



INTESA SANPAOLO  
BANK IRELAND

# 2022 Annual Report





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# INTESA SANPAOLO BANK IRELAND plc

Directors' report and  
financial statements

**Year ended** **31 December 2022**

*Registered number* *125216*



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# INTESA SANPAOLO BANK IRELAND plc

## Directors and other information

### Directors

Mr. N. Copland (Chairman) (Irish)  
Mr. R. Paoletti (Managing Director, Italian)  
Mr. J. Bowden (Irish)  
Ms. D. Orlando (Italian)  
Mr. F. Introzzi (Italian)  
Mr. R. Carducci (Italian)  
Mr. M. Bermingham (Irish)  
Ms. C. Lege (Italian)

### Registered office

2<sup>nd</sup> Floor  
International House  
3 Harbourmaster Place  
International Financial Services Centre  
Dublin D01 K8F1

### Secretary

Apex IFS Limited  
2<sup>nd</sup> Floor Block 5, Irish Life Building  
Abbey Street Lower  
Dublin D01 P767

### Independent Auditor

Ernst & Young  
Chartered Accountants  
Harcourt Centre  
Harcourt Street  
Dublin D02 YA40

### Principal bankers

INTESA SANPAOLO S.p.A.  
Piazza della Scala, 6  
Milan  
I-20121  
Italy

The Bank of New York Mellon  
240 Greenwich Street  
New York  
NY 10286  
USA

### Solicitors

McCann FitzGerald  
Sir John Rogerson's Quay  
Dublin D02 X576





## Directors' report

# INTESA SANPAOLO BANK IRELAND plc

## Directors' report

### Financial Statements

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2022.

### 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 2022 are set out on pages 31-35 of the financial statements. The highlights for the year ended 31 December 2022 were the following:

- Gross interest income increased by 23.8% to €150.5 million mainly due to the prevailing higher interest rate environment.
- Gross interest expense increased by 26.0% to €127.7 million, mainly due higher cost of funding as a result of the higher interest rate environment.
- Net interest income increased by 13.2% to €22.8 million even though the net interest margin decreased to 15.1% (16.6% in 2021).
- Other operating expenses (net fees and commission expenses, dividend and similar income, net trading income and foreign exchange loss) aggregated -€2.7 million (€10.3 million other operating income in 2021), mainly as a result of a foreign exchange loss of €6.2 million, lower fees and commissions received from lending transactions and lower realised gains on FVTOCI securities.
- Impairment charges aggregated €175.3million (€6.8m write-backs in 2021) mainly due to ECL increases in relation to Russian exposures in the loan portfolio and €17.5 million net write-downs on loan disposals (nil in 2021).
- Operating expenses increased by 4.3% to €11.6 million, mainly due to a 17.4% increase in administration expenses to €3.5 million (€3.0 million in 2021). The cost-to-income ratio (excluding SRF Levy)<sup>i</sup> stood at 42.5% (24.2% in 2021).
- Loss after tax aggregated €146.1m (profit after tax of €22.8 million in 2021).
- Total assets increased by 2.5% to €8.78 billion (€8.57 billion in 2021).
- The securities portfolio decreased by 5.7% to €1.97 billion (€2.09 billion in 2021), remaining diversified both in terms of asset class and geographical split. All bond holdings continue to remain highly liquid securities.
- Total loans to banks increased by 25.5% to €5.13 billion (€4.09 billion in 2021) mainly as a result of a 47.9% increase to €4.61 billion in intragroup lending to Intesa Sanpaolo S.p.A (the Parent Company) on the back of excess liquidity from debt issuance activities (€3.11 billion in 2021).

<sup>i</sup> Calculated as total Operation Expenses (before SRF Levy) divided by Total Operating Income (before Impairments)

## Directors' report (*continued*)

- Third party customer loans decreased by 27.6% to €1.16 billion (€1.60 billion in 2021) as a result of scheduled loan repayments / voluntary prepayments and fewer new loan transactions. The Company remains focussed on the development of selected third-party corporate relationships, both Irish-domestic and international.
- In terms of liabilities, the Company's outstanding amounts under issuance programmes decreased by 5.5% to €4.59 billion (€4.85 billion in 2021): EMTN outstanding's decreased by 9.5% to €834 million (€921 million in 2021) and ECP/CD outstanding decreased by 4.5% to €3.75 billion (€3.93 billion in 2021). Total deposits from banks doubled to €1.89 billion (€940 million in 2021) mainly as a result of higher intragroup deposits from the parent company.
- Total shareholders' equity decreased by 15.3% to €1.02 billion (€1.20 billion in 2021) mainly due to reduced retained earnings.

The directors have proposed no dividend in respect of the year 2022 (€22 million dividend was paid in respect of the year 2021).

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

- Credit Risk and Counterparty Credit Risk<sup>i</sup>
- 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 34.75% (2021: 38.58%) and a total capital ratio of 34.90% as at 31 December 2022 (2021: 38.58%).

## 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 2<sup>nd</sup> Floor, International House, 3 Harbourmaster Place, IFSC, Dublin 1.

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

## Directors' report (*continued*)

### Directors

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

Mr. N. Copland  
 Mr. R. Paoletti  
 Mr. J. Bowden  
 Mr. M. Bermingham  
 Mr. F. Introzzi  
 Ms. D. Orlando  
 Mr. R. Carducci  
 Ms. M.C. Lege (appointed on 02/11/2022)  
 Mr. M. Ciampolini (resigned 21/06/2022)

## 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 2022 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](http://www.group.intesasanpaolo.com).

### Articles of Association

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

In accordance with the Constitution, the Directors are authorised to issue shares subject to the limit of the authorised share capital.

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

## Directors' report (*continued*)

### Director

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

Mr. N. Copland	Independent Non-Executive
Mr. R. Paoletti	(Member of Credit Committee) - Executive
Mr. J. Bowden	(Member of Risk Committee and Audit Committee) - Independent Non-Executive
Mr. M. Bermingham	(Member of Audit Committee) - Independent Non-Executive
Mr. R. Carducci	(Member of Risk Committee) - Non-Executive
Ms. M.C. Lege	(Member of Risk Committee) -- Non-Executive
Ms. D. Orlando	(Member of Audit Committee) -- Non-Executive
Mr. F. Introzzi	- Non-Executive

### Interests of Directors and Secretary

The directors and secretary of the Company at 31 December 2022 or at the date of appointment had no interest in the shares or debentures or loan stock of the Company (2021: nil).

The directors and secretary of the Company at 31 December 2022 or at the date of appointment had no interest of at least 1% with respect to the shares or debentures or loan stock of the Group companies (2021: nil).

### Shareholders

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

### Transactions involving Directors

There were no contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 2014, at any time during the year ended 31 December 2022.

### Directors' Responsibilities

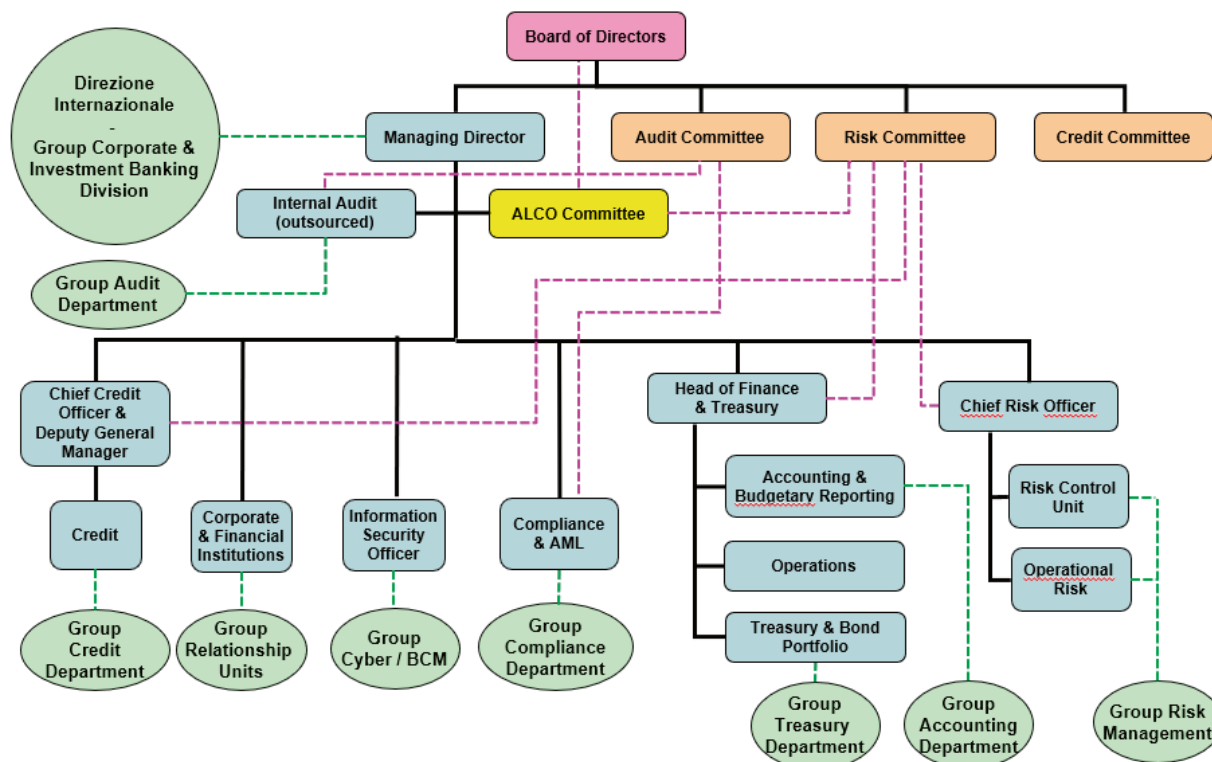
The directors are responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement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

### Corporate Structure

The overview of the Board and Executive Management structure in the chart below as at 31 December 2022 identifies key individuals and committees and their inter-relationship with business and control units:



## Directors' report (continued)



### Management Responsibilities

Management at departmental level has primary responsibility for the execution of all internal controls implemented by the Directors in collaboration with the Senior Management of the Company. They ensure risks relating to all business processes are identified and mitigated through 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.

## Directors' report (*continued*)

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 on 01<sup>st</sup> March 2023 and the local Operational Risk policy approved on 11 March 2022, 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. The Board is committed to continued focus on Operational Risk through the assigning of specific limits under its Risk Appetite Framework and the on-going monitoring and reporting in this area to the Risk Committee as a standing agenda item. The Board has also approved an organisational structure compatible with the overall objective of operational risk-minimisation.

The Operational Risk minimisation objective of the Board involves the following activities:

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

## Directors' report (*continued*)

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 alternative location<sup>i</sup>, back up servers and generators at local site, replication servers in Italy, a Persons Unavailability<sup>ii</sup> framework subject to annual training and testing
- Appropriate Insurance policies in line with the Bank's activities

### Macroeconomic Factors

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

Intesa Sanpaolo's ESG risk governance model includes:

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

In the Group 2022-2025 Business Plan, the commitment was strengthened by bringing its own emissions and those of the sectors with the highest emissions (Oil & Gas, Power Generation, Automotive, Coal mining) to zero by 2030 and protecting and regenerating natural capital.

<sup>i</sup> A hot site is located at Milan, Via Giambellino, 135, 20147, Milano MI, Italy

<sup>ii</sup> Critical Activities covered by personnel from London Branch using shared applications and understanding of processes

## Directors' report (*continued*)

The Bank did not suffer any business related impacts from the overall Covid Pandemic with no payment breaks or moratoriums applied and no past due amounts. Impacts have been fundamentally restricted to the area of remote working for which the Bank already had a mature Framework. Hybrid working arrangements are in place for all staff and functioning in line with expectation.

The geo-political events affecting Russia had an impact on the Bank due to our credit exposure to Russian entities and connected parties. In line with the Group Strategy, the conflict resulted in an immediate cessation in lending activities with counterparties domiciled in Russia and connected parties with an objective of disinvestment of exposures. In 2022, in line with this strategy we have reduced nominal exposure by approx. 50% from €1 bln to €500 mln with a further €50 m reduction (10%) in Q1 2023. The strategy will continue through 2023 with the objective to further disinvest from Russia.

With respect to IFRS9 Expected Credit Loss (ECL), the conflict resulted in a downgrade of all Russian and related parties through the Bank's Internal Rating Model to "R" rating with a consequent designation of all lending to Stage 2 with the application of Lifetime ECL. This has caused an increase in Impairments applied on these positions. Total impairments on Stage 2 assets amounted to €22.78 m<sup>i</sup> as at December 2022 equivalent to ECL% of approx. 9%. Furthermore, as at December 2022, we had 2 exposures designated as Unlikely to Pay (UTP)<sup>ii</sup> for which the counterparties have been moved to Stage 3 with an associated impairment of approx. €127.5 m equivalent to ECL% of approx. 47%<sup>iii</sup>.

In accordance with the Group Impairment policy the Group Model for the calculation of ECL includes a 4 year forward looking scenario which is updated semi-annually. The 4 year analysis 2022-2025 against 2021 – 2024 can be seen in the below tables.

<sup>i</sup> ECL% calculated using Centralised Group Model

<sup>ii</sup> One Position has readdressed repayments in 2023 and has repaid all past due amounts

<sup>iii</sup> ECL% calculated by dedicated Group NPE department

## Directors' report (continued)

		Scenario Base						Scenario Base			
		2021	2022	2023	2024			2022	2023	2024	2025
ITALY	<b>Average Variation</b>					ITALY	<b>Average Variation</b>				
	Real GDP	6.20%	4.30%	2.40%	1.60%		Real GDP	3.79%	0.59%	1.79%	1.23%
	CPI Italy	1.80%	1.90%	1.40%	1.70%		CPI Italy	8.22%	6.75%	2.44%	1.34%
	Residential Property Italy	2.40%	2.40%	0.70%	1.90%		Residential Property Italy	5.06%	1.51%	1.53%	1.50%
	<b>Average Level</b>						<b>Average Level</b>				
	10Y BTP Yield	0.75	1.50	2.01	2.25		10Y BTP Yield	3.03	4.05	4.60	4.90
EURO AREA	BTP - Bund Spread 10Y	1.07	1.55	1.65	1.64	EURO AREA	BTP - Bund Spread 10Y	1.87	2.01	1.90	1.79
	Italian Unemployment	9.40	9.00	8.80	8.60		Italian Unemployment	8.17	8.53	8.19	8.08
	<b>Average Variation</b>						<b>Average Variation</b>				
	Real GDP EUR	5.00%	3.80%	2.40%	1.60%		Real GDP EUR	3.26%	0.06%	1.62%	1.84%
	Equity ESTOXX 50	22.90%	7.20%	0.50%	-0.30%		Equity ESTOXX 50	-7.76%	-3.12%	3.84%	1.23%
US AREA	<b>Average Level</b>					US AREA	<b>Average Level</b>				
	EURO/\$	1.18	1.16	1.22	1.24		EURO/\$	11.23%	2.29%	3.48%	1.80%
	Euribor 3M	-0.55	-0.52	-0.49	-0.48		Euribor 3M	0.34	3.00	2.99	2.38
	EurIRS 10Y	0.05	0.34	0.51	0.59		EurIRS 10Y	1.92	2.82	3.11	3.28
	10Y Bund Yield	-0.33	-0.05	0.36	0.60		10Y Bund Yield	1.16	2.04	2.70	3.11
US AREA	<b>Average Variation</b>					US AREA	<b>Average Variation</b>				
	Real GDP US	5.60%	4.10%	2.40%	2.00%		Real GDP US	1.96%	0.28%	1.10%	2.39%
	Equity US	32.30%	8.60%	1.50%	-2.00%		Equity US	-3.55%	-6.29%	1.71%	4.38%
	<b>Average Level</b>						<b>Average Level</b>				
	Italian Unemployment	5.30	3.70	3.50	3.40		Italian Unemployment	3.70	4.46	4.50	3.94

Given the overall robustness of ISP Group, the Company's ability to issue short and medium term debt under the issuance programmes has not been affected by the Russian crisis and appetite for the Company's paper continues to be extremely robust.

Due to this international crisis and the strong focus on managing the Russian portfolio and on disinvestment in relation to same, the growth in new lending did not materialise in 2022 as expected but we expect new lending activity to revert to those levels seen in 2020-2021 pre-crisis.

The Bank and Intesa Sanpaolo Group aim to promote a risk culture focussed on encouraging sustainable behaviour and integrating environmental, social and governance aspects into the risk management processes, in the awareness that they contribute to the sustainability of the Group's initiatives, to a solid and stable creation of value over time for all internal and external stakeholders.

## Subsequent events as at 23 March 2023

In Q1 2023, in line with the "derisking" on Russia, the exposure to Russian borrowers has further decreased. In particular, during the month of February, the aggregate exposure to a Russian corporate for a total of €16.9 million ( \$18 million) has been sold. In addition, it should be noted that on the 27<sup>th</sup> of January, a Russian corporate (a borrower in Stage 3 at the end of 2022) has paid back capital and contractual interests in relation to all remaining 2022 past due amounts, for a total of about €21.7 million (\$23.6 million) and this counterparty continues to pay repayments on a monthly basis. A stage 3 counterparty continues to repay funds with €2.81 million ( \$ 2.99 million) paid in February 2023.



## Directors' report (*continued*)

### Independent Auditor

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

### Corporate Governance

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 2022. Such statement will be duly communicated in accordance with the Central Bank requirements in 2022.

### 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.

### Statement on Relevant Audit Information

The directors have taken all the steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditor 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

N. Copland  
Chairman

J. Bowden  
Director

M. Bermingham  
Director

R. Paoletti  
Managing Director

23 March 2023

## 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

N. Copland  
*Chairman*

J. Bowden  
*Director*

M. Bermingham  
*Director*

R. Paoelli  
*Managing Director*

23 March 2023

## Independent auditor's report



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

### *Report on the audit of the financial statements*

#### **Opinion**

We have audited the financial statements of Intesa Sanpaolo Bank Ireland Plc ('the Company') for the year ended 31 December 2022, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflow and notes to the financial statements, including the 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

- Reviewed the going concern assessment prepared by management and the validity of the going concern assumptions which includes considerations for COVID 19 and the Russian invasion of Ukraine.
- Reviewed board minutes and had discussions with Management concerning business performance and future intentions.



