SANPAOLO IMI BANK IRELAND PLC

ANNUAL REPORT

2005

SANPAOLO IMI GROUP

SANPAOLO IMI BANK IRELAND PLC

Directors' report and financial statements

Year ended 31 December 2005

Registered number 125216

Contents

Directors	Mr. D. Campioni *(Chairman, Italian)* Mr. P.C. Arena *(Managing Director, Italian)* Mr. G. Sivilotti *(Italian)* Mr. M.A. Bertotti *(Italian)* Mr. N. Healy Mr. P.A. Ricciardi Mr. I. Letchford
Registered office	3rd Floor, KBC House 4 George's Dock, International Financial Services Dublin 1
Joint Secretaries	AIB International Financial Services Ltd Mr. N. Healy
Auditors	PricewaterhouseCoopers Chartered Accountants George's Quay Dublin 2
Principal bankers	SANPAOLO IMI S.p.A. 156 Piazza San Carlo I-10121 Torino Italy UBS AG Stamford Branch P.O Box 120300 Stamford, CT 06912-0300 USA
Solicitors	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1

Financial statements
The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2005.

Principal activities, business review and future developments
The activity of the Company has changed significantly in the year. The Company has been designated as one of the main participants in the Group's Medium Term funding and Intra-Group lending activity. For this purpose the Company has set up, as an Issuer, a 3 billion Euro Commercial Paper and Certificate of Deposit Programme. This Issue has been successful and is almost fully subscribed. In addition, the Company is a co-Issuer in a 20 billion Euro Medium Term Note Programme. On 19th December, under the Substitution clause of the EMTN Programme, the Company substituted 3,8 billion Euro of the programme novated from Sanpaolo Imi Bank (International) SA – Madeira.

The Company is still active in lending to large corporate clients in Ireland and abroad either on a bilateral basis or syndicated basis. There is now a significant focus in achieving MLA roles for financial Institutions in the syndicated lending market. The Company continues to review opportunities in the financial services sector.

Parent
The Company is a wholly owned subsidiary of SANPAOLO IMI S.p.A., a company incorporated in Italy. The financial statements of SANPAOLO IMI S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Torino, Italy.

Results and dividends
The results are set out on pages 13 - 14 of the financial statements. The profit after tax for the financial year was Euro 15,036,860 (2004: Euro 14,690,922). The directors have agreed with the Parent that it would be in the best interests of the Company to retain distributable profits in a designated reserve for future distribution and therefore recommend that no payments of dividends be made for the year ended 31 December 2005.

Events since the year end
The Directors consider the state of affairs of the Company to be satisfactory and there has been no material change since the balance sheet date. However, the Company is in the process of increasing the amount of its ECD and ECP Programme from 3 billion Euro to 6 billion Euro. Moreover the Company is in the process of setting up under the supervision and in conjunction with the Parent, a special Disclosure Committee, as required by the Sarbanes-Oxley Act, to ensure the accuracy and promptness of information made public according to Italian and US regulations and to supervise preparation of the main financial information and disclosures.

Risk Management & Control

An analysis of the risks to which the company is exposed and the management of these is set out in Note 3 to the financial statements.

Health and safety statements
In the view of the directors, the company policies relating to welfare of employees are in accordance with the Safety, Health and Welfare At Work Act, 1989.

Books of Account
The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are available at our office at 3rd Floor, KBC House, 4 George's Dock, IFSC, in Dublin.

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

Mr. D. Campioni
Mr. P.C. Arena
Mr. N. Healy
Mr. P.A. Ricciardi
Mr. I. Letchford
Mr. G. Sivilotti
Mr. M.A. Bertotti

In accordance with the Articles of Association the directors retire at each annual general meeting.

Interests of directors and secretary

The directors and secretary of the company at 31 December 2005 had no interest in the shares or debentures or loan stock of the company or group companies other than those set out below:

	Ordinary Shares in SANPAOLO IMI S.p.A.	
	31 December 2005	31 December 2004
D. Campioni	**254**	460
P.C. Arena	**460**	460
P. A. Ricciardi	**460**	460
M. A. Bertotti	**254**	460
G. Sivilotti	**254**	254

	Options to subscribe for shares in SANPAOLO IMI S.p.A	
	31 December 2005	31 December 2004
P. C. Arena	**Nil**	10,000
At 1st January	**10,000**	10,000
Options exercised during the year	**(10,000)**	-
Exercise Price	**€7.1264**	€7.1264
Market Price at date of exercise	**€11.1418**	-
Market Price	**-**	€10.60
Period in which exercisable	**-**	2005-2007

	Options to subscribe for shares in SANPAOLO IMI S.p.A	
	31 December 2005	31 December 2004
D. Campioni	**Nil**	20,000
At 1st January	**20,000**	20,000
Options exercised during the year	**(20,000)**	-
Exercise Price	**€7.1264**	€7.1264
Market Price at date of exercise	**€11.425**	-
Market Price	**-**	€10.60
Period in which exercisable	**-**	2005-2007

	Options to subscribe for shares in SANPAOLO IMI S.p.A	
	31 December 2005	31 December 2004
G.Sivilotti	**25,000**	66,500
At 1st January	**16,500**	16,500
Options lapsed during the year	**(16,500)**	-
Exercise Price	**€16.45573**	€16.45573
Market Price	**€13.216**	€10.60
Period in which exercisable	**2003-2005**	2003-2005

At 1st January	**25,000**	25,000
Exercise Price	**€12.7229**	€12.7229
Market Price	**€13.216**	€10.60
Period in which exercisable	**2004-2006**	2004-2006
Ar 1st January	**25,000**	25,000
Options exercised during the year	**(25,000)**	-
Exercise Price	**€7.1264**	€7.1264
Market Price at date of exercise	**€12.92**	-
Market Price	**-**	€10.60
Period in which exercisable	**-**	2005-2007

SANPAOLO IMI zero Coupon Series 115 (Maturity 2022)

	31 December 2005	31 December 2004
M.A. Bertotti	**-**	15,000

Transactions involving directors
There were no contracts of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2005.

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office under Section 160 of the Companies Act, 1963.

On behalf of the board

D. Campioni	P.C. Arena	I. Letchford	M.A. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

The directors present herewith the audited financial statements for the year ended 31 December 2005.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union, with those parts of the Companies Act, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements are prepared in accordance with IFRS and IFRIC interpretations endorsed by the European Union, and with those parts of the Companies Act, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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

On behalf of the board

D. Campioni	P.C. Arena	I. Letchford	M.A. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

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Independent auditors' report to the members SANPAOLO IMI BANK IRELAND plc

We have audited the company financial statements of SANPAOLO IMI BANK IRELAND plc for the year ended 31 December 2005 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These company financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable Irish law, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test

basis, of evidence relevant to the amounts and disclosures in the company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the company financial statements.

