SANPAOLO IMI BANK IRELAND PLC

ANNUAL REPORT

2006

SANPAOLO IMI BANK IRELAND PLC

Directors' report and financial statements

Year ended 31 December 2006

Registered number 125216

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Directors	Mr. S. Del Punta *(Chairman, Italian)* Mr. D. Campioni *(Deputy 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 Centre Dublin 1
Joint Secretaries	AIB International Financial Services Ltd Mr. N. Healy
Auditors	PricewaterhouseCoopers Chartered Accountants George's Quay Dublin 2
Principal bankers	INTESA SANPAOLO 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 2006.

Principal activities, business review and future developments
The Company has become one of the main participants in the Group's Medium Term, funding and Intra-Group lending activity. Both the Euro Commercial Paper and Certificate of Deposit Programme and the Euro Medium Term Note Programme, where the Company has been set up as a co-Issuer, were increased during the year to 10 billon Euro and 30 billion Euro respectively.

The Company remained active in lending to large corporate clients in Ireland and abroad either on a bilateral basis or on a syndicated basis, and achieved several MLA roles for financial Institutions in the syndicated lending market.

Parent
The Company is a wholly owned subsidiary of SANPAOLO IMI S.p.A (INTESA SANPAOLO S.p.A. from 1 January 2007), a company incorporated in Italy. The financial statements for 2006 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 9-10 of the financial statements. The profit after tax for the financial year was Euro 20.53 million (2005: Euro 15.04 million). The directors have agreed with the Parent that it would be in the best interest of the Company to retain distributable 2006 profits, and to re-classify as retained earnings those amounts previously classified in a designated reserve for future distribution but never distributed. The Company therefore recommends that no payments of dividends be made for the year ended 31 December 2006.

Events since the year end
The boards of directors of Sanpaolo IMI Spa and Banca Intesa Spa approved the proposed merger of the two groups and the related merger plan on 12 October 2006. This merger became effective on 1 January 2007 alongside with the adoption of a new corporate name for the surviving post-merger entity: Intesa Sanpaolo Spa. The registered office of the new Group has been set in Turin while a secondary registered office has been established in Milan. A new corporate governance system composed of a Supervisory Board and a Management Board also became effective on that date.
In Ireland, the Italian merger was approved by both the Competition Authority and the Financial Regulator. Furthermore, as a consequence of this merger, the Company took the legal steps to change the name of its registered shareholder to reflect the new Group's name. Preliminary investigations have also taken place in order to prepare for the merger of Sanpaolo IMI Bank Ireland Plc and Intesa Bank Ireland Plc during the course of 2007. The merger in Ireland should be effected by transferring the assets of one of the two licensed banks to the surviving entity in accordance with the application of Part III of the Central Bank Act, 1971.

Finally, the Company has been added as a co-Issuer to the surviving 35 billion Euro GMTN Programme of the Parent Company on 15 February 2007.

Risk Management & Control

An analysis of the risks to which the company is exposed and the management of these is set out in Note 2 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. S. Del Punta (appointed 7 April 2006)
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 2006 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 2006	31 December 2005*
S. Del Punta	**460**	460
D. Campioni	****150**	254
P.C. Arena	****610**	460
P.A. Riccardi	**460**	460
M. A. Bertotti	****404**	254
G. Sivilotti	****404**	254

* or date of appointment if later
** of which 150 shares are blocked until 27 July 2009

	Options to subscribe for shares in SANPAOLO IMI S.p.A.	
	31 December 2006	31 December 2005
P. C. Arena	**Nil**	Nil
At 1st January	-	10,000
Options exercised during the year	-	(10,000)
Exercise Price	-	€7.1264
Market Price at date of exercise	-	€11.1418

	Options to subscribe for shares in SANPAOLO IMI S.p.A.	
	31 December 2006	31 December 2005
D. Campioni	**Nil**	Nil
At 1st January	-	20,000
Options exercised during the year	-	(20,000)
Exercise Price	-	€7.1264
Market Price at date of exercise	-	€11.425

	Options to subscribe for shares in SANPAOLO IMI S.p.A.	
	31 December 2006	31 December 2005
G.Sivilotti	**Nil**	25,000
At 1st January	-	16,500
Options lapsed during the year	-	(16,500)
Exercise Price	-	€16.45573
Market Price	-	€13.216
Period in which exercisable	-	2003-2005

	2006	2005
At 1st January	**25,000**	25,000
Options exercised during the year	**(25,000)**	-
Exercise Price	**€12.7229**	€12.7229
Market Price at date of exercise	**€14.66**	-
Market Price	-	€13.216
Period in which exercisable	**-**	2004-2006
At 1st January	**-**	25,000
Options exercised during the year	**-**	(25,000)
Exercise Price	**-**	€7.1264
Market Price at date of exercise	**-**	€12.92

Options to subscribe for shares in SANPAOLO IMI S.p.A.