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

### Conclusions relating to going concern (continued)

- Reviewed the current financial indicators of the Bank including the Bank's outstanding exposure to Russian-domiciled entities and its impact on the Bank's liquidity and regulatory capital requirements.
- We reviewed the Company going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

### Conclusion

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

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

### Key audit matters

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





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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Valuation of Loans and advances – ECL model</b></p> <p>At 31 December 2022 the Company reported total gross loans and advances to customers of €1,315m (2021: €1,602m) and €155.7m of expected credit loss provisions (ECL) (2020: €2.25m) as disclosed in Note 19. In addition, the Company reported gross loans and advances to banks of €5,133m (2021: €4,091m) and €0.73m of ECL (2021: €0.99m) as disclosed in Note 18.</p> <p>The calculation of expected credit losses ("ECL") uses complex and inherently judgemental modelling techniques, which gives rise to the risk of management override. This is particularly relevant for the current environment, where there are increased challenges due to conflict between Ukraine and Russia and COVID-19 post-pandemic.</p> <p>A judgement also relates to the assessment as to whether guarantees are integral to the contractual terms and the guarantees' related impact on the measurement of the ECL.</p>	<p>Given the centralised IFRS 9 ECL models at Intesa group level, with the assistance from our team in EY Italy, we performed walkthrough of the ECL process and tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into the impairment models.</p> <p>We involve our IFRS 9 specialist to assist in the review and assessment of the Group impairment policy and ECL model.</p> <p>We tested the design and implementation of key controls over credit risk parameters' implementation, rating models validation, stage assignment automation and application of stage overrides, cumulative Probability of Default (PD) calculation, calculation of Loss Given Default (LGD) grids, and the accuracy of PD models, including controls over updating of Significant Increase in Credit Risk (SICR) thresholds, economic scenarios and credit enhancements. We also tested the design and operating effectiveness of the Bank's controls around credit monitoring and provisioning performed locally.</p> <p>We involve our IFRS 9 specialist to assist in evaluating the appropriateness of the SICR criteria including evaluating the appropriateness of the IFRS 9 methodologies, the accuracy of the IFRS 9 models and the</p>	<p>Our planned audit procedures were completed and no material exceptions were noted.</p>



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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to Notes 18, 19, and 20 in the financial statements.	<p>appropriateness and reasonableness of the macroeconomic scenarios</p> <p>For a sample of loans, we assessed management's assumptions in relation to SICR and the allocation of loans to the three stages. We assessed the underlying documentation and tested whether indicators for a significant deterioration in credit risk or credit impairment exists.</p> <p>We assessed the Bank's treatment of guarantees in the measurement of the ECLs.</p> <p>We reviewed the adequacy of disclosures made in the financial statements to ensure that required disclosures in respect of the ECL are sufficiently disclosed in the notes to the financial statements in line with the requirements of IFRS 9.</p>	
<p><b>Valuation of Loans and advances – ECL on loans and advances relating to the Russian exposure</b></p> <p>At 31 December 2022 the Company reported total gross loans and advances to Russian customers of €454m (2021: €704m) and €151m of expected credit loss provisions (ECL) (2021: €0.3m) disclosed as part of Note 19.</p> <p>The on-going conflict between Ukraine and Russia has resulted in</p>	<p>In addition to the work performed at the valuation of loans and advances – ECL on loans and advances, we performed the following for Russian exposures specifically.</p> <p>We involve our IFRS 9 specialist to assist in the review and assessment of the Group impairment policy and ECL model, which considered the impact of Russian exposures.</p> <p>We involve our IFRS 9 specialist to assist in evaluating the appropriateness of the SICR criteria including evaluating the appropriateness of the IFRS 9 methodologies, the accuracy of the IFRS 9 models and the</p>	<p>Our planned audit procedures were completed and no material exceptions were noted.</p>



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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>imposition of various sanction on Russia. As a result we have identified a fraud risk relating to the Russian related exposures, given the level of judgement involved in determining the ECL provision.</p>	<p>Appropriateness and reasonableness of the macroeconomic scenarios and specifically considering the impact of Russian/ Ukraine conflict .</p> <p>We reviewed both quantitative and qualitative factors applied by the management in determining the recoverability, risk rating and staging of the Russian exposures.</p> <p>For all Russian exposures, we assessed management's assumptions in relation to SICR and the allocation of loans to stage 2 and 3. We assessed the underlying documentation and tested whether indicators for a significant deterioration in credit risk or credit impairment exists.</p> <p>We reviewed the adequacy of disclosures made in the financial statements to ensure that required disclosures in respect of the ECL are sufficiently disclosed in the notes to the financial statements in line with the requirements of IFRS 9.</p>	
<p><b>Application of Hedge Accounting</b></p> <p>The Company's application of hedge accounting, including determining effectiveness is manual in nature which increases the risk of errors and the risk that financial reporting is not in line with IFRS requirements.</p>	<p>We performed walkthrough of hedge accounting process and tested the design and operating effectiveness of the key controls over the design and ongoing management of hedge accounting relationships, including testing of hedge effectiveness.</p> <p>We involve our IFRS 9 specialist to assist in reviewing the Company's application of hedge accounting. On a sample basis, we reviewed the designation of the hedge relationships and the Company's related hedge documentation in</p>	<p>Our planned audit procedures were completed, and no material exceptions were noted.</p>



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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to Note 21 in the financial statements.	<p>consideration of the requirements of hedge accounting under IAS 39. This includes reviewing the key terms of the synthetic assets and liabilities, ensuring a prospective effectiveness test was carried out at inception and testing of hedge effectiveness.</p> <p>We involve our IFRS 9 specialist to assist in evaluating the reasonableness of valuation of synthetic assets and liabilities and the related hedging derivatives and considered the implications of economic factors such as the conflict between Ukraine and Russia and COVID-19 post-pandemic on the hedge effectiveness calculations as at 31 December 2022 on a sample basis.</p> <p>We obtained and reviewed the journal entries posted as at 31 December 2022 as a result of the hedging relationships and noted no material differences.</p> <p>We reviewed the adequacy of disclosures in the financial statements in relation to hedge accounting for compliance with IFRS requirements.</p>	

### Our application of materiality

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

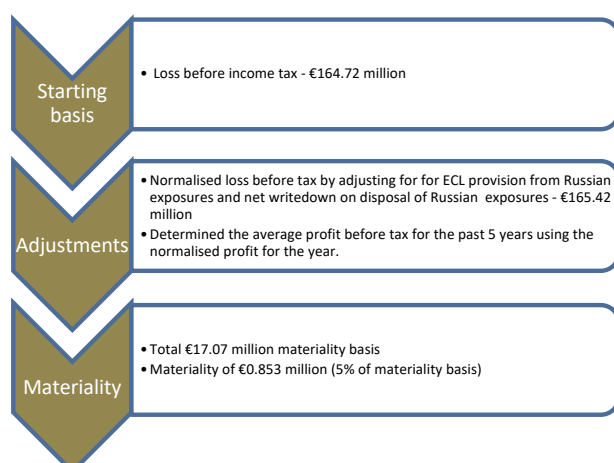
### Materiality

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



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

We determined materiality for the Company to be €0.853 million (2021: €1.3 million), which is 5% (2021: 5%) of normalised profit before tax (2021: profit before tax). We believe that normalised profit before tax provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements.



### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 50%) of our planning materiality, namely €0.6 million (2021: €0.6 million). We have increased our performance materiality to 75% from 50% based on our knowledge of the Company and industry, effectiveness of the control environment and our assessment of the risks associated with the engagement.

### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.04 million (2021: €0.06 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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





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

### **An overview of the scope of our audit report**

#### **Tailoring the scope**

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

#### ***Other information***

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

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

We have nothing to report in this regard.

#### ***Opinions on other matters prescribed by the Companies Act 2014***

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

- the information given in the directors' report for the financial year ended for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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



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

### Corporate Governance Statement

In addition, we report, in relation to information given in the Corporate Governance Statement on pages 4 to 10, that:

- based on knowledge and understanding of the company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- based on the work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the process for preparing the financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014; and
  - the Corporate Governance Statement contains the information required by the Companies Act 2014.

### *Matters on which we are required to report by exception*

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

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

### *Respective responsibilities*

#### *Responsibilities of directors for the financial statements*

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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

Our approach was as follows:

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



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

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management, reviewing key policies and reports on the aforementioned regulatory frameworks as well as reviewing correspondences exchanged with the regulators.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

### *Other matters which we are required to address*

We were appointed by the Board of Directors on 26 April 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

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

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

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

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

Helen Kerr

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

Office: Dublin

Date: 5 April 2023

Income statement <i>For the year ended 31 December 2022</i>	Note	2022 €'000	2021 €'000
Interest income calculated using the effective interest method	7	139,421	110,540
Other interest income	7	11,112	10,989
Interest expense and similar charges	7	(127,746)	(101,406)
<b>Net interest income</b>		<b>22,787</b>	<b>20,123</b>
Fees and commission income	8	1,551	6,602
Fees and commission expense	8	(3,113)	(3,606)
<b>Net fees and commission (expense) / income</b>		<b>(1,562)</b>	<b>2,996</b>
Dividend and similar income		1	-
Net trading income	9	5,107	7,554
Net gain from other financial instruments at Fair value to Profit or Loss	10	3	-
Foreign exchange loss	11	(6,209)	(285)
Net impairment (losses) / gains on financial instruments	20	(175,323)	6,862
<b>Net operating (loss) / income</b>		<b>(155,196)</b>	<b>37,250</b>
Administrative expenses	12	(11,324)	(10,755)
Depreciation		(302)	(390)
<b>Total operating expenses</b>		<b>(11,626)</b>	<b>(11,145)</b>
<b>(Loss) / Profit before tax</b>	13	<b>(166,822)</b>	<b>26,105</b>
Income tax benefit / (expense)	14	20,705	(3,266)
<b>(Loss) / Profit for the financial year</b>		<b>(146,117)</b>	<b>22,839</b>
<b>(Loss) / Profit attributable to the equity holders of the company</b>		<b>(146,117)</b>	<b>22,839</b>

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

The notes on pages 37 to 144 are an integral part of these financial statements.

Statement of comprehensive income For the year ended 31 December 2022	Note	2022 €'000	2021 €'000
<b>(Loss) / Profit for the year</b>		<b>(146,117)</b>	<b>22,839</b>
Other comprehensive income			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Movements in financial assets at fair value through other comprehensive income:			
Net change in fair value		<b>(15,373)</b>	<b>4,158</b>
Net amount transferred to profit or loss		<b>(2,817)</b>	<b>(5,005)</b>
Related tax	23	<u>2,274</u>	<u>106</u>
Other comprehensive Income for the year, net of tax		<u><b>(15,916)</b></u>	<u><b>(741)</b></u>
Total comprehensive Income for the year, net of tax		<u><b>(162,033)</b></u>	<u><b>22,098</b></u>
<b>Total comprehensive Income for the year attributable to equity holders of the company</b>		<u><b>(162,033)</b></u>	<u><b>22,098</b></u>

The notes on pages 37 to 144 are an integral part of these financial statements.

Statement of financial position As at 31 December 2022	Note	2022 €'000	2021 €'000
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#### ASSETS

Cash and balances with central banks	16	47,721	276,826
Financial assets at fair value through other comprehensive income	17	1,969,563	2,089,511
Financial assets at fair value through profit or loss		36	-
Loans and advances to banks	18	5,132,677	4,089,845
Loans and advances to customers	19	1,159,145	1,599,979
Derivative financial instruments	21	443,796	507,966
Prepayments and accrued income		190	363
Current Tax	22	3,125	-
Deferred tax asset	23	6,163	256
Other assets	24	13,809	2,503
Property, plant and equipment	25	2,845	199
<b>Total assets</b>		<b>8,779,070</b>	<b>8,567,448</b>

#### LIABILITIES

Deposits from banks	26	1,894,490	939,740
Debt securities in issue	27	4,588,040	4,854,001
Repurchase agreements	28	-	53,557
Due to customers	29	954,803	961,838
Derivative financial instruments	21	320,556	554,125
Current tax		-	609
Deferred tax liability	23	343	1,270
Accruals and deferred income		295	501
Other liabilities	30	5,449	2,626
Provisions for liabilities and commitments	31	49	103
<b>Total liabilities</b>		<b>7,764,025</b>	<b>7,368,370</b>

#### EQUITY attributable to the equity holders of the company

Share capital	32	400,500	400,500
Share premium	32	1,025	1,025
Fair value through other comprehensive income reserves		(7,772)	8,144
Capital contribution reserves		506,764	506,764
Retained earnings		114,528	282,645
<b>Total equity</b>		<b>1,015,045</b>	<b>1,199,078</b>
<b>Total liabilities and shareholders' funds</b>		<b>8,779,070</b>	<b>8,567,448</b>

The notes on pages 37 to 144 are an integral part of these financial statements.

On behalf of the board

N. Copland  
Chairman

J. Bowden  
Director

R. Paolelli  
Managing Director

M. Carroll

For and on behalf of Apex IFS Limited  
Company Secretary

23 March 2023



## Statement of Changes in Equity for the year ended 31 December 2022

	Attributable to equity shareholders of the Company					Total €'000
	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	
	€'000	€'000	€'000	€'000	€'000	
Note	32	32		32	32	
<b>1 January 2022</b>	400,500	1,025	8,144	506,764	282,645	1,199,078
Loss for the financial year	-	-	-	-	(146,117)	(146,117)
<b>Other comprehensive income</b>	-	-	(15,916)	-	-	(15,916)
<b>Total comprehensive income for the year</b>	-	-	(15,916)	-	(146,117)	(162,033)
<b>Dividends paid</b>	-	-	-	-	(22,000)	(22,000)
<b>31 December 2022</b>	<b>400,500</b>	<b>1,025</b>	<b>(7,772)</b>	<b>506,764</b>	<b>114,528</b>	<b>1,015,045</b>

	Share capital	Share premium	Fair Value through OCI reserves	Capital Contribution reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000
	32	32		32	32	
<b>1 January 2021</b>	400,500	1,025	8,885	506,764	259,806	1,176,980
Profit for the financial year	-	-	-	-	22,839	22,839
<b>Other comprehensive income</b>	-	-	(741)	-	-	(741)
<b>Total comprehensive income for the year</b>	-	-	(741)	-	22,839	22,098
<b>Dividends paid</b>	-	-	-	-	-	-
<b>31 December 2021</b>	<b>400,500</b>	<b>1,025</b>	<b>8,144</b>	<b>506,764</b>	<b>282,645</b>	<b>1,199,078</b>

## Statement of Cashflow for the year ended 31 December 2022

	Note	2022 €'000	2021 €'000
<b>Cash flows from operating activities</b>			
Interest received		127,830	125,446
Dividend received		1	-
Fees and commission receipts		1,646	6,245
Fees and commission paid		(2,958)	(3,503)
Net trading and other receipts and payments		(18,340)	19,706
Interest paid		(125,945)	(101,304)
Cash payments to employees and suppliers		(9,296)	(13,045)
Recoveries on loans previously written off		52	-
Income taxes paid		(589)	(2,777)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(27,599)</b>	<b>30,768</b>
<b>Changes in operating assets and liabilities</b>			
Net decrease/(increase) in cash and balances with central banks		6,966	(110)
Net decrease in loans and advances to banks		369,548	2,017,530
Net (increase)/ decrease in loans and advances to customers		267,014	(253,146)
Net increase in deposits from banks		176,762	106,267
Net (decrease)/ increase in amounts due to customers		6,341	(73,754)
Proceeds from repurchase agreements		(54,000)	-
<b>Cash flows from changes in operating assets and liabilities</b>		<b>772,631</b>	<b>1,796,787</b>
<b>Net cash from operating activities</b>		<b>745,032</b>	<b>1,827,555</b>
<b>Cash flows (used in) /generated by investing activities</b>			
Purchase of property, plant and equipment		(13)	(3)
Purchases of financial assets at FVOCI		(574,948)	(490,113)
Proceeds from sale of financial assets at FVOCI		534,035	536,124
Proceeds from financial assets at FVTPL		(32)	-
<b>Net cash (used in) / generated by investing activities</b>		<b>(40,958)</b>	<b>46,008</b>
<b>Cash flows (used in) / generated by financing activities</b>			
Proceeds from debt securities in issue		3,754,023	4,087,471
Repayment of debt securities		(4,039,618)	(5,443,459)
Lease liabilities	30	(210)	(232)
Dividends paid	15	(22,000)	-
<b>Net cash (used in) / generated by financing activities</b>		<b>(307,805)</b>	<b>(1,356,220)</b>
<b>Net increase in cash and cash equivalents</b>		<b>396,269</b>	<b>517,343</b>
Cash and cash equivalents at beginning of year		209,053	(308,290)
<b>Cash and cash equivalents at end of year</b>	33	<b>605,322</b>	<b>209,053</b>



## Notes to the financial statements

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## Notes to the financial statements

### 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. The registered office of the company is: 2<sup>nd</sup> Floor, International House, 3 Harbourmaster Place, International Financial Services Centre, Dublin in Ireland.

#### 1.2. Basis of preparation and Statement of Compliance

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

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments as required by IFRS.

#### Key Estimates and Judgements

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

A judgement also relates to determining whether an amount charged to a customer at inception of a loan represents a fee for structuring the loan (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 and for financial assets measured at fair value through other comprehensive income.

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

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

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

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

#### 1.5. Fee and commission

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

#### 1.6. Financial assets / financial liabilities

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

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception or at the time of adoption of IFRS. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if the contract does not pass the solely payments of principal and interest (SPPI) test and is not in line with the definition of a “basic lending agreement” or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedged.

#### **(b) Amortised cost (AC)**

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

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

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

#### **(d) Financial Liabilities**

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

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

### **1.7. Offsetting financial instruments**

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



## 1.8. Impairment of financial assets

In accordance with the provisions of accounting Standard IFRS 9 (the "Standard"), the time horizon for measurement of value adjustments to financial instruments for credit risk depends on comparison of the risk level of the exposure at the valuation date with the situation at the time of loan granting/purchase.

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<sup>i</sup>.
- Stage 2: includes those financial assets that showed a significant increase in credit risk compared to their initial recognition or which, on application of the LCRE, showed high credit risk;
- Stage 3: includes financial assets that have incurred permanent impairment losses. The expected credit losses ("ECL") must be calculated with reference to the entire contractual lifetime of the exposure. Instruments that at the time of

<sup>i</sup> According to IFRS 9, the concept of "low credit risk" can include exposures having investment grade rating.

the initial purchase or granting were "non-performing" (purchased/originated credit impaired ("POCI")<sup>i</sup>) are entered in this Stage 3 from their first recognition in the financial statements and in all subsequent reporting periods; however, they may later be moved to Stage 2 if the objective evidence of impairment is no longer present.

#### 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 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<sup>ii</sup>, 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 Company's Credit Policy and in line with Intesa Sanpaolo S.p.A. Rules on Forborne Exposures – March 2022, 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 to fulfil its new debt obligations.