Opinion

In our opinion the company financial statements:

- give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

4th April 2006

Income Statement
for the year ended 31 December 2005

	Note	2005 €'000	2004 €'000
Interest and similar income	6	**71,645**	31,499
Interest expense and similar charges	6	**(52,641)**	(15,997)
Net interest income		**19,004**	15,502
Dividend income from Group undertakings		**-**	505
Fees and commissions income	7	**1,884**	2,578
Fees and commissions expense	7	**(734)**	(42)
Net trading income	8	**(414)**	-
Foreign Exchange profit/(loss)		**30**	(10)
Other operating (expense)/income		**(7)**	202
Total Operating income		**19,763**	18,735
Administrative expenses	10	**(3,251)**	(2,949)
Impairment losses on loans and advances	16	**174**	466
Operating profit/profit on ordinary activities before tax– continuing activities	11	**16,686**	16,252
Tax on profit on ordinary activities	12	**(1,649)**	(1,561)
Profit for the financial year		**15,037**	14,691

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

The notes on pages 17 to 52 are an integral part of these consolidated financial statements.

On behalf of the board

D. Campioni	P.C. Arena	I. Letchford
Chairman	*Managing Director*	*Director*

K. Twamley
For and on behalf of AIB International Financial Services Ltd
Company Secretary

Balance Sheet
at 31 December 2005

	Note	**2005 Euro €'000**	2004 Euro €'000
Assets			
Cash and balance with central banks	*13*	**20,568**	11,925
Loans and advances to banks	*14*	**7,491,728**	658,454
Financial instruments at fair value through income statement	*17*	**217,883**	-
Derivative financial instruments	*20*	**63,949**	-
Loans and advances to customers	*15*	**1,180,136**	687,127
Available for sale debt securities	*18*	**13,493**	-
Debt and other fixed income securities	*19*	**-**	141,926
Property, plant and equipment	*21*	**112**	229
Prepayments and accrued income		**221**	17,910
Deferred income tax assets	*24*	**613**	575
Corporation Tax		**54**	-
Other assets	*23*	**65**	59
Total assets		**8,988,822**	1,518,205
LIABILITIES			
Deposits from banks	*25*	**1,812,030**	926,907
Derivative financial instruments	*20*	**89,670**	-
Due to customers		**22,526**	18,449
Debt securities in issue	*26*	**6,515,165**	-
Accruals and deferred income		**922**	26,942
Other Liabilities	*27*	**1,281**	12,806
Corporation Tax		**249**	689
Total liabilities		**8,441,843**	985,793
EQUITY			
Share capital	*28*	**7,500**	7,500
Share Premium	*28*	**1,025**	1,025
Other reserves		**504,703**	504,702
Retained earnings		**33,751**	19,185
Total Equity		**546,979**	532,412
Total liabilities and shareholders' funds		**8,988,822**	1,518,205

The notes on pages 17 to 52 are an integral part of these consolidated financial statements.

On behalf of the board

D. Campioni
Chairman

P.C. Arena
Managing Director

I. Letchford
Director

K. Twamley

For and on behalf of AIB International Financial Services Ltd
Company Secretary

	Other reserves attributable to equity shareholders of the company			
	Share capital €'000	**Other reserves €'000**	**Retained Earnings €'000**	**Total €'000**
Adjusted equity at 1 January 2004	8,525	504,702	4,494	517,721
Net profit	-	-	14,691	14,691
1 January 2005	8,525	504,702	19,185	532,412
First time adoption transition adjustments IAS 32 & 39 – financial instruments	-	-	(471)	(471)
Adjusted equity at 1 January 2005	8,525	504,702	18,714	531,941
Net gain on available for sale securities	-	1	-	1
Net profit	-	-	15,037	15,037
31 December 2005	8,525	504,703	33,751	546,979

Share capital comprises Called up share capital of €7,500 and share premium of €1,025

Other reserves include a capital contribution of €504,702

Cash Flow Statement
Year ended 31 December 2005

	Note	**2005**	2004
		Euro	Euro
		€'000	€'000
Cash Flows from operating activities			
Interest received		**57,032**	23,277
Dividends received		**-**	862
Fee and commission receipts (net)		**2,072**	2,536
Net trading and other income		**3,343**	7,751
Recoveries on loans previously written off		**345**	1,087
Interest Paid		**(48,135)**	(6,438)
Cash Payments to employees an supplies		**(2,733)**	(2,697)
Corporation Tax paid		**(2,122)**	(1,909)
Cash Flows from operating profits before changes in operating assets and liabilities		**9,802**	24,469
Changes in operating assets and liabilities			
Net increase in loans and advances to banks		**(4,234,190)**	(165,576)
Net increase in loans and advances to customers		**(486,482)**	(197,310)
Net increase in deposits from banks		**292,659**	69,265
Net increase / (decrease) in amounts due to customers		**4,001**	(9,029)
Cash flows used in changes in operating assets and liabilities		**(4,424,012)**	(302,650)
Net cash used in operating activities		**(4,414,210)**	(278,181)
Cash flows (used in) /from investing activities			
Purchase of property and equipment		**(15)**	(129)
Purchase of securities		**(68,053)**	19,230
Proceeds from sale of investment in subsidiary		**-**	25,720
Net cash (used in) / from investing activities		**(68,068)**	44,821
Cash flows from/ (used in) financing activities			
Proceeds from issuance of debt securities		**6,490,712**	-
Dividend paid		**-**	(20,000)
Net cash from/ (used in) financing activities		**6,490,712**	(20,000)
Net increase/(decrease) in cash and cash equivalents		**2,008,434**	(253,361)
Cash and cash equivalents at beginning of year		**(607,914)**	(354,553)
Cash and cash equivalents at end of year	*29*	**1,400,520**	(607,914)

1 Transition to IFRS

The company's financial statements for the year ended 31 December 2005 are the first to be prepared under International Financial Reporting Standards ("IFRS"). Previously the company prepared its financial statements under accounting standards published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board ("Irish GAAP"). The company has adopted IFRS 1 in preparing these financial statements.

Exemption to restate comparatives for International Accounting Standard (IAS) 32 - Financial Instruments: Disclosure and Presentation and IAS 39 - Financial Instruments: Recognition and Measurement

The company has elected to reflect the impact of these standards at 1 January 2005 and as a result Irish GAAP has been applied to the measurement and disclosure of 2004 comparative information for financial instruments and hedging transactions.

Effect of the transition to IFRS
The significant differences between the company's accounting policies under Irish GAAP and IFRS are summarised below.

1.1 Financial instruments other than those designated as fair value

Derivatives, fixed rate lending (other than short term money market), debt securities and deposits which have related derivatives have been classified as at fair value through the income statement. The fair values at transition to IFRS have been taken to equity. Changes in the fair value of these instruments are charged or credited to income statement.