	31 December 2006	**31 December 2005***
S. Del Punta	**200,000**	200,000
At 1st January	**200,000**	200,000
Exercise Price	**€12.3074**	€12.3074
Market Price	**€17.60**	€13.216
Period in which exercisable	**2009-2012**	2009-2012

*or date of appointment if later

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 2006.

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

S. Del Punta	P.C. Arena	I. Letchford	M.A. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

6 March 2007

The directors present herewith the audited financial statements for the year ended 31 December 2006.

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 2006 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 2006 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

S. Del Punta	P.C. Arena	I. Letchford	M.A. Bertotti
Chairman	*Managing Director*	*Director*	*Director*

6 March 2007

PRICEWATERHOUSECOOPERS

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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 2006 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 2006 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 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 2006 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 2006 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 2006 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

6th March 2007

Income Statement
for the year ended 31 December 2006

	Note	2006	2005
		€'000	€'000
Interest and similar income	5	**317,888**	71,645
Interest expense and similar charges	5	**(289,399)**	(52,641)
Net interest income		**28,489**	19,004
Fees and commissions income	6	**1,702**	1,884
Fees and commissions expense	6	**(1,314)**	(734)
Net trading income	7	**(1,513)**	(414)
Foreign Exchange profit		**5**	30
Other operating income/(expense)		**17**	(7)
Total Operating income		**27,386**	19,763
Administrative expenses	9	**(3,678)**	(3,251)
Impairment losses on loans and advances	15	**(467)**	174
Operating profit/profit on ordinary activities before tax– continuing activities	10	**23,241**	16,686
Tax on profit on ordinary activities	11	**(2,710)**	(1,649)
Profit for the financial year		**20,531**	15,037

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

The notes on pages 13 to 48 are an integral part of these financial statements.

On behalf of the board

S. Del Punta	P.C. Arena	I.Letchford
Chairman	*Managing Director*	*Director*

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

Balance Sheet
at 31 December 2006

	Note	2006 Euro €'000	2005 Euro €'000
Assets			
Cash and balance with central banks	*12*	**91,929**	20,568
Loans and advances to banks	*13*	**10,815,567**	7,491,728
Financial instruments at fair value through income statement	*16*	**142,051**	217,883
Derivative financial instruments	*18*	**77,676**	63,949
Loans and advances to customers	*14*	**611,578**	1,180,136
Available for sale debt securities	*17*	**32,720**	13,493
Property, plant and equipment	*19*	**161**	112
Prepayments and accrued income		**177**	221
Deferred income tax assets	*22*	**583**	613
Corporation Tax		**41**	54
Other assets	*21*	**140**	65
Total assets		**11,772,623**	8,988,822
LIABILITIES			
Deposits from banks	*23*	**1,067,401**	1,812,030
Derivative financial instruments	*18*	**88,567**	89,670
Due to customers		**123,707**	22,526
Debt securities in issue	*24*	**9,922,998**	6,515,165
Accruals and deferred income		**1,089**	922
Other liabilities	*25*	**1,136**	1,281
Corporation Tax		**218**	249
Total liabilities		**11,205,116**	8,441,843
EQUITY			
Share capital	*26*	**7,500**	7,500
Share Premium	*26*	**1,025**	1,025
Other reserves		**504,700**	504,703
Retained earnings		**54,282**	33,751
Total Equity		**567,507**	546,979
Total liabilities and shareholders' funds		**11,772,623**	8,988,822

The notes on pages 13 to 48 are an integral part of these financial statements.

On behalf of the board

S. Del Punta — *Chairman*
P.C. Arena — *Managing Director*
I.Letchford — *Director*

G. Flaherty

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

	Share capital €'000	Other reserves €'000	Retained Earnings €'000	Total €'000
	Other reserves attributable to equity shareholders of the company			
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
1 January 2006	8,525	504,703	33,751	546,979
Net loss on available for sale securities	-	(3)	-	(3)
Net profit	-	-	20,531	20,531
31 December 2006	8,525	504,700	54,282	567,507

Share capital comprises Called up share capital of €7,500,000 and share premium of €1,024,665.

