1*

$ECL_{Lifetime} = EAD * PD_{Lifetime} * LGD$ for loans classified in *Stage 2*

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 methodological 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**	On the basis of 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 on the basis of 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 balance sheet exposure, 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 concerns the unused portion of credit lines (i.e. revocable and irrevocable margins) the exposure is corrected by applying Credit Conversion Factors ("CCF").

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 takes into account 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 takes into account 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:

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

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.

1.8.7.Comparison for Staging purposes

Determination of Forward-Looking Scenarios

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.

<u>Definition of the Most-likely macroeconomic scenario</u>

The baseline scenario is built every six months at the following times, unless significant changes require a mid-term update:

- March scenario, which includes largely complete historical data on the previous year and it usually allows significant improvements to the forecasts for the current year, to be used to condition the calculation parameters for preparing the half-year report and the third quarter report;

- September scenario, used to support other corporate processes (i.e. budget, business plan) and to determine other balance sheet parameters to be used to condition the calculation parameters for preparation of the year-end financial statements and the first quarter report.

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:

- countries economic indicators and inflation rate of the top six countries in the Eurozone, of the United States and of Japan;
- official rates (EBC, Fed, BoJ), EUR and USD swap rate curves, some points of the government curves;
- exchange rates for EUR, USD, JPY and GBP;
- some detailed data on the Italian economy (industrial output, employment, public finance balances).

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 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 ad hoc models have been developed, and to have a simulation environment that can be used to generate possible 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.

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 in order 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 certain 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).

To select the alternative paths external information is used. More specifically:

- average annual GDP growth rates of certain countries: this is a key driver of the simulation; deviations are determined so as to replicate the dispersion of the growth estimates published by Consensus Economics in the latest report available at the date of the simulation, considering the minimum and maximum forecast (after applying a Grubbs filter to identify and remove any outliers). In the presence of outliers, the abnormal data is removed and the maximum and minimum of the remaining values are considered. Since consensus estimates are available only for the first two years of the simulation timeframe, for the third year an extrapolation is made of the deviations identified for the first two years;

- Stock market indices (DJ Eurostoxx 50, S&P500) and indices of US residential property prices: the minimum and maximum forecast of the Thomson Reuters panel are used;

- Italian residential property prices: since no consensus estimates are currently available, the alternative paths rely on the distribution of past quarterly variations available from 1980 to the current quarter.

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 means of statistical analysis of the historical distribution of the observations. The new values identified are then used as input to determine 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 on the basis of the variability characteristics of the series, so as to obtain a significantly large deviation from the Most-likely scenario.

When 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 in 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 North Korea, 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 (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 assessment referred to in point (2) above takes 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.

Determination of the **Add-on** *to PD*

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 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:

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

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 $LGD_i^{Most-Likely}$, $LGD_i^{Adverse}$, LGD_i^{Best}, 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:

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

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

Definition of ICAAP Baseline & Adverse Average Scenarios

Stress Scenario (Average)

		Baseline				Stress			
		2020	2021	2022	2023	2020	2021	2022	2023
USA	Real GDP USA	-3.54%	4.19%	2.66%	2.08%	-3.54%	2.09%	2.07%	2.55%
	CPI USA	2.17%	2.07%	1.94%	2.05%	2.17%	2.05%	1.41%	1.83%
	Residential Property USA	6.27%	4.78%	3.73%	3.54%	6.27%	3.50%	2.63%	3.68%
	Equity USA (S&P500)	10.57%	6.81%	-0.40%	-0.67%	10.57%	1.59%	-4.07%	4.14%
	USA Rate 3M (%)	0.65	0.34	0.36	0.36	0.65	-0.11	0.09	0.34
	USA Rate 10Y (%)	0.87	1.01	1.16	1.29	0.87	0.86	0.99	1.13
	USA Unemployment (%)	8.21	6.52	5.61	4.79	8.21	6.96	6.21	5.16
EUR	Real GDP EUR	-6.83%	4.03%	4.14%	2.08%	-6.83%	0.76%	2.30%	2.21%
	CPI EUR	0.25%	1.21%	1.33%	1.32%	0.25%	0.58%	0.52%	0.91%
	EUR/USD	1.55%	2.96%	0.12%	1.71%	1.55%	2.88%	-0.18%	1.48%
	Equity ESTOXX 50	-4.69%	6.28%	1.88%	0.89%	-4.69%	-5.16%	-6.96%	-4.65%
	Euribor 1M (%)	-0.50	-0.54	-0.53	-0.45	-0.50	-1.00	-1.00	-0.94
	Euribor 3M (%)	-0.42	-0.53	-0.52	-0.44	-0.42	-1.03	-1.02	-0.94
	Euribor 6M (%)	-0.36	-0.53	-0.52	-0.43	-0.36	-1.03	-1.02	-0.93
	Euribor 12M (%)	-0.30	-0.49	-0.47	-0.42	-0.30	-0.99	-0.97	-0.92
	EurIRS 3Y (%)	-0.39	-0.43	-0.33	-0.25	-0.39	-0.85	-0.77	-0.71
	EurIRS 5Y (%)	-0.34	-0.33	-0.18	-0.04	-0.34	-0.69	-0.57	-0.48
	EurIRS 10Y (%)	-0.14	-0.12	0.11	0.34	-0.14	-0.34	-0.17	-0.03
	EurIRS 15Y (%)	0.04	-0.06	0.18	0.41	0.04	-0.28	-0.11	0.04
	10Y Bund yield (%)	-0.49	-0.40	-0.13	0.15	-0.49	-0.62	-0.42	-0.23
ITALY	Real GDP Italy (yoy)	-8.87%	3.68%	3.92%	1.96%	-8.87%	0.60%	2.30%	1.20%
	CPI Italy	-0.14%	0.46%	0.98%	1.30%	-0.14%	-0.05%	0.38%	1.10%
	Residential Property Italy	2.43%	-1.49%	1.07%	1.97%	2.43%	-4.34%	-1.08%	1.97%
	10Y BTP yield (%)	1.12	0.82	1.10	1.43	1.12	0.97	1.29	1.72
	BTP-Bund Spread 10Y (%)	1.60	1.22	1.23	1.28	1.60	1.58	1.71	1.95
	Italian Unemployment (%)	9.20	10.30	10.79	10.66	9.20	11.79	12.07	11.53

Stress Scenario (Point-in-time)

		Baseline				Stress			
		2020	2021	2022	2023	2020	2021	2022	2023
USA	Residential Property USA	6.57%	3.69%	3.75%	3.48%	6.57%	1.59%	3.51%	3.67%
	Equity USA (S&P500)	15.29%	-2.72%	-1.99%	0.23%	15.29%	-11.20%	0.03%	4.80%
	USA Rate 3M (%)	0.22	0.36	0.36	0.36	0.22	-0.14	0.22	0.36
	USA Rate 10Y (%)	0.84	1.09	1.20	1.35	0.84	0.92	1.03	1.19
	USA Unemployment (%)	7.22	6.22	5.24	4.56	7.22	6.93	5.74	4.87
EUR	EUR/USD	6.19%	-1.16%	1.51%	1.69%	6.19%	-1.13%	0.92%	1.75%
	Equity ESTOXX 50	-7.74%	5.88%	-1.34%	2.84%	-7.74%	-9.89%	-8.12%	-2.29%
	Euribor 1M (%)	-0.54	-0.53	-0.53	-0.42	-0.54	-1.00	-1.00	-0.92
	Euribor 3M (%)	-0.52	-0.53	-0.52	-0.37	-0.52	-1.03	-1.02	-0.87
	Euribor 6M (%)	-0.51	-0.53	-0.50	-0.36	-0.51	-1.03	-1.00	-0.86
	Euribor 12M (%)	-0.48	-0.48	-0.47	-0.35	-0.48	-0.98	-0.97	-0.85
	EurIRS 3Y (%)	-0.51	-0.38	-0.33	-0.17	-0.51	-0.81	-0.77	-0.65
	EurIRS 5Y (%)	-0.46	-0.24	-0.18	0.06	-0.46	-0.61	-0.58	-0.40
	EurIRS 10Y (%)	-0.24	-0.02	0.14	0.48	-0.24	-0.27	-0.17	0.06
	EurIRS 15Y (%)	-0.10	0.04	0.22	0.55	-0.10	-0.21	-0.09	0.13
	10Y Bund yield (%)	-0.58	-0.29	-0.08	0.30	-0.58	-0.53	-0.39	-0.11
ITALY	Residential Property Italy	1.65%	-0.77%	1.93%	1.89%	1.65%	-5.69%	1.93%	1.89%
	10Y BTP yield (%)	0.64	0.93	1.16	1.62	0.64	1.00	1.41	1.89
	BTP-Bund Spread 10Y (%)	1.22	1.22	1.24	1.31	1.22	1.53	1.80	2.00
	Italian Unemployment (%)	9.31	10.66	10.79	10.52	9.31	12.34	11.87	11.27

INTESA SANPAOLO

2020 ICAAP Baseline and Stress Avg Scenario

Research Dpt Baseline Scenario and ERM Dpt Stress Scenario

		Actual	Baseline Scenario			Stress Scenario		
		2019	2020	2021	2022	2020	2021	2022
ITALY	**Average variation**							
	Real GDP Italy	0.19%	0.29%	0.51%	0.59%	-1.46%	-0.28%	0.67%
	CPI Italy	0.64%	0.78%	1.23%	1.37%	0.49%	0.22%	0.31%
	Residential Property Italy	-0.05%	0.68%	1.17%	1.24%	-3.00%	-2.25%	0.51%
	Average Level							
	10Y BTP yield (%)	1.90	1.30	1.57	1.76	1.50	2.09	2.58
	BTP-Bund Spread 10Y (%)	2.12	1.43	1.68	1.80	1.79	2.75	3.22
	Italian Unemployment (%)	9.96	9.99	9.95	9.79	10.37	10.68	10.40
Euro Area	**Average variation**							
	Real GDP EUR	1.18%	0.91%	1.31%	1.18%	-0.47%	0.58%	1.33%
	CPI EUR	1.20%	1.30%	1.27%	1.38%	1.07%	0.56%	0.88%
	Euro/$	-5.33%	2.33%	3.51%	2.11%	3.54%	3.96%	1.68%
	Equity ESTOXX 50	1.26%	3.43%	0.72%	1.07%	-16.06%	-12.58%	1.07%
	Average Level							
	Euribor 1M (%)	-0.40	-0.45	-0.35	-0.24	-0.45	-0.45	-0.45
	Euribor 3M (%)	-0.36	-0.43	-0.34	-0.23	-0.44	-0.46	-0.49
	Euribor 6M (%)	-0.30	-0.34	-0.26	-0.17	-0.36	-0.37	-0.39
	Euribor 12M (%)	-0.22	-0.27	-0.19	-0.09	-0.31	-0.33	-0.36
	EurIRS 3Y (%)	-0.26	-0.20	-0.08	0.02	-0.32	-0.24	-0.21
	EurIRS 5Y (%)	-0.14	-0.08	0.06	0.16	-0.26	-0.20	-0.18
	EurIRS 10Y (%)	0.26	0.28	0.35	0.39	-0.07	-0.11	-0.06
	EurIRS 15Y (%)	0.56	0.54	0.61	0.64	0.12	0.03	0.06
	10Y Bund yield (%)	-0.22	-0.14	-0.10	-0.04	-0.28	-0.66	-0.64
US Area	**Average variation**							
	Real GDP US	2.29%	1.75%	1.71%	1.82%	-0.50%	1.22%	1.50%
	CPI US	1.76%	1.96%	1.86%	1.96%	2.01%	1.65%	1.78%
	Residential Property US	4.68%	3.33%	3.50%	3.57%	1.74%	1.61%	2.03%
	Equity US	5.74%	1.99%	-1.52%	1.42%	-0.74%	-6.18%	-0.35%
	Average Level							
	US Rate 3M (%)	2.33	1.79	1.66	1.74	1.16	0.49	0.53
	US Rate 10Y (%)	2.07	1.83	2.05	2.11	1.38	0.90	0.90
	US Unemployment (%)	3.67	3.50	3.66	3.81	3.76	4.07	4.09