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

1. the exposure must be subject to modification of contractual terms/refinancing; and
2. the Company confirms the financial difficulties that the debtor is facing or about to face (or difficulties that would have occurred in the absence of the modification/refinancing measure).

Forborne exposures comprise both cash (loan advances, debt obligations) and non-cash positions (revocable and irrevocable commitments to lend), but it is not

<sup>i</sup> Such activity is not performed by the Company

<sup>ii</sup> 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.

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.

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 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.

With respect to guarantees, guarantees received are deemed to be integral for the purposes of calculating ECL but are excluded for determining staging classification. As per the Group Model, for consolidation purposes the use of Intra Group Guarantees are not included as part of the calculation methodology and the lender of record is applied the full counterparty risk ECL%. From a local perspective, the Management supported by the Board of Directors for local reporting have incorporated Intra-Group guarantees using a LCRE methodology under group application. However, where Intra Group guarantee are from Banca Intesa Russia, the Management supported by the Board of Directors have agreed, for a prudent approach to disregard this mitigation due to the ongoing crisis and the practical difficulties in enforcing guarantee.

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

#### 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 no longer exists.

Currently, Intesa Sanpaolo Bank Ireland has as at 31 December 2022, 2 counterparties designated as Stage 3 with a value of €276.69 m. We would highlight that from Q1 2023 1 entity (€72.92 m) classified as Stage 3 has repaid all outstanding past due funds and is expected in accordance with Impairment Policy and IFRS9 to move to Stage 2 in 2023. We have no activity in POCI.

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

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

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

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	<b>Determination of rating</b>	Ratings are calculated by means of internal models: <ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Managerial</li> </ul>
2	<b>Determination of annual migration matrices</b>	On the basis of the assigned ratings, annual migrations between the various rating classes are observed.
3	<b>Determination of the Probability of Default</b>	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	<b>Determination of TTC ("Trough the Cycle") transition matrices</b>	TTC migration matrices are calculated as an average of the annual matrices observed, after excluding the effect of the economic cycle.
5	<b>Determination of PIT ("Point in Time") migration matrices</b>	TTC migration matrices are expressed as PIT by applying the macroeconomic scenarios referred to years T+1, T+2 and T+3.
6	<b>Determination of the forward structure of PD</b>	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	<b>Determination of PD Add-on</b>	The Add-on determined by application of alternative scenarios is added to the forward structure of PD.

#### LGD

#	Process stages	Description
1	<b>Determination of LGD grids</b>	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	<b>Determination of the PIT LGD grids ("Point in Time LGD") for management purposes</b>	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	<b>Determination of Add-on LGD</b>	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
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### EAD

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

### **1.8.5. Determining Significant Increase**

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

Thus, the comparison involves residual maturity: for all the positions in the portfolio it is the difference between the contractual maturity date and the observation date, rounded up and the comparison for SICR can be seen by comparing:

- **PD at the initial recognition date:** the value of probability of default assigned at the initial recognition date of the position or tranche will be equal to that corresponding to the rating produced by the reference model (inclusive of any Bayesian transformation), with duration equal to the residual maturity at the measurement date of the individual position or tranche. The PD value considered 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:

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

where:

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

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

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

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

These criteria are applied to the Performing portfolio, for which the increase in credit risk can be measured 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. For the details of the classification of the non-performing portfolio, see the "Rules on Non-Performing Loans" and the "Rules on Forborne Exposures" adopted by the Intesa Sanpaolo Group

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

- analytical-statistical measurement, for exposures equal to or less than 2 million euro<sup>1</sup>, calculated at Banking Group level (SNDG). This valuation is based on the application of specific LGD grids to which the different components of Add-on are added to include the impacts of internal management variables and of forward-looking information relating to the future macroeconomic scenarios and the continuation of the risk status;
- analytical measurement, for exposures greater than 2 million euro, calculated at Banking Group level (SNDG). This valuation is based the impairment percentages established by the manager, following analyses and assessments based on predefined criteria described below, plus different Add-on components in order to take account the forward-looking information relating to the future macroeconomic scenarios and the continuation of the risk status.

For the Parent Company and for the Companies for which the Parent Company under the Service Contract and associated Operating Rules performs measurement of unlikely-to-pay exposures<sup>i</sup>, the threshold value for identifying the positions to be subjected to analytical measurement is 2 million euro. For the other Group

<sup>i</sup> ISPIRE is within Scope

Companies, the threshold value is established by the competent governance bodies of each Company, together with the Credit Governance Head Office Department, ISB Credit Head Office Department and the Credit Risk Management Head Office Department of Intesa Sanpaolo. In any case, the threshold cannot exceed that set by the Parent Company.

For current UTP exposures the Bank through the Chief Credit Officer is provided with specific provisions on the outstanding names.

## 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.

### Definition of the Most-likely macroeconomic scenario

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 Statement of Financial Position 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 of two datasets of variables that reflect, through the model's equations, the two shocks applied (respectively adverse and positive). The datasets are checked to detect any excessive quarterly volatility and/or inconsistencies in the path of the secondary variables. If necessary, the results are fine tuned. From these datasets, another set of variables is extracted; these are the narrower datasets supplied to produce the alternative Add-on scenarios in the next stages of the process.

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

With respect to the specific crisis impacted in Russia / Ukraine the Group took the preliminary steps to migrate all Russian exposures Internal Ratings to R4 / R5 which are the 2 lowest categories of Internal Ratings before default. This is turn automatically applied a significant increase of credit risk to the exposures and an automatic move to stage 2 increasing the impairment provisioning by circa €65 m. This Group also applied a prudential overlay to the Top 10 Performing Group exposures for approx. €150 m. As at 31 December, the Bank had only 1 exposure within the top 10 and is applying an add on of €600k.<sup>i</sup>

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:

<sup>i</sup> During 2022, the Bank had 2 exposures with a combined add on of €9.8 m

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

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

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

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  $LGD_i^{Most-Likely}$ ,  $LGD_i^{Adverse}$ ,  $LGD_i^{Best}$ ,  $i=1, \dots, n$  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

As part of the consolidated ICAAP process the Parent Company provides the Baseline and Stress Scenario (macroeconomic) projections regarding ITA, EUR and USA areas parameters that have been finalized by the relevant HO departments.

The stress projections of variables take into account an "override" made by ISP HO Risk Dept, aimed at fine-tuning the severity of the Adverse Scenario (produced by ISP Research Dept) from a more risk-oriented perspective. In particular, the "override" has involved the Italian GDP and BTP yield (2022 - 2025), Residential property Italy (2024 - 2025) and Italian Unemployment (2024 - 2025).

These scenario look at averages and also a point in time assessment

Given the Business Model applicable in the Company, a more idiosyncratic stress testing is performed commensurate with the Company's Statement of Financial Position and activity.

### Stress Scenario (Average)

		Baseline					Stress				
		2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
USA	Real GDP USA	1.96%	0.28%	1.10%	2.39%	2.28%	1.96%	-0.49%	1.08%	2.64%	2.46%
	CPI USA	8.08%	3.43%	2.56%	2.37%	2.83%	8.08%	5.26%	1.98%	0.70%	2.73%
	Residential Property USA	13.11%	-4.26%	0.03%	3.49%	3.78%	13.11%	-4.59%	0.71%	3.81%	3.89%
	Equity USA (S&P500)	-3.55%	-6.29%	1.71%	4.38%	2.22%	-3.55%	-18.78%	-1.49%	10.99%	6.05%
	USA Rate 3M (%)	2.38	5.23	4.59	3.64	3.09	2.38	5.23	4.61	4.38	4.16
	USA Rate 10Y (%)	2.99	3.50	3.97	4.35	4.35	2.99	3.63	4.18	4.58	4.56
EUR	USA Unemployment (%)	3.70	4.46	4.50	3.94	3.65	3.70	4.71	4.78	4.11	3.65
	Real GDP EUR	3.26%	0.06%	1.62%	1.84%	1.58%	3.26%	-1.18%	0.58%	2.59%	1.78%
	CPI EUR	8.47%	7.67%	2.73%	1.89%	2.06%	8.47%	9.05%	2.48%	-0.22%	1.27%
	EUR/USD	-11.23%	2.29%	3.48%	1.80%	1.25%	-11.23%	0.92%	0.14%	-0.59%	-0.70%
	Equity EStOXX 50	-7.76%	-3.12%	3.84%	1.23%	0.25%	-7.76%	-16.34%	-7.74%	-0.64%	3.63%
	Euribor 1M (%)	0.09	2.88	3.00	2.38	2.11	0.09	2.78	2.90	2.28	2.01
	Euribor 3M (%)	0.34	3.00	2.99	2.38	2.10	0.34	2.90	2.89	2.28	2.00
	Euribor 6M (%)	0.67	3.34	3.17	2.45	2.13	0.67	3.24	3.07	2.35	2.03
	Euribor 12M (%)	1.09	3.69	3.27	2.55	2.18	1.09	3.65	3.28	2.45	2.08
	EurIRS 3Y (%)	1.61	3.13	3.03	2.78	2.60	1.61	3.08	2.94	2.60	2.27
	EurIRS 5Y (%)	1.73	2.96	3.03	2.97	2.85	1.73	2.96	2.94	2.73	2.33
	EurIRS 10Y (%)	1.92	2.82	3.11	3.28	3.27	1.92	2.92	3.03	2.89	2.36
ITALY	EurIRS 15Y (%)	2.01	2.75	3.08	3.33	3.35	2.01	2.85	3.01	2.94	2.45
	10Y Bund yield (%)	1.16	2.04	2.70	3.11	3.11	1.16	2.14	2.63	2.72	2.21
	Real GDP Italy (yoy)	3.79%	0.57%	1.79%	1.23%	1.04%	3.79%	-1.70%	-2.48%	-0.48%	0.03%
	CPI Italy	8.22%	6.75%	2.44%	1.34%	1.46%	8.22%	8.58%	2.29%	-0.64%	-0.91%
	Residential Property Italy	5.06%	1.51%	1.53%	1.50%	2.17%	5.06%	-1.18%	-3.10%	-1.67%	3.02%
	10Y BTP yield (%)	3.03	4.05	4.60	4.90	4.85	3.03	4.86	5.80	5.89	5.39
	BTP-Bund Spread 10Y (%)	1.87	2.01	1.90	1.79	1.74	1.87	2.72	3.17	3.17	3.18
	Italian Unemployment (%)	8.17	8.53	8.19	8.08	8.05	8.17	9.52	9.58	10.23	10.31

## Stress Scenario (Average)

		Stress - Baseline differences			
		2023	2024	2025	2026
USA	Real GDP USA	-0.76%	-0.01%	0.25%	0.18%
	CPI USA	1.83%	-0.58%	-1.68%	-0.09%
	Residential Property USA	-0.33%	0.68%	0.32%	0.11%
	Equity USA (S&P500)	-12.49%	-3.20%	6.61%	3.83%
	USA Rate 3M (%)	0.00	0.02	0.74	1.07
	USA Rate 10Y (%)	0.13	0.21	0.23	0.21
	USA Unemployment (%)	0.25	0.29	0.18	0.01
EUR	Real GDP EUR	-1.23%	-1.04%	0.76%	0.21%
	CPI EUR	1.37%	-0.25%	-2.11%	-0.79%
	EUR/USD	-1.37%	-3.34%	-2.39%	-1.95%
	Equity ESTOXX 50	-13.21%	-11.58%	-1.87%	3.38%
	Euribor 1M (%)	-0.10	-0.10	-0.10	-0.10
	Euribor 3M (%)	-0.10	-0.10	-0.10	-0.10
	Euribor 6M (%)	-0.10	-0.10	-0.10	-0.10
	Euribor 12M (%)	-0.04	0.01	-0.10	-0.10
	EurIRS 3Y (%)	-0.04	-0.09	-0.18	-0.33
	EurIRS 5Y (%)	0.00	-0.09	-0.24	-0.52
	EurIRS 10Y (%)	0.10	-0.08	-0.39	-0.90
	EurIRS 15Y (%)	0.10	-0.08	-0.39	-0.90
	10Y Bund yield (%)	0.10	-0.08	-0.39	-0.90
ITALY	Real GDP Italy (yoy)	-2.27%	-4.26%	-1.71%	-1.01%
	CPI Italy	1.83%	-0.15%	-1.98%	-2.37%
	Residential Property Italy	-2.69%	-4.63%	-3.17%	0.85%
	10Y BTP yield (%)	0.81	1.20	1.00	0.53
	BTP-Bund Spread 10Y (%)	0.71	1.27	1.39	1.44
	Italian Unemployment (%)	0.99	1.39	2.15	2.26



## Stress Scenario (Point-in-time)

		Baseline					Stress				
		2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
USA	Residential Property USA	5.12%	-3.65%	2.10%	3.65%	3.72%	5.12%	-3.66%	2.65%	3.77%	4.01%
	Equity USA (S&P500)	-14.95%	-1.76%	3.74%	3.25%	2.67%	-14.95%	-19.29%	8.78%	9.56%	3.73%
	USA Rate 3M (%)	4.44	5.21	4.22	3.42	3.00	4.44	5.21	4.23	4.23	4.16
	USA Rate 10Y (%)	3.86	3.52	4.19	4.46	4.37	3.86	3.74	4.41	4.71	4.43
	USA Unemployment (%)	3.79	4.75	4.24	3.80	3.57	3.79	5.05	4.52	3.90	3.54
EUR	EUR/USD	-11.95%	9.06%	1.93%	1.78%	0.93%	-11.95%	5.51%	-0.32%	-0.60%	-0.81%
	Equity ESTOXX 50	-16.39%	3.63%	2.70%	0.66%	0.63%	-16.39%	-12.79%	-11.71%	8.22%	0.33%
	Euribor 1M (%)	1.34	3.06	2.78	2.32	2.04	1.34	3.28	2.64	2.23	1.95
	Euribor 3M (%)*	1.75	3.13	2.72	2.34	2.05	1.75	3.18	2.56	2.27	1.95
	Euribor 6M (%)	2.27	3.42	2.84	2.41	2.07	2.27	3.41	2.69	2.33	1.81
	Euribor 12M (%)	2.83	3.58	2.93	2.50	2.12	2.83	3.70	2.86	2.39	2.05
	EurIRS 3Y (%)	2.98	3.02	2.85	2.78	2.59	2.98	3.10	2.68	2.58	2.19
	EurIRS 5Y (%)	2.94	2.88	2.93	3.01	2.85	2.94	2.98	2.74	2.70	2.20
	EurIRS 10Y (%)	2.94	2.79	3.12	3.37	3.28	2.94	2.93	2.90	2.83	2.23
	EurIRS 15Y (%)	2.93	2.73	3.13	3.44	3.38	2.93	2.87	2.91	2.89	2.33
	10Y Bund yield (%)	2.09	2.11	2.83	3.22	3.13	2.09	2.25	2.60	2.68	2.08
ITALY	Residential Property Italy	5.46%	0.53%	1.62%	1.71%	2.36%	5.46%	-3.82%	-2.75%	-0.42%	4.60%
	10Y BTP yield (%)	4.05	4.17	4.65	4.99	4.87	4.05	5.15	5.77	5.92	5.37
	BTP-Bund Spread 10Y (%)	1.96	2.05	1.82	1.77	1.74	1.96	2.90	3.17	3.25	3.29
	Italian Unemployment (%)	8.18	8.32	8.18	8.05	8.05	8.18	9.99	9.39	10.07	10.28

## Stress Scenario (Point-in-time)

		Stress - Baseline differences			
		2023	2024	2025	2026
USA	Residential Property USA	-0.01%	0.55%	0.12%	0.29%
	Equity USA (S&P500)	-17.53%	5.05%	6.31%	1.06%
	USA Rate 3M (%)	0.00	0.02	0.81	1.17
	USA Rate 10Y (%)	0.22	0.21	0.25	0.07
	USA Unemployment (%)	0.30	0.28	0.10	-0.03
EUR	EUR/USD	-3.55%	-2.25%	-2.38%	-1.74%
	Equity ESTOXX 50	-16.42%	-14.41%	7.56%	-0.30%
	Euribor 1M (%)	0.21	-0.14	-0.09	-0.10
	Euribor 3M (%)*	0.05	-0.16	-0.07	-0.10
	Euribor 6M (%)	-0.01	-0.14	-0.08	-0.27
	Euribor 12M (%)	0.12	-0.07	-0.10	-0.07
	EurIRS 3Y (%)	0.08	-0.17	-0.20	-0.40
	EurIRS 5Y (%)	0.10	-0.19	-0.31	-0.65
	EurIRS 10Y (%)	0.14	-0.22	-0.54	-1.05
	EurIRS 15Y (%)	0.14	-0.22	-0.54	-1.05
	10Y Bund yield (%)	0.14	-0.22	-0.54	-1.05
ITALY	Residential Property Italy	-4.35%	-4.37%	-2.13%	2.24%
	10Y BTP yield (%)	0.99	1.12	0.94	0.50
	BTP-Bund Spread 10Y (%)	0.85	1.34	1.48	1.55
	Italian Unemployment (%)	1.67	1.21	2.01	2.22

## 1.9. Derivative financial instruments and hedge accounting

### 1.9.1. Derivative financial instruments

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

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

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

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

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

In accordance with the Group Fair Value Policy, the Parent Company provides 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 Company has a positive exposure towards the Counterparty. In these scenarios, the Company incurs a loss equal to the replacement cost of the derivative;

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

The bCVA depends on the probability of default, on the Loss Given Default of the counterparties and on the total exposure between the two counterparties.

The latter must be calculated 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  $V_0$ . 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. As at December 2022 the Company does not have any instances of failures in relation to effectiveness testing (2021: no instances of failure).

### 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. The Company follows the IAS39 approach for Hedge Effectiveness and in accordance with the Group approach has not implemented the IFRS9 approach. The Hedge effectiveness rule of IAS 39 with objective-based requirements focused on:

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

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

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

For the on-going effectiveness, the Company uses the Dollar Offset Method and the hedge effectiveness test is performed by comparing the Net Present Values (defined as the Present Value less Accruals) of both the synthetic asset/liability and the hedging

derivative. This method is applied on a Fair Value basis: we consider the whole NPV of both instruments in the calculation of the hedging effectiveness ratio (whole NPV since inception, not just from period to period).