Under Irish GAAP, derivatives classified as fair value hedges were accrual accounted and were off balance sheet, while other derivatives classified as cash flow hedges were recorded at fair value. Debt securities were carried at amortised cost and all other financial instruments were carried at cost.

1.2 Effective interest rate

Interest income is recognised in the income statement using the effective interest rate method. Certain fees and expenses are now included in interest income and spread over the contractual maturity of the underlying asset. Under Irish GAAP all fees and commissions were recognised in the income statement on an accruals basis. Interest income was recognised on the rate applicable to the underlying instrument, while premiums and discounts associated with investments were amortised from purchase to maturity.

1.3 Impairment of loans and advances to customers

Impairment losses are now recognised based on discounted cash flows only where there is evidence of impairment while general provisions were allowed under Irish GAAP to cover losses which were judged to be present in the loan portfolio but which had not been specifically identified.

Interest is recognised on the unimpaired amount of impaired loans using the rate of interest used to discount the estimated future cash flows while Irish GAAP interest was provided for if its collection was doubtful.

1.4 Reconciliation of Irish GAAP to IFRS

The tables on pages 18 to 20 reconcile previously reported Irish GAAP financial information with the restated position under IFRS reporting.

1.5 IFRS balance sheet impact

Reconciliation of the Irish GAAP balance sheet as at 31 December 2004 to the IFRS Balance Sheet, reflecting the impact at that date from the adoption of IFRS at 1 January 2004 (except for IAS 32 and 39).

	Irish GAAP Balances 31 December 2004 €'000	Reclassification €'000	IFRS 31 December 2004 €'000
ASSETS			
Cash and balances with central bank	11,925	-	11,925
Loans and advances to banks	658,454	-	658,454
Loans and advances to customers	687,127	-	687,127
Debt and other fixed income securities	141,926	-	141,926
Property, plant and equipment	229	-	229
Other Assets	59	-	59
Deferred Taxation	575	-	575
Prepayments and accrued income	17,910	-	17,910
Total assets	**1,518,205**	**-**	**1,518,205**
LIABILITIES			
Deposits from banks	926,907	-	926,907
Due to customers	18,449	-	18,449
Other liabilities	13,495	(689)	12,806
Corporation tax	-	689	689
Accruals and deferred income	26,942	-	26,942
Total liabilities	**985,793**	**-**	**985,793**
Equity			
Called up share capital	7,500	-	7,500
Share premium account	1,025	-	1,025
Retained earnings	19,185	-	19,185
Other reserves	504,702	-	504,702
Total Equity	532,412	-	532,412
Total liabilities and shareholders' funds	**1,518,205**	**-**	**1,518,205**

1.5 IFRS balance sheet impact

Reconciliation of the IFRS Balance Sheet as at 31 December 2004, to the IFRS Balance Sheet at 1 January 2005, reflecting the transition impact at that date from the first time adoption of IAS 32 and 39.

	IFRS 31 December 2004	**Reclassification**	**Remeasurement Financial instruments Fair value**	**IFRS 1 January 2005**
	€'000	**€'000**	**€'000**	**€'000**
Assets				
Cash and balances with central banks	11,925	-	-	11,925
Loans and advances to banks	658,454	(83,193)	-	575,261
Financial instruments at fair value through income statement	-	224,040	19,239	243,279
Derivative financial instruments	-	47,451	36,770	84,221
Loans and advances to customers	687,127	2,518	-	689,645
Debt and other fixed income securities	141,926	(136,930)	3	4,999
Property plant and equipment	229	-	-	229
Prepayments and accrued income	17,910	(17,596)	-	314
Deferred income tax assets	575	-	-	575
Corporation tax	-	-	65	65
Other assets	59	(12)	-	47
Total assets	1,518,205	36,278	56,077	1,610,560
Liabilities				
Deposits from banks	926,907	1,574	-	928,481
Derivative financial instruments	-	72,661	56,548	129,209
Due to customers	18,449	51	-	18,500
Accruals and deferred income	26,942	(26,059)	-	883
Other liabilities	12,806	(11,949)	-	857
Corporation Tax	689	-	-	689
Total liabilities	985,793	36,278	56,548	1,078,619
Equity				
Share capital	7,500	-	-	7,500
Share Premium	1,025	-	-	1,025
Retained earnings	19,185	-	(471)	18,714
Other Reserve	504,702	-	-	504,702
Total equity	532,412	-	(471)	531,941
Total liabilities and shareholders' funds	1,518,205	36,278	56,077	1,610,560

1.6 Summary of IFRS Income Statement adjustments for the year ended 31 December 2004

Reconciliation of the Irish GAAP profit and loss account for the year ended 31 December 2004 with the income statement for the same period prepared under IFRS (excluding IAS 32 and 39).

	Irish GAAP Balances 31 December 2004 €'000	Reclassification €'000	IFRS 31 December 2004 €'000
Interest and similar income	-	31,499	31,499
Interest receivable and similar income arising from other debt securities	3,522	(3,522)	-
Interest receivable and similar income	22,814	(22,814)	-
Interest expense and similar charges	-	(15,997)	(15,997)
Interest payable	(10,834)	10,834	-
Net interest income	15,502	-	15,502
Dividend income from group undertakings	505	-	505
Fee and commission income	-	2,578	2,578
Fee and commission expense	-	(42)	(42)
Fee and commissions receivable	2,536	(2,536)	-
Dealing profits	87	(87)	-
Foreign exchange loss	(10)	-	(10)
Other operating income	115	87	202
Total operating income	18,735	-	18,735
Administrative expenses	(2,843)	(106)	(2,949)
Depreciation	(106)	106	-
Impairment losses on loans and advances	-	466	466
Provisions for bad and doubtful debts	466	(466)	-
Operating profit/profit on ordinary activities before tax	16,252	-	16,252
Tax on profit on ordinary activities	(1,561)	-	(1,561)
Profit for the year retained	14,691	-	14,691

2 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.

2.1 Basis of presentation

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU), with those parts of the Companies Acts, 1963 to 2005 applicable to companies reporting under IFRS and the European Communities (Credit Institutions: Accounts) Regulations, 1992. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services, within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.3 Interest income and expense

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest on financial instruments at fair value through the income statement is included in net trading income.

2.4 Fee and commission income

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

2.5 Financial assets

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

(a) *Financial assets at fair value through income statement*
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

2.6 Offsetting financial instruments

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

2.7 Impairment of financial assets

(a) Assets carried at amortised cost

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

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the sum of the relevant current Libor rate and the original contractual spread.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis the internal credit rating). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future notional cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual notional cash flows of the assets in the company and historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future notional cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating collective assessments are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience.