INTESA SANPAOLO

2020 ICAAP Baseline and Stress PiT Scenario

Research Dpt Baseline Scenario and ERM Dpt Stress Scenario

		Actual	Baseline Scenario			Stress Scenario		
		2019	2020	2021	2022	2020	2021	2022
ITALY	**Point in time variation**							
	Residential Property Italy	0.56%	0.64%	1.43%	1.34%	-5.19%	-0.50%	1.34%
	Point in time Level							
	10Y BTP yield (%)	1.14	1.48	1.68	1.78	1.72	2.31	2.74
	BTP-Bund Spread 10Y (%)	1.50	1.58	1.73	1.85	2.15	2.97	3.38
	Italian Unemployment (%)	9.79	10.06	9.92	9.65	10.73	10.61	10.23
Euro Area	**Point in time variation**							
	Euro/$	-3.40%	5.93%	2.24%	2.08%	8.14%	1.46%	1.71%
	Equity ESTOXX 50	14.54%	-2.71%	1.19%	1.97%	-31.47%	1.19%	1.97%
	Point in time Level							
	Euribor 1M (%)	-0.45	-0.45	-0.33	-0.22	-0.45	-0.45	-0.45
	Euribor 3M (%)	-0.41	-0.44	-0.32	-0.21	-0.45	-0.46	-0.50
	Euribor 6M (%)	-0.35	-0.34	-0.24	-0.15	-0.36	-0.37	-0.40
	Euribor 12M (%)	-0.28	-0.27	-0.17	-0.07	-0.32	-0.33	-0.37
	EurIRS 3Y (%)	-0.32	-0.16	-0.01	0.01	-0.31	-0.20	-0.22
	EurIRS 5Y (%)	-0.24	-0.02	0.13	0.13	-0.27	-0.15	-0.19
	EurIRS 10Y (%)	0.05	0.36	0.41	0.34	-0.14	-0.09	-0.05
	EurIRS 15Y (%)	0.31	0.61	0.65	0.60	0.01	0.05	0.06
	10Y Bund yield (%)	-0.36	-0.10	-0.04	-0.07	-0.43	-0.66	-0.64
US Area	**Point in time variation**							
	Residential Property US	3.77%	3.47%	3.56%	3.59%	1.00%	2.00%	2.00%
	Equity US	13.24%	-4.27%	-0.55%	3.18%	-9.02%	-3.50%	1.00%
	Point in time Level							
	US Rate 3M (%)	1.94	1.64	1.69	1.77	0.48	0.56	0.62
	US Rate 10Y (%)	1.68	2.04	2.05	2.14	1.11	0.91	0.96
	US Unemployment (%)	3.56	3.56	3.72	3.85	3.76	4.07	4.09

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 (effectivness tests). At year end the Company only had fair value hedges.

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

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

- CVA (which is negative) considers the scenarios where the Counterparty defaults before the Company, and the Bank 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 taking into account 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), takes into account 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."

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

In line with rules for testing and measuring the effectiveness of interest rate risk hedges (IAS39), 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.

In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately in the income statement. In 2020 / 2019 the Company did not have any instances of failures in relation to effectiveness testing.

1.9.2. Hedge Accounting

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. IFRS9 relaxes the 80%-125% 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.

IFRS 9 does not prescribe a specific method for assessing whether a hedging relationship meets the hedge effectiveness requirements. An entity must use a method that captures the relevant characteristics of the hedging relationship, including the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term. Depending on those factors, entities can perform either a qualitative or a quantitative assessment. For example, in a simple hedge where all the critical terms match (or are only slightly different), a qualitative test might be sufficient. On the other hand, in highly complex hedging strategies, some type of quantitative analysis would likely need to be performed.

With Respect to Hedge Effectiveness the Bank use OTC 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, ISPIRE 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, ISPIRE 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 ISPIRE 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 Bank 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)	Up to 5 years

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

1.11. Cash and cash equivalents

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

1.12. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Non-monetary items

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

1.13. Pension costs

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

1.14. Taxation

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

1.15. Borrowings

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

1.16. Guarantees

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

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

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

1.17. Repurchase / LTRO / MRO agreements

Securities sold under agreements to repurchase at a specified future date, at a pre-agreed price or 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. New standards

1.18.1. Adoption of new and amendment of accounting standards

The following new standards and amendments to standards have been adopted by the Company during the year ended 31 December 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

1.18.2 Amendments to References to Conceptual Framework in IFRS Standards

In March 2018, the IASB issued the revised Conceptual Framework , which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, so as to provide usefule information to users of financial satements.

- These amendments include minor changes to the following standards:

- IFRS 2 Share- Based Payment
- IFRS 3 Business Combinations
- IAS 1 Presentation of Financial Statements
- IAS 8 Accouting Policies, Changes in Accounting Estimates and Errors

It is not expected that the above listed standards will have a significant impact on the Company.

The Company's accounting policies have been updated for the application of the above new and amended accounting standards from 1 January 2020.

1.18.3 Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)

The Interest Rate Benchmark Reform—Phase 2 amendments deal with issues affecting financial reporting during the implementation of the benchmark rate (BMR) reform. The amendments provide practical expedients related to accounting for changes in the basis for determining contractual cash flows of financial instruments and lease contracts, arising as a direct consequence of the BMR reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting requirements of IAS 39 and IFRS 9 to hedge accounting relationships, which will generally allow hedging accounting relationships directly affected by the BMR reform to continue.

Effective date
The effective date is for reporting periods beginning on or after 1 January 2021, with earlier application permitted.

The amendments will enable the Company to account for transitions to an alternative BMR as a change to a floating rate of interest, generally allow existing hedge accounting relationships to continue upon the replacement of an existing BMR with an alternative BMR and require the Company to provide additional disclosures related to the BMR Reform.

The Intesa Sanpaolo Group established a dedicated project in 2016 to closely monitor the evolution of the Benchmark Regulation. The Group also participated in the working group organised by European Central Bank on risk free rates, where among the main tasks it appointed the €STR as the new benchmark for the short term money market and published recommendations to manage the transition period from Eonia to €STR.
The main topics covered by the Benchmark project at Group level can be summarized

as follows:

- Risk and Valuation Assessment:
- Of the main impacts generated by transition from Eonia to euro short-term rate (€STR);
- On risk valuation on trading and banking book financial instruments;
- On impacts given by the new Benchmarks fixing methodology on net interest income (NII) and economic value of equity (EVE);
- Of the impacts on counterparty risks, operational risks and liquidity;
- Screening of the existing contracts based on Euribor and Libor, analysing terms and conditions and updating/adding fall back conditions; updates issued by ISDA have been also analysed and external legal opinions have been aquired if necessary;
- Contributions to benchmarks with methodology update, processes and procedures update to fix Euribor and blocking the contribution to Eonia;
- Organization of internal training seminars;
- Internal news-letters and external communication to inform customers on Euribor new regulation when issuing their 31 December 2019 bank account statement;
- Accounting impacts analysis in terms of hedge accounting and involvement in dedicated meetings organized by the IASB Committee;
- Screening of the Operation and IT impacts on the whole procedures following the adoption of the new benchmarks, issuing updates concerning Eonia/€STR/Euribor since 2019 and planning further actions on Libor in 2020-2021;
- Foreign branches and subsidiaries (the Company) involvement in the project.

Intesa Sanpaolo Bank Ireland has analysed its financial instruments to identify connections with Euribor, Eonia, LIBOR USD and CHF LIBOR rates. The results are presented as follows as at 31 December 2020.

At 31 December 2020

Index	**Notional €'000**	**Of which maturing after 31/12/2021 Notional €'000**
EONIA Index Fair value hedging derivatives	155,000	155,000
USD LIBOR	-	-
CHF LIBOR	93,501	93,501
Other not affected by reform	1,852,980	1,325,480
TOTAL	**2,101,980**	**1,573,981**

At 31December 2019

Index	**Notional €'000**	**Of which maturing after 31/12/2021 Notional €'000**
EONIA Index Fair value hedging derivatives	155,000	155,000
USD LIBOR	4,014	-
CHF LIBOR	93,053	93,053
Other not affected by reform	1,914,000	1,802,000
TOTAL	**2,166,067**	**2,050,053**

It should be noted that the Eonia Index contracts are hedging exposures under our Bond Portfolio under HTC&S portfolio and given the dynamic management of such portfolio will be all likelihood be closed prior to 2021. In addition the CHF exposure is an amortising position whereby any potential impact will be diluted in line with amortising profile. It should be further noted that such contracts are with Intra-Group Counterparties and as such any impact on a consolidated basis will be nil.

1.18.4. Amendments to IAS 1 - Classification of liabilities as current or noncurrent

The purpose of these amendments is to promote consistency in application and to clarify the requirements on determining whether a liability is current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments also clarify the situations that are considered to be the settlement of a liability.
The amendments are still subject to EU endorsement.

Effective date
The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

The amendments are not expected to have a significant impact on the Company

1.18.4. IFRS 9 Hedge Accounting

Regarding hedge accounting, the new model – 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.

Given the extensive effects of the changes introduced by IFRS 9, on business, organisation and reporting, as of September 2015, the Intesa Sanpaolo Group has been pursuing a project to study the areas principally affected by the Standard in order to define the qualitative and quantitative impacts, as well as to draw up and implement the actions necessary for a coherent, organic and efficient application within the Group and each of its subsidiaries including the Company.

In the CFO and CRO Areas, and under the joint responsibility of the Administration and Tax Department, the Credit Risk Department and Financial and Market Risks Department, with the active participation of a number of Group Structures, specific working groups have been set up on the basis of the main requirements of the Standard.

In order to ensure an adoption in line with the Standard and international best practices (also according to the relevant guidance of international authorities), a dedicated board has been set up to coordinate the groups in their analysis and implementation decisions.

In addition to the involvement of the operative Divisions in analysing the effects of the Standard on the business areas, it also became necessary to create a Coordinating Board involving the other projects developing the IT systems, in order to create the necessary synergies.

The following is a brief analysis of the actions taken regarding the main areas affected by the implementation of IFRS 9.

1.18.5. Classification and Measurement

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

- Banca dei Territori
- Corporate and Investment Banking[i]
- International Subsidiary Banks
- Private Banking
- Asset Management
- Insurance
- Group Treasury and Finance Head Office Department
- Capital Manageemnt Head Office Department

The rules describe the classification of the Bank'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 also 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 **<u>"Hold to Collect"</u>** Business Model, in which the loan is granted to be managed in financial, administrative and credit risk terms up to maturity.

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

[i] ISPIRE falls within C&IB Division

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 Banks' 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 also reclassified as FVTPL. there is no impact on the Banks' P/L on an on going basis. All other lending has passed the SPPI Test and is classified as "Hold to Collect

1.18.6. Impairment

The following Framework is in place regarding impairment for loans and debt securities:

- Tracking approaches have been defined for the credit risk of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income.
- Parameters have been defined to determine significant increase in credit risk for the correct allocation of performing loans in Stage 1 or Stage 2. On the other hand, with reference to impaired loans, alignment of the definitions of accounting and regulatory default – already existent – means that current classification methods for loans "non-performing/impaired" may be considered identical if compared to the approaches utilized in order to classifying loans in Stage 3.
- Models – including forward-looking information – have been drawn up for stage allocation (based on Lifetime PD) and calculation of 1-year Expected Credit Loss (to be applied to Stage 1 loans) and Lifetime ECL (to be applied to Stage 2 and Stage 3 loans). In this model the Group also takes into account forward looking information and the macro-economic scenarios the Company may find

itself in and has adopted a "most likely+add on scenario, as detailed within the Impairment Policy of the Group.

The Bank's tracking of credit risk is performed on each single asset on a case by case basis and on each reporting date (monthly) to ensure the correct allocation of staging is performed identifying any significant deterioration from the date of first recognition and the subsequent need for classification in Stage 2, as well as the conditions for re-entry into Stage 1 from Stage 2. The Measurement ensures a comparison between the credit risk of the financial instrument at the valuation / application date and the credit risk at origination or purchase.

In relation to the above, the components of the determining principles in place in the evaluation passages from one stage to another are as follows:

- change in the lifetime probability of default compared to initial recognition of the financial instrument: effectively, an evaluation made using a "relative" criterion that becomes the principal driver;
- existence of any past due loan that – without altering the levels of significance identified in the regulation – is at least of 30 days, in which case, the credit risk of the loan is presumed "significantly increased" and, therefore, there is a passage to Stage 2 (when the exposure was previously in Stage 1);
- any forbearance measures that – presumably – lead to classifying the loans with a "significantly increased" credit risk compared with initial recognition;

In addition, some special considerations hold for the staging of securities. Unlike loans, for these type of exposures, sales after first acquisition (conducted referring to the same ISIN), may be included in the ordinary management of the positions (with the consequent need to identify an approach to distinguishing sales and repayments to determine the residual quantities of single transactions for a credit/rating at origination to be compared with the reporting date). In this context, it has been decided that using the first-in-first-out (FIFO) approach (for reversal to profit and loss of the recorded ECL in the event of sales and repayments) contributes to a more transparent management of the portfolio, also for front-office operators, and at the same time allowing a continual updating of credit risk assessment based on new acquisitions.