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

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

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

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

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

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

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

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

$$\text{NPVback-testing} = \text{NPV} - \text{PVCr contractual} + \text{PVCr back-testing} + \text{Acccontractual} - \text{Accback-testing}$$

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:

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

With:

- $r_1$  : is the rate for the closest and smaller duration;
- $t_1$  : is the duration of the rate  $r_1$ ;
- $r_2$  : is the rate for the closest and longer duration;
- $t_2$  : is the duration of the rate  $r_2$ ;
- $t$  : is the difference between revaluation date and next re-fixing date;

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

## 1.10. Property, plant and equipment

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

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

Office equipment	20.0% straight line
Computer equipment & software	33.3% straight line
Leasehold Improvement	20.0% straight line
Right of use asset (leases)	straight line over the lease term

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

### 1.11. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturity of less than three months, including cash, loans and advances to banks, deposits from banks and repurchase agreements<sup>i</sup>. We do not have any accounts with restricted cash conditions outside of CSA accounts<sup>ii</sup>. In addition, we note that we have received funds designated as "Restricted Cash" which comprises cash funds received from counterparties not offset against loan exposures due to sanctions. Restricted cash is not considered as part of cash and cash equivalents and is reported separately as part of Fund due to customers.

### 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,

<sup>i</sup> No outstanding as at 31 december 2022

<sup>ii</sup> Cash balances must cover derivative MTM which is revalued on a daily basis



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 / TLTRO / LTRO / MRO agreements

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



### 1.18. Lease

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

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

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

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

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

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

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

### 1.19. New standards

The following new standards and amendments to standards have been adopted by the Company during the year ended 31 December 2022:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020); effective date 1 January 2022

There have been no new standards or amendments during the year 2022, which have had a material impact on the Company.

## 1.20. Standards Issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

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

- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts; - effective date 1 January 2023
- Disclosures of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2; - effective date 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates ( issued on 12 February 2021 Effective date 1<sup>st</sup> January 2023
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021); effective date 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non- current Date ( issued on 23 January 2020) ; Classification of Liabilities as Current or Non- current - Deferral of Effective Date ( issued on 15 July 2020) ; and Non- current Liabilities with Covenants ( issued on 31 October 2022 and effective 01 January 2024)

## 1.21. IFRS 9: Financial Instruments

### Business Model Adopted

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

#### **Assessment**

The assessment is made at an 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 Company manages its financial assets in order to generate cash flows.

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

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

- **Amortised Cost (A.C):** This category implies a valuation approach at amortized cost;
- **Fair Value through Other Comprehensive Income (FVOCI):** This classification provides for measurement at fair value, of the changes in fair value as a separate component of equity. The reserve flows 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 applied to it and described above depends, on two criteria:

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

The Business Model looks at the prevailing strategy, risks, compensation, KPIs 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 Company and the Business Model is focused towards collecting purely interest and principal repayments over a medium term primarily in line with the Corporate & Investment Bank Division Risk Appetite.

It represents the most common management model within the division and is to be managed in financial terms, administrative and risk to maturity. The prevailing strategy for loans 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 Company and its activity is integrated into the management of liquidity risk and financial risk aimed at establishing a management portfolio liquidity, containing positions in financial assets and liabilities held in order to provide a liquidity portfolio for the Company.

The prevailing strategy relating to debt securities is **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 Company. The Company 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 Company is aligned with its strategy through

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

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

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

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

**Financial Liabilities:** The financial liabilities (EMTN Issuance<sup>i</sup>) of the Company are **accounted for under Amortised Cost.**

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

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

#### **Reclassification**

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

These changes should be 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.

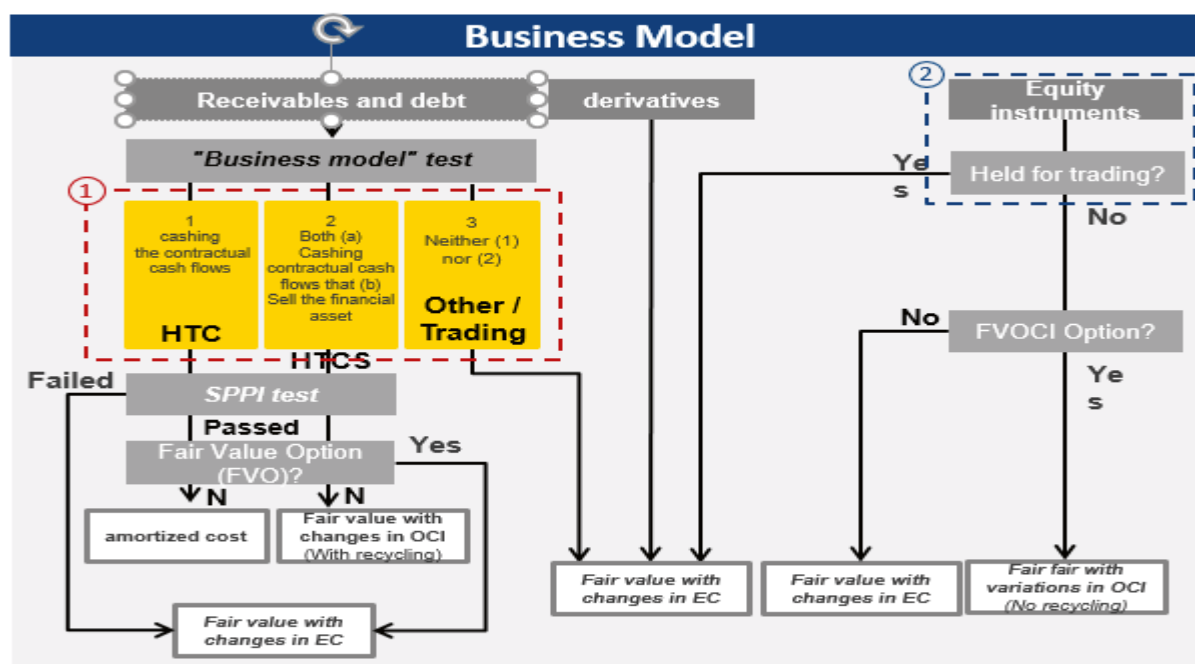
Therefore, in accordance with the provisions, the business model of a group of assets cannot change as a result of a transfer of activities between the business structures having different business model. The structure that receives the task inherits the business model of the transferor structure.

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

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<sup>i</sup> Some legacy transactions linked to reciprocal lending contracts which failed the SPPI test are accounted for as FVTPL

## Business Model Overview



## IFRS 9 Hedge Accounting

Regarding hedge accounting, 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.

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 with respect to the review of the Business Model Rules of the Group incorporating the Corporate & Investment Banking Division (including specific sections for ISP Ireland).

The changes in the regulations on Hedge Accounting exclusively concern General Hedging and are strictly linked to 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

### Classification and Measurement

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

- Banca dei Territori
- Corporate and Investment Banking<sup>i</sup>
- International Subsidiary Banks
- Private Banking
- Asset Management
- Insurance
- Group Treasury and Finance Head Office Department
- Capital Management Head Office Department

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

The classification of the financial asset is guided by the contractual characteristics of the cash flows of the instrument (SPPI Test) and 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 **"Hold to Collect"** 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 Business Model for the Company as per the Group Rules are displayed below:

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<sup>i</sup> The Company is part of 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 <sup>24</sup> : <ul style="list-style-type: none"> <li>• increase the amount assets that may be liquidated easily to mitigate exposure of the company to liquidity risk;</li> <li>• optimise liquidity regulatory ratios.</li> </ul>
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: <ul style="list-style-type: none"> <li>• interest rate</li> <li>• credit</li> <li>• liquidity</li> </ul>
Performance indicators	Interest accrual reported monthly; capital gains/loss only when the position is closed
Business model	Hold to Collect and Sell

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

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

### 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 Company'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 of the movement 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 movement 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.

## 2. Qualitative risk disclosures and Basel 2

### Capital Management<sup>i</sup>

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 Company for solvency purposes, and overall economic capital at risk for the purposes of the ICAAP (Internal Capital Adequacy Assessment Process) process against the Company's available financial resources as defined by the Group.

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

Compliance with the target levels of capitalisation (regulatory & economic) identified within the Group Risk Appetite Framework are monitored on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the Bank's Statement of Financial Position.

### Regulatory Capital<sup>ii</sup>

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

<sup>i</sup> unaudited

<sup>ii</sup> unaudited

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

The Company maintains Total Capital Ratio in excess of requirements notified by the European Central Bank, as part of the Supervisory Review and Evaluation Process and as at 31 December 2022 the Total Capital Ratio was 34.90% (38.58% in December 2021).

The table below discloses the own funds and regulatory capital requirements of the Company for 2022 and 2021 year-ends:

#### Regulatory Capital Information 2022 and 2021<sup>i</sup>

	Eligible Own Funds 2022 €'000	Capital Requirement 2022 €'000	Eligible Own Funds 2021 €'000	Capital Requirement 2021 €'000
Equity	1,015,045	-	1,176,239	-
<b>Regulatory Adjustments being phased in/out under CRD IV</b>				
IFRS 9 Transitional Adjustment	1,301	-	2,602	-
<b>Other regulatory adjustments</b>				
Other adjustments (2)	(1,519)	-	4,198	-
<b>Core Tier 1</b>	<b>1,014,827</b>	<b>308,155</b>	<b>1,183,039</b>	<b>322,538</b>
<b>Total Tier 1</b>	<b>1,014,827</b>	<b>308,155</b>	<b>1,183,039</b>	<b>322,538</b>
<b>Regulatory adjustments</b>				
Expected loss deduction (3)	-	-	-	-
IRB Excess of provisions over expected losses eligible	4,446	-	-	-
<b>Tier 2</b>	<b>4,446</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>1,019,273</b>	<b>308,155</b>	<b>1,183,039</b>	<b>322,538</b>

- (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.

<sup>i</sup> (Unaudited)

- (2) Includes technical items such as non-qualifying CET 1 items, PVA, Impairment Provision Recovery.
- (3) Overall Capital Requirement (OCR) OCR% is the Total Capital Requirement Ratio Plus the Combined Buffer Requirement at the reporting date.

TOTAL RISK EXPOSURE AMOUNT		
	2022	2021
	€'000	€'000
	2,920,374	3,066,513
OCR%	10.55%	10.52%

### 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<sup>i</sup> 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 2022 stood at €3.960m (2021€1.463m) against a limit of €8m (2021 €15m) . VAR encompasses a full revaluation of every single instrument in the bond banking book using historical simulations based on actual market scenarios observed in the past (250 days) including specific risk factors such as equity prices and indexes, FX rates, zero coupon rate curves, credit spread curves and implied volatilities with a confidence

<sup>i</sup> Official name of Intesa Corporate and Investment Banking Division

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 €6.292 billion at the end of 2022 (€5.690 billion in 2021):

	2022 €'000	2021 €'000
<b>Loans and advances to banks</b>	5,132,677	4,089,845
<b>Loans and advances to customers</b>	1,159,145	1,599,979
	<b>6,291,822</b>	<b>5,689,824</b>

The Company has in place a Market Value Limit of €4 billion (€4 billion in 2021) equivalent for the purchase of bonds. Within the Company's approved Financial Portfolio Policy, the investment in permissible bonds is subject to subcategory limits as described therein.

The total exposure of the Company derived from bonds classified as Financial assets at fair value through other comprehensive income shown in the following table, amounted up to €1.970 billion at the end of 2022 (€2.090 billion in 2021).

	2022	2021
	€'000	€'000
Financial assets at fair value through other comprehensive income	1,969,563	2,089,511
	<b>1,969,563</b>	<b>2,089,511</b>

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 2022 and 2021 **by activity sector** is provided in the tables below: The numbers are inclusive of risk mitigation.

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

<b>31 December 2021</b> <b>Sector of Risk</b>	<b>At amortised cost / FVTPL €'000</b>	<b>Contingent liabilities &amp; commitments €'000</b>	<b>At FVTOCI Securities €'000</b>
Central Government	137,366	111,572	1,032,745
Credit Institutions	176,017	-	805,542
Forestry, logging, mining and quarrying	-	-	-
Electricity, Gas and Water Supply	122,306	79,025	-
Extra-Territorial Organisations and Bodies	-	-	82,472
Financial Intermediaries (excluding Credit Institutions / Central Bank)	228,053	-	137,460
Hotels and Restaurants	-	-	-
Manufacturing	376,072	288,593	5,062
Mining and Quarrying	255,495	-	-
Real Estate, Renting and Business	-	34,417	-
Transport, Storage and Communications	452,371	-	26,230
Wholesale/Retail Trade & Repairs	-	-	-
Group	3,509,865	13,703	-
Cash Collateral	432,310	-	-
<b>Grand Total</b>	<b>5,689,824</b>	<b>527,310</b>	<b>2,089,511</b>

# Impairment classification by stage

Financial asset exposure by stage (before impairment loss allowance)	31 December 2022				31 December 2021
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Financial assets measured at amortised cost</b>					
Loans and advances to customers	528,988	513,953	273,601	1,316,542	1,602,229
Loans and advances to banks	4,903,679	-	-	4,903,679	3,796,639
<b>Total Financial assets measured at amortised cost</b>	<b>5,432,667</b>	<b>513,953</b>	<b>273,601</b>	<b>6,220,221</b>	<b>5,398,868</b>
<b>Debt instruments at fair value through other comprehensive Income</b>					
	1,946,433	23,812	-	1,970,245	2,090,095
<b>Total</b>	<b>7,379,100</b>	<b>537,765</b>	<b>273,601</b>	<b>8,190,466</b>	<b>7,488,963</b>

The Group's Impairment Model incorporates a 4 year forward looking economic scenario<sup>i</sup> and the results of this assessment is incorporated into an add on the applicable ECL% applied to the borrowing. This assessment is performed on a semi-annual basis in June and November and will reflect the prevailing macro-economic environment as we saw last year in 2020 with the Covid Pandemic and the negative impact therein.

We can see from the below tables that the movement year on year is less severe between 2021 and 2022 against what was seen in 2020 and 2021. This volatility is expected by the extent of the unknown impacts for the COVID Pandemic which have dissipated over time and Industry and Government adapt to the new environment and meet the medical and social challenges.

<sup>i</sup> Performed in June and November (2022 , November)



Looking at the Bank's Stage 2 exposures Year on Year we see outside of the Russian Exposures we see that the Bank's Stage 2 exposures have remained relatively stable with exposure as at December 2021 at €30.3 m (2 Counterparties) and December 2022 at €106.4 m (2 Counterparties) consistent with credit ratings and expectations

		Scenario Base						Scenario Base			
		2021	2022	2023	2024			2022	2023	2024	2025
ITALY	<b>Average Variation</b>					ITALY	<b>Average Variation</b>				
	Real GDP	6.20%	4.30%	2.40%	1.60%		Real GDP	3.79%	0.59%	1.79%	1.23%
	CPI Italy	1.80%	1.90%	1.40%	1.70%		CPI Italy	8.22%	6.75%	2.44%	1.34%
	Residential Property Italy	2.40%	2.40%	0.70%	1.90%		Residential Property Italy	5.06%	1.51%	1.53%	1.50%
	<b>Average Level</b>						<b>Average Level</b>				
	10Y BTP Yield	0.75	1.50	2.01	2.25		10Y BTP Yield	3.03	4.05	4.60	4.90
EURO AREA	BTP - Bund Spread 10Y	1.07	1.55	1.65	1.64	EURO AREA	BTP - Bund Spread 10Y	1.87	2.01	1.90	1.79
	Italian Unemployment	9.40	9.00	8.80	8.60		Italian Unemployment	8.17	8.53	8.19	8.08
	<b>Average Variation</b>						<b>Average Variation</b>				
	Real GDP EUR	5.00%	3.80%	2.40%	1.60%		Real GDP EUR	3.24%	0.04%	1.62%	1.84%
	Equity ESTOXX 50	22.90%	7.20%	0.50%	-0.30%		Equity ESTOXX 50	-7.76%	-3.12%	3.84%	1.23%
US AREA	<b>Average Level</b>					US AREA	<b>Average Level</b>				
	EURIO/\$	1.18	1.16	1.22	1.24		EURIO/\$	11.23%	2.29%	3.48%	1.80%
	Euribor 3M	-0.55	-0.52	-0.49	-0.48		Euribor 3M	0.34	3.00	2.99	2.38
	EurIRS 10Y	0.05	0.34	0.51	0.59		EurIRS 10Y	1.92	2.82	3.11	3.28
	10Y Bund Yield	-0.33	-0.05	0.36	0.60		10Y Bund Yield	1.16	2.04	2.70	3.11
US AREA	<b>Average Variation</b>					US AREA	<b>Average Variation</b>				
	Real GDP US	5.60%	4.10%	2.40%	2.00%		Real GDP US	1.94%	0.28%	1.10%	2.39%
	Equity US	32.30%	8.60%	1.50%	-2.00%		Equity US	-3.55%	-6.29%	1.71%	4.38%
	<b>Average Level</b>						<b>Average Level</b>				
	Italian Unemployment	5.30	3.70	3.50	3.40		Italian Unemployment	3.70	4.46	4.50	3.94

Previous YoY Analysis

		Scenario Base						Scenario Base			
		2021	2022	2023	2024			2020	2021	2022	2023
ITALY	<b>Average Variation</b>					ITALY	<b>Average Variation</b>				
	Real GDP	6.20%	4.30%	2.40%	1.60%		Real GDP	-9.00%	3.50%	3.80%	2.30%
	CPI Italy	1.80%	1.90%	1.40%	1.70%		CPI Italy	-0.20%	0.50%	0.90%	1.20%
	Residential Property Italy	2.40%	2.40%	0.70%	1.90%		Residential Property Italy	2.40%	-2.00%	0.50%	1.00%
	<b>Average Level</b>						<b>Average Level</b>				
	10Y BTP Yield	0.75	1.50	2.01	2.25		10Y BTP Yield	1.20	0.80	1.00	1.20
EURO AREA	BTP - Bund Spread 10Y	1.07	1.55	1.65	1.64	EURO AREA	BTP - Bund Spread 10Y	1.60	1.30	1.50	1.60
	Italian Unemployment	9.40	9.00	8.80	8.60		Italian Unemployment	9.20	10.40	10.00	9.50
	<b>Average Variation</b>						<b>Average Variation</b>				
	Real GDP EUR	5.00%	3.80%	2.40%	1.60%		Real GDP EUR	-7.30%	3.90%	4.20%	2.10%
	Equity ESTOXX 50	22.90%	7.20%	0.50%	-0.30%		Equity ESTOXX 50	-5.20%	4.69%	4.00%	2.90%
US AREA	<b>Average Level</b>					US AREA	<b>Average Level</b>				
	EURIO/\$	1.18	1.16	1.22	1.24		EURIO/\$	1.14	1.18	1.18	1.18
	Euribor 3M	-0.55	-0.52	-0.49	-0.48		Euribor 3M	-0.40	-0.50	-0.50	-0.50
	EurIRS 10Y	0.05	0.34	0.51	0.59		EurIRS 10Y	-0.10	-0.20	-0.10	0.10
	10Y Bund Yield	-0.33	-0.05	0.36	0.60		10Y Bund Yield	-0.50	-0.50	-0.50	-0.40
US AREA	<b>Average Variation</b>					US AREA	<b>Average Variation</b>				
	Real GDP US	5.60%	4.10%	2.40%	2.00%		Real GDP US	-3.50%	4.20%	2.70%	2.40%
	Equity US	32.30%	8.60%	1.50%	-2.00%		Equity US	10.00%	7.30%	-0.40%	-0.60%
	<b>Average Level</b>						<b>Average Level</b>				
	Italian Unemployment	5.30	3.70	3.50	3.40		Italian Unemployment	8.20	6.50	5.60	4.80