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

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

(b) Assets carried at fair value

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on financial assets classified as available-for-sale are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

The Company does not review for impairments financial assets measured at fair value through the profit and loss.

2.8 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, and 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, such as the credit default swap in a credit-linked note, 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 with changes in fair value recognised in the income statement.

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

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

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

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.

2.9 Depreciation – Fixed Assets

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

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

Office equipment	20% straight line
Computer equipment & software	33.3% straight line

The assets' residual values and useful lives are reviewed, and adjustment if appropriate, at each balance sheet date.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than three months, including: cash, loans and advances to banks and amounts due from banks.

2.11 Foreign currency translation

(a) ***Functional and presentation currency***
The financial statements are presented in euros, which is the company's functional and presentation currency.

(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. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2.12 Pension costs

The company operates a defined contribution scheme. The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary 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.

2.13 Taxation

Corporation tax is provided based on the results for the year. The company has been approved to operate in the International Financial Services Centre and has received a Certificate under the provisions of Section 446, Taxes Consolidation Act, 1997 by virtue of which it is subject to corporation tax on qualifying trading operations at a rate of 10% until 31 December 2005.

Non qualifying trading operations are subject to corporation tax at the full rate of tax.

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 consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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.

2.14 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.

2.15 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

The company enters into financial instruments for two main purposes:

- as part of its trading operations
- to manage the different risks arising from its operations.

The company finances its operations using shareholders' funds, bank and customer deposits, issuance of Euro Certificates of Deposit and Commercial Paper as well as Medium-Term Notes. The company borrows primarily in Euro and US Dollars at floating rates of interest. Wherever necessary, derivatives are used to achieve the required currency profile and interest rate basis. The derivatives used for this purpose are principally interest rate swaps, forward rate agreements and currency swaps.

The main risks arising from the company's operations are liquidity risk, interest rate risk, credit risk, foreign currency risk, and operational risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. Policies and procedures are reviewed on an ongoing basis under the supervision of the Audit Committee.

The board of directors of the company is responsible for the determination of the risk management policies of the company as well as for the setting of all risk limits.

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

As per the Group's guidelines, the Bank's liquidity analysis is proposed to:

- Define the liquidity risk on the basis of mismatches between maturing or readily realisable assets and maturing liabilities for each time band (liquidity gap), amounts are deemed to include accrued interest;
- Define a "target liquidity ratio" for the on demand – 1 month period and "attention thresholds" on the liquidity gap for the 1-3 month, 3-6 month, and 6-12 month periods. The target liquidity ratio and the attention thresholds are defined as the ratio of inflows to outflows in a given time period. The value of the ratio must remain above one, while the attention threshold value (cumulative with any surplus/deficit from the previous periods), is monitored for information purposes with the aim of maintaining it close to one.
- Define rules for maintaining a minimum treasury securities portfolio to cover very short-term liquidity risk, to be refinanced through borrowings.

The funding liquidity position of the Company is monitored daily and reported monthly to both management and the ALCO Committee for review. The "target liquidity ratio" as at 30/12/05 reached 1.05 in the time bucket up to 1 month, in excess of the minimum limit of one set by the Group.

For the medium-term and long-term strategic planning of liquidity management, the review of assets and liabilities maturity mismatch can be useful in order to prevent future short-term liquidity crunches. The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Company. It is unusual for banks to be perfectly matched, as transacted business is often of uncertain term and different types. An unmatched position potentially enhances profitability, but may also increase the risk of losses.

The table below shows the review of assets and liabilities maturity mismatch at 31/12/05 used for the medium-term and long-term strategic planning of liquidity management.

As at 31 December 2005

	Up to 3 months €'000	3 – 12 Months €'000	1– 5 Years €'000	Over 5 Years €'000	Unallocated €'000	Total €'000
Assets						
Cash and balances with central banks	20,568	-	-	-	-	20,568
Loans and advances to banks	2,813,337	853,586	2,815,434	1,009,371	-	7,491,728
Financial instruments at fair value	1,591	64,639	26,936	124,717	-	217,883
Derivative financial instruments	-	-	-	-	63,949	63,949
Available for sale debt securities	28	-	13,465	-	-	13,493
Loans and advances to customers	283,380	201,468	407,615	293,844	(6,171)	1,180,136
Other assets	-	-	-	-	1,065	1,065
Total assets	**3,118,904**	**1,119,693**	**3,263,450**	**1,427,932**	**58,843**	**8,988,822**
Liabilities						
Deposits from banks	1,424,136	387,894	-	-	-	1,812,030
Derivative financial instruments	-	-	-	-	89,670	89,670
Due to customers	21,796	730	-	-	-	22,526
Debt securities in issue	2,920,362	1,482,724	2,112,079	-	-	6,515,165
Other liabilities	-	-	-	-	2,452	2,452
Shareholders' equity	-	-	-	-	546,979	546,979
Total liabilities	**4,366,294**	**1,871,348**	**2,112,079**	**-**	**639,101**	**8,988,822**
Net liquidity gap	(1,247,390)	(751,655)	1,151,371	1,427,932	(580,258)	-

The table below shows the comparative review of assets and liabilities maturity mismatch at 31/12/04:

As at 31 December 2004

	Up to 3 months €'000	3 – 12 Months €'000	1 – 5 Years €'000	Over 5 Years €'000	Unallocated €'000	Total €'000
Assets						
Cash and balances with central banks	11,925	-	-	-	-	11,925
Loans and advances to banks	213,650	184,296	230,508	30,000	-	658,454
Debt securities	326	340	78,625	62,635	-	141,926
Loans and advances to customers	210,888	54,402	285,648	144,387	(8,198)	687,127
Other assets	-	-	-	-	863	863
Prepayments and accrued income	5,506	12,395	9	-	-	17,910
Total assets	**442,295**	**251,433**	**594,790**	**237,022**	**(7,335)**	**1,518,205**
Liabilities						
Deposits from banks	833,488	93,418	-	-	-	926,906
Due to customers	17,641	808	-	-	-	18,449
Debt securities in issue	-	-	-	-	-	-
Other liabilities	-	-	-	-	12,807	12,807
Corporation tax	-	-	-	-	689	689
Accruals and deferred income	3,802	2,640	18,204	1,413	883	26,942
Shareholders' equity	-	-	-	-	532,412	532,412
Total liabilities	**854,931**	**96,866**	**18,204**	**1,413**	**546,791**	**1,518,205**
Net liquidity gap	(412,636)	154,567	576,586	235,609	(554,126)	-

3.2 Interest Rate Risk:

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on 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 Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

Interest rate exposure is measured separately for each currency by analysing assets and liabilities in terms of the dates they re-price. Interest rate risk exposure is assessed by measuring daily the financial impact (or sensitivity) on assets and liabilities of the bank of a parallel shift of 25 basis points of the relevant yield curves and the exposure is reviewed daily by management against the set limit. As at 30 December 2005, the interest rate sensitivity for the Company amounted up to Euro -642,383, within the limit approved by the Board of Directors of €2,000,000.