As previously explained, fundamental elements in the estimation of expected loss are forward-looking factors, and especially macro-economic scenarios. After analysing a variety of possible alternative approaches, the Intesa Sanpaolo Group has opted for the "Most likely scenario+Add-on" approach for ECL calculation and stage assignment. Special considerations apply to Stage 3 loans (those corresponding to the current area of non-performing loans, as explained above). With special reference to non-performing loans, even though the definition of credit-impaired financial assets in IFRS 9 is much the same as in the preceding standard, the approaches to calculating Lifetime ECL have had repercussions on the valuations in the segment, principally concerning:

- inclusion of forward-looking information that could influence collateral value or the expected recovery time;
- consideration of alternative recovery scenarios, such as the sale of credit assets, connected to the possible disposal of quota of credit-impaired portfolios, relating to the business objectives of reducing non-performing assets, to which must be attributed a probability of realisation, to be taken into account in the overall assessment;

- recovery estimation and schedules, in addition to the probability of migration to lower classes.

1.18.7. Hedge accounting

The changes in the regulations on Hedge Accounting exclusively concern General Hedging and are strictly linked to the 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). After an analysis of current hedging operations, 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

1.19. Transition to "IFRS 9: Financial Instruments"

Business Model Adopted

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

Assessment

The assessment is made at an organization 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 takes into account 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 Bank manages its financial assets in order to generate cash flows.

The Business Model does not depend on the activities of the Bank with reference to a single financial instrument, but it refers to the ways the Bank manages the groups of its financial assets for the purpose of achieving a specific business objective. It also allows the Bank to have more than one business model with is the case for ISPIRE 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 in 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 connected to it and described above depends, in fact, by 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 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 is to identify 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 relevant accounting classification is assigned according to the results.

Classification

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

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

Loans: This is the main exposure of the Bank 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 are 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 Bank 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 Bank.

The prevailing strategy relating to debt securities is **Hold to Collect and Sell (HTC&S):** 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 Bank. The Bank in compliance with 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 Bank is aligned with its strategy through

- providing a liquidity reserve through securities eligible for central banks or readily convertible into cash;
- observing and optimising regulatory liquidity ratio (LCR) ;
- maintaining a specific trend in the interest margin;
- maximising the return on a portfolio, through sales to take advantage of favourable 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 classification of financial liabilities **is Hold to Collect and Sale (HTC&S) and accounted for under Amortised Cost.**

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

Reclassification

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

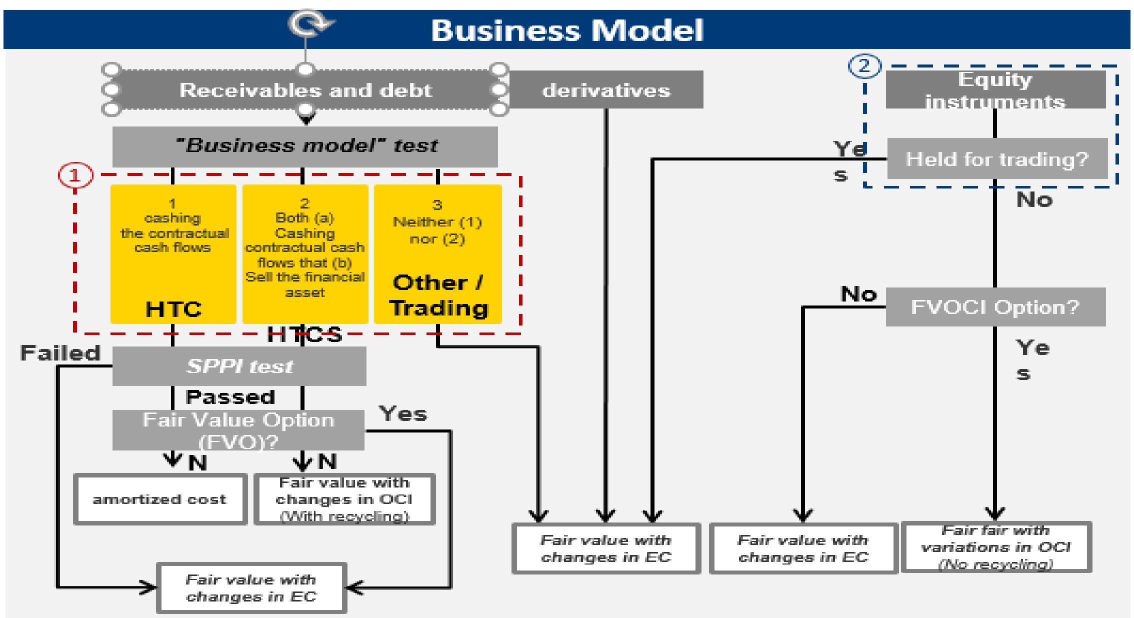
These changes should be very rare and should be determined by management as a result of external or internal changes. They must also have a significant effect on the entity's operations and be demonstrable to external parties.

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 acquisition or disposal of a business line and / or when they 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 model. 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.

Business Model Overview



2. Qualitative risk disclosures and Basel 2

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

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

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

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

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

Compliance with the target levels of capitalisation (regulatory & economic) identified within the Group Risk Appetite Framework are monitored on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets aggregate.

Regulatory Capital[ii]

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

[i] unaudited
[ii] unaudited

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 2020 the Total Capital Ratio was 35.44% (28.83% in December 2019).

The table below discloses the own funds and regulatory capital requirements of the Company for 2020 and 2019 year-ends:

Regulatory Capital Information 2020 and 2019[i]

	Eligible Own Funds 2020 €'000	**Capital Requirement 2020 €'000**	Eligible Own Funds 2019 €'000	Capital Requirement 20198 €'000
Equity	1,165,980		1,141,470	
Regulatory Adjustments being phased in/out under CRD IV				
IFRS 9 Transitional Adjustment	3,642	-	4,423	-
Other regulatory adjustments				
Other adjustments (2)	(5,456)		(2,242)	
Core Tier 1	**1,164,166**	**345,296**	**1,143,651**	**391,673**
Total Tier 1	**1,164,166**	**345,296**	**1,143,651**	**391,673**
Regulatory adjustments				
Expected loss deduction (3)	-	-	-	-
Prudential filters and regulatory adjustments	-	-	-	-
Tier 2	-	-	-	-
Total Capital	**1,164,166**	**345,296**	**1,143,651**	**391,673**

(1) During the Transitional Period, the impact of IFRS 9 on Regulatory Capital shall be phased in. The First Time Adoption deduction from capital add back shall be 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.

[i] (Unaudited)

(3) Under CRD IV transitional rules, expected loss is phased in at 80% in 2017 and increased to 100% in 2018. Expected loss not deducted from CET 1 is deducted 50:50 from Tier 1 and Tier 2 capital. It is deducted in full from CET 1 under fully loaded rules.

(4) OCR% is the Total Capital Requriement Ratio Plus the Combined Buffer Requirement at the reporting Date

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 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 also 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 are assigned to all corporate exposures through a dedicated group internal rating application and the results 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 2020 stood at €5.06 m against a prescribed limit of €16 m. VAR encompasses a full revaluation of every single instrument in the bond banking booking 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 very important and must be carefully appraised in the loan proposal. Secured loans should be margined so that money received from the collateral under foreclosure conditions will be sufficient to repay the loan. Guarantees must be issued by counterparties of good credit standing;
- Intra-group risk participations for large syndicated facilities in order to limit concentration risk and comply with the regulatory Large Exposure limits.

With regard to loans, the total exposure of the Company derived from loans to banks and customers amounted to €7.4 billion at the end of 2020 (€8.2 billion in 2019):

	2020 **€'000**	2019 €'000
Loans and advances to banks (as per Statement of Financial Position)	6,104,416	7,089,202
Loans and advances to customers (as per Statement of Financial Position)	1,345,742	1,077,338
	7,450,158	**8,166,540**

The Company has in place a Market Value Limit of €4 billion (€4 billion in 2019) equivalent for the purchase of bonds. Within the Company's approved Financial Portfolio Policy the investment in permissible bonds is subject to sub category limits as described therein.

The total exposure of the Company derived from bonds classified as Financial assets at fair value through other comprehensive income shown in the following table, amounted up to €2.197 billion at the end of 2020 (€2.227 billion in 2019).

	2020 **€'000**	2019 €'000
Financial assets at fair value through other comprehensive income (as per Statement of Financial Position)	2,197,398	2,226,730
	2,197,398	**2,226,730**

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 2020 and 2019 **by activity sector** is provided in the tables below: The numbers are inclusive of risk mitigation.

31 December 2020 Sector of Risk	**At amortised cost / FVTPL €'000**	**Contingent liabilities & commitments €'000**	**At FVTOCI Securities €'000**
Central Government	104,518	-	1,063,210
Credit Institutions	68,074	27,504	857,982
Forestry, logging, mining and quarrying	-	-	-
Electricity, Gas and Water Supply	84,285	70,921	-
Extra-Territorial Organisations and Bodies		-	84,130
Financial Intermediaries *(excluding Credit Institutions / Central Bank)*	248,189		139,240
Manufacturing	234,741	159,793	5,107
Mining and Quarrying	236,240	-	-
Real Estate, Renting and Business	88,742		
Transport, Storage	94,298	-	47,729
Wholesale/Retail Trade & Repairs	138,382		
Group	5,617,219	16,960	-
Cash Collateral	535,470	-	-
Grand Total	**7,450,158**	**275,178**	**2,197,398**

31 December 2019 Sector of Risk	**At amortised cost / FVTPL €'000**	**Contingent liabilities & commitments €'000**	**At FVTOCI Securities €'000**
Central Government		-	1,155,029
Credit Institutions	29,014	16,468	798,989
Forestry, logging, mining and quarrying	144,982	36,882	
Electricity, Gas and Water Supply	87,167	89,289	-
Extra-Territorial Organisations and Bodies		-	82,950
Financial Intermediaries *(excluding Credit Institutions / Central Bank)*	223,299		132,155
Information and Communication	17,168		
Manufacturing	128,134	38,548	10,095
Public Administration and Defence	137,416		
Real Estate, Renting and Business	93,883		
Transport, Storage	105,078	-	47,513
Group	7,200,399	103,460	-
Cash Collateral	-	-	-
Grand Total	**8,166,540**	**284,647**	**2,226,730**

Impairment classification by stage

	31 December 2020				31 December 2019
Financial asset exposure by stage (before impairment loss allowance)	**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	1,107,567	244,497	-	1,352,064	1,079,754
Loans and advances to banks	5,804,790	-	-	5,804,790	6,787,239
Total Financial assets measured at amortised cost	6,912,357	244,497	-	7,156,854	7,866,993
Debt instruments at fair value through other comprehensive Income	2,079,178	119,389	-	2,198,567	2,227,935
Total	**8,991,535**	**363,886**	**-**	**9,355,421**	10,094,928

Impairment loss allowance on financial assets	31 December 2020 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	31 December 2019
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	3,135	3,188	-	6,323	2,416
Loans and advances to banks	2,831	-	-	2,831	2,737
Total Financial assets measured at amortised cost	5,966	3,188	-	9,154	5,153
Debt instruments at fair value through other comprehensive Income	435	734	-	1,169	1,205
Total	**6,401**	**3,922**	**-**	**10,323**	6,358

Contingent liabilities and commitments by stage (before impairment)	31 December 2020 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	31 December 2019
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	215,978	39,700	-	255,678	183,101
Banks	78,852	-	-	78,852	101,546
Total contingent liabilities and commitments subject to credit risk	294,830	39,700	-	334,530	284,647

	31 December 2020				31 December 2019
	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	80	63	-	143	35
Banks	72	-	-	72	39
Total contingent liabilities and commitments subject to credit risk	152	63	-	215	74

	31 December 2019				31 December 2018
Financial asset exposure by stage (before impairment loss allowance)	**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	843,213	236,541	-	1,079,754	575,588
Loans and advances to banks	6,787,239	-	-	6,787,239	5,779,606
Total Financial assets measured at amortised cost	7,630,452	236,541	-	7,866,993	6,355,194
Debt instruments at fair value through other comprehensive Income	2,063,286	164,648	-	2,227,935	2,026,001
Total	**9,693,738**	**401,189**	**-**	**10,094,928**	8,381,195

Impairment loss allowance on financial assets	31 December 2019 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	31 December 2018
	€ '000	€ '000	€ '000	€ '000	€ '000
Financial assets measured at amortised cost					
Loans and advances to customers	757	1,659	-	2,416	1,838
Loans and advances to banks	2,737	-	-	2,737	2,631
Total Financial assets measured at amortised cost	3,494	1,659	-	5,153	4,469
Debt instruments at fair value through other comprehensive Income	504	701	-	1,205	514
Total	**3,998**	**2,360**	**-**	**6,358**	4,983

Contingent liabilities and commitments by stage (before impairment)	31 December 2019 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	31 December 2018
	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	183,101	-	-	183,101	101,529
Banks	101,546	-	-	101,546	27,228
Total contingent liabilities and commitments subject to credit risk	284,647	-	-	284,647	128,757