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

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

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

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
Financial asset exposure by stage (before impairment loss allowance)	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Financial assets measured at amortised cost</b>					
Loans and advances to customers	1,572,059	30,170	-	1,602,229	1,352,064
Loans and advances to banks	3,796,639	-	-	3,796,639	5,804,790
<b>Total Financial assets measured at amortised cost</b>	5,368,698	30,170	-	5,398,868	7,156,854

**Debt instruments at fair value through other comprehensive Income**

2,065,271      24,824      -      2,090,095      2,198,567

**Total**

**7,433,969      54,994      -      7,488,963      9,355,421**

**Impairment loss allowance on financial assets**
**Financial assets measured at amortised cost**

Loans and advances to customers

Loans and advances to banks

**Total Financial assets measured at amortised cost**
**Debt instruments at fair value through other comprehensive Income**
**Total**

31 December 2021				31 December 2020
Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total	
€ '000	€ '000	€ '000	€ '000	€ '000
1,343	907	-	2,250	6,323
990	-	-	990	2,831
2,333	907	-	3,240	9,154
500	84	-	584	1,169
<b>2,833</b>	<b>991</b>	<b>-</b>	<b>3,824</b>	<b>10,323</b>

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
Contingent liabilities and commitments by stage (before impairment)	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	494,154	131	-	494,285	255,678
Banks	58,652	-	-	58,652	78,852
Total contingent liabilities and commitments subject to credit risk	552,806	131	-	552,937	334,530

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3		
	(not credit - impaired)	(not credit - impaired)	(credit - impaired)	Total	
Impairment loss allowance on contingent liabilities and commitments	€'000	€'000	€'000	€'000	€'000
Contingent liabilities and commitments subject to credit risk					
Customers	76	1	-	77	143
Banks	26	-	-	26	72
Total contingent liabilities and commitments subject to credit risk	102	1	-	103	215

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 2022 and 2021 **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 2022 Internal Rating	External Rating equivalent	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
I.1.A	AAA	35,705	-	581,244
I.1.B	AA+	-	-	118,478
I.1.D	AA-	-	-	189,709
I.1.E	A+	-	-	270,483
I.1.F	A	-	-	43,046
I2	A-	-	-	28,696
I3	BBB+	57,086	-	52,115
I4	BBB+	317,390	51,426	-
I5	BBB	5,302,131	31,842	630,259
I6	BBB-	212,223	95,154	6,532
M1	BB+	1,843	32,566	-
M2	BB	-	-	-
M3	BB	70,696	-	-
M4	BB-	-	-	-
R1	B+	-	-	-
R2	B	-	-	-
R3	B	1,356	-	-
R5	CCC	170,845	-	49,001
D	D	110,787	-	-
UR	UR	11,760	-	-
<b>Grand Total</b>		<b>6,291,822</b>	<b>210,988</b>	<b>1,969,563</b>

31 December 2021 Internal Rating	External Rating equivalent	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
I.1.A	AAA	54,479	-	679,943
I.1.B	AA+	-	-	74,413
I.1.D	AA-	-	-	133,887
I.1.E	A+	-	-	268,109
I.1.F	A	-	-	245,579
I2	A-	92,770	-	34,780
I3	BBB+	19,189	-	83,243
I4	BBB+	143,366	61,636	-
I5	BBB	4,032,164	125,276	560,310
I6	BBB-	511,080	102,910	9,247
M1	BB+	91,577	237,488	-
M2	BB	268,405	-	-
M3	BB	-	-	-
M4	BB-	-	-	-
R1	B+	24,317	-	-
R4	B-	19,866	-	-
R5	CCC	301	-	-
UR	UR	-	-	-
<b>Cash Collateral</b>		<b>432,310</b>	<b>-</b>	<b>-</b>
<b>Bond Collateral</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>5,689,824</b>	<b>527,310</b>	<b>2,089,511</b>

A breakdown of the Company's credit risk exposure relating to, Contingent Liabilities and Bonds at year-ends 2022 and 2021 **by country risk** is provided in the tables below: The numbers are inclusive of risk mitigation.

2022 - Country Risk	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
Austria	-	-	10,523
Belgium	11,760	-	24,527
Canada	-	-	105,319
Croatia	9,644	-	-
Denmark	-	-	7,510
France	-	-	250,331
Japan	-	-	28,797
Germany	35,705	-	118,408
Iceland	-	-	4,085
Ireland	71,221	167,746	72,308
Italy	5,123,070	31,842	785,193
Luxembourg	-	-	34,990
Mauritius	44,618	-	-
Netherlands	70,696	-	116,369
Norway	105,358	11,400	34,602
Poland	154,108	-	41,904
Qatar	98,917	-	-
Romania	-	-	6,532
Russian Federation	254,781	-	-
Slovakia	-	-	13,244
Slovenia	7,053	-	5,903
Spain	-	-	56,915
Supranational	-	-	134,366
Sweden	-	-	43,688
United Kingdom	304,891	-	74,049
<b>Grand Total</b>	<b>6,291,822</b>	<b>210,988</b>	<b>1,969,563</b>

2021 - Country Risk	Loans/Receivables €'000	Contingent Liabilities €'000	Bonds €'000
Austria	-	-	12,158
Belgium	12,910	-	37,472
Canada	94,977	-	84,359
Croatia	10,004	-	-
Denmark	-	-	8,148
France	-	-	346,979
Germany	54,479	-	206,127
Iceland	-	-	4,881
Ireland	69,154	138,571	257,115
Italy	3,543,629	125,276	644,403
Luxembourg	-	-	36,840
Mauritius	42,025	-	-
Netherlands	89,343	-	77,682
Norway	112,101	17,725	37,114
Poland	113,213	-	44,924
Qatar	92,770	-	-
Romania	4,231	-	9,247
Russian Federation	654,656	9,333	-
Slovakia	-	-	16,297
Slovenia	7,137	-	7,531
South Africa	22,032	-	-
Spain	-	-	38,320
Supranational	-	-	118,703
Sweden	-	-	48,173
Switzerland	30,597	-	-
United Kingdom	719,899	203,072	53,038
United States	16,667	33,333	-
<b>Grand Total</b>	<b>5,689,824</b>	<b>527,310</b>	<b>2,089,511</b>

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



	2022		2021		Change net exposure
	Net exposure €'000	% break-down	Net exposure €'000	% break-down	€'000
30 Days Past Due	-	-	-	-	-
Forborne	-	-	-	-	-
<b>Credit Impaired</b>	<b>140,956</b>	<b>2.00</b>	-	-	<b>140,956</b>
Not credit impaired	6,122,074	98.00	5,689,824	99.00	432,250
Forborne	28,792	0.00	29,218	1.00	(426)
<b>Loans and Advances to Banks and Customers</b>	<b>6,291,822</b>	<b>100.00</b>	<b>5,719,042</b>	<b>100.00</b>	<b>572,780</b>

	Gross exposure €'000	2022 Impairment provisions €'000	Net exposure €'000	Gross exposure €'000	2021 Impairment provisions €'000	Net exposure €'000
30 Days Past Due	-	-	-	-	-	-
Forborne	-	-	-	-	-	-
<b>Credit impaired</b>	<b>271,952</b>	<b>(130,996)</b>	<b>140,956</b>	-	-	-
Not credit impaired	6,147,555	(25,481)	6,122,074	5,693,064	(3,240)	5,689,824
Forborne	28,796	(4)	28,792	30,125	(907)	29,218
<b>Loans and Advances to Banks and Customers</b>	<b>6,448,303</b>	<b>(156,481)</b>	<b>6,291,822</b>	<b>5,723,189</b>	<b>(4,147)</b>	<b>5,719,042</b>

Gross exposure relating to 30 days past due €Nil million exposure at 31 December 2022 (2021 : €Nil million).

There is currently no exposure to 30 days past due loans in December 2022 (2021: Nil).

Gross Non-performing exposures at 31 December 2022 €271.95m (2021: 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 baseline scenario for the purposes of monitoring the shift sensitivity of the exposure and control of the limits of a parallel instantaneous shock scenario has been changed from a shock of 25 basis points to 100 basis points as per the Group Guidelines on The Governance of Interest Rate Risk in The Banking Book with effect as of March 2022.

Therefore, the table below provides estimates of the impact of a parallel upward shift of 100 basis points of individual credit spread curves of bonds ("FVTOCI Securities") of the Company in 2022 and a revaluation of 2021 based on the same scenario for comparison purposes.

#### Price Sensitivity Analysis as at 30 December 2022 of FVTOCI Securities to Credit Spread Volatility (€'000) (100 basis points)

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value through other comprehensive income	-	(63,630)
<b>Total</b>	<b>-</b>	<b>(63,630)</b>

#### Price Sensitivity Analysis as at 31 December 2021 of FVTOCI Securities to Credit Spread Volatility<sup>i</sup>

	Profit & Loss €'000	Other Comprehensive Income and Equity €'000
Financial assets at fair value through other comprehensive income	-	(19,139)
<b>Total</b>	<b>-</b>	<b>(19,139)</b>

<sup>i</sup> 2021 based on 25 bps movement. 100 bps equivalent = €76,556

Use of Credit Risk Mitigants:

At year-end 2022, of the total amount of cash loans and advances<sup>i</sup> of €1,502.457 million (2021: €1,878.189 million), representing a year on year fall of 20%; €638.790 million (2021: €655.372million) (representing 42.51% (2021: 31.489%)) had a credit risk mitigation either through Sovereign Insurance cover, direct Parental Guarantee or Risk Participation Agreements. The Company had no positions covered by Cash Collateral. Group guarantees amounted to €84.691 million (2021: €84.370 million).

Collateral Management:

It is noted that the Company's derivative activity is solely with ISP SPA and we only have 1 legacy counterparty non ISP SPA which there is no future activity. An amount of €222.912 million of adjusted fair value IRS derivative risk exposure was partially or fully covered by collateral at year-end 2022 (2021: €444,389 million). Collateral received in the form of cash amounted to € 76.098million (2021: €450.708 million) . It is noted that derivative positions are subject to daily margining in cash under terms of CSA

The Company did not take possession of any new pledged collateral, excluding cash and securities, during the 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 2022**

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

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

<sup>i</sup> Excluding Intra-Group, Investments under Financial Portfolio, Guarantees Issued, Nostro Accounts and Undrawn Commitments

### 31 December 2022

	€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives		320,556	-	320,556	-	76,097	244,459

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

### 31 December 2021

	€'000	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
					Financial instruments (including non-cash collateral)	Cash collateral received	
Derivatives		507,115	-	507,115	-	450,708	56,407
Reverse Repurchase Agreements		-	-	-	-	-	-

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

### 31 December 2021

	€'000	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
					Financial instruments	Cash collateral pledged	
Derivatives		485,168	-	485,168	-	432,310	52,858
Repurchase agreements		53,557	-	53,557	62,893	-	(9,336)

#### Credit Concentrations Monitoring:

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

It is the policy of the Company to monitor regulatory and ECAP concentrations of credit risk. ECAP Concentration Risk is monitored as part of Pillar II ECAP and subject to measurement as part of overall Available Financial Reserves / ECAP in line with Risk Appetite Limits of 110%. No specific limits are implemented locally for concentration risk as these limits are managed on a divisional level.

It is the policy of the Company to monitor and control concentrations of credit risk so that they do not exceed specified limits.

One key concentration limit of the Company concerns the concentration to any singular or group of connected clients calculated as a portion of own funds whereby any final exposure (uncovered by any credit risk mitigation) to a client or group of connected clients shall be considered a Large Exposure if its value is equal to or exceeds 10 per cent of the Company's Own Funds base. Large Exposures are reported as part of the Core Reporting packages of the Bank to the regulator in accordance with prescribed regulatory rules.

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

- Large Exposures to a client or group of connected clients not to exceed 25%<sup>i</sup> 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%<sup>ii</sup> 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 €2.876 billion at the end of 2022 (2021: €4.237 billion), of which €1.476 billion were classified as hedging derivatives with application of hedge accounting rules (2021: €1.733 billion).

The remainder €1.4bn (2021: €1.4 bn) is made up of legacy Back to Back economic hedges which are performed on reciprocal terms and have no economic impact on the Company's Profit and Loss.

At the end of 2022, 73.92% in notional terms of the derivatives involving the Company were dealt with another entity of the Group (2021: 66.95%) while 97.56% of all contracts are performed with Intra-Group Counterparties. Cash Collateral paid for derivatives amounted to €75.950million (2021: €432.31 million). The Company computes a non-material amount for bilateral credit and debit risk adjustment (CVA / DVA) as 100% of

<sup>i</sup> Limits respected throughout 2022

<sup>ii</sup> Limits respected throughout 2022

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 retention 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. The LCR provides in its structure a combined idiosyncratic and market-wide shock for the purpose of assessing potential and/or expected inflows/outflows on the basis of such scenario. The Risk Appetite Framework provides for a ratio in excess of regulatory requirements.

**Net Stable Funding Ratio (NSFR)**: has the purpose of promoting the Company'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, the NSFR is structured to promote a sustainable maturity structure of assets and liabilities, is established a retention 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.

### <sup>i</sup>Historical statistics on liquidity ratios (standard case) for 2022 and 2021

	2022	2021
	LCR	LCR
	%	%
Minimum	172.8	123.8
Maximum	2,740.0	3,488.0
Average	659.6	917.5

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

The following table shows the liquidity risk exposure of the Company for the year ended 2022 and 2021 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).<sup>ii</sup>

		31/12/2022		31/12/2021	
		Total Value	Total Weighed Value	Total Value	Total Weighed Value
<b>HQLA</b>		1,417,586	1,344,346	1,694,145	1,654,825
<b>L1</b>	Coins and banknotes	-	-	-	-
	Withdrawable central bank reserves	-	-	225,000	225,000
	Central government assets	657,582	657,582	851,905	851,905
	Regional government / local authorities assets	36,892	36,892	41,528	41,528
	Multilateral development bank and international organisations assets	51,347	51,347	93,321	93,321
	Extremely high quality covered bonds	450,949	419,383	328,227	305,251
<b>L2A</b>	Regional government / local authorities or Public Sector Entity assets (Member State, RW20%)	31,656	26,908	35,661	30,312

<sup>i</sup> (Unaudited)

<sup>ii</sup> unaudited

	Central bank or central / regional government or local authorities or Public Sector Entity assets (Third Country, RW20%)	28,515	24,238	-	-
	High quality covered bonds (CQS2)	63,371	53,865	65,535	55,705
	Corporate debt securities (CQS1)	67,893	57,709	42,822	36,399
<b>L2B</b>	Corporate debt securities (CQS2/3)	4,949	4,207	5,073	4,312
	Non-operational deposits	24,431	12,216	22,186	11,093
<b>Total Outflow</b>		1,935,948	1,647,441	937,803	365,856
<b>Non-operational deposits</b>		741,137	741,052	16,097	16,095
	deposits by financial customers	740,996	740,996	16,094	16,094
	deposits by other customers	142	57	3	1
<b>Additional outflows</b>		73,880	73,880	60,437	60,437
	impact of an adverse market scenario on derivatives, financing transactions and other contracts	73,880	73,880	54,380	54,380
	outflows from derivatives	-	-	6,057	6,057
<b>Committed facilities</b>		203,416	45,468	513,213	74,077
	credit facilities to non-financial customers other than retail customers	119,661	11,966	437,362	43,736
	credit facilities to credit institutions -other	83,754	33,502	75,852	30,341
Other products and services		132,572	2,500	136,309	3,902
	Uncommitted funding facilities	125,000	2,500	121,201	2,424
	other off-balance sheet and contingent funding obligations	-	-	1,200	1,200
	Overdraft	-	-	-	-
	trade finance off-balance sheet related products	7,572	-	13,908	278
Other liabilities		784,942	784,541	211,345	211,345
	liabilities resulting from operating expenses	402	-	402	-
	in the form of debt securities if not treated as retail deposits	784,541	784,541	211,053	211,053



Total Inflow		1,363,602	1,356,656	40,659	31,487
Inflows from unsecured transactions/deposits		1,363,602	1,356,656	40,659	31,487
Monies due from non-financial customers		15,725	8,779	19,650	10,478
	monies due from non-financial customers - not corresponding to principal repayment	1,833	1,833	1,307	1,307
	monies due from non-financial corporates	13,892	6,946	18,343	9,171
Monies due from central banks and financial customers		1,346,273	1,346,273	21,009	21,009
	monies due from other financial customers	1,346,273	1,346,273	21,009	21,009
Inflows from derivatives		1,604	1,604	-	-
Inflows from secured lending and capital market-driven transactions		-	-	-	-
	collateral is used to cover a short position	-	-	-	-
Total HQLA ('000)			1,344,346		1,654,825
Total Net Cash outflows ('000)			411,860		334,369
Liquidity Coverage Ratio (LCR)			326%		495%

### 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 optionality risk in the Company, the sensitivity of all assets and liabilities and derivatives of the Company for a parallel downward shift of 100 basis points of all interest rate curves is approximately similar and opposite to the measure monitored daily by Management.

As at 31 December 2022, the Company's overall interest rate sensitivity (which is the total interest rate sensitivity of all the assets and Liabilities of the Company) on all Statement of Financial Positions financial non-derivative assets, liabilities and derivatives amounted to – a positive value of €1.352 million (2021: - €0.724 million), within the limit approved by the Board of Directors of €+4/-16 million.

<b>Historical Interest Rate Sensitivity Review</b> <b>01/01/2022 to 31/12/2022</b>	
<b>100 bps</b> <b>Shift Sensitivity</b>	<b>€'000</b>
Average	-714
High	3,237
Low	-4,348

<b>Historical Interest Rate Sensitivity Review</b> <b>01/01/2021 to 31/12/2021</b>	
<b>100 bps</b> <b>Shift Sensitivity</b>	<b>€'000</b>
Average	1,339
High	2,957
Low	(1,062)

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 2022 and in 2021.