Interest rate sensitivity
12 months to December 2005

Average	-	62,836
High	-	816,134
Low	-	656,669

The table included the Company's assets and liabilities at a carrying amount, categorised by the earlier of contractual re-pricing or maturity date

As at 31 December 2005	Not more than 3 months €'000	More than 3 months but not more than 6 Months €'000	More than 6 months but not more than One Year €'000	More than One Year but not more than 5 Years €'000	More than 5 Years €'000	Non-interest bearing €'000	Total €'000
Assets							
Cash and balance at central banks	20,568	-	-	-	-	-	20,568
Loans and advances to banks	5,668,185	576,999	1,039,626	206,918	-	-	7,491,728
Financial instruments at fair value	1,591	59,135	5,504	26,936	124,717	-	217,883
Derivative financial instruments	-	-	-	-	-	63,949	63,949
Loans and advances to customers	662,939	410,140	107,057	-	-	-	1,180,136
Available for sale debt securities	13,493	-	-	-	-	-	13,493
Other assets	221	-	-	-	-	844	1,065
Total assets	**6,366,997**	**1,046,274**	**1,152,187**	**233,854**	**124,717**	**64,793**	**8,988,822**
Liabilities							
Deposits by banks	1,424,136	353,019	34,875	-	-	-	1,812,030
Derivative financial instruments	-	-	-	-	-	89,670	89,670
Due to customers	21,796	730	-	-	-	-	22,526
Debt securities in issue	5,088,934	709,891	509,451	206,889	-	-	6,515,165
Other liabilities	-	-	13	759	150	1,530	2,452
Shareholder's funds	-	-	-	-	-	546,979	546,979
Total liabilities	**6,534,866**	**1,063,640**	**544,339**	**207,648**	**150**	**638,179**	**8,988,822**
Interest rate sensitivity gap	**(167,869)**	**(17,366)**	**607,848**	**26,206**	**124,567**	**(573,386)**	**-**
Cumulative gap	**(167,869)**	**(185,235)**	**422,613**	**448,819**	**573,386**	**-**	**-**

The table below shows the comparative review of assets and liabilities maturity mismatch at 31/12/04

As at 31 December 2004	Not more than 3 months €'000	More than 3 months but not more than 6 Months €'000	More than 6 months but not more than One Year €'000	More than One Year but not more than 5 Years €'000	More than 5 Years €'000	Non-interest bearing €'000	Total €'000
Assets							
Cash and balance at central banks	11,925	-	-	-	-	-	11,925
Loans and advances to banks	430,366	143,088	85,000	-	-	-	658,454
Loans and advances to customers	445,407	241,242	-	478	-	-	687,127
Debt securities	326	-	340	78,625	62,635	-	141,926
Other assets	-	-	-	-	-	863	863
Prepayments and accrued Income	5,506	12,218	177	9	-	-	17,910
Total assets	893,530	396,548	85,517	79,112	62,635	863	1,518,205
Liabilities							
Deposits by banks	833,489	93,418	-	-	-	-	926,907
Customer Accounts	17,642	807	-	-	-	-	18,449
Other liabilities	-	-	-	-	10,267	3,228	13,495
Accruals and deferred income	3,802	2,640	-	18,204	1,413	883	26,942
Shareholder's funds	-	-	-	-	-	532,412	532,412
Total liabilities	854,933	96,865	-	18,204	11,680	536,523	1,518,205
Off balance sheet items	135,227	56,495	(723)	(109,740)	(81,259)	-	-
Interest rate sensitivity gap	**173,824**	**356,178**	**84,794**	**(48,832)**	**(30,304)**	**(535,660)**	**-**
Cumulative gap	**173,824**	**530,002**	**614,796**	**565,964**	**535,660**	**-**	**-**

The table below summarises the effective interest rate by major currencies for monetary instruments not carried at fair value through income statement:

At 31 December 2005	Euro %	US$ %	CHF %	GBP£ %
ASSETS				
Cash and balances with central banks	2.28	-	-	-
Loans and advances to banks	2.53	4.54	0.99	4.76
Available-for-sale debt securities	2.65	4.63	-	-
Loans and advances to customers	2.53	5.35	1.26	4.88
LIABILITIES				
Deposits from banks	2.34	4.23	0.97	4.56
Due to customers	2.33	4.28	-	-
Debt securities in issue	2.57	4.48	0.96	4.35
Other	2.29	4.14	-	-

3.3 Credit risk:

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower are assessed on the basis of a credit risk management model developed by the Parent Group, including an internal rating system applied to all clients, and are approved on an on-going by the Board of Directors. Limits on the Level of credit risk by industry sector and by country are approved at the Group level.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or bank guarantees.

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2005	Total assets €'000	Total liabilities €'000	Credit commitments €'000	Revenues €'000
Ireland	419,702	847,947	86,557	404
E.U. (excl. Ireland)	8,197,627	7,661,091	1,072,619	17,867
U.S.A.	42,637	82,455	9,485	(1,768)
South America	25,607	278,700	-	(2,402)
Rest of the World	303,249	118,629	92,121	5,662
Total	8,988,822	8,988,822	1,260,782	19,763

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2004	Total assets €'000	Total liabilities €'000	Credit commitments €'000	Revenues €'000
Ireland	236,590	834,186	122,859	1,614
E.U. (excl. Ireland)	1,159,084	453,854	1,167,658	15,037
U.S.A.	883	78,401	-	(110)
South America	34,863	93,474	31	392
Rest of the World	86,785	58,290	173,687	1,802
Total	1,518,205	1,518,205	1,464,235	18,735

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

	2005 €'000	2005 %	2004 €'000	2004 %
Ireland	237,555	20	133,901	19
E.U. (excl. Ireland)	766,275	65	466,604	68
South America	25,247	2	34,593	5
Rest of the World	151,059	13	52,029	8
Total	1,180,136	100	687,127	100

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

	2005 €'000	2005 %	2004 €'000	2004 %
Ireland	152,105	2	95,958	14
E.U. (excl. Ireland)	7,191,230	96	531,547	81
Rest of the World	148,393	2	30,949	5
Total	7,491,728	100	658,454	100

Geographic sector risk concentrations within the portfolio of Financial Instruments at fair value were as follows:

	2005 €'000	2005 %	2004 €'000	2004 %
Ireland	11,357	5	0	0
E.U. (excl. Ireland)	206,166	95	0	0
South America	360	0	0	0
Total	217,883	100	0	0