	31 December 2019 Stage 1	Stage 2	Stage 3		31 December 2018

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	35	-		35	56
Banks	39	-		39	14
Total contingent liabilities and commitments subject to credit risk	74	-	-	74	70

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 2020 and 2019 **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 2020 Internal Rating	**External Rating equivalent**	**Loans/Receivables €'000**	**Contingent Liabilities €'000**	**Bonds €'000**
I.1.A	AAA	73,907	-	722,898
I.1.B	AA+	-	-	96,922
I.1.D	AA-	-	-	144,096
I.1.E	A+	-	-	273,356
I.1.F	A	-	-	245,591
I2	A-	40,737	-	37,938
I3	BBB+	15,103	-	254,626
I4	BBB+	-	64,960	-
I5	BBB	5,859,385	16,960	-
I6	BBB-	335416	93,125	421,971
M1	BB+	30,683	96,745	-
M2	BB	275,738	3,388	-
M3	BB	94,256	-	-
M4	BB-	162,208	-	-
R1	B+	20,170	-	-
R4	B-	-	-	-
R5	CCC	-	-	-
UR	UR	7,086	-	-
Cash Collateral		535,470	-	-
Bond Collateral		-	-	-
Grand Total		**7,450,158**	**275,178**	**2,197,398**

31 December 2019 Internal Rating	**External Rating equivalent**	**Loans/Receivables €'000**	**Contingent Liabilities €'000**	**Bonds €'000**
I.1.A	AAA	-	-	699,148
I.1.B	AA+	-	-	96,246
I.1.C	AA	-	-	-
I.1.D	AA-	-	-	92,652
I.1.E	A+	380	-	275,459
I.1.F	A	-	-	246,758
I2	A-	-	-	28,165
I3	BBB+	-	16,468	115,524
I4	BBB+	18,456	173,808	-
I5	BBB	7,166,487	-	672,778
I6	BBB-	423,109	22,692	-
M1	BB+	116,834	68,821	-
M2	BB	194,391	2,858	-
R4	B-	-	-	-
R5	CCC	213	-	-
UR	UR	132,929	-	-
Cash Collateral		-	-	-
Bond Collateral		-	-	-
Grand Total		**8,166,539**	**284,647**	**2,226,730**

A breakdown of the Company's credit risk exposure relating to Loans and Receivables, Contingent Liabilities and Bonds at year-ends 2020 and 2019 **by country risk** is provided in the tables below: The numbers are inclusive of risk mitigation.

31 December 2020 Country of Risk	Loans/Receivables €'000	Contingent Liabilities €'000	Securities €'000
Canada	-	-	85,734
Denmark	-	-	8,291
Supranational	-	-	84,130
Croatia	10,003	-	-
Germany	73,907	-	208,715
Hungary	29,997	-	-
Italy	5,522,124	13,572	507,779
Ireland	35,913	104,660	264,396
Luxembourg	88,742	-	44,795
Romania	11,150	-	-
Russian Federation	443,672	87,910	-
Slovak Republic	-	-	32,179
Slovenia	7,086	-	7,813
United Kingdom	794,600	28,523	54,073
Belgium	9,500	3,388	38,722
Cyprus	28,498	-	-
France	-	-	406,121
Austria	138,382	-	33,308
Netherlands	-	-	79,870
Norway	78,771	9,621	37,713
Poland	65,674	-	45,374
Qatar	40,737	-	-
Spain	-	-	209,252
Sweden	-	-	49,133
Switzerland	71,402	-	-
South Africa	-	27,504	-
Grand Total	**7,450,158**	**275,178**	**2,197,398**

31 December 2019 Country of Risk	Loans/Receivables €'000	Contingent Liabilities €'000	Securities €'000
Austria	-	-	33,737
Belgium	20,097	2,858	37,482
Bermuda	-	-	-
Croatia	9,938	-	-
Canada	-	-	84,906
Cyprus	105,691	-	-
Denmark	-	-	8,191
Finland	-	-	-
France	-	-	372,203
Germany	70,513	-	212,528
Hong Kong	-	-	-
Hungary	30,005	-	-
Ireland	63,389	102,287	259,940
Italy	7,018,973	95,573	736,530
Luxembourg	93,883	-	32,010
Netherlands	16,868	-	77,275
Norway	83,765	22,692	37,343
Romania	13,409	0	-
Russian Federation	234,161	7,888	-
Saudi Arabia	132,929	-	-

Slovak Republic	-	-	31,255
Slovenia	11,950	-	-
Spain	-	-	115,524
Supranational	-	-	82,950
Sweden	-	-	52,339
Switzerland	172,984	36,882	-
United Kingdom	72,933	16,468	52,517
United States	15,054	-	-
Grand Total	**8,166,539**	**284,647**	**2,226,730**

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

	2020		2019		**Change net exposure**
	Net exposure €'000	**% break-down**	Net exposure €'000	% break-down	**€'000**
30 Days Past Due	-	-	-	-	-
Forborne	-	-	-	-	-
Credit Impaired	**-**	**-**	**-**	**-**	**-**
Not credit impaired	7,450,158	100.00	8,166,540	100.00	(716,382)
Loans and Advances to Banks and Customers	**7,450,158**	**100.00**	**8,166,540**	**100.00**	**(716,382)**

	2020			2019		
	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	**-**	**-**	**-**	**-**	**-**	**-**
Not credit impaired	7,459,312	(9,154)	7,450,158	8,171,693	(5,153)	8,166,540
Loans and Advances to Banks and Customers	**7,459,312**	**(9,154)**	**7,450,158**	**8,171,693**	**(5,153)**	**8,166,540**

Non-performing loans expoure €Nil (2019 €Nil)

Gross exposure relating to 30 days past due €Nil million exposure at year-end (€Nil million at 31 December 2019. Net exposure to credit impaired foreborne loans accounted for 0.00% of total loans and advances to banks and customers in December 2020 (0.00% in December 2019).

There is currently no exposure to 30 days past due loans in December 2020 (2019: Nil).

There is currently no exposure to non-performing loans (2019: Nil).

Credit Spread Risk

The bond portfolio's fair value is subject to the volatility of credit spreads associated with each issuer, representative of both specific credit risk as well as systemic credit market conditions. The impact of the sensitivity of the portfolio to credit spread volatility will vary in accordance with the accounting classification of each bond and the relevant accounting principles. The table below provides estimates of the impact of a parallel upward shift of 25 basis points of individual credit spread curves on the revaluation of bonds ("FVTOCI Securities") of the Company in 2020.

Price Sensitivity Analysis as at 31 December 2020 of FVTOCI Securities to Credit Spread Volatility

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value through other comprehensive income	-	(25,020)
Total	**-**	**(25,020)**

Price Sensitivity Analysis as at 31 December 2019 FVTOCI Securities to Credit Spread Volatility

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value through other comprehensive income	-	(27,997)
Total	-	(27,997)

Use of Credit Risk Mitigants:

At year-end 2020, of the total amount of cash loans and advances[i] of €1,410.759 million (2019: €1,098.681 million), €302.768 million (2019: €459.901million) (representing 21.461% (2019: 41.859%)) had a credit risk mitigation either through Sovereign Insurance cover, direct Parental Guarantee or Risk Participation Agreements. The Bank had no positions covered by Cash Collateral. Group guarantees amounted to €108.116 million (2019: €132.104 million).

Collateral Management:

An amount of €506.041million of adjusted fair value IRS derivative risk exposure was partially or fully covered by collateral at year-end 2020 (2019: €532.064 million). Collateral received in the form of cash amounted to €510.36million (2019: €546.68 million)

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

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

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

Offsetting financial assets and financial liabilities

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

31 December 2020

				Related amounts not offset in the statement of financial position		
€'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	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Derivatives	568,454	460	568,914	-	510,358	58,556
Reverse Repurchase Agreements	-	-	-	-	-	-

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

31 December 2020

				Related amounts not offset in the statement of financial position		
€'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	Financial instruments	Cash collateral pledged	Net amount
Derivatives	600,807	63,374	664,181	-	534,730	129,451
Repurchase agreements	53,831	-	53,831	63,990	-	(10,159)

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

31 December 2019

€'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)	Cash collateral received	Net amount
Derivatives	533,977	(1,452)	532,525	-	546,689	(14,164)
Reverse Repurchase Agreements	-	-	-	-	-	-

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

31 December 2019

€'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**	**Cash collateral pledged**	**Net amount**
Derivatives	536,498	(2,529)	533,970	-	546,940	(12,970)
Repurchase agreements	32,391	-	32,391	38,754	-	(6,363)

Credit Concentrations Monitoring:

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

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

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

The Company has set the following limits:

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

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

Credit Risk Exposure related to derivatives

The Company had entered into stand-alone derivative transactions for a total notional of €4.001 billion at the end of 2020 (2019: €3.566 billion), of which €2.601 billion were classified as hedging derivatives with application of hedge accounting rules (2019: €2.166billion).

The remainder €1.4bn (2019: €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 Bank's Profit and Loss.

At the end of 2020, 64.65% in notional terms of the derivatives involving the Company were dealt with another entity of the Group (2019: 78.43%) while 96.66% of all contracts are performed with Intra-Group Counterparties. Cash Collateral received for derivatives amounted to €535.47million (2019: €546.688 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 in order 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.

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 through the use of the following European regulatory metrics in addition to local liquidity requirements:

Liquidity Coverage Ratio (LCR): has the objective to promote the short-term resilience of the liquidity risk profile, ensuring through a detention of sufficient high-quality liquid assets a minimum **Survival Period at least 30 days**, such as to maintain the requirement in line with the regulatory limit. This standard 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.

Net Stable Funding Ratio (NSFR): has the purpose of promoting the Group's resilience over a longer time horizon, ensuring the use of more stable and longer-term funding sources to fund existing assets. On the basis of this standard, that is structured to promote a sustainable maturity structure of assets and liabilities, is established a detention of a stable funding requirement as to maintain the appropriate values to cope with stressed situation. The Risk Appetite Framework provides for an adherence to a ratio not yet binding in regulation.

[i]Historical statistics on liquidity ratios (standard case) for 2020 and 2019

	2020	2019
	LCR	LCR
	%	%
Minimum	152.5	112.7
Maximum	949.3	880.1
Average	280.1	283.3

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 experienced by the Company under stressed conditions.

The following table shows the liquidity risk exposure of the Company for the year ended

[i] (Unaudited)

2020 and 2019 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]

		31/12/2020		31/12/2019	
		Total unweighted Value	Total Weighed Value	Total unweighted Value	Total Weighed Value
HQLA		1,798,020	1,762,282	2,153,872	2,102,450
L1	Coins and banknotes	0	0	0	0
	Withdrawable central bank reserves	225,000	225,000	500,000	500,000
	Central government assets	973,801	973,801	1,044,647	1,044,647
	Regional government / local authorities assets	42,595	42,595	41,798	41,798
	Multilateral development bank and international organisations assets	95,383	95,383	93,453	93,453
	Extremely high quality covered bonds	418,102	388,835	363,522	338,075
L2A	Regional government / local authorities or Public Sector Entity assets (Member State, RW20%)	0	0	35,619	30,276
	High quality covered bonds (CQS2)	43,139	36,668	42,862	36,432
	Corporate debt securities (CQS1)	0	0	5,093	4,329
L2B	Corporate debt securities (CQS2/3)	0	0	26,880	13,440
Total Outflow		1,420,027	772,616	1,892,909	1,100,509
Non-operational deposits		452,935	451,657	56,773	55,368
	deposits by financial customers	450,806	450,806	54,431	54,431
	deposits by other customers	2,128	851	2,342	937
Additional outflows		54,380	54,380	53,713	53,713
	impact of an adverse market scenario on derivatives, financing transactions and other contracts	54,380	54,380	52,680	52,680
	outflows from derivatives	0	0	1,033	1,033
Committed facilities		257,807	45,935	195,819	34,104
	credit facilities to non-financial customers other than retail customers	190,625	19,062	147,411	14,741

[i] unaudited

	credit facilities to credit institutions -other	67,182	26,873	48,407	19,363
Other products and services		443,452	9,590	641,821	12,942
	other off-balance sheet and contingent funding obligations	425,485	8,510	552,885	11,058
	Overdraft	736	736	108	108
	trade finance off-balance sheet related products	17,231	345	88,828	1,777
Other liabilities		211,454	211,053	944,783	944,382
	liabilities resulting from operating expenses	402	0	402	0
	in the form of debt securities if not treated as retail deposits	211,053	211,053	944,382	944,382
Total Inflow		220,966	220,246	270,988	253,066
Inflows from unsecured transactions/deposits		220,966	220,246	270,988	253,066
Monies due from non-financial customers		2,513	1,792	36,801	18,879
	monies due from non-financial customers - not corresponding to principal repayment	1,072	1,072	957	957
	monies due from non-financial corporates	1,441	721	35,845	17,922
Monies due from central banks and financial customers		216,812	216,812	234,187	234,187
	monies due from other financial customers	216,812	216,812	234,187	234,187
Inflows from derivatives		1,641	1,641		
Inflows from secured lending and capital market-driven transactions		**0**	**0**	**0**	**0**
	collateral is used to cover a short position	0	0	0	0
Total HQLA ('000)			1,762,282		2,102,450
Total Net Cashoutflows ('000)			552,370		847,443
Liquidity Coverage Ratio (LCR)			319%		248%

3.3. Interest Rate and Foreign Exchange Risks in the Banking Book

With regard to interest rate risk in the banking book, the Company distinguishes between cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and fair value interest rate risk, which is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on limited exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Company mitigates both risks mainly using interest rate swaps in order to convert fixed rate assets and liabilities with a maturity exceeding one year into floating rate, and to re-align the interest rate profile of its assets with that of the corresponding funding.