Other reserves include a capital contribution of €504,701,446.

	Note	2006 Euro €'000	2005 Euro €'000
Cash Flows from operating activities			
Interest received		**289,352**	57,032
Fee and commission receipts (net)		**614**	2,072
Net trading and other income		**(4,714)**	3,343
Recoveries on loans previously written off		**62**	345
Interest Paid		**(250,625)**	(48,135)
Cash Payments to employees an supplies		**(3,840)**	(2,733)
Corporation Taxes paid		**(2,727)**	(2,122)
Cash Flows from operating profits before changes in operating assets and liabilities		**28,122**	9,802
Changes in operating assets and liabilities			
Net increase in loans and advances to banks		**(5,115,312)**	(4,234,190)
Net decrease/(increase) in loans and advances to customers		**566,353**	(486,482)
Net increase in deposits from banks		**565,014**	292,659
Net increase in amounts to customers		**100,458**	4,001
Cash flows used in changes in operating assets and liabilities		**(3,883,487)**	(4,424,012)
Net cash used in operating activities		**(3,855,365)**	(4,414,210)
Cash flows from/(used in) investing activities			
Purchase of property and equipment		**(121)**	(15)
Proceeds/(Purchase) of securities		**50,259**	(68,053)
Net cash from/(used in) investing activities		**50,138**	(68,068)
Cash flows from financing activities			
Proceeds from issuance of debt securities		**3,382,130**	6,490,712
Net cash from financing activities		**3,382,130**	6,490,712
Net increase/(decrease) in cash and cash equivalents		**(423,097)**	2,008,434
Cash and cash equivalents at beginning of year		**1,400,520**	(607,914)
Cash and cash equivalents at end of year	*27*	**977,423**	1,400,520

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 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 2006 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 3.

1.2 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.

1.3 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.

1.4 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 as the other participants.

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 Taxation

The charge for corporation 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 at the balance sheet date.

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 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.

1.14 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.

1.15 Comparatives

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

1.16 New standards not applied

The IASB have issued the following standards with an effective date after the date of these financial statements.

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS7	Financial Instruments: Disclosures	1 January 2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007

The Board of Directors do not anticipate that the adoption of these standards will have a material impact on the Company's financial statements in the period of initial application.

Upon adoption of IFRS7, the company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

2 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.

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

As per the Bank's Liquidity Risk Policy approved by the Board of Directors on the 6th of December 2006 and in line with the Financial Regulator requirements, 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 "target liquidity ratios" for the on-demand to 8 days and the 8 days – 1 month periods. Furthermore "attention thresholds" are defined on the liquidity gap for the 1-3 month, 3-6 month, 6-12 month,1-2 years and more than 2 years periods. The target liquidity ratios and the attention thresholds are defined as the ratio of inflows to outflows in a given time period. The value of the first target liquidity ratio must remain above one, while the value of the second target liquidity ratio, computed on a cumulative basis (including net inflows or outflows from the previous time band), must remain above 0.9. Attention thresholds are monitored for information purposes.
- Define rules for maintaining a minimum liquid 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 31/12/06 reached 1.71 (2005: 1.16) in the time bucket on-demand to 8 days and reached 1.12 (2005: 0.99) in the time bucket 8 days to 1 month, in excess of the minimum limits imposed by the Bank's policy.

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 31/12/06 used for the medium-term and long-term strategic planning of liquidity management.

As at 31 December 2006

	Up to 1 month €'000	Up to 3 Months €'000	3 – 12 Months €'000	1 – 5 Years €'000	Over 5 Years €'000	Unallocated €'000	Total
Assets							
Cash and balances with central banks	91,929	-	-	-	-	-	91,929
Loans and advances to banks	2,030,977	279,771	1,195,077	6,401,843	909,886	(1,987)	10,815,567
Financial instruments at fair value	1,959	541	21,474	5,594	112,483	-	142,051
Derivative financial instruments	-	-	-	-	-	77,676	77,676
Available for sale debt securities	90	68	-	12,581	20,020	(39)	32,720
Loans and advances to customers	86,939	37,717	57,877	389,275	43,434	(3,664)	611,578
Other assets	-	-	-	-	-	1,102	1,102
Total assets	2,211,894	318,097	1,274,428	6,809,293	1,085,823	73,088	11,772,623