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

	<b>Profit &amp; Loss €'000</b>	<b>Other Comprehensive Income €'000</b>
HTCS Securities		(1,352)
Hedged CFV Securities	-	
Hedged Assets & Liabilities	(2,544)	
Trading Derivatives	2	
<b>Total</b>	<b>(2,542)</b>	<b>(1,352)</b>

**Interest Rate Sensitivity Analysis as at 31 December 2021**  
**Instruments classified at Fair Value through Profit or Loss or Other Comprehensive Income**

	<b>Profit &amp; Loss €'000</b>	<b>Other Comprehensive Income €'000</b>
HTCS Securities		(878)
Hedged CFV Securities	-	
Hedged Assets & Liabilities	(4,399)	
Trading Derivatives	9	
<b>Total</b>	<b>(4,390)</b>	<b>(878)</b>

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 2022 and 2021, by currency, is shown in the following tables:

**Sensitivity as at 31 December 2022**  
**(100 basis points shift)**

<b>Currency</b>	<b>2022 €'000</b>	<b>2021 €'000</b>
EUR	1,841	2,031
USD	(734)	(672)
Other	(285)	
<b>Total</b>	<b>822</b>	<b>1,359</b>

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.

<b>Total Position at Year-end</b>	<b>2022 Notional €'000</b>	<b>2021 Notional €'000</b>
Long Foreign Currency:	<b>11,679</b>	<b>2,491</b>
<b>Average Position during the Year</b>	<b>2022 Notional €'000</b>	<b>2021 Notional €'000</b>
Average Long Foreign Currency:	<b>2,584</b>	<b>2,360</b>
Average Short Foreign Currency:	<b>662</b>	<b>-</b>

As a consequence of the limited exposure of the Company to foreign exchange risk in the banking book on the notional limit of €5.5 million without management authorization and up to €6 million with management approval (2021: €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.

The IBOR transitional process is progressing in line with expected dates with all non USD Libor contracts already migrated to new "Risk Free Rates" structure and all USD Libor contracts expected to be migrated before the transitional date deadline.

Intesa Sanpaolo Bank Ireland has analysed its financial instruments to identify connections with Euribor, Eonia, LIBOR USD rates. The results are presented as follows as at 31 December 2022

At 31 December 2022

<b>Index</b>	<b>Notional €'000</b>	<b>Of which maturing after 31/12/2023 Notional €'000</b>
EONIA Index Fair value hedging derivatives	-	-
USD LIBOR	-	-
CHF LIBOR	-	-
Other not affected by reform	1,475,746	1,406,246
<b>TOTAL</b>	<b>1,475,746</b>	<b>1,406,246</b>

Our historic Eonia Index contracts have been migrated to €STR while the singular historic CHF position has been repaid. All GBP contracts have transitioned to SONIA while the USD Loans are migrating on an on-going basis with all exposures expected to be completed prior to transition date June 2023.

In line with the IBOR transitioning the Company has adopted the ISDA Fall back protocol all loan documentation related to IBOR in scope have been adapted to record the use of the fall back arrangements including the use of Credit Adjustment Spread.

#### 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 2022.

	Loans and advances/ Amortised cost liabilities	Mandatoril y at FVTPL	Designated at fair value through profit or loss	Derivativ es used for hedging	Debt instruments at FVOCI	* Other	Total
As at 31 December 2022	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Assets</b>							
Cash and balances with central banks	47,721	-	-	-	-	-	47,721
Financial assets at fair value through other comprehensive income	-	-	-	-	1,969,563	-	1,969,563
Financial assets at fair value -Equities	-	36	-	-	-	-	36
Loans and advances to banks	4,902,946	229,731	-	-	-	-	5,132,677
Loans and advances to customers	1,159,145	-	-	-	-	-	1,159,145
Derivative financial instruments	-	315,040	-	128,756	-	-	443,796
Prepayment and accrued income	-	-	-	-	-	190	190
Current Tax	-	-	-	-	-	3,125	3,125
Deferred tax asset	-	-	-	-	-	6,163	6,163
Other assets	-	-	-	-	-	13,809	13,809
Property, plant and equipment	-	-	-	-	-	2,845	2,845
<b>Total assets</b>	<b>6,109,812</b>	<b>544,807</b>	<b>-</b>	<b>128,756</b>	<b>1,969,563</b>	<b>26,132</b>	<b>8,779,070</b>
<b>Liabilities</b>							
Deposits from banks	1,894,490	-	-	-	-	-	1,894,490
Debt securities in issue	4,570,060	-	17,980	-	-	-	4,588,040
Due to customers	743,052	-	211,751	-	-	-	954,803
Derivative financial instruments	-	320,438	-	118	-	-	320,556
Deferred tax liability	-	-	-	-	-	343	343
Accruals and deferred income	295	-	-	-	-	-	295
Other liabilities	5,449	-	-	-	-	-	5,449
Provisions for liabilities and commitments	49	-	-	-	-	-	49
<b>Equity</b>							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	(7,772)	(7,772)
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	114,528	114,528
<b>Total liabilities and shareholders' funds</b>	<b>7,213,395</b>	<b>320,438</b>	<b>229,731</b>	<b>118</b>	<b>-</b>	<b>1,015,388</b>	<b>8,779,070</b>

\*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 2021.

	Loans and advances/ Amortised cost liabilities	Mandatorily at FVTPL	Designat ed at fair value through profit or loss	Derivativ es used for hedging	Debt instruments at FVOCI	* Other	Total
As at 31 December 2021	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Assets</b>							
Cash and balances with central banks	276,826	-	-	-	-	-	276,826
Financial assets at fair value through other comprehensive income	-	-	-	-	2,089,511	-	2,089,511
Loans and advances to banks	3,795,649	294,196	-	-	-	-	4,089,845
Loans and advances to customers	1,599,979	-	-	-	-	-	1,599,979
Derivative financial instruments	-	503,301	-	4,665	-	-	507,966
Prepayment and accrued income	363	-	-	-	-	-	363
Deferred tax asset	-	-	-	-	-	256	256
Other assets	2,503	-	-	-	-	-	2,503
Property, plant and equipment	-	-	-	-	-	199	199
<b>Total assets</b>	<b>5,675,320</b>	<b>797,497</b>	<b>-</b>	<b>4,665</b>	<b>2,089,511</b>	<b>455</b>	<b>8,567,448</b>
<b>Liabilities</b>							
Deposits from banks	939,740	-	-	-	-	-	939,740
Debt securities in issue	4,784,464	-	69,537	-	-	-	4,854,001
Repurchase agreements	53,557	-	-	-	-	-	53,557
Due to customers	737,180	-	224,658	-	-	-	961,838
Derivative financial instruments	-	522,951	-	31,174	-	-	554,125
Current tax	-	-	-	-	-	609	609
Deferred tax liability	-	-	-	-	-	1,270	1,270
Accruals and deferred income	501	-	-	-	-	-	501
Other liabilities	2,626	-	-	-	-	-	2,626
Provisions for liabilities and commitments	103	-	-	-	-	-	103
<b>Equity</b>							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Fair value through other comprehensive income reserves	-	-	-	-	-	8,144	8,144
Capital contribution reserves	-	-	-	-	-	506,764	506,764
Retained earnings	-	-	-	-	-	282,645	282,645
<b>Total liabilities and shareholders' funds</b>	<b>6,518,171</b>	<b>522,951</b>	<b>294,195</b>	<b>31,174</b>	<b>-</b>	<b>1,200,957</b>	<b>8,567,448</b>

\*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 discretionary 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 features:

- 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.

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

	2021							
	Level 1 €'000      %		Level 2 €'000      %		Level 3 €'000      %		Total €'000	
<b>Financial Assets designed at Fair Value through Profit or Loss</b> - Loans and advances to banks			294,196      100		-      -		294,196	
<b>Financial assets at fair value through other comprehensive income</b> - Debt instruments	2,089,511      100		-      -		-      -		2,089,511	
<b>Total Financial Assets</b>	<b>2,089,511      100</b>		<b>294,196      100</b>		<b>-      -</b>		<b>2,383,707</b>	
<b>Financial Liabilities designated at Fair Value through Profit or Loss</b> <b>Debt securities in issue</b>	-      -		69,537      24				69,537	
<b>Due to customers</b>			224,658      76				224,658	
<b>Total Financial Liabilities</b>	-      -		294,195      100		-      -		294,195	

**2022/2021**

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 for 2022/2021.

	2022						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	€'000
<b>Derivatives Assets</b>							
-Trading	-	-	311,088	70.7	3,952	100	315,040
-Hedging	-	-	128,756	29.3	-	-	128,756
<b>Total</b>	-	-	<b>439,844</b>	<b>100.0</b>	<b>3,952</b>	<b>100.0</b>	<b>443,796</b>
<b>Derivatives Liabilities</b>							
-Trading	-	-	316,486	99.96	3,952	100.0	320,438
-Hedging	-	-	118	0.04	-	-	118
<b>Total</b>	-	-	<b>316,604</b>	<b>100.0</b>	<b>3,952</b>	<b>100.0</b>	<b>320,556</b>

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

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

	2022		2021	
	Level 2 €'000	Level 3 €'000	Level 2 €'000	Level 3 €'000
<b>Derivatives Assets</b>				
-Trading		-	20,035	(20,035)
<b>Derivatives Liabilities</b>				
-Trading	-	-	20,035	(20,035)

	2021						
	Level 1		Level 2		Level 3		Total
	€'000	%	€'000	%	€'000	%	€'000
<b>Derivatives Assets</b>							
-Trading	-	-	50,945	91.61	32,498	100	83,443
-Hedging	-	-	4,665	8.39	-	-	4,665
<b>Total</b>	-	-	<b>55,610</b>	<b>100.0</b>	<b>32,498</b>	<b>100.0</b>	<b>88,108</b>
<b>Derivatives Liabilities</b>							
-Trading	-	-	25,766	45.0	32,498	100.0	58,265
-Hedging	-	-	31,174	55.0	-	-	31,174
<b>Total</b>	-	-	<b>56,940</b>	<b>100.0</b>	<b>32,498</b>	<b>100.0</b>	<b>89,439</b>

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 2022 and 2021 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 the Company are CMS Spread Options. In accordance with the Fair Value Policy of the Company the Interest rate derivatives using the bivariate log normal model (CMS Spread Option, etc.) are classified in Fair Value Level 2 if the following conditions are met:

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

and either one of the following conditions is met:

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

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

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

While the overall impact for the Company is zero due to the presence of mirroring options with ISP SPA, each debt instrument is reviewed at trade level and the table below details the CMS spread options embedded in the Company debt instruments which are classified at level 3, with the correlation sensitivity at trade level (which is above the threshold of €3,000) and the range of historical percentiles for the correlation between the corresponding CMS rates pair.

Embedded Option 30.12.22	Currency	FV L	SensyCorr eur (bump +0.01)	Typology	Historical correlation		
					5th perc	Mean	95th perc
17.36	EUR	3	25,900	EUR CMS 30Y-1Y	-0.2646	-0.0939	0.0542
22.16	EUR	3	37,142	EUR CMS 30Y-1Y	-0.2646	-0.0939	0.0542

Embedded Option 30.12.21	Currency	FVL	SensyCorr	Typology	Historical correlation		
					5th perc	Mean	95th perc
55.17	EUR	3	-42,953	EUR CMS 30Y-2Y	-0.2716	-0.1296	0.0111
70.79	EUR	3	53,476	EUR CMS 30Y-2Y	-0.2716	-0.1296	-0.0111

**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 2022 and at 31 December 2021.

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

	Level 1 €'000	Level 2 €'000	Level 3 €'000	31-Dec-21 Fair value €'000	<b>31-Dec-21</b> Carrying value €'000
<b>Assets</b>					
Cash and balances at central banks	-	276,826	-	276,826	276,826
Loans and advances to banks	-	4,147,577	81,582	4,229,159	3,795,649
Loans and advances to customers	-	1,597,322	22,088	1,619,410	1,599,979
<b>Liabilities</b>					
Deposits from banks	-	919,477	17,493	936,970	939,740
Due to customers	-	156,027	682,718	838,745	737,180
Debt securities in issue	-	4,832,098	-	4,832,098	4,784,464
Repurchase agreements	-	53,279	-	53,279	53,557

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

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

With regard to assets, the methodology used is based on a discount of future cash flows using an observable interest rate curve on reporting date plus a credit spread estimated with an

internally-developed model. The model involves the construction of a matrix of credit spreads by levels of probability of default, loss given default, and weighted average residual duration. The book value is considered to be the fair value for cash, balances at the Central Bank, short-term assets (original life of less than 18 months or residual life of less than 12 months) and non-performing assets. For structured or complex contracts<sup>i</sup> or those at Level 3 the pricing is provided by Head Office and pricing is provided on a monthly basis.

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). For structured or complex contracts<sup>ii</sup> or those at Level 3 the pricing is provided by Head Office and pricing is provided on a monthly basis.

## **6. Segmental Analysis**

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

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<sup>i</sup> Inflation Linked Swaps, Embedded Options and Contracts failing SPPI test

<sup>ii</sup> Inflation Linked Swaps, Embedded Options and Contracts failing SPPI test

## 7. Net interest income

	2022 €'000	2021 €'000
<b>Financial assets measured at amortised cost</b>		
Cash and short term funds	998	4,906
Loans and advances to banks	69,134	53,714
Loans and advances to customers *	43,252	23,572
<b>Interest income on financial assets measured at amortised cost</b>	<b>113,384</b>	<b>82,192</b>
Debt securities at fair value through other comprehensive income	12,142	8,440
Negative interest on financial liabilities	13,895	19,908
<b>Interest income calculated using the effective interest method</b>	<b>139,421</b>	<b>110,540</b>
<b>Interest income on financial assets mandatorily measured at FVTPL</b>		
Loans and advances to banks	11,112	10,989
	<b>150,533</b>	<b>121,529</b>

\* Interest income includes €1,650,105 (2021: €Nil) grossed up interest amounts on Unlikely to Pay loans reflective of Interest from June to December 2022 with commensurate offsetting amount is shown in Impairment caption.

	2022 €'000	2021 €'000
<b>Interest expense and similar charges</b>		
Deposits from Banks	19,145	7,380
Due to Customers	31,012	32,238
Debt securities in issue	38,284	18,735
Lease interest	68	1
Net swap interest expense	22,295	22,605
<b>Interest expense from financial liabilities measured at amortised cost</b>	<b>110,804</b>	<b>80,959</b>
Negative interest on financial assets	5,854	9,484
	<b>116,658</b>	<b>90,443</b>
<b>Interest expense on financial liabilities measured at FVTPL</b>		
Due to Customers	10,139	10,139
Debt securities in issue	949	824
	<b>11,088</b>	<b>10,963</b>
	<b>127,746</b>	<b>101,406</b>

**8. Fees and commission income and expense**

	<b>2022</b>	2021
	<b>€'000</b>	€'000
<b>Fee and commission income</b>		
Credit related fees and commissions	<b>1,517</b>	6,594
Other fees	<b>34</b>	8
	<b>1,551</b>	6,602
<b>Fee and commission expense</b>		
Credit related fees and commissions	<b>3,104</b>	3,595
Brokerage fees paid	-	3
Other fees paid	<b>9</b>	8
	<b>3,113</b>	3,606

**9. Net trading income**

	<b>2022</b>	2021
	<b>€'000</b>	€'000
Mark-to-market movements:		
- Derivatives	<b>(1,671)</b>	(997)
- Net result hedge accounting ***	<b>799</b>	(223)
Net realised gain on financial assets at fair value through other comprehensive income	<b>6,492</b>	9,444
Net realised gain on financial assets mandatory measured at Fair Value to Profit or Loss	<b>3</b>	-
Other Trading Expenses	<b>(516)</b>	(670)
	<b>5,107</b>	7,554

\*\*\* 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.



### 2022 - Net results of hedge accounting

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

### 2021 - 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	(1,660)	(42,978)	-	(44,638)
Net gains / (losses) on Fair value of hedging Derivatives	1,521	42,894	-	44,415
	<b>(139)</b>	<b>(84)</b>	<b>-</b>	<b>(223)</b>

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

	2022	2021
	€'000	€'000
Net income from financial instruments, mandatorily measured at FVTPL		
-Equities	<b>3</b>	-
- Loans and advances to banks	<b>(14,792)</b>	(8,676)
	<b>(14,789)</b>	(8,676)
Net loss from financial instruments designated as at FVTPL		
-Debt securities in issue	<b>1,885</b>	195
-Due to customers	<b>12,907</b>	8,481
	<b>14,792</b>	8,676
	<b>3</b>	0

## 11. Foreign Exchange Loss

	2022	2021
	€'000	€'000
Foreign Exchange Loss	(6,209)	(285)
	<u>(6,209)</u>	<u>(285)</u>

We see in 2022 a substantial movement in Forex impacts which was predominately the result of 2 events during 2022.

The first was related to the classification under IFRS9 of 2 exposures as Unlikely To Pay and the application of Stage 3 Impairment effective 30<sup>th</sup> June 2022. The Impairment the majority of which was related to USD was advised in line with the Group Rules for the Management of NPL by the Group NPL team in conjunction with the Group CLO team and Top Management. The amounts were advised to the Bank on the 08<sup>th</sup> July to be effective from an accounting perspective as at 30 June 2022.

The amounts were approx. \$117 m applied at the June month end exchange rate . As the Bank was only advised on the 08<sup>th</sup> July, it covered the Forex position in the market at the prevailing market rate which circa 1.011 which resulted in an FX loss of circa €3.3 m.

Secondly, on the 05<sup>th</sup> July the Bank agreed to settle a loan repayment with a corporate client in Roubles. Due to Russian regulatory rules we were not able to dispose of the currency and this remained outstanding in our books until approval was received in January 2023.

In the period July to December 2022 the Rouble value depreciated leaving us with a net loss of approx. €2.6 m in our Forex line.

Approvals were received in January 2023 and we disposed of the Roubles and on disposal registered a small forex profit of approx. 425 k due to appreciation of rouble from year end .