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

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

As at 31 December 2020, the Company's overall interest rate sensitivity (which is the total interest rate sensitivity of all the assets and Liabilities of the Company) on all balance sheet financial non-derivative assets, liabilities and derivatives amounted to -€80 thousand (2019: - €3.4 million), within the limit approved by the Board of Directors of €+12/-16 million.

Historical Interest Rate Sensitivity Review
01/01/2020 to 31/12/2020

100 bps Shift Sensitivity	**€'000**
Average	(74)
High	17,977
Low	(3,317)

Historical Interest Rate Sensitivity Review
01/01/2019 to 31/12/2019

100 bps Shift Sensitivity	€'000
Average	332

High	5,693
Low	(7,031)

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 2020 and in 2019.

Interest Rate Sensitivity Analysis as at 31 December 2020
Instruments classified at Fair Value through Profit or Loss or Equity

	Profit or Loss €'000	**Other Comprehensive Income and Equity €'000**
Financial assets at fair value through other comprehensive income	-	(6,525)
Hedged Assets and Liabilities	(3,871)	-
Total	**(3,871)**	**(6,525)**

Interest Rate Sensitivity Analysis as at 31 December 2019
Instruments classified at Fair Value through Profit or Loss or Equity

	Profit or Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value through other comprehensive income	-	(5,702)
Hedged Assets and Liabilities	(4,159)	-
Trading Derivatives	-	-
Total	**(4,159)**	**(5,702)**

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 2020 and 2019, by currency, is shown in the following tables:

Sensitivity as at 31 December 2020
(100 basis points shift)

Currency	2020 €'000	2019 €'000
EUR	**2,996**	**2,417**
USD	**(2,217)**	**853**
Other	**(699)**	**(158)**
Total	**80**	**3,112**

With regard to foreign exchange risk in the banking book, such risk results from the mismatching of the currency of denomination between assets and liabilities. The Company mitigates this risk mainly using foreign exchange swaps in order to re-align the currency of denomination of its assets with that of the corresponding funding.
The Board has set a limit on the total overnight open position (measured as the maximum of the sums of all long and short open positions), which is monitored daily.

Total Position at Year-end	2020 Notional €'000	2019 Notional €'000
Long Foreign Currency:	**2,135**	**2,644**
Short Foreign Currency:	**0**	**0**

Average Position during the Year	2020 Notional €'000	2019 Notional €'000
Average Long Foreign Currency:	**2.371**	**1,885**
Average Short Foreign Currency:	**35**	**26**

As a consequence of the limited exposure of the Company to foreign exchange risk in the banking book (on the notional limit of €3 million (2019: €3 million) and the revaluation performed on a daily basis through the income statement of all on and off-balance sheet recognised assets and liabilities as well as its cumulative yearly profit and loss, the Company does not compute any measure of sensitivity to foreign exchange risk in the banking book.

4. Statement of financial position by accounting class

The table below summarizes the analyses of the various classes of assets and liabilities by IFRS 9 measurement category for 2020.

As at 31 December 2020	Loans and advances/ Amortised cost liabilities €'000	Mandatorily at FVTPL €'000	Designated at fair value through profit or loss €'000	Derivatives used for hedging €'000	Debt instruments at FVOCI €'000	* Other €'000	Total €'000
Assets							
Cash and balances with central banks	271,476	-	-	-	-	-	271,476
Financial assets at fair value through other comprehensive income	-	-	-	-	2,197,398	-	2,197,398
Loans and advances to banks	5,801,959	302,457	-	-	-	-	6,104,416
Loans and advances to customers	1,345,742	-	-	-	-	-	1,345,742
Derivative financial instruments	-	568,914	-	-	-	-	568,914
Prepayment and accrued income	132	-	-	-	-	-	132
Deferred tax asset	-	-	-	-	-	421	421
Other assets	456	-	-	-	-	-	456
Property, plant and equipment	-	-	-	-	-	586	586
Total assets	**7,419,765**	**871,371**	**-**	**-**	**2,197,398**	**1,007**	**10,489,541**
Liabilities							
Deposits from banks	1,357,497	-	-	-	-	-	1,357,497
Debt securities in issue	6,116,858	-	69,317	-	-	-	6,186,175
Repurchase agreements	53,831	-	-	-	-	-	53,831
Due to customers	812,133	-	233,139	-	-	-	1,045,272
Derivative financial instruments	-	575,235	-	88,946	-	-	664,181
Current tax	-	-	-	-	-	269	269
Deferred tax liability	-	-	-	-	-	1,392	1,392
Accruals and deferred income	628	-	-	-	-	-	628
Other liabilities	3,101	-	-	-	-	-	3,101
Provisions for liabilities and commitments	215	-	-	-	-	-	215
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	8,885	8,885
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	259,806	259,806
Total liabilities and shareholders' funds	**8,344,263**	**575,235**	**302,456**	**88,946**	**-**	**1,178,641**	**10,489,541**

*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 2019.

	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 2019	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets							
Cash and balances with central banks	559,358	-	-	-	-	-	559,358
Financial assets at fair value through other comprehensive income	-	-	-	-	2,226,730	-	2,226,730
Loans and advances to banks	6,784,502	304,700	-	-	-	-	7,089,202
Loans and advances to customers	1,077,338	-	-	-	-	-	1,077,338
Derivative financial instruments	-	533,514	-	2,992	-	-	536,506
Prepayment and accrued income	53	-	-	-	-	-	53
Current tax						866	866
Deferred tax asset	-	-	-	-	-	1,283	1,283
Other assets	774	-	-	-	-	-	774
Property, plant and equipment	-	-	-	-	-	929	929
Total assets	**8,422,025**	**838,214**	**-**	**2,992**	**2,226,730**	**3,078**	**11,493,039**
Liabilities							
Deposits from banks	736,079	-	-	-	-	-	736,079
Debt securities in issue	7,727,360	-	68,157	-	-	-	7,795,517
Repurchase agreements	32,391	-	-	-	-	-	32,391
Due to customers	915,070	-	236,542	-	-	-	1,151,612
Derivative financial instruments	-	540,901	-	77,359	-	-	618,260
Deferred tax liability	-	-	-	-	-	457	457
Accruals and deferred income	903	-	-	-	-	-	903
Other liabilities	3,305	-	-	-	-	-	3,305
Provisions for liabilities and commitments	74	-	-	-	-	-	74
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	(2,654)	(2,654)
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	248,806	248,806
Total liabilities and shareholders' funds	**9,415,182**	**540,901**	**304,699**	**77,359**	**-**	**1,154,898**	**11,493,039**

*Other includes non-financial items and equity instruments

5. Fair values of financial instruments

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

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

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

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

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

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

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

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

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

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

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 feature:

- a Mark-to-Model component, utilizing 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 in order to factor in the model the impact of adverse events; and
- a Qualitative Collateral Review, whose impact is incorporated into the valuation, in order to identify the specific weaknesses of the collateral of the product.

	2020						
	Level 1 €'000	%	Level 2 €'000	%	Level 3 €'000	%	Total
Financial Assets designated at Fair Value through Profit or Loss							
- Loans and advances to banks	-	-	302,457	100.0	-	-	302,457
Financial assets at fair value through other comprehensive income							
- Debt instruments	2,197,398	100.0	-	-	-	-	2,197,398
Total Financial Assets	**2,197,398**	**100.0**	**302,457**	**100.0**	**-**	**-**	**2,,499,855**
Financial Liabilities designated at Fair Value through Profit or Loss							
Debt securities in issue	**-**	**-**	**69,317**	**100.0**			**69,317**
Due to customers			**-**	**-**			**-**
Total Financial Liabilities	**-**	**-**	**69,317**	**100.0**	**-**	**-**	**69,317**

	2019						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Financial Assets designated at Fair Value through Profit or Loss							
- Loans and advances to banks	-	-	304,700	100.0	-	-	304,700
Financial assets at fair value through other comprehensive income							
- Debt instruments	2,226,730	100.0	-	-	-	-	2,226,730
Total Financial Assets	**2,226,730**	**100.0**	**304,700**	**100.0**	**-**	**-**	**2,531,430**

Financial Liabilities designated at Fair Value through Profit or Loss							
Debt securities in issue			**68,158**	**23**			**68,158**
Due to customers			**236,542**	**77**			**236,542**
Total Financial Liabilities			**304,700**	**100.0**	**-**	**-**	**304,700**

2020/2019
The level 2 assets were not actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs. There has been no movement in level 3 instruments other than fair value.

	2020						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Derivatives Assets							
-Trading	-	-	536,253	100.00	32,661	100.0	568,914
-Hedging	-	-	-	-	-	-	-
Total	-	-	**536,253**	**100.0**	**32,661**	**100.0**	**568,914**
Derivatives Liabilities							
-Trading	-	-	542,574	85.90	32,661	100.0	575,235
-Hedging	-	-	88,946	14.10	-	-	88,946
Total	-	-	**631,520**	**100.0**	**32,661**	**100.0**	**664,181**

	2019						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	
Derivatives Assets							
-Trading	-	-	486,919	99.4	46,595	100.0	533,514
-Hedging	-	-	2,992	0.5	-	-	2,992.2
Total	-	-	**489,911**	**100.0**	**46,595**	**100.0**	**536,506**
Derivatives Liabilities							
-Trading	-	-	494,306	86.5	46,595	100.0	540,901
-Hedging	-	-	77,359	13.58	-	-	77,359
Total	-	-	**571,664**	**100.0**	**46,595**	**100.0**	**618,260**

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

The following table sets out information about significant unobservable inputs used at 31 December 2020 and 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial assets/liabilities	**Non-observable parameters**
OTC 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.

All of the Level 3 Assets within the books of ISPIRE are CMS Spread Options. In accordance with the Fair Value Policy of the Bank 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:

- 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
    - o the time between the last contributed maturity and the maturity of the derivative to be valued is less than 1 year.
    - o 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 ISPIRE is zero due to the presence of mirroring options with ISP SPA, each debt instrument is reviewed at trade level and the table below details the CMS spread options embedded in INSPIRE debt instruments which are classified at level 3, with the correlation sensitivity at trade level (which is above the threshold of €3 thousand) and the range of historical percentiles for the correlation between the corresponding CMS rates pair.

					Historical correlation		
Embedded Option 31.12.20	**Currency**	**FVL**	**SensyCorr**	**Typology**	**5th perc**	**Mean**	**95th perc**
36.94	EUR	3	13,805	EUR CMS 10Y-2Y	-0.778	-0.422	0.1034
12.33	EUR	3	1,551	EUR CMS 30Y-2Y	-0.665	-0.4283	-0.0838
12.12	EUR	3	1,761	EUR CMS 30Y-2Y	-0.665	-0.4283	-0.0838
55.45	EUR	3	-5,392	EUR CMS 30Y-1Y	-0.2849	-0.1635	-0.0137
70.80	EUR	3	-6,151	EUR CMS 30Y-1Y	-0.2849	-0.1635	-0.0137
35.02	EUR	3	-1,531	EUR CMS 30Y-2Y	-0.665	-0.4283	-0.0838

					Historical correlation		
Embedded Option 31.12.19	**Currency**	**FVL**	**SensyCorr**	**Typology**	**5th perc**	**Mean**	**95th perc**
48.93	EUR	3	14,850	EUR CMS 10Y-2Y	-0.7765	-0.3703	0.5897
21.56	EUR	3	9,304	EUR CMS 30Y-2Y	-0.6657	-0.3341	0.4935
20.73	EUR	3	11,392	EUR CMS 30Y-2Y	-0.6657	-0.3341	0.4935
66.4	EUR	3	7,825	EUR CMS 30Y-1Y	-0.2832	-0.1207	0.1155
86.34	EUR	3	9,637	EUR CMS 30Y-1Y	-0.2832	-0.1207	0.1155
49.96	EUR	3	11,868	EUR CMS 30Y-2Y	-0.6657	-0.3341	0.4935

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

Set out below is a comparison of carrying values and fair values of the financial assets and financial liabilities (excluding short term receivables, payables and items present in the Company's statement of financial position at their fair value) held as at 31 December 2020 and at 31 December 2019.