As at 31 December 2006

	Up to 1 month €'000	Up to 3 Months €'000	3 – 12 Months €'000	1 – 5 Years €'000	Over 5 Years €'000	Unallocated €'000	Total
Liabilities							
Deposits from banks	65,456	756,443	245,502	-	-	-	1067,401
Derivative financial instruments	-	-	-	-	-	88,567	88,567
Due to customers	6,892	6,874	468	77,206	32,267	-	123,707
Debt securities in issue	1,927,422	1,833,618	2,182,172	3,979,786	-	-	9,922,998
Other liabilities	-	-	-	-	-	2,443	2,443
Shareholders' equity	-	-	-	-	-	567,507	567,507
Total liabilities	1,999,770	2,596,935	2,428,142	4,056,992	32,267	658,517	11,772,623
Net liquidity gap	212,124	(2,278,838)	(1,153,714)	2,752,301	1,053,556	(584,429)	-

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)	**-**

2.2 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 29 December 2006, the interest rate sensitivity for the Company amounted up to Euro -1,496,153 (2005 Euro -642,383) within the limit approved by the Board of Directors of €2,000,000.

	Interest rate sensitivity	
	2006	**2005**
Average	(213,393)	(62,836)
High	881,205	816,134
Low	(1,496,153)	(656,669)

The following table includes the Company's assets and liabilities at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2006	One month €'000	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	91,929	-	-	-	-	-	-	91,929
Loans and advances to banks	2,537,066	5,624,252	1,391,154	255,560	932,811	74,724	-	10,815,567
Financial instruments at fair value	304	-	5,213	15,678	5,801	115,055	-	142,051
Derivative financial instruments	-	-	-	-	-	-	77,676	77,676
Loans and advances to customers	202,914	297,093	111,571	-	-	-	-	611,578
Available for sale debt securities	10,100	22,620	-	-	-	-	-	32,720
Other assets	9	163	5	-	-	-	925	1,102
Total assets	2,842,322	5,944,128	1,507,943	271,238	938,612	189,779	78,601	11,772,623
Liabilities								
Deposits by banks	65,456	756,443	206,886	38,616	-	-	-	1,067,401
Derivative financial instruments	-	-	-	-	-	-	88,567	88,567
Due to customers	6,892	6,874	45,711	-	31,963	32,267	-	123,707
Debt securities in issue	2,238,667	6,048,544	1,331,107	179,585	125,095	-	-	9,922,998
Other liabilities	60	1	5	29	778	362	1,208	2,443
Shareholder's funds	-	-	-	-	-	-	567,507	567,507
Total liabilities	2,311,075	6,811,862	1,583,709	218,230	157,836	32,629	657,282	11,772,623
Interest rate sensitivity gap	**531,247**	**(867,734)**	**(75,766)**	**53,008**	**780,776**	**157,150**	**(578,681)**	**-**
Cumulative gap	**531,247**	**(336,487)**	**(412,253)**	**(359,245)**	**421,531**	**578,681**	**-**	**-**

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

At 31 December 2006	**Euro** %	**US$** %	**CHF** %	**GBP£** %
ASSETS				
Cash and balances with central banks	3.54	-	-	-
Loans and advances to banks	3.73	5.51	1.94	5.34
Available-for-sale debt securities	3.83	5.51	-	-
Loans and advances to customers	4.11	5.93	2.20	5.50
LIABILITIES				
Deposits from banks	3.51	5.34	2.02	5.16
Due to customers	3.60	-	-	-
Debt securities in issue	3.63	5.35	1.84	5.26
Other	3.30	4.89	-	-

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	-	-

2.3 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 2006	Total assets €'000	Total liabilities €'000	Credit commitments €'000	Revenues €'000
Ireland	111,708	703,463	60,145	9,373
E.U. (excl. Ireland)	10,821,898	7,952,276	1,129,433	515
U.S.A.	175,273	2,826,614	76,834	175
South America	8,428	61,211	-	(4,069)
Rest of the World	655,316	229,059	188,023	21,392
Total	11,772,623	11,772,623	1,454,435	27,386

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

	2006 €'000	2006 %	2005 €'000	2005 %
Ireland	23,451	4	237,555	20
E.U. (excl. Ireland)	394,385	65	766,275	65
South America	8,428	1	25,247	2
Rest of the World	185,314	30	151,059	13
Total	611,578	100	1,180,136	100