## 12. Administrative expenses

	2022	2021
	€'000	€'000
Staff costs		
- wages and salaries	3,063	3,017
- social welfare costs	250	209
- pension costs	620	695
- other personnel expenses	8	7
	<u>3,941</u>	<u>3,928</u>
Other administrative expenses	<u>7,383</u>	<u>6,827</u>
	<u>11,324</u>	<u>10,755</u>

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

	Number of employees	
	2022	2021
Administration	33	32

### 13. Loss/Profit before taxation

	2022	2021
	€'000	€'000
Loss / Profit before tax is stated after charging:		
Depreciation – property, plant and equipment	302	390
Auditors' remuneration (excluding VAT)		
Audit services      Statutory audit	127	98
Other Assurance services <sup>i</sup>	88	64
	215	162
Directors' remuneration:		
Executive	490	591
Non-executive	157	133
	647	724

### 14. Income tax expense

	2022	2021
	€'000	€'000
Corporation tax (income)/charge 12.5% (2021:12.5%) on the (loss)/ profit for the year on ordinary activities	(20,705)	3,266
Current tax (income)/charge for the year	(16,125)	3,130
Over provision in prior year	(12)	(13)
<b>Total current tax (benefit) / Charge</b>	<b>(16,137)</b>	<b>3,117</b>
Deferred Tax		
IFRS 9 Transitional adjustment	149	149
Deferred tax loss for the year	(4,717)	-
<b>Taxation (benefit) / Charge</b>	<b>(20,705)</b>	<b>3,266</b>

The current tax (benefit) / charge for the year is lower (2021: higher) than the tax (benefit) / charge that would result from applying the standard rate of Irish corporation tax to profit on

<sup>i</sup> Includes €73,000 (2021: €50,000) paid by ISP Milan.

ordinary activities. The difference is explained below:

	2022 €'000	2021 €'000
(Loss)/ Profit on ordinary activities before tax	(166,822)	26,105
(Loss) /Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for year of 12.5% (2021:12.5%)	(20,853)	3,263
Effects of:		
Other adjustments for tax purposes	160	16
Adjustments to tax charge in respect of previous periods	(12)	(13)
Tax (benefit) / charge for the year	(20,705)	3,266

## 15. Dividends paid and proposed

	2022 €'000	2021 €'000
<b>Declared and paid during the year</b>		
Declared on ordinary shares:		
Final dividend paid in 2022: 5.49 cent per share (2021: Nil cent per share)	22,000	-
<b>Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)</b>		
Dividend on ordinary shares:		
Final dividend for 2022: nil cent per share (2021: 5.49 cent per share)	-	22,000

## 16. Cash and balances with central banks

	2022 €'000	2021 €'000
Mandatory reserve deposits with Central Bank	31,289	38,232
Other deposits with Central Bank	-	225,000
Other cash balances	16,432	13,594
Gross Cash and balances with Central Bank	47,721	276,826
Less allowances for losses	-	-
	47,721	276,826

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 33) €16 million (2021: €238 million).

## 17. Financial assets at fair value through other comprehensive income

	2022 €'000	2021 €000
Gross Debt Securities	1,970,245	2,090,095
Less allowances for losses	(682)	(584)
<b>Debt securities at fair value through other comprehensive income</b>	<b>1,969,563</b>	<b>2,089,511</b>
<b>Debt securities</b>		
<i>Issued by public bodies</i>		
- government securities	908,876	1,089,796
<i>Issued by other issuers</i>		
- banks	984,147	920,169
- other debt securities	76,540	79,546
	<b>1,969,563</b>	<b>2,089,511</b>
Of which:		
- listed on a recognised exchange	<b>1,969,563</b>	<b>2,089,511</b>
	<b>1,969,563</b>	<b>2,089,511</b>

## 18. Loans and advances to banks

	2022 €'000	2021 €'000
Placement with other banks	4,903,679	3,796,639
Gross loans and advances	4,903,679	3,796,639
Less allowances for losses	(733)	(990)
Loans and advances to banks at amortised cost	4,902,946	3,795,649
Loans and advances to banks mandatorily at fair value through profit and loss	229,731	294,196
Total loans and advances to banks	<b>5,132,677</b>	<b>4,089,845</b>

Of which included in cash and cash equivalents (Note 33) €1,396 million (2021: €0.22 million).

**19. Loans and advances to customers**

	2022 €'000	2021 €'000
Loans to corporate entities	1,226,743	1,554,362
Debt securities at amortised cost	<u>89,799</u>	<u>47,867</u>
Gross loans, securities and advances	1,316,542	1,602,229
Less allowances for losses	<u>(157,397)</u>	<u>(2,250)</u>
	<u><u>1,159,145</u></u>	<u><u>1,599,979</u></u>

Includes at the 31 December 2022, gross loans and advances to Russian customers of €454m (2021: €704m) and €151m of expected credit loss provisions (2021: €0.3m)

**20. Impairment / expected credit losses**

	2022 €'000	2021 €'000
Financial assets at amortised cost	(175,236)	6,299
Financial assets at fair value through other comprehensive income	(144)	442
Guaranteed and Commitments to lend	<u>57</u>	<u>121</u>
<b>Net impairment (losses) / gains on financial instruments</b>	<u><b>(175,323)</b></u>	<u><b>6,862</b></u>

The net impairment gains / losses on financial instruments includes a credit of €51,726 (2021: Nil) in relation to financial assets at amortised cost previously written off.

Amount includes grossed up impairment amounts on Unlikely to pay loans amounting to €1,650,105 reflective of Interest from June to December 2022 with commensurate offsetting amount shown in interest income caption .

Gross carrying amount of Financial assets measured at amortised cost	Loans and advances to customers	Loans and advances to banks	Total	
	€'000	€'000	€'000	
Opening balance 1 January 2022	1,602,229	3,796,639	5,398,868	
Stage 1 (not credit-impaired)	1,572,059	3,796,639	5,368,698	
Stage 2 (not credit-impaired)	30,170	-	30,170	
Stage 3 (credit-impaired)	-	-	-	
Gross carrying amount 1 January 2022	1,602,229	3,796,639	5,398,868	
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
Opening balance 1 January 2022	5,368,698	30,170	-	5,398,868
Total net transfers	(724,503)	460,328	264,175	
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	(460,328)	460,328	-	-
- to lifetime ECL credit impaired	(264,175)		264,175	
Net change in exposure	756,320	25,054	9,425	790,799
Impairment loss allowance utilised			-	-
Exchange adjustments	32,153	(1,599)		30,554
Measurement reclassification and other movements				
Gross carrying amount 31 December 2022	5,432,668	513,953	273,600	6,220,221

	31 December 2022			Total
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	
	€ '000	€ '000	€ '000	€ '000
Impairment loss allowance on financial assets measured at amortised cost				
Opening balance 1 January 2022	2,333	907	-	3,240
Total net transfers	(352)	207	145	-
- to 12 month ECL not credit impaired	(207)	207		-
- to lifetime ECL not credit impaired	(145)		145	
- to lifetime ECL credit impaired				
Impairment gains in income statement	2,484	40,689	132,063	175,236
- Re-measurement				
- Net changes in exposures	2,484	40,689	132,063	175,236
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised	-	(17,486)	-	(17,486)
Exchange adjustments	(3,397)	100	437	(2,860)
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2022	1,068	24,417	132,645	158,130

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



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

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 2021	1,352,065	5,804,790	7,156,855	
Stage 1 (not credit -impaired)	1,107,568	5,804,790	6,912,358	
Stage 2 (not credit -impaired)	244,497	-	244,497	
Stage 3 (credit -impaired)	-	-	-	
Gross carrying amount 1 January 2021	1,352,065	5,804,790	7,156,855	
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired )	Total
Opening balance 1 January 2021	6,912,358	244,497	-	7,156,855
Total net transfers	(193,631)	(193,631)	-	
- to 12 month ECL not credit impaired				
- to lifetime ECL not credit impaired	( 193,631)	(193,631)	-	-
- to lifetime ECL credit impaired				
Net change in exposure	(1,811,203 )	(22,524)		(1,833,727)
Impairment loss allowance utilised			-	-
Exchange adjustments	73,912	1,828		75,740

Measurement reclassification and other movements  
Gross carrying amount 31 December 2021

5,368,698	30,170	-	5,398,868

Impairment loss allowance on financial assets measured at amortised cost

Opening balance 1 January 2021

Total net transfers

- to 12 month ECL not credit impaired  
- to lifetime ECL not credit impaired  
- to lifetime ECL credit impaired

Impairment gains in income statement

- Re-measurement  
- Net changes in exposures  
- ECL model parameter and/or methodology changes

Impairment loss allowance utilised

Exchange adjustments

Measurement reclassification and other movements

Gross carrying amount 31 December 2021

31 December 2021			
Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
€ '000	€ '000	€ '000	€ '000
5,966	3,188	-	9,154
159	(159)	-	-
159	(159)	-	-
(3,850)	(2,150)	-	(6,000)
(4,009)	(1,991)	-	(6,000)
-	-	-	-
58	28	-	86
-	-	-	-
2,333	907	-	3,240

Gross carrying amount of securities measured at FVOCI

Opening balance Securities FVOCI  
1 January 2021

Stage 1 (not credit -impaired)  
Stage 2 (not credit -impaired)  
Stage 3 (credit -impaired)

Gross carrying amount 1 January 2021

Opening balance 1 January 2021

Total net transfers

- to 12 month ECL not credit impaired  
- to lifetime ECL not credit impaired  
- to lifetime ECL credit impaired

Net change in exposure

Impairment loss allowance utilised

Exchange adjustments

Total			
2,198,567			2,198,567
2,079,178			2,079,178
119,389			119,389
-			-
2,198,567			2,198,567
Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	Total
2,079,178	119,389	-	2,198,567
84,242	(84,242)	-	-
84,242	(84,242)	-	-
(98,149)	(10,323)		(108,472)

Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2021	2,065,271	24,824	-	2,090,095

	31 December 2021			Total
	Stage 1 (not credit - impaired)	Stage 2 (not credit - impaired)	Stage 3 (credit - impaired)	
	€'000	€'000	€'000	€'000
Opening balance 1 January 2021	435	734	-	1,169
Total net transfers	(12)	12	-	-
- to 12 month ECL not credit impaired	(12)	12	-	-
- to lifetime ECL not credit impaired				
- to lifetime ECL credit impaired				
impairment(losses)/gains in income statement	77	(662)	-	(585)
- Re-measurement				
- Net changes in exposures	77	(662)	-	(585)
- ECL model parameter and/or methodology changes				
Impairment loss allowance utilised				
Measurement reclassification and other movements	-	-	-	-
Gross carrying amount 31 December 2021	500	84	-	584

## 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 FVTOCI securities or pay-fixed/receive-floating interest rate swaps are matched to fixed-rate loans and advances with terms that closely align with the critical terms of the hedged item.

At 31 December 2022		Fair values including accruals	
	Contract / notional amount €'000	Assets €'000	Liabilities €'000
<b>1) Derivatives held for trading</b>			
<i>a) Foreign exchange derivatives</i>			
Currency swaps	66,326	71	(360)
Total OTC derivatives		71	(360)
<i>b) Interest rate derivatives</i>			
Interest rate swaps	1,400,000	282,658	(287,767)
Total OTC derivatives		282,658	(287,767)
<i>c) Equity options</i>			
Equity options purchases	202,100	32,311	-
Equity options sold	202,100	-	(32,311)
Total OTC derivatives		32,311	(32,311)
<b>Total derivative assets/(liabilities) held for trading</b>	<b>1,870,526</b>	<b>315,040</b>	<b>(320,438)</b>
		Fair values including accruals	
	Contract / notional amount €'000	Assets €'000	Liabilities €'000
<b>2) Derivatives held for risk management</b>			
<i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	1,475,746	128,756	(118)
Total OTC derivatives		128,756	(118)
<b>Total derivative assets/(liabilities) held for risk management</b>		128,756	(118)
<b>Total derivative financial instruments</b>	<b>3,346,272</b>	<b>443,796</b>	<b>(320,556)</b>

### 3) Hedge Accounting

*Fair value hedges of Interest Rate Risk*

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

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

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

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

At 31 December 2021	Contract / notional amount €'000	Fair values including accruals	
		Assets €'000	Liabilities €'000
<b>1) Derivatives held for trading</b>			
a) Foreign exchange derivatives			
Currency swaps	1,177,889	941	(10,920)
Total OTC derivatives		941	(10,920)
b) Interest rate derivatives			
Interest rate swaps	2,500,000	444,389	(454,060)
Total OTC derivatives		444,389	(454,060)
c) Equity options			
Equity options purchases	202,100	57,971	-
Equity options sold	202,100	-	(57,971)
Total OTC derivatives		57,971	(57,971)
<b>Total derivative assets/(liabilities) held for trading</b>	<b>4,082,089</b>	<b>503,301</b>	<b>(522,951)</b>

	Contract / notional amount €'000	Fair values including accruals	
		Assets €'000	Liabilities €'000
<b>2) Derivatives held for risk management</b>			
<i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	1,733,622	4,665	(31,174)
Total OTC derivatives		4,665	(31,174)
<b>Total derivative assets/(liabilities) held for risk management</b>		4,665	(31,174)
<b>Total derivative financial instruments</b>	5,815,711	<b>507,966</b>	<b>(554,125)</b>

**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:

	Contract / notional amount €'000	Carrying amount	
		Assets €'000	Liabilities €'000
<b>Interest Rate Risk</b>			
Interest Rate Swaps – hedge of Securities FVOCI	1,571,500	-	(27,445)
Interest Rate Swaps – hedge of loans and advances	162,122	936	-

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

	Carrying amount	
	Assets €'000	Liabilities €'000
Securities FVOCI	1,606,139	-
Loans and advances	161,245	-

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

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

€'000	31-Dec-2021			
Residual Maturity	Less than 1 year	1 to 5 years	5 years+	Total
<b>Derivatives Held for Trading</b>				
Currency Swaps	1,177,889	-	-	1,177,889
Interest Rate Swaps	1,800,000	-	700,000	2,500,000
Equity Options Purchased	-	109,000	93,100	202,100
Equity Options Sold	-	109,000	93,100	202,100
	<b>2,977,889</b>	<b>218,000</b>	<b>886,200</b>	<b>4,082,089</b>
<b>Derivatives held for risk management</b>				
Interest Rate Swaps – Securities FVTOCI	298,000	887,500	386,000	1,571,500
Interest Rate Swaps – Loans and advances	10,000	133,248	18,874	162,122
	<b>308,000</b>	<b>1,020,748</b>	<b>404,874</b>	<b>1,733,622</b>



## 22. Current Tax

	2022	2021
	€'000	€'000
Current Tax	3,125	-
	<u>3,125</u>	<u>-</u>

Irish domestic legislation provides that trading losses for an accounting period can be set off against trading income of the preceding period of the same length. The company intends to claim relief under Section 396(A) (3) TCA 1997 and as such the tax liability of €3,125,381 paid in 2021 will be refunded due to the offset of €25,003,048 losses arising in the year ended 31 December 2022.

## 23. Deferred Taxation

	2022	2021
	€'000	€'000
<b>Deferred Tax assets:</b>		
Financial assets at fair value through other comprehensive income	1,454	107
Loss carried forward*	4,709	-
First time adoption IFRS 9	-	149
<b>Total deferred tax assets</b>	<u>6,163</u>	<u>256</u>
<b>Deferred Tax liabilities:</b>		
Financial assets at fair value through other comprehensive income	343	1,270
<b>Total deferred tax liabilities</b>	<u>343</u>	<u>1,270</u>
<b>Net Deferred Tax assets / (liability)</b>	<u>5,820</u>	<u>(1,014)</u>
	2022	2021
	€'000	€'000
<b>Analysis of movement in deferred taxation</b>		
At 1 January	(1,014)	(971)
Deferred tax through other comprehensive income	2,274	106
Deferred tax through income statement	4,560	(149)
<b>At 31 December</b>	<u>5,820</u>	<u>(1,014)</u>

- The Company has recognised a deferred tax asset on the tax losses amounting to €37,673,688 based on the profitable projections of the company in the future years.

## 24. Other assets

	2022	2021
	€'000	€'000
Deferred expenses	152	286
Other Intercompany receivables (*)	13,000	-
Sundry debtors	657	2,217
	<b>13,809</b>	<b>2,503</b>

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

## 25. Property, plant and equipment

	2022	2021
	€'000	€'000
Property, plant and equipment – owned	21	100
Right of use assets – leased	2,824	99
	<b>2,845</b>	<b>199</b>

### Property, plant and equipment – owned

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

	Office equipment	Computer equipment and software	Leasehold Improvement	Total
	€'000	€'000	€'000	€'000
<b>Cost</b>				
At beginning of year	190	142	557	889
Additions in year	-	3	-	3
Disposals in year	(1)	(6)	-	(7)
At end of year	<b>189</b>	<b>139</b>	<b>557</b>	<b>885</b>
<b>Depreciation</b>				
At beginning of year	152	90	391	633
Charge for year	22	26	111	159
Disposals in year	(1)	(6)	-	(7)
At end of year	<b>173</b>	<b>110</b>	<b>502</b>	<b>785</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>16</b>	<b>29</b>	<b>55</b>	<b>100</b>
At 31 December 2020	38	52	166	256

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

#### Right of Use Assets – leased

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

## Right of Use Assets – leased

	Office building €'000	Motor Vehicles €'000	Office equipment €'000	Total €'000
<b>Cost</b>				
At beginning of year	761	17	15	793
Additions in year	-	-	-	-
Disposals in year	-	(17)	-	(17)
At end of year	<b>761</b>	<b>-</b>	<b>15</b>	<b>776</b>
<b>Depreciation</b>				
At beginning of year	446	12	5	463
Charge for year	223	5	3	231
Disposals in year	-	(17)	-	(17)
At end of year	<b>669</b>	<b>-</b>	<b>8</b>	<b>677</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>92</b>	<b>-</b>	<b>7</b>	<b>99</b>
At 31 December 2020	315	5	10	330

## 26. Deposits from banks

	2022 €'000	2021 €'000
Deposits from other banks	<b>1,894,490</b>	<b>939,740</b>
	<b>1,894,490</b>	<b>939,740</b>

Of which include cash and cash equivalents (Note 33) €807 million (2021: €29 million).

## 27. Debt securities in issue

## At 31 December 2022

	2022 €'000	2021 €'000
At amortised cost	4,570,060	4,784,464
At FVTPL	17,980	69,537
	<b>4,588,040</b>	<b>4,854,001</b>
	2022 €'000	2021 €'000
Floating Rate	324,527	426,021
Fixed Rate	4,263,513	4,427,980
	<b>4,588,040</b>	<b>4,854,001</b>

## Changes in liabilities arising from financing activities.

	2022 €'000	2021 €'000
Beginning balance	4,854,001	6,186,175
Cash flow movements		
Issuances	3,754,023	4,087,471
Repayment	(4,039,618)	(5,443,459)
Non-cash flow items:		
Movement in accrued Interest	1,225	1,492
Foreign exchange movement	20,294	22,517
Fair value movements	(1,885)	(195)
Ending Balance	<b>4,588,040</b>	<b>4,854,001</b>

The Company is one of the three issuers<sup>i</sup> in the €70 billion Euro Medium Term Note Programme established by Intesa Sanpaolo S.p.A., which is also the guarantor of the notes issued by the Company under the Programme. The Programme is subject to specific prospectus and subject to yearly reviews (last review December 2022). Under the Programme there is no Subordinated Debt issued and all issuance are subject to bullet repayment based on contractual maturity. All notes were issued in the name of Intesa Sanpaolo Bank Ireland. There were no defaults of principal interest or any other issues during 2022 with all maturities repaid in good order. The Company is also in a €50 billion ECP Programme with no subordinated issuance allowed and all issuance for a period not exceeding 365 days. All settlements for both programmes are performed by regulated Paying Agents.