	Level 1	Level 2	Level 3	31-Dec-20 Fair value €'000	**31-Dec-20** Carrying value €'000
Assets					
Cash and balances at central banks	-	271,476	-	271,476	271,476
Loans and advances to banks	-	6,201,388	83,930	6,285,318	5,801,959
Loans and advances to customers	-	1,295,068	79,122	1,374,190	1,345,742
Liabilities					
Deposits by banks	-	1,215,906	151,291	1,367,197	1,357,497
Due to customers	-	128,231	815,188	943,419	812,133
Debt securities in issue	-	6,162,296	-	6,162,296	6,116,858
Repurchase agreements	-	-	53,195	53,195	53,831

	Level 1	Level 2	Level 3	31-Dec-19 Fair value €'000	**31-Dec-19** Carrying value €'000
Assets					
Cash and balances at central banks	-	559,358	-	559,358	559,358
Loans and advances to banks	-	6,696,141	317,129	7,013,270	6,784,502
Loans and advances to customers	-	1,094,221	-	1,094,221	1,077,338
Liabilities					
Deposits by banks	-	685,518	62,975	748,494	736,079
Due to customers	-	132,829	937,159	1,069,988	915,070
Debt securities in issue	-	7,768,457	-	7,768,457	7,727,360
Repurchase agreements	-	22,673	9,479	32,151	32,391

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.

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

6. Segmental Analysis

The Company has one reporting segment, the provision of banking products and services carried out from Ireland. Geographic concentrations are reported in Note 35. There are no non-Group customers with revenue exceeding 10% of the total revenue of the Company.

7. Net interest income

	2020	2019
	€'000	€'000
Financial assets measured at amortised		
Cash and short term funds	**275**	1,256
Loans and advances to banks *	**62,699**	76,693
Loans and advances to customers *	**23,462**	16,180
Net swap interest income	**-**	841
Interest income on financial assets measured at amortised cost	**86,436**	94,970
Debt securities at fair value through other comprehensive income	**14,917**	16,464
Negative interest on financial liabilities	**10,836**	7,378
Interest income calculated using the effective interest method	**112,189**	118,812
Interest income on financial assets mandatorily measured at FVTPL		
Loans and advances to banks	**10,986**	11,211
	123,175	130,023

* Interest income includes €Nil (2019: €Nil) accrued on impaired loans.

	2020	2019
	€'000	€'000
Interest expense and similar charges		
Deposits from Banks	**4,175**	4,118
Due to Customers	**37,410**	39,196
Debt securities in issue	**25,821**	33,376
Lease interest	**3**	4
Net swap interest expense	**20,825**	18,606
Interest expense from financial liabilities measured at amortised cost	**88,234**	95,300
Negative interest on financial assets	**5,203**	2,893
	93,437	98,193
Interest expense on financial liabilities measured at FVTPL		
Due to Customers	**10,157**	10,121
Debt securities in issue	**802**	1,063
	10,959	11,184
	104,396	109,377

8. Fees and commission income and expense

	2020	2019
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	**7,756**	5,487
Other fees	**1**	3
	7,757	5,490
Fee and commission expense		
Credit related fees and commissions	**3,876**	4,399
Brokerage fees paid	**112**	8
Other fees paid	**8**	8
	3,996	4,415

9. Net trading income

	2020	2019
	€'000	€'000
Mark-to-market movements:		
- Derivatives	**(459)**	(2,663)
- Net result hedge accounting ***	**165**	(399)
Net realised gain on financial assets at fair value through other comprehensive income	**3,562**	8,388
Net realised gain on financial liabilities at amortised cost	**650**	-
	3,918	5,326

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

Interest rate derivatives designated as fair value hedges are entered into, to hedge the exposure to changes in the fair value of recognised assets or liabilities arising from changes in interest rates, primarily fixed rate loans to banks and customers and financial assets at fair value through other comprehensive income.

2020 - 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	445	25,910	-	26,355
Net gains / (losses) on Fair value of hedging Derivatives	(463)	(25,727)	-	(26,190)
	(17)	**183**	**-**	**165**

2019 - 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	(882)	43,725	-	42,903
Net gains / (losses) on Fair value of hedging Derivatives	860	(44,162)	-	(43,302)
	38	**(437)**	**-**	**(399)**

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

	2020	2019
	€'000	€'000
Net income from financial instruments, mandatorily measured at FVTPL		
- Loans and advances to banks	**(2,636)**	11,913
Net loss from financial instruments designated as at FVTPL		
-Debt securities in issue	**(784)**	(3,713)
-Due to customers	**3,420**	(8,200)
	2,636	(11,913)
	0	0

11. Employee numbers

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

	Number of employees	
	2020	2019
Administration	**29**	28

12. Administrative expenses

	2020	2019
	€'000	€'000
Staff costs		
- wages and salaries	**2,653**	2,386
- social welfare costs	**192**	183
- pension costs	**609**	574
- other personnel expenses	**2**	7
	3,456	3,150
Other administrative expenses	**5,642**	7,189
	9,098	10,339

13. Profit before taxation

		2020	2019
		€'000	€'000
Profit before tax is stated after charging:			
Depreciation – property, plant and		**390**	377
Auditors' remuneration *(excluding VAT):*			
Audit services	Statutory audit	**107**	94
	Assurance services[i]	**46**	76
Other non-audit services		**2**	1
		155	171
Directors' remuneration:			
Executive		**547**	509
Non-executive		**125**	122
		672	631

[i] Includes €26,523 (2019: €51,500) paid by ISP Milan.

14. Income tax expense

	2020	2019
	€'000	€'000
Corporation tax charge 12.5% (2019:12.5%) on the profit for the year on ordinary activities	**1,599**	1,865
Current tax charge for the year	**1,442**	1,720
Under / (over) provision in prior year	**9**	(2)
Total current Tax	**1,451**	1,718
Deferred Tax		
IFRS 9 Transitional adjustment	148	148
FVTOCI Gain on Equities Sale adjustment	-	(1)
Taxation Charge	**1,599**	1,865

The current tax charge for the year is higher (2019: higher) than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The difference is explained below:

	2020	2019
	€'000	€'000
Profit on ordinary activities before tax	**12,599**	14,836
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for year of 12.5% (2019:12.5%)	**1,575**	1,854
Effects of:		
Other adjustments for tax purposes	**15**	13
Adjustments to tax charge in respect of previous periods	**9**	(2)
Current tax charge for the year	**1,599**	1,865

15. Dividends paid and proposed

	2020	2019
	€'000	€'000
Declared and paid during the year		
Declared on ordinary shares:		
Final dividend for 2019: Nil cent per share (2018: 6.48 cent per share)	**-**	27,000
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Dividend on ordinary shares:		
Final dividend for 2020: 2.75 cent per share (2019: 3.12 cent per share)	**11,000**	12,500

16. Cash and balances with central banks

	2020	2019
	€'000	€'000
Mandatory reserve deposits with Central Bank	38,122	48,399
Other deposits with Central Bank	225,000	500,000
Other cash balances	8,354	10,959
Gross Cash and balances with Central Bank	271,476	559,358
Less allowances for losses	-	-
	271,476	559,358

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

Of which included in cash and cash equivalents (Note 32) €233 million (2019: €511 million).

17. Financial assets at fair value through other comprehensive income

	2020	2019
	€'000	€000
Gross Debt Securities	2,198,567	2,227,935
Less allowances for losses	(1,169)	(1,205)
Debt securities at fair value through other comprehensive income	2,197,398	2,226,730
Debt securities		
Issued by public bodies		
- government securities	1,212,541	1,212,433
Issued by other issuers		
- banks	974,057	908,255
- other debt securities	101,800	106,042
	2,197,398	2,226,730
Of which:		
- listed on a recognised exchange	2,197,398	2,226,730
	2,197,398	2,226,730

18. Loans and advances to banks

	2020 €'000	2019 €'000
Placement with other banks	**5,804,790**	6,787,239
Gross loans and advances	**5,804,790**	6,787,239
Less allowances for losses	**(2,831)**	(2,737)
Loans and advances to banks at amortised cost	**5,801,959**	6,784,502
Loans and advances to banks mandatorily at fair value through profit and loss	**302,457**	304,700
Total loans and advances to banks	**6,104,416**	7,089,202

Of which included in cash and cash equivalents (Note 32) €12 million (2019: €105 million).

19. Loans and advances to customers

	2020 €'000	2019 €'000
Loans to corporate entities	**1,352,065**	1,079,754
Gross loans and advances	**1,352,065**	1,079,754
Less allowances for losses	**(6,323)**	(2,416)
	1,345,742	1,077,338

20. Impairment / expected credit losses

	2020 €'000	2019 €'000
Financial assets at amortised cost	**(4,072)**	(661)
Financial assets at fair value through other comprehensive income	**(82)**	(820)
Guaranteed and Commitments to lend	**(142)**	(1)
Net impairment gains /(losses) on financial instruments	**(4,296)**	(1,482)

The net impairment gains / losses on financial instruments includes a credit of €Nil (2019: €237,891) in relation to financial assets at amortised cost previously written off.

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 2020	1,079,754	6,787,239		7,866,993
Stage 1 (not credit -impaired)	843,213	6,787,239		7,630,452
Stage 2 (not credit -impaired)	236,541	-		236,541
Stage 3 (credit -impaired)	-	-		-
Gross carrying amount 1 January 2020	1,079,754	6,787,239		7,866,993
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2020	7,630,451	236,541	-	7,866,993
Total net transfers	(91,007)	91,007	-	
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	(91,007)	91,007	-	-
- to lifetime ECL credit impaired				
Net change in exposure	(607,590)	(83,051)		(677,784)
Impairment loss allowance utilised			-	-
Exchange adjustments	(19,498)	(12,855)		(32,353)
Measurement reclassification and other movements				
Gross carrying amount 31 December 2020	6,912,357	244,497	-	7,156,855

Impairment loss allowance on financial assets measured at amortised cost	31 December 2020 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
	€ '000	€ '000	€ '000	€ '000
Opening balance 1 January 2020	3,494	1,659	-	5,153
Total net transfers	(965)	965		-
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	*(965)*	*965*		*-*
- to lifetime ECL credit impaired				
Impairment gains in income statement	3,452	613	-	4,065
- Re-measurement				
- Net changes in exposures	4,417	(352)	-	4,065
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised	-	-	-	-
Exchange adjustments	(15)	(49)	-	(64)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2020	5,966	3,188	-	9,154

Gross carrying amount of securities measured at FVOCI		Total
Opening balance Securities FVOCI 1 January 2020	2,227,935	2,227,935
Stage 1 (not credit -impaired)	2,063,287	2,,063,287
Stage 2 (not credit -impaired)	164,648	164.648
Stage 3 (credit -impaired)	-	-
Gross carrying amount 1 January 2020	2,227,935	2,227,935

	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2020	2,063,287	164,648	-	2,227,935,
Total net transfers	(20,489)	(20,489)	-	(40,978)
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	(20,489)	(20,489)	-	(40,978)
- to lifetime ECL credit impaired				
Net change in exposure	36,380			36,380
Impairment loss allowance utilised				
Exchange adjustments				
Measurement reclassification and other movements				
Gross carrying amount 31 December 2020	2,079,178	119,389	-	2,198,567

Impairment loss allowance on securities measured at FVOCI	31 December 2020 Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
	€'000	€'000	€'000	€'000
Opening balance 1 January 2020	504	701	-	1,205
Total net transfers	(112)	112		-
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	(112)	112		-
- to lifetime ECL credit impaired				
impairment(losses)/gains in income statement	43			43
- Re-measurement				
- Net changes in exposures	43			43
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised				
Measurement reclassification and other movements				
Gross carrying amount 31 December 2020	435	734	-	1,169

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 2019		575,588	5,779,607	6,355,195
Stage 1	(not credit -impaired)	526,256	5,779,607	6,305,863
Stage 2	(not credit -impaired)	49,106	-	49,106
Stage 3	(credit -impaired)	226	-	226
Gross carrying amount 1 January 2019		575,588	5,779,607	6,355,195

	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2019	6,305,863	49,106	226	6,355,195
Total net transfers	(236,541)	236,541	-	
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	*(236,541)*	*236,541*	-	-
- to lifetime ECL credit impaired				
Net change in exposure	1,557,918	(49,106)		1,508,812
Impairment loss allowance utilised			(226)	(226)
Exchange adjustments	3,211	-	-	3,211
Measurement reclassification and other movements				
Gross carrying amount 31 December 2019	7,630,451	236,541	-	7,866,992