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

	2005 €'000	2005 %	2004 €'000	2004 %
E.U. (excl. Ireland)	13,493	100	141,926	100
Total	13,493	100	141,926	100

3.4 Currency Risk:

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2005. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

30 December 2005	Euro €'000	US$ €'000	GBP €'000	CHF €'000	CAD €'000	Other €'000	Total €'000
ASSETS							
Cash and balances with central banks	19,485	304	637	42	1	99	20,568
Loans and advances to banks	5,446,058	1,469,780	438,582	579	-	136,729	7,491,728
Financial instruments at fair value	159,529	361	-	-	-	57,993	217,883
Derivative financial instruments	13,891	50,007	51	-	-	-	63,949
Available for sale debt securities	4,999	8,494	-	-	-	-	13,493
Loans and advances to customers	954,491	117,791	94,984	12,870	-	-	1,180,136
Other	1,065	-	-	-	-	-	1,065
Total assets	**6,599,518**	**1,646,737**	**534,254**	**13,491**	**1**	**194,821**	**8,988,822**

30 December 2005	Euro €'000	US$ €'000	GBP €'000	CHF €'000	CAD €'000	Other €'000	Total €'000
LIABILITIES							
Deposits from banks	1,350,436	321,042	129,565	643	-	10,344	1,812,030
Derivative financial instruments	27,909	157	3,219	2	-	58,383	89,670
Due to customers	13,954	8,484	89	-	-	-	22,527
Debt securities in issue	3,914,726	1,723,370	740,813	-	-	136,255	6,515,164
Other	2,452	-	-	-	-	-	2,452
Shareholders' equity	546,979	-	-	-	-	-	546,979
Total liabilities	**5,856,456**	**2,053,053**	**873,686**	**645**	**-**	**204,982**	**8,988,822**
Credit commitments	721,673	534,591	4,519	-	-	-	1,260,783

The Company enters into foreign exchange forward transactions to eliminate currency risk. The notional forward amount of these forward contracts at 31 December 2005 was Euro 1.348 billion.

31 December 2004	Euro €'000	US$ €'000	GBP €'000	CHF €'000	CAD €'000	Other €'000	Total €'000
ASSETS							
Cash and balances with central banks	10,828	841	58	8	70	120	11,925
Loans and advances to banks	577,852	53,777	21,587	4,537	-	701	658,454
Derivative financial instruments	-	-	-	-	-	-	-
Debt securities	95,381	-	-	-	-	46,545	141,926
Loans and advances to customers	129,303	468,567	31,376	395	57,486	-	687,127
Accrued interest receivable	15,327	1,161	208	3	-	1,211	17,910
Other	863	-	-	-	-	-	863
Total assets	**829,554**	**524,346**	**53,229**	**4,943**	**57,556**	**48,577**	**1,518,205**

31 December 2004	Euro €'000	US$ €'000	GBP €'000	CHF €'000	CAD €'000	Other €'000	Total €'000
Deposits from banks	614,277	285,780	21,510	4,545	70	725	926,907
Due to customers	10,300	8,149	-	-	-	-	18,449
Debt securities in issue	-	-	-	-	-	-	-
Accrued interest and deferred income	24,389	1,132	206	2	1	1,212	26,942
Other	3,228	(36,278)	-	-	-	46,545	13,495
Shareholders' equity	532,412	-	-	-	-	-	532,412
Total liabilities	**1,184,606**	**258,783**	**21,716**	**4,547**	**71**	**48,482**	**1,518,205**
Credit commitments	993,639	432,413	38,184	-	-	-	1,464,236

3.5 Operational Risk:

Operational risk is monitored at Group level and is defined as the risk of incurring loss as a result of four macro categories of event: fraud, legal risks (including the non-performance of contractual liabilities), weaknesses in internal controls or in information systems and natural calamities. Operating risks are controlled by defining internal rules and procedures, while the Internal Audit Department verifies compliance to these rules and procedures. Various refinements to the systems are currently in progress; these developments are in line with the best practises emerging from international task forces, in which SANPAOLO IMI S.p.A. participates actively, and with the recommendations of the Basle Committee with regard to the proposed reform of the Accord on Capital.

3.6 Fair values of financial assets and liabilities:

Set out below is a comparison of carrying values and fair values of the financial assets and financial liabilities (excluding short term debtors, creditors and items present in the company balance sheet at their fair value) held in the non-trading book as at 31 December 2005

	At 31/12/05 Carrying value €'000	**At 31/12/05 Fair value €'000**	**At 31/12/04 Carrying value €'000**	**At 31/12/04 Fair value €'000**
Assets				
Cash and balance at central banks	**20,568**	**20,568**	11,925	11,925
Loans and advances to banks	**7,491,728**	**7,491,728**	658,454	658,454
Loans and advances to customers	**1,180,136**	**1,180,136**	687,127	687,1267
Debt securities	**-**	**-**	141,926	161,017
Liabilities				
Deposits by banks	**1,812,030**	**1,812,030**	926,907	926,907
Debt securities in issue	**6,515,164**	**6,515,164**	-	-
Customer accounts	**22,526**	**22,526**	18,449	18,449
Derivative financial instruments:				
Derivative financial instruments	**-**	**-**	(11,936)	(31,714)

Market values have been used to determine the fair value of all derivatives, forward foreign currency contracts, and all debt securities held. The book value of other variable rate assets and liabilities is considered to be its fair value. Fair value adjustments to hedged assets and liabilities are included in the carrying value.

4 Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

(c) Impairment of available for-sale debt instruments

The Company determines that available-for-sale debt instruments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the issuer, industry and sector performance, changes in technology, and operational and financing cash flows.

5. Segmental Analysis

The Company's income and assets are entirely attributable to banking activities carried out in Ireland.

6. Net interest income

	2005 €'000	2004 €'000
Interest income		
Cash and short term funds	**12,174**	4,275
Investment securities	**7,884**	8,685
Loans and advances	**51,587**	18,539
	71,645	31,499
Interest expense		
Banks and customers	**41,602**	10,834
Debt securities in issue	**10,866**	-
Net swap interest payable	**173**	5,163
	52,641	15,997

7. Fees and commission income and expense

	2005 €'000	2004 €'000
Fee and commission income		
Credit related fees and commissions	**1,861**	2,544
Other fees	**23**	34
	1,884	2,578
Fee and commission expenses		
Brokerage fees paid	**(33)**	(6)
Other fees paid	**(701)**	(36)
	(734)	(42)

8. Net trading income

	2005	2004
	€'000	€'000
Market to market (losses)/ gains:		
- Derivatives	**3,067**	-
- Financial instruments designated at fair value through Income statement	**(3,481)**	-
	(414)	-