<sup>i</sup> Intesa Sanpaolo Bank SPA, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland

## 28. Repurchase agreements

	2022 €'000	2021 €'000
Due to The Central Bank	-	53,557
	<u>-</u>	<u>53,557</u>

Included in cash and cash equivalents (Note 33) €Nil (2021: €Nil).

**Collateral given:** The carrying amount of securities sold under agreements to repurchase at 31 December 2022 was €Nil (2021: €53,557,490), of which securities with a fair value are classified as financial assets at fair value through other comprehensive income (Note 17 / Note 1.17).

## 29. Due to customers

	2022 €'000	2021 €'000
Current accounts *	19,891	53
Term deposits	<u>723,161</u>	<u>737,127</u>
At Amortised cost	<b>743,052</b>	737,180
Term deposits at fair value to profit or loss	<u>211,751</u>	<u>224,658</u>
	<b>954,803</b>	<b>961,838</b>

\*Includes restricted cash of €19,700,179 (2021: Nil) funds received from Russian corporates not offset against loan exposure due to sanctions.

## 30. Other liabilities

	2022 €'000	2021 €'000
Other payable and accrued expenses	2,586	2,521
Lease liabilities	2,854	100
VAT payable	<u>9</u>	<u>5</u>
	<b>5,449</b>	<b>2,626</b>

Lease liabilities

	2022 €'000	2021 €'000
At 1 January	100	333
Additions	2,935	-
Lease Payments	(249)	(234)
Interest Expenses	<u>68</u>	<u>1</u>
At 31 December	<b>2,854</b>	<b>100</b>

The following are the amounts recognised in profit or loss:

	<b>2022</b>	<b>2021</b>
	<b>€000</b>	<b>€000</b>
Depreciation expense of right-of use asset	210	231
Interest expense on lease liabilities	68	1
<b>Total Amount recognised in profit or loss</b>	<b>278</b>	<b>232</b>

The company had total cash outflows for leases of €209,550 in 2022 (€232,492 in 2021). The company also had non-cash additions to right-of-use assets and lease liabilities of €2,934,920 in 2022 (€Nil in 2021).

### 31. Movement in the impairment provisions for liabilities and commitments

	<b>2022</b>	<b>2021</b>
	<b>€'000</b>	<b>€'000</b>
Balance at beginning of year	103	215
Charge to income statement	14	92
Released to income statement	(71)	(213)
Translation adjustment	3	9
Balance at end of year	<b>49</b>	<b>103</b>

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

### 32. Share capital

	<b>Number of shares</b>	<b>Ordinary shares</b>	<b>Share Premium</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 1 January 2021	400,500	400,500	1,025	401,525
At 31 December 2021 / 1 January 2022	400,500	400,500	1,025	401,525
At 31 December 2022	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 (2021: 500,000,000) with a par value of €1 per share (2021: €1 per share). All issued shares are fully paid.

At 31 December 2022, the capital and reserves of the Company amounted to €1,161.16 million (2021: €1,176.24 million), €1,015.04 million including year-end losses / profits after tax (2021: €1,199.08 million including YTD profits after Tax).

### 33. 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.

	2022 €'000	2021 €'000
Cash and balances with central bank (Note 16)	16,432	238,594
Loans and advances to banks (Note 18)	1,396,068	221
Deposits from banks (Note 26)	(807,178)	(29,762)
	<b>605,322</b>	<b>209,053</b>

### 34. Contingent liabilities and commitments

At 31 December 2022 the contracted amounts of contingent liabilities and financial commitments were:

	2022 €'000	2021 €'000
Guarantees and irrevocable Letters of Credit	7,572	13,908
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	41,250	-
- one year and over	162,166	513,402
	<b>210,988</b>	<b>527,310</b>

Uncommitted facilities are not included in the above table.

The following table analyses undiscounted cash flows potentially payable under guarantees and undrawn commitments to lend at 31 December 2022 and 2021:

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



€'000	31-Dec-2021			
	On demand	1 to 5 years	5 years+	Total
Guarantees and Irrevocable Letters of Credit	13,908	-	-	13,908
Undrawn commitments to lend	513,402	-	-	513,402
	<b>527,310</b>	-	-	<b>527,310</b>

### 35. 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 €620,480 (2021: €694,671). At the 31 December 2022, the pension accrual amounted to €2,145 (2021: €Nil).

### 36. 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 2022

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

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

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

### 31 December 2022

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
<b>ASSETS</b>			
Financial assets at fair value through other comprehensive income	18,157	-	18,157
Equities Mandatorily Fair Value to Profit and Loss	53	-	53
Cash and balances with central banks	21,208	-	21,208
Loans and advances to banks	4,912,850	7,087	4,919,937
Loans and advances to customers	-	10,016	10,016
Other Assets (*)	-	13,000	13,000
Derivative financial instruments:	217,201	-	217,201
IRS	158,443	-	158,443
Forex	5,362	-	5,362
Options	53,396	-	53,396
<b>LIABILITIES</b>			
Deposits from Banks	1,766,066	-	1,766,066
Deposits from Clients	-	2,823	2,823
Derivative financial instruments:	475,358	-	475,358
IRS	465,809	-	465,809
Forex	9,549	-	9,549
<b>INCOME STATEMENT</b>			
Interest and similar income	76,967	147	77,114
Interest expense and similar charges	(45,674)	(67)	(45,741)
Fees and commission income	54	-	54
Fees and commission expense	(2,475)	(388)	(2,863)
Administration expense	(850)	(206)	(1,056)
Net trading income/expense	332,111	(455)	331,656
Net impairment gains /(losses) on financial instruments	203	2	205
<b>GUARANTEES AND COMMITMENTS</b>			
Issued	13,572	-	13,572
Received	1,056,242	54,633	1,110,875
<b>DERIVATIVES</b>			
Derivatives (notional)	5,464,248	-	5,464,248

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

**31 December 2021**

	<b>PARENT</b>	<b>FELLOW SUBSIDIARIES</b>	<b>TOTAL</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>			
Financial assets at fair value through other comprehensive income	18,337	-	<b>18,337</b>
Cash and balances with central banks	13,191	-	<b>13,191</b>
Loans and advances to banks	3,841,635	7,137	<b>3,848,772</b>
Loans and advances to clients	-	10,004	<b>10,004</b>
Derivative financial instruments:	63,576	-	<b>63,573</b>
IRS	4,665	-	<b>4,665</b>
Forex	941	-	<b>941</b>
Options	57,970	-	<b>57,970</b>
<b>LIABILITIES</b>			
Deposits from Banks	432,467	-	<b>432,467</b>
Deposits from Clients	-	94	<b>94</b>
Derivative financial instruments:	496,154	-	<b>496,154</b>
IRS	485,234	-	<b>485,234</b>
Forex	10,920	-	<b>10,920</b>
<b>INCOME STATEMENT</b>			
Interest and similar income	69,035	276	<b>69,311</b>
Interest expense and similar charges	(33,646)	(1)	<b>(33,647)</b>
Fees and commission income	55	-	<b>55</b>
Fees and commission expense	(2,719)	(574)	<b>(3,293)</b>
Administration expense	(972)	(224)	<b>(1,196)</b>
Net trading income/expense	67,792	3	<b>67,795</b>
Foreign Exchange	2,257	-	<b>2,257</b>
Net impairment gains /(losses) on financial instruments	1,922	21	<b>1,943</b>
<b>GUARANTEES AND COMMITMENTS</b>			
Issued	13,572	-	<b>13,572</b>
Received	1,057,804	49,969	<b>1,107,773</b>
<b>DERIVATIVES</b>			
Derivatives (notional)	4,914,052	-	<b>4,914,052</b>

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

### 31 December 2021

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
<b>ASSETS</b>			
Financial assets at fair value through other comprehensive income	18,706	-	18,706
Cash and Balances with central banks	24,336	-	24,336
Loans and advances to banks	5,794,831	37,198	5,832,029
Loans and advances to customers	-	10,021	10,021
Derivative financial instruments:	78,918	-	79,918
IRS	5,803	-	5,803
Forex	3,897	-	3,897
Options	69,218	-	69,218
<b>LIABILITIES</b>			
Deposits from Banks	652,975	2,003	654,978
Deposits from Clients	-	262	262
Derivative financial instruments:	604,712	-	604,712
IRS	585,973	-	585,973
Forex	18,739	-	18,739
<b>Income Statement</b>			
Interest and similar income	69,035	276	69,311
Interest expense and similar charges	(33,646)	(1)	(33,647)
Fees and commission income	55	-	55
Fees and commission expenses	(2,719)	(574)	(3,293)
Administration expenses	(972)	(224)	(1,196)
Net trading income / (expenses)	67,792	3	67,795
Foreign Exchange	2,257	-	2,257
Net impairment gains /(losses) on financial instruments	1,922	21	1,943
<b>GUARANTEES AND COMMITMENTS</b>			
Issued	13,572	-	13,572
Received	1,114,088	153,348	1,267,436
<b>DERIVATIVES</b>			
Derivatives (notional)	6,169,983	-	6,169,983

**Number of transactions performed with connected parties in 2022**

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

**Number of transactions performed with connected parties in 2021**

	<b>PARENT</b>	<b>FELLOW SUBSIDIARIES</b>	<b>TOTAL</b>
Loans and advances to Banks	19	-	19
Loans and advances to Clients	-	-	-
Derivative financial instruments	334	-	334
Deposits from banks	3	-	3
Repurchase agreements	-	-	-
<b>Total</b>	<b>356</b>	<b>-</b>	<b>356</b>

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 2022 the total remuneration of the Directors was €647,291 (2021: €723,831). Included in total remuneration is €157,273 (2021: €132,471) in respect of fees earned in the capacity of Directors, €363,632 (2021: €411,748) in respect of compensation earned in the capacity of management and €126,386 (paid €124,241) (2021: €179,612, paid €179,612) in respect of post-employment benefits.

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

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Short Term Employee Benefits	<b>498,488</b>	544,219
Post –Employment Benefits <sup>i</sup>	<b>126,386</b>	179,612
Other Long Term Benefits	-	-
Termination Payments	-	-
Share Based Payments	<b>22,417</b>	-

<sup>i</sup> Defined contribution scheme relates to one Executive Director

### 37. Geographic concentrations

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

Geographic concentrations of assets, liabilities and off balance sheet items	Total Assets	Total Liabilities & Equity €'000	Credit commitments	Profit / Loss for the year €'000
<b>31 December 2021</b>	<b>€'000</b>		<b>€'000</b>	<b>€'000</b>
Ireland	609,123	1,281,301	171,904	(18,726)
E.U. (excl. Ireland)	5,928,389	1,945,198	8,091	36,434
U.S.A.	99	104	5,481	(46,966)
Rest of the World	2,029,837	5,340,845	341,834	52,097
<b>Total</b>	<b>8,567,448</b>	<b>8,567,448</b>	<b>527,310</b>	<b>22,839</b>

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

	2022 €'000	2022 %	2021 €'000	2021 %
Ireland	12,171	1	20,765	1
E.U. (excl. Ireland)	258,435	22	349,812	22
Rest of the World	888,539	77	1,229,402	77
<b>Total</b>	<b>1,159,145</b>	<b>100</b>	<b>1,599,979</b>	<b>100</b>

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

	2022 €'000	2022 %	2021 €'000	2021 %
Ireland,	59,049	1	65,056	2
E.U. (excl. Ireland)	4,919,905	96	3,848,772	94
Rest of the World	153,723	3	176,017	4
<b>Total</b>	<b>5,132,677</b>	<b>100</b>	<b>4,089,845</b>	<b>100</b>

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

	2022 €'000	2022 %	2021 €'000	2021 %
Ireland	72,308	4	257,115	12
E.U. (excl. Ireland)	1,650,403	84	1,653,004	79
Rest of the World	246,852	12	179,392	9
<b>Total</b>	<b>1,969,563</b>	<b>100</b>	<b>2,089,511</b>	<b>100</b>

### 38. Financial Assets and Financial Liabilities by contractual residual maturity

31 Dec-2022 €'000	On Demand €'000	Up to 1 month €'000	up to 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	over 5 years €'000	Total €'000
Time band							
<b>ASSETS</b>							
Cash and balances with central banks (1)	16,431	-	31,290	-	-	-	<b>47,721</b>
FVTOCI securities	-	22,864	91,469	236,526	1,048,299	570,405	<b>1,969,563</b>
FVPL	36	-	-	-	-	-	<b>36</b>
Loans and advances to banks (1)	146	1,327,840	1,392,848	985,937	885,274	540,632	<b>5,132,677</b>
Loans and advances to customers (1)	-	(106,862)	43,781	276,573	773,068	172,585	<b>1,159,145</b>
Derivative financial instruments	-	117	1,487	121	69,327	372,744	<b>443,796</b>
<b>Total</b>	<b>16,613</b>	<b>1,243,959</b>	<b>1,560,875</b>	<b>1,499,157</b>	<b>2,775,968</b>	<b>1,656,366</b>	<b>8,752,938</b>
<b>LIABILITIES</b>							
Debt securities in issue	-	783,865	1,506,512	1,636,789	455,523	205,351	<b>4,588,040</b>
Deposits from banks (2)	349	712,479	236,617	13,697	700,000	231,348	<b>1,894,490</b>
Due to customers	19,961	26,723	75,481	250,207	400,231	182,200	<b>954,803</b>
Derivative financial instruments	-	-	1,963	-	616	317,977	<b>320,556</b>
Lease liabilities	-	56	(18)	118	673	2,025	<b>2,854</b>
<b>Total</b>	<b>20,310</b>	<b>1,523,123</b>	<b>1,820,555</b>	<b>1,900,811</b>	<b>1,557,043</b>	<b>938,901</b>	<b>7,760,743</b>

(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-2021							
€'000		up to 1	up to 3	3 to 12	1 to 5	over 5	Total
Time band	On demand	month	months	months	years	years	
<b>ASSETS</b>							
Cash and balances with CB (1)	13,595	-	263,231	-	-	-	<b>276,826</b>
FVTOCI securities	-	142	6,049	297,112	1,268,374	517,834	<b>2,089,511</b>
Loans and advances to banks (1)	-	7,693	141,308	1,835,737	1,295,346	809,761	<b>4,089,845</b>
Loans and advances to customers (1)	-	12,887	164,437	27,725	1,293,165	101,765	<b>1,599,979</b>
Derivative financial instruments	-	941	-	-	14,399	492,626	<b>507,966</b>
<b>Total</b>	<b>13,595</b>	<b>21,663</b>	<b>575,025</b>	<b>2,160,574</b>	<b>3,871,284</b>	<b>1,921,986</b>	<b>8,564,127</b>
<b>LIABILITIES</b>							
Debt securities in issue	-	211,312	866,987	2,969,162	604,189	202,353	<b>4,854,001</b>
Deposits from banks (2)	-	11,899	23,851	150,000	282,439	471,551	<b>939,740</b>
Repurchase agreements	-	-	-	9,619	43,938	-	<b>53,557</b>
Due to customers	53	3,723	43,060	46,692	693,952	174,357	<b>961,838</b>
Derivative financial instruments	-	3,323	10,488	2,465	31,405	506,444	<b>554,125</b>
Lease liabilities	-	-	-	100	-	-	<b>100</b>
<b>Total</b>	<b>53</b>	<b>230,256</b>	<b>944,386</b>	<b>3,178,039</b>	<b>1,655,923</b>	<b>1,354,705</b>	<b>7,363,362</b>

(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

### 39. Subsequent events as at 23 March 2023

In Q1 2023, in line with the "derisking" on Russia, the exposure to Russian borrowers has further decreased. In particular, during the month of February, the aggregate exposure to a Russian corporate for a total of €16.9 million ( \$18 million) has been sold. In addition, it should be noted that on the 27<sup>th</sup> of January, a Russian corporate (a borrower in Stage 3 at the end of 2022) has paid back capital and contractual interests in relation to all remaining 2022 past due amounts, for a total of about €21.7 million (\$23.6 million) A stage 3 counterparty continues to repay funds with €2.81 million (\$ 2.9 million) paid in February 2023.

### 40. Date of approval

The financial statements were approved and authorised by the directors on 23 March 2023.





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## GALLERIE D'ITALIA. FOUR MUSEUMS, ONE NATIONWIDE CULTURAL NETWORK.

Gallerie d'Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: the art collections of the Bank, ranging from archaeological artefacts to contemporary works of art, are housed in historic buildings located in four cities, in a unique network of museums.

**Gallerie d'Italia - Milano** hosts, in a building of great architectural importance, a significant selection of two hundred 19<sup>th</sup> century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on 20<sup>th</sup> century Italian art.

**Gallerie d'Italia - Vicenza** showcases examples of 18<sup>th</sup> century art from the Veneto region, including a collection of paintings by Pietro Longhi and the extraordinary sculpture depicting *The Fall of the Rebel Angels*, with more than seventy figures carved from a single block of Carrara marble. It also holds one of the most important collections of Russian icons in the West.

**Gallerie d'Italia - Napoli:** the new location opened in spring 2022 through a project by Michele De Lucchi – AMDL Circle transforms the spaces of the historic monumental building of the former Banco di Napoli and expands the well-known collection of Neapolitan and southern Italian art to include masterpieces from the 17<sup>th</sup> to the 20<sup>th</sup> century, an exhibit of Attic and Magna Graecia pottery and a rich offering of modern and contemporary art.

**Gallerie d'Italia - Torino:** the recent architectural project designed by Michele De Lucchi - AMDL Circle transforms the spaces of Palazzo Turinetti into a place where photography and video art document and preserve images, events and reflections to promote issues related to the evolution of sustainability. Gallerie d'Italia – Torino is also home to an invaluable collection of Piedmontese works, with paintings, sculptures, tapestries and furnishings from the 14<sup>th</sup> to the 18<sup>th</sup> centuries, including the nine large canvases produced in the second half of the 17<sup>th</sup> century for the old Oratory of the Saint Paul Company, which has since been destroyed; it also holds the Intesa Sanpaolo Publifoto Archive, which is a collection of more than seven million images from the news as well as political, cultural and social events from the 1930s to the 1980s.

Cover:



Gallerie d'Italia - Torino  
**Sala Turinetti**  
Piazza San Carlo 156, Turin  
Inside the new museum complex  
Project by AMDL CIRCLE and  
Michele De Lucchi  
Photo: DSL Studio