	31 December 2019			
	Stage 1	Stage 2	Stage 3	
	€ '000	€ '000	€ '000	€ '000
Opening balance 1 January 2018	3,160	1,083	226	4,469
Total net transfers	(23)	23	-	-
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	*(23)*	23	-	-
- to lifetime ECL credit impaired				
impairment(losses)/gains in income statement	352	553	-	905
- Re-measurement				
- Net changes in exposures	375	530	-	905
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised	-	-	(226)	-
Exchange adjustments	5	-	-	5
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2019	3,494	1,659	-	5,153

Gross carrying amount of securities measured at FVOCI		Total
Opening balance Securities FVOCI 1 January 2019	2,026,001	2,026,001
Stage 1 (not credit -impaired)	2,026,001	2,026,001
Stage 2 (not credit -impaired)	-	-
Stage 3 (credit -impaired)	-	-
Gross carrying amount 1 January 2019	2,026,001	2,026,001

	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2019	2,026,001	-	-	2,026,001
Total net transfers	(164,648)	164,648	-	-
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	*(164,648)*	*164,648*	-	-
- to lifetime ECL credit impaired				
Net change in exposure	201,934	-	-	201,934
Impairment loss allowance utilised				
Exchange adjustments				
Measurement reclassification and other movements				
Gross carrying amount 31 December 2019	2,063,287	164,648	-	2,227,935

	31 December 2019			
	Stage 1	Stage 2	Stage 3	

Impairment loss allowance on securities measured at FVOCI	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total
	€'000	€'000	€'000	€'000
Opening balance 1 January 2019	514	-	-	514
Total net transfers	(701)	701	-	-
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	(701)	701	-	-
- to lifetime ECL credit impaired				
impairment(losses)/gains in income statement	691	-	-	691
- Re-measurement				
- Net changes in exposures	691	-	-	691
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised				
Measurement reclassification and other movements				
Gross carrying amount 31 December 2019	504	701	-	1,205

21. Derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency.

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 Group 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 FVTOCII 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 2020	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	883,971	2,146	(299)
Total OTC derivatives		2,146	(299)
b) Interest rate derivatives			
Interest rate swaps	1,900,000	503,693	(511,861)
Total OTC derivatives		503,693	(511,861)
c) Equity options			
Equity options purchases	222,100	63,075	-
Equity options sold	222,100	-	(63,075)
Total OTC derivatives		63,075	(63,075)
Total derivative assets/(liabilities) held for trading		**568,914**	**(575,235)**

	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	2,101,481	-	(88,946)
Total OTC derivatives		-	(88,946)
Total derivative assets/(liabilities) held for risk management		-	(88,946)
Total derivative financial instruments	5,329,652	**568,914**	**(664,181)**

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:

		Carrying amount	
Interest Rate Risk	**Contract / notional amount €'000**	**Assets €'000**	**Liabilities €'000**
Interest Rate Swaps – hedge of Securities FVOCI	1,997,980	-	(88,723)
Interest Rate Swaps – hedge of loans and advances	103,501	-	(223)

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

	Carrying amount	
	Assets €'000	**Liabilities €'000**
Securities FVOCI	**2,095,543**	-
Loans and advances	**103,539**	-

At 31 December 2019		Fair values including accruals	
	Contract / notional amount €'000	**Assets €'000**	**Liabilities €'000**
Derivatives held for trading			
1) *a) Foreign exchange derivatives*			
Currency swaps	178,609	-	(460)
Total OTC derivatives		-	(460)
b) Interest rate derivatives			
Interest rate swaps	1,400,000	453,665	(460,592)
Total OTC derivatives		453,665	(460,592)
c) Equity options			
Equity options purchased	222,100	79,849	-
Equity options sold	222,100	-	(79,849)
Total OTC derivatives		79,849	(79,849)
Total derivative assets/(liabilities) held for trading		**533,514**	**(540,901)**

		Contract / notional amount €'000	Fair values including accruals Assets €'000	Liabilities €'000
	Derivatives held for risk management			
2)	*Derivatives designated as fair value hedges*			
	Interest rate swaps	2,166,068	2,992	(77,359)
	Total OTC derivatives		2,992	(77,359)
	Total derivative assets/(liabilities) held for risk management		2,992	(77,359)
	Total derivative financial instruments		**536,506**	**(618,260)**

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	2,049,000	2,467	(77,051)
Interest Rate Swaps – hedge of loans and advances	117,068	525	(308)

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

	Carrying amount Assets €'000	Liabilities €'000
Securities FVOCI	**2,122,029**	-
Loans and advances	**116,992**	-

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

31-Dec-2020 €'000				
Residual Maturtiy	**Less than1 year**	**1 to 5 years**	**5 years+**	**Total**
Derivatives Held for Trading				
Currency Swaps	883,971	-	-	**883,971**
Interest Rate Swaps	500,000	-	1,400,000	**1,900,000**
Equity Options Purchased	20,000	109,000	93,100	**221,00**
Equity Options Sold	20,000	109,000	93,100	**221,000**
	1,423,971	**218,000**	**1,586,200**	**3,228,171**
Hedge Accounting				
Interest Rate Swaps – Securities FVTOCI	27,500	994,000	976,480	**1,997,980**
Interest Rate Swaps – Loans and advances	-	10,000	93,501	**103,501**
	27,500	**1,004,000**	**1,069,981**	**2,101,481**

31-Dec-2019 €'000				
Residual Maturtiy	**Less than1 year**	**1 to 5 years**	**5 years+**	**Total**
Derivatives Held for Trading				
Currency Swaps	178,609	-	-	**178,609**
Interest Rate Swaps	-	-	1,400,000	**1,400,000**
Equity Options Purchased		129,000	93,100	**221,100**
Equity Options Sold		129,000	93,100	**221,000**
	178,609	**258,000**	**1,586,200**	**2,022,809**
Hedge Accounting				
Interest Rate Swaps – Securities FVTOCI	75,000	920,500	1,053,500	**2,049,000**
Interest Rate Swaps – Loans and advances	14,015	10,000	93,053	**117,068**
	89,015	**930,500**	**1,146,553**	**2,166,068**

22. Deferred Taxation

	2020	2019
	€'000	€'000
Deferred Tax assets:		
Financial assets at fair value through other comprehensive income	**123**	837
First time adoption IFRS 9	**298**	446
Total deferred tax assets	**421**	1,283
Deferred Tax liabilities:		
Financial assets at fair value through other comprehensive income	**1,392**	457
Total deferred tax liabilities	**1,392**	457
Net Deferred Tax (liability) / assets	**(971)**	826

	2020	2019
	€'000	€'000
Analysis of movement in deferred taxation		
At 1 January	**826**	6,154
Deferred tax through other comprehensive income	**(1,649)**	(5,180)
Deferred tax through income statement	**(148)**	(148)
At 31 December	**(971)**	826

23. Other assets

	2020	2019
	€'000	€'000
Deferred expenses	**360**	664
Sundry debtors	**96**	110
	456	774

24. Property, plant and equipment

	2020	2019
	€'000	€'000
Property, plant and equipment – owned	**256**	367
Right of use assets – leased	**330**	562
	586	929

Property, plant and equipment – owned

	Office equipment	Computer equipment and software	Leasehold Improvement	Total
	€'000	**€'000**	**€'000**	**€'000**
Cost				
At beginning of year	190	95	557	842
Additions in year	-	28	19	47
Disposals in year	-	-	-	-
At end of year	**190**	**123**	**576**	**889**
Depreciation				
At beginning of year	130	65	280	475
Charge for year	22	19	117	158
Disposals in year	-	-	-	-
At end of year	**152**	**84**	**397**	**633**
Net book value				
At 31 December 2020	**38**	**39**	**179**	**256**
At 31 December 2019	60	30	277	367

	Office equipment	Computer equipment and software	Leasehold Improvement	Total
	€'000	**€'000**	**€'000**	**€'000**
Cost				
At beginning of year	186	97	554	837
Additions in year	4	27	3	34
Disposals in year	-	(29)	-	(29)
At end of year	**190**	**95**	**557**	**842**
Depreciation				
At beginning of year	108	79	169	356
Charge for year	22	13	111	146
Disposals in year	-	(27)	-	(27)
At end of year	**130**	**65**	**280**	**475**
Net book value				
At 31 December 2019	**60**	**30**	**277**	**367**
At 31 December 2018	78	18	385	481

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

Right of Use Assets – leased

	Office building €'000	Motor Vehicles €'000	Office equipment €'000	Total €'000
Cost				
At beginning of year	761	17	15	793
Additions in year	-	-	-	-
Disposals in year	-	-	-	-
At end of year	**761**	**17**	**15**	**793**
Depreciation				
At beginning of year	223	6	2	231
Charge for year	223	6	3	232
Disposals in year	-	-	-	-
At end of year	**446**	**12**	**5**	**463**
Net book value				
At 31 December 2020	**315**	**5**	**10**	**330**
At 31 December 2019	538	11	13	562

Right of Use Assets – leased

	Office building €'000	Motor Vehicles €'000	Office equipment €'000	Total €'000
Cost				
At beginning of year	-	-	-	-
At 1 January 2019 (IFRS IFRS 16 adoption date)	761	17	15	793
Additions in year	-	-	-	-
Disposals in year	-	-	-	-
At end of year	**761**	**17**	**15**	**793**
Depreciation				
At beginning of year	-	-	-	-
Charge for year	223	6	2	231
Disposals in year	-	-	-	-
At end of year	**223**	**6**	**2**	**231**
Net book value				
At 31 December 2019	**538**	**11**	**13**	**562**
At 31 December 2018	-	-	-	-

25. Deposits from banks

	2020	2019
	€'000	€'000
Deposits from other banks	**1,357,497**	736,079
	1,357,497	736,079

Of which include cash and cash equivalents (Note 32) €554 million (2019: €139 million).

26. Debt securities in issue

At 31 December 2020

	2020	2019
	€'000	€'000
At amortised cost	**6,116,858**	7,727,360
At FVTPL	**69,317**	68,157
	6,186,175	7,795,517

	2020	2019
	€'000	€'000
Floating Rate	**1,838,060**	3,395,569
Fixed Rate	**4,348,115**	4,399,948
	6,186,175	7,795,517

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

27. Repurchase agreements

	2020	2019
	€'000	€'000
Due to The Central Bank	**53,831**	32,391
	53,831	32,391

TLTRO Term 3 years (2019: 4 years)
Included in cash and cash equivalents (Note 30) €Nil (2019: €Nil).

Collateral given: The carrying amount of securities sold under agreements to repurchase at 31 December 2020 was €53,831,235 (2019: €32,390,743), of which securities with a fair value are classified as financial assets at fair value through other comprehensive income (Note 17 / Note 1.17).

28. Due to customers

	2020	2019
	€'000	€'000
Current accounts	**2,077**	2,392
Term deposits	**810,056**	912,678
At Amortised cost	**812,133**	915,070
Term deposits at fair value to profit or loss	**233,139**	236,542
	1,045,272	1,151,612

29. Other liabilities

	2020	2019
	€'000	€'000
Other payable and accrued expenses	**2,758**	2,735
Lease liabilities	**333**	564
VAT payable	**10**	6
	3,101	3,305

Lease liabilities

	2020	2019
	€'000	€'000
At 1 Janaury 2020	**564**	-
At 1 Janaury 2019 (IFRS 16 adoption date)	**-**	793
Lease Payments	**(234)**	(233)
Interest Expenses	**3**	4
At 31 December 2020	**333**	564

30. Movement in the provisions for liabilities and commitments

	2020	2019
	€'000	€'000
Balance at beginning of year	**74**	70
Charge to income statement	**201**	63
Released to income statement	**(59)**	(62)
Translation adjustment	**(1)**	3
Balance at end of year	**215**	74

Please refer to Note 1.8 (c) for the accounting policy and Note 32 for the outstanding undrawn commitments.

31. Share capital

	Number of shares	**Ordinary shares**	**Share Premium**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2019	400,500	400,500	1,025	401,525
At 31 December 2019 / 1 January 2020	400,500	400,500	1,025	401,525
At 31 December 2020	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2019: 500,000,000) with a par value of €1 per share (2019: €1 per share). All issued shares are fully paid.

At 31 December 2020, the capital and reserves of the Company amounted to €1,165.98 million (2019: €1,141 million), €1,176.98 million including year-end profits after tax (2019: €1,154.44 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.