9. Employee numbers

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

	Number of employees	
	2005	2004
Administration	**19**	16

10. Administrative expenses

	2005	2004
	€'000	€'000
Staff costs:		
- wages and salaries	**1,179**	1,015
- social security costs	**92**	83
- pension costs	**161**	167
Other administrative expenses	**1,717**	1,578
Depreciation	**102**	106
	3,251	2,949

11. Operating profit / Profit on ordinary activities before taxation

		2005 €'000	2004 €'000
Depreciation - fixed assets		**102**	106
Auditors' remuneration (including VAT):			
Audit Services:	Statutory audit	**44**	33
Non-audit services:	Taxation services	**22**	18
Other consultancy		**38**	8
Subtotal		**60**	26
		104	59
Directors' remuneration:			
Executive		**339**	345
Non-executive		**43**	27
		382	372

12. Tax on profit on ordinary activities

	2005 €'000	2004 €'000
Corporation tax charge 12.5% (2004-12.5%) on the profit for the year on ordinary activities	**2,196**	2,119
Less relief under Section 446(2) TCA 1997	**(549)**	(530)
Current tax charge for the year	**1,647**	1,589
Under provision in prior year	**2**	22
Total Current Tax	**1,649**	1,611
Deferred Tax Credit	**-**	(50)
Income Tax	**-**	-
	1,649	1,561

10% tax rate remained until 31 December 2005.

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

	2005 €'000	2004 €'000
Profit on ordinary activities before tax	**16,689**	16,252
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 10% (2004: 10%)	**1,669**	1,625
Effects of:		
Dividend income not taxable	**-**	(50)
General Bad Debt Provision	**-**	40
Other adjustments	**(22)**	(26)
Current tax charge for the year	**1,647**	1,589

13. Cash and balances with central banks

	2005 €'000	2004 €'000
Mandatory reserve deposits with central bank	**16,462**	2,427
Other cash balances	**4,106**	9,498
	20,568	11,925

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

Included in cash and cash equivalents (Note 29) €20,568,009 (2004: €11,925,001).

14. Loans and advances to banks

	2005 €'000	2004 €'000
Placement with other banks	**7,491,728**	658,454
	7,491,728	658,454

Of which included in cash and cash equivalents (Note 29) €2,798,985,000 (2004: €213,649,477).

15. Loans and advances to customers

	2005 €'000	2004 €'000
Loans to corporate entities:		
- Syndicated and Bilateral loans	**1,186,307**	695,324
Gross loans and advances	**1,186,307**	695,324
Less allowances for losses	**(6,171)**	(8,197)
	1,180,136	687,127

16. Movement in the allowance for impairment / provision for bad and doubtful debts

	2005 €'000	2004 €'000
Balance at beginning of year	**8,197**	8,065
Disposed loans	**(2,964)**	-
Charge to profit and loss account	**452**	762
Released to profit and loss account	**(281)**	(142)
Translation Adjustment	**767**	(488)
Balance at end of year	**6,171**	8,197

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of EUR 344,881 in relation to loans previously written-off.

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. For large accounts impairment allowances are calculated on an individual basis using discounted expected future cash flows.

17. Financial instruments at fair value through income statement

	2005	2004
	€'000	€'000
Debt securities at fair value		
Issued by public bodies		
- government securities	**72,975**	-
- other public sector securities	**62,390**	-
Issued by other issuers		
- banks	**82,157**	-
- other debt securities	**361**	-
	217,883	-
of which:		
- listed on a recognised exchange	**139,392**	-
- unlisted	**78,491**	-
	217,883	-

18. Available for sale debt securities

Debt securities – at fair value		
Issued by other issuers - banks	**13,493**	-
	13,493	-
of which:		
- listed on a recognised exchange	**13,493**	-
	13,493	-

19. Debt and other fixed income securities

	2005	2004
	€'000	€'000
Issued by public bodies		
- government securities	-	56,511
- other public sector securities	-	3,396
Issued by other issuers		
- banks	-	82,019
	-	141,926
of which:		
- listed on a recognised exchange	-	76,690
- unlisted	-	65,236
	-	141,926

20. Derivative financial instruments

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

Currency forwards represent commitments to purchase foreign and domestic currency.

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

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

At 31 December 2005	**Contract/notional amount €'000**	**Fair values including accruals**	
		Assets €'000	**Liabilities €'000**
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	1,347,500	7,661	(6,359)
Total OTC derivatives		7,661	(6,359)
b) Credit derivatives			
Credit default swaps	123,000	2,365	(2,365)
Total OTC derivatives		2,365	(2,365)
c) Interest rate derivatives			
Interest rate swaps	664,464	1,365	(22,195)
Cross-currency interest rate swaps	46,796	42,478	(58,311)
Forward rate agreements	1,476,335	157	(155)
Total OTC derivatives		44,000	(80,661)
Total derivative assets/(liabilities) held for trading		54,026	(89,385)

2)	**Derivatives held for risk management**			
	a) Derivatives designated as fair value hedges			
	Interest rate swaps	598,507	9,922	(285)
	Total OTC derivatives		9,922	(285)
	Total derivative assets/(liabilities) held for risk management		9,922	(285)
	Total derivative financial instruments		63,948	(89,670)

21. Fixed assets

	Office equipment	Computer equipment and software	Leasehold	Total
	€'000	**€'000**	**€'000**	**€'000**
Cost				
At beginning of year	131	560	86	777
Additions in year	7	8	-	15
Disposals in year	(6)	(14)	(86)	(106)
At end of year	**132**	**554**	**Nil**	**686**
Depreciation				
At beginning of year	78	431	38	547
Charge for year	21	64	17	102
Disposals in year	(6)	(14)	(55)	(75)
At end of year	**93**	**481**	**Nil**	**574**
Net book value				
At 31 December 2005	**39**	**73**	**Nil**	**112**
At 31 December 2004	53	128	48	229

22. Investments in associated undertakings

The company maintained its investment of 2 Ordinary shares at a cost of GBP £3.50 each in Sanpaolo IMI Bank (International) S.A.

The company holds an investment of 2 Ordinary shares at a cost of Euro 1.27 each in Tobuk Limited. This represents 100% of the share capital of Tobuk. The Company has not consolidated Tobuk as there is no activity in this company and the impact of consolidation would be to increase total assets and total liabilities by Euro 50.

23. Other assets

	2005 €'000	2004 €'000
Other accounts receivable	**65**	59
	65	59

24. Deferred tax assets

	2005 €'000	2004 €'000
Analysis of movement in deferred taxation		
At 1 January	**575**	550
Profit and loss account taxation credit	**-**	50
Exchange translation	**38**	(25)
At 31 December	**613**	575

25. Deposits from banks

	2005 €'000	2004 €'000
Deposits from other banks	**1,812,030**	926,907
	1,812,030	926,907

Included in cash and cash equivalents (Note 29) €1,491,033,000 (2004: €833,488,733).