	2020	2019
	€'000	€'000
Cash and balances with central bank (Note 16)	**233,354**	510,959
Loans and advances to banks (Note 18)	**12,224**	104,868
Deposits from banks (Note 25)	**(553,868)**	(138,826)
	(308,290)	477,001

33. Contingent liabilities and commitments

At 31 December 2020 the contracted amounts of contingent liabilities and financial commitments were:

	2020	2019
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**17,232**	88,828
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	**-**	-
- one year and over	**257,946**	195,819
	275,178	284,647

The following table analyses undisconted cash flows potentially payable under guarantees and undrawn commitments to lend at 31 December 2020 and 2019:

€'000 **31-Dec-2020**	**On demand**	**1 to 5 years**	**5 years+**	**Total**
Guarantees and Irrevocable Letters of Credit	17,232	-	-	**17,232**
Undrwan commitments to lend	257,946	-	-	**257,946**
	275,178	-	-	**275,178**

€'000 **31-Dec-2019**	**On demand**	**1 to 5 years**	**5 years+**	**Total**
Guarantees and Irrevocable Letters of Credit	88,828	-	-	**88,828**
Undrwan commitments to lend	195,819	-	-	**195,819**
	284,647	-	-	**284,647**

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 €609,231 (2019: €574,041). At the 31 December 2020, the pension accrual amounted to €25,440 (2019: €94,670).

35. Related party transactions

The ultimate parent company is Intesa Sanpaolo S.p.A., incorporated in Italy. A number of banking transactions are entered into with related parties in the normal course of business. The volumes of related party transactions outstanding balances at the year end and related income and expenses for the year are as follows:

31 December 2020

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Financial assets at fair value through other comprehensive income	-	18,716	**18,716**
Reverse Repo	-	-	**-**
Cash and balances with central banks	7,991	-	**7,991**
Loans and advances to banks	6,001,306	37,104	**6,038,410**
Loans and advances to clients	-	9,938	**9,938**
Derivative financial instruments:			
IRS	-	-	**-**
Forex	*2,146*	-	***2,146***
Options	*63,075*	-	***63,075***
LIABILITIES			
Deposits from Banks	683,810	2,028	**685,838**
Deposits from Clients	-	318	**318**
Repurchase Agreements	-	-	**-**
Derivative financial instruments:			
IRS	600,471	-	***685,838***
Forex	299	-	**299**
Options	-	-	**-**
INCOME STATEMENT			
Interest and similar income	74,888	401	**75,289**
Interest expense and similar charges	(28,622)	(2)	**(28,625)**
Net profit from other financial instruments at fair value to Profit and Loss	-	-	**-**
Fees and commission income	64	2	**66**
Fees and commission expense	(2,947)	(732)	**(3,679)**
Administration expense	(666)	(250)	**(916)**
Net trading income/expense	(107,788)	431	**(107,358)**
GUARANTEES AND COMMITMENTS			
Issued	13,572	-	**13,572**
Received	1,064,519	52,864	**1,117,383**
DERIVATIVES			
Derivatives (notional)	4,394,365	-	**4,394,365**

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

31 December 2020

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Financial assets at fair value through other comprehensive income	-	18,717	**18,717**
Reverse Repurchase Agreements	-	-	**-**
Cash and Balances with central banks	23,800	-	**23,800**
Loans and advances to banks	6,519,184	654,689	**7,173,873**
Loans and advances to customers	-	10,002	**10,002**
Derivative financial instruments:			
IRS	*303*	*1,532*	***1,835***
Forex	*2,146*	-	***2,146***
Options	*77,665*	-	***77,665***
LIABILITIES			
Deposits from Banks	1,239,835	3,082	**1,242,917**
Deposits from Clients	-	485	**485**
Repurchase Agreements	-	-	**-**
Derivative financial instruments:			
IRS	*624,005*	*626,138*	***1,250,143***
Forex	*1,689*	-	***1,689***
Options	-	-	**-**
GUARANTEES AND COMMITMENTS			
Issued	23,933	1,145	**25,078**
Received	1,111,293	90,121	**1,201,414**
DERIVATIVES			
Derivatives (notional)	4,394,365	2,898,980	**7,293,345**

31 December 2019

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Financial assets at fair value through other comprehensive income	-	-	**-**
Reverse Repo	-	-	**-**
Cash and balances with central banks	10,498	-	**10,498**
Loans and advances to banks	6,472,395	587,793	**7,060,188**
Loans and advances to clients	-	9,938	**9,938**
Derivative financial instruments:			
IRS	*463*	*2,529*	***2,992***
Forex	-	-	**-**
Options	*79,849*	-	***79,849***
LIABILITIES			
Deposits from Banks	217,356	-	**217,356**
Deposits from Clients	-	2,224	**2,224**
Repurchase Agreements	-	-	**-**
Derivative financial instruments:			
IRS	*1,912*	*535,997*	***537,909***
Forex	460	-	**460**
Options	-	-	**-**
INCOME STATEMENT			
Interest and similar income	90,127	1,103	**91,230**
Interest expense and similar charges	(3,005)	(19,644)	**(22,649)**
Net profit from other financial instruments at fair value to Profit and Loss	11,913	-	**11,913**
Fees and commission income	73	1	**74**
Fees and commission expense	(3,125)	(907)	**(4,032)**
Administration expense	(591)	(254)	**(845)**
Net trading income/expense	850	(137,434)	**(136,584)**
GUARANTEES AND COMMITMENTS			
Issued	83,933	1,145	**85,078**
Received	1,056,971[i]	93,512	**1,150,483**
DERIVATIVES			
Derivatives (notional)	513,164	2,684,000	**3,197,164**

[i] Includes back-up committed money market line with ISP Milan €1b

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

31 December 2019

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Financial assets at fair value through other comprehensive income	123	-	**123**
Reverse Repurchase Agreements	57,412	-	**57,412**
Cash and Balances with central banks	10,498	-	**10,498**
Loans and advances to banks	8,111,380	1,671,470	**9,782,850**
Loans and advances to customers	-	45,057	**45,057**
Derivative financial instruments:			
IRS	*463*	*2,529*	***2,992***
Forex	*490*	-	***490***
Options	*96,519*	-	***96,519***
LIABILITIES			
Deposits from Banks	853,418	168,912	**1,022,330**
Deposits from Clients	-	4,235	**4,235**
Repurchase Agreements	333,808	100,954	**434,762**
Derivative financial instruments:			
IRS	*3,194*	*662,964*	***666,158***
Forex	909	-	***909***
Options	-	-	**-**
GUARANTEES AND COMMITMENTS			
Issued	87,753	1,145	**88,898**
Received	1,942,029	94,963	**2,036,992**
DERIVATIVES			
Derivatives (notional)	1,000,615	2,,894,500	**3,895,115**

Number of transactions performed with connected parties in 2020

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to Banks	81	5	86
Loans and advances to Clients	-	-	-
Derivative financial instruments	194	-	194
Deposits from banks	446	2	448
Repurchase agreements	-	-	-
Total	**721**	**7**	**728**

Number of transactions performed with connected parties in 2019

	PARENT	FELLOW SUBSIDIARIES	TOTAL
Loans and advances to Banks	89	12	101
Loans and advances to Clients		1	1
Derivative financial instruments	86	37	123
Deposits from banks	398	218	616
Repurchase agreements	14	6	20
Total	**587**	**274**	**861**

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 2020 the total remuneration of the Directors was €672,332 (2019: €630,642). Included in total remuneration is €125,000 (2019: €122,083) in respect of fees earned in the capacity of Directors, €393,641 (2019: €345,065) in respect of compensation earned in the capacity of management and €153,691 (2019: €163,494) in respect of post-employment benefits.

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

	2020	2019
	€	€
Short Term Employee Benefits	**518,641**	467,148
Post –Employment Benefits	**153,691**	163,494
Other Long Term Benefits	**-**	-
Termination Payments	**-**	-
Share Based Payments	**-**	-

36. Geographic concentrations

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets	Total Liabilities & Equity €'000	Credit commitments	Operating Income
31 December 2020	**€'000**		**€'000**	**€'000**
Ireland	564,737	1,361,763	104,661	(3,901)
E.U. (excl. Ireland)	9,104,133	9,127,438	14,866	27,209
U.S.A.	93	3	5,481	15,456
Rest of the World	820,578	337	150,170	(27,764)
Total	**10,489,541**	**10,489,541**	**275,178**	**11,000**

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets	Total Liabilities & Equity €'000	Credit commitments	Operating Income
31 December 2019	**€'000**		**€'000**	**€'000**
Ireland	875,314	1,223,687	102,287	5,808
E.U. (excl. Ireland)	9,737,079	10,269,336	143,826	(4,128)
U.S.A.	15,324	-	15,842	600
South America	-	-	-	238
Rest of the World	865,322	16	22,692	10,453
Total	**11,493,039**	**11,493,039**	**284,647**	**12,971**

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

	2020 €'000	**2020 %**	2019 €'000	2019 %
Ireland	23,679	2	35,495	3
E.U. (excl. Ireland)	665,839	49	402,952	38
U.S.A.	-	-	15,054	1
Rest of the World	656,224	49	623,837	58
Total	**1,345,742**	**100**	1,077,338	100

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

	2020 €'000	**2020 %**	2019 €'000	2019 %
Ireland,	12,234	-	27,894	-
E.U. (excl. Ireland)	6,051,445	100	7,071,675	100
Rest of the World	40,737	-	-	-
Total	**6,104,416**	**100**	7,099,569	100

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

	2020 €'000	**2020 %**	2019 €'000	2019 %
Ireland	264,396	12	259,939	12
E.U. (excl. Ireland)	1,809,556	82	1,725,322	77
Rest of the World	123,446	6	241,469	11
Total	**2,197,398**	**100**	2,226,730	100

37. Financial Assets and Financial Liabilities by contractual residual maturity

31-Dec-2020 €'000 Time band	**On demand**	**up to 1 month**	**up to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS							
Cash and balances with CB (1)	8,354	263,122	-	-	-	-	**271,476**
FVTOCI securities	-	106	1,340	31,092	1,122,859	1,042,001	**2,197,398**
Loans and advances to banks (1)	-	204,506	2,410,530	1,256,690	1,254,563	978,127	**6,104,416**
Loans and advances to customers (1)	674	155	1,181	224,740	933,112	188,552	**1,345,742**
Derivative financial instruments	-	2,146	-	4,686	15,122	546,961	**568,914**
Total	**9,028**	**469,724**	**2,410,689**	**1,517,208**	**3,325,656**	**2,755,640**	**10,487,946**
LIABILITIES							
Debt securities in issue	-	210,995	3,560,484	1,679,210	539,220	196,266	**6,186,175**
Deposits from banks (2)	235	448,612	105,249	149,960	122,239	531,202	**1,357,497**
Repurchase agreements	-	-	-	-	53,831	-	**53,831**
Due to customers	2682	3,320	27,340	88,101	692,291	231,871	**1,045,605**
Derivative financial instruments	-	299	1,492	5,470	40,634	616,286	**664,181**
Lease liabiliites	-	57	1	175	100	-	**333**
Total	**2,918**	**663,282**	**3,694,565**	**1,922,917**	**1,448,316**	**1,575,625**	**9,307,622**

(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-2019 €'000 Time band	On demand	up to 1 month	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS							
Cash and balances with CB (1)	10,959	548,399	-	-	-	-	**559,358**
FVTOCI securities	**-**	74	1,534	78,694	946,708	1,199,720	**2,226,730**
Loans and advances to banks (1)	260	216,147	1,560,409	1,041,005	2,905,564	1,365,816	**7,089,202**
Loans and advances to customers (1)	597	43,384	5,125	58,076	676,637	293,519	**1,077,338**
Derivative financial instruments	-	-	-	-	29,657	506,849	**536,506**
Total	**11,816**	**808,004**	**1,567,068**	**1,177,775**	**4,558,567**	**3,365,904**	**11,489,134**
LIABILITIES							
Debt securities in issue	-	945,019	1,868,352	2,394,625	2,348,375	239,146	**7,795,517**
Deposits from banks (2)	154	44,989	10,130	83,547	28,043	569,216	**736,079**
Repurchase agreements	-	-	-	22,673	9,718	-	**32,391**
Due to customers	2,392	8,420	30,291	57,510	506,769	546,230	**1,151,612**
Derivative financial instruments	-	460	31	554	52,131	565,084	**618,260**
Lease liabiliites		57	1	175	334	1	568
Total	**2,546**	**998,945**	**1,908,805**	**2,559,084**	**2,945,370**	**1,919,677**	**10,334,427**

(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 19 March 2021

The directors have proposed a dividend of 2.7466 cent per ordinary share, amounting to €11 million in respect of the year 2020. Final dividends are not accounted for until they have been ratified by the Shareholders at the Annual General Meeting.

39. Date of approval

The financial statements were approved and authorised by the directors on 19 March 2021.