26. Debt securities in issue

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN)					
EUR	Floating Rate Note	25/04/2006	2.29%		50,209
EUR	Zero Coupon	13/06/2006	12.33%		197,679
EUR	Fixed Note	31/08/2006	4.28%		5,048
EUR	Floating Rate Note	01/10/2006	4.64%		50,572
EUR	Floating Rate Note	24/10/2006	5.27%		50,495
EUR	Fixed Note	28/12/2006	5.40%		12,521
EUR	Floating Rate Note	24/01/2007	2.29%		1,003,684
EUR	Fixed Note	03/03/2007	5.80%		31,442
EUR	Floating Rate Note	01/08/2007	2.40%		50,204
EUR	Floating Rate Note	01/08/2007	2.40%		451,390
EUR	Floating Rate Note	08/10/2007	2.38%		110,588
EUR	Floating Rate Note	17/12/2007	2.60%		46,488
EUR	Fixed Note	13/06/2008	5.33%		12,861
EUR	Fixed Note	30/11/2008	3.40%		10,047
EUR	Fixed Note	26/06/2009	1.11%		15,766
EUR	Fixed Note	10/11/2009	5.62%		25,201
EUR	Floating Rate Note	30/03/2010	2.39%		50,295
EUR	Floating Rate Note	04/06/2010	2.97%		50,111
EUR	Floating Rate Note	14/06/2010	2.76%		10,003
EUR	Floating Rate Note	30/09/2010	4.50%		9,982
				3.45%	
GBP	Floating Rate Note	14/06/2006	4.77%		292,506
GBP	Floating Rate Note	06/08/2007	2.41%		108,751
				4.13%	
JPY	Fixed Note	30/10/2007	0.69%		100,101
				0.69%	
NOK	Fixed Note	17/12/2007	6.25%		36,365
				6.25%	
USD	Floating Rate Note	27/02/2006	4.55%		212,799
USD	Floating Rate Note	27/02/2006	4.65%		851,176
USD	Floating Rate Note	16/03/2006	4.63%		21,399
				4.63%	
Total EMTN					**3,867,683**
Certificates of Deposits (ECD)					
in €				2.46%	385,478
in £				4.64%	146,285
in US$				4.34%	191,767
Total ECD					**723,530**

European Commercial Paper (ECP)		
in €	2.53%	1,275,611
in £	4.59%	195,590
in US$	4.34%	452,751
Total ECP		**1,923,952**
Total Debt Securities Issued		**6,515,165**

27. Other liabilities

	2005 **€'000**	2004 €'000
Foreign exchange and interest rate contracts	**-**	11,911
Other accrued expenses	**1,281**	895
	1,281	12,806

28. Share capital

	Number of shares €'000	**Ordinary shares €'000**	**Share Premium €'000**	**Total €'000**
At 1 January 2004	7,500	7,500	1,025	8,525
At 31 December 2004 / 1 January 2005	7,500	7,500	1,025	8,525
At 31 December 2005	7,500	7,500	1,025	8,525

The total authorised number of ordinary shares at year end was 10,000,000 million (2004: 10,000,000) with a par value of €1 per share (2004: €1 per share). All issued shares are fully paid.

29. Cash and cash equivalents

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

	2005	2004
	€'000	€'000
Cash and balances with central bank (Note 13)	**20,568**	11,925
Loans and advances to banks (Note 14)	**2,798,985**	213,650
Deposits from banks (Note 25)	**(1,419,033)**	(833,489)
	1,400,520	(607,914)

30. Commitments

Financial commitments
At 31 December 2005 the contracted amounts of financial commitments were:

	2005	2004
	€'000	€'000
Guarantees and irrevocable Letters of Credit	**127,868**	55,086
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	**163,450**	498,888
- one year and over	**969,465**	910,261
	1,260,783	1,464,235

Of the above amount of guarantees €6,231 (2004: €4,831) relates to Group companies and has a regulatory risk weighting of 20%. The regulatory risk weighting of the amount excluding fellow subsidiary undertakings is 100% €1,267,014 (2004: €1,459,404).

31. Pension scheme

The company operates a defined contribution pension scheme. The scheme is trustee administered and the assets are kept separated from those of the company. Contributions to the scheme are charged to the profit and loss account as incurred. The pension charge for the year was Euro 161,048 (2004: Euro 166,683).

32. Related party transactions

During the year 2004 the company made payments of Euro 22,095 to A&L Goodbody with respect of services rendered. The company's director Mr. N Healy was a partner in A&L Goodbody until 31st October 2004.

The ultimate parent company is Sanpaolo IMI 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 2005

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central Banks	296	303	**599**
Loans and advances to banks	4,814,709	1,521,833	**6,336,542**
Financial instruments at fair value though income statement	3,747	410,459	**414,206**
Derivative financial instruments	42,594	11,071	**53,665**
Loans and advances to clients		211,986	**211,986**
LIABILITIES			
Deposits from Banks	626,825	-	**626,825**
Derivative financial instruments	58,315	22,012	**80,327**
INCOME STATEMENT			
Interest and similar income	11,578	12,570	**24,148**
Interest Expense and similar charges	(7,018)	(35)	**(7,053)**
Net trading interest	(2,066)	7,423	**5,357**
FINANCIAL COMMITMENTS			
Commitments - financial commitments	89,857	1,000	**90,857**

31 DECEMBER 2004

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central Banks	190	5,026	5,216
Loans and advances to banks	81,941	118,442	200,383
Debt securities	4,184	-	4,184
LIABILITIES			
Deposits from Banks	103,557	-	103,557
INCOME STATEMENT			
Interest and similar income	1,379	430	1,809
Interest Expense and similar charges	(3,074)	(3,031)	(6,105)
FINANCIAL COMMITMENTS			
Commitments - financial commitments	4,831	-	4,831

33. Date of approval

The financial statements were approved by the directors on 4 April 2006.

SANPAOLO IMI BANK IRELAND PLC

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SANPAOLO IMI BANK IRELAND plc, a bank regulated by the Irish Financial Services Regulatory Authority, is a member of the SANPAOLO IMI Group – Banking Group Code 1025.6

Registered in Ireland No: 125216

VAT Reg. No: IE 4817418C

SANPAOLO IMI GROUP

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SWIFT:IBSPIE2D

Main Settlement Details:

USD:
UBS Stamford Branch, 677 Washington Boulevard,Stamford, CT 06912-0305
SWIFT UBSWUS33
For the account of: SANPAOLO IMI BANK IRELAND plc
Account number: 101-WA-289833-000

€:
SANPAOLO IMI S.p.A.
SWIFT IBSPITTM753
For the account of: SANPAOLO IMI BANK IRELAND plc
Account number: 1162295

Other currencies: please contact on requirement