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

	2006 €'000	2006 %	2005 €'000	2005 %
Ireland	20,090	-	152,105	2
E.U. (excl. Ireland)	10,231,440	95	7,191,230	96
U.S.A	94,254	1	-	-
Rest of the World	469,783	4	148,393	2
Total	10,815,567	100	7,491,728	100

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

	2006 €'000	2006 %	2005 €'000	2005 %
Ireland	-	-	11,357	5
E.U. (excl. Ireland)	142,051	100	206,166	95
South America	-	-	360	-
Total	142,051	100	217,883	100

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

	2006 €'000	2006 %	2005 €'000	2005 %
E.U. (excl. Ireland)	12,589	38	13,493	100
U.S.A	20,131	62	-	-
Total	32,720	100	13,493	100

2.4 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 2006. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

31 December 2006	Euro €'000	US$ €'000	GBP €'000	CHF €'000	Other €'000	Total €'000
ASSETS						
Cash and balances with central banks	68,880	22,848	133	2	66	91,929
Loans and advances to banks	9,790,463	421,060	111,101	275,682	217,261	10,815,567
Financial instruments at fair value	92,471	-	-	-	49,580	142,051
Derivative financial instruments	37,353	40,323	-	-	-	77,676
Available for sale debt securities	25,118	7,602	-	-	-	32,720
Loans and advances to customers	355,272	176,711	76,326	3,269	-	611,578
Other	728	363	6	-	5	1,102
Total assets	**10,370,285**	**668,907**	**187,566**	**278,953**	**266,912**	**11,772,623**

31 December 2006	Euro €'000	US$ €'000	GBP €'000	CHF €'000	Other €'000	Total €'000
LIABILITIES						
Deposits from banks	727,729	296,872	39,531	3,269	-	1,067,401
Derivative financial instruments	38,319	-	-	-	50,248	88,567
Due to customers	52,023	7,362	91	-	64,231	123,707
Debt securities in issue	8,297,323	957,127	295,916	219,632	153,000	9,922,998
Other	1,933	471	2	-	37	2,443
Shareholders' equity	567,507	-	-	-	-	567,507
Total liabilities	9,684,834	1,261,832	335,540	222,901	267,516	11,772,623
Credit commitments	813,451	594,035	17,257	-	29,692	1,454,435

The Company enters into foreign exchange forward transactions to eliminate currency risk.
The notional forward amount of these forward contracts at 31 December 2006 was Euro 1.330 billion (2005: €1.348 billion).

31 December 2005	Euro	US$	GBP	CHF	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS						
Cash and balances with central banks	19,485	304	637	42	100	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**	**194,822**	**8,988,822**

31 December 2005	Euro	US$	GBP	CHF	Other	Total
	€'000	€'000	€'000	€'000	'000	€'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

2.5 Operational Risk:

Operational risk is monitored at Group level and is defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including the non-performance of contractual liabilities), weaknesses in internal controls or in information systems and natural calamities. Operational 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. (INTESA SANPAOLO S.p.A from 1 January 2007) participates actively, and with the recommendations of the Basle Committee with regard to the proposed reform of the Accord on Capital.

2.6 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 2006

	At 31/12/06 Carrying value €'000	At 31/12/06 Fair value €'000	At 31/12/05 Carrying value €'000	At 31/12/05 Fair value €'000
Assets				
Cash and balance at central banks	91,929	91,929	20,568	20,568
Loans and advances to banks	10,815,567	10,815,567	7,491,728	7,491,728
Loans and advances to customers	611,578	611,578	1,180,136	1,180,136
Liabilities				
Deposits by banks	1,067,401	1,067,401	1,812,030	1,812,030
Debt securities in issue	9,922,998	9,922,998	6,515,164	6,515,164
Customer accounts	123,707	123,707	22,526	22,526

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.

3 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.

4 Segmental Analysis

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

5 Net interest income

	2006 €'000	2005 €'000
Interest income		
Cash and short term funds	**49,955**	12,174
Investment securities	**7,775**	7,884
Loans and advances	**244,272**	51,587
Net swap interest receivable	**15,886**	-
	317,888	71,645

	2006 €'000	2005 €'000
Interest Expense		
Banks and customers	**53,424**	41,602
Debt securities in issue	**235,975**	10,866
Net swap interest payable	**-**	173
	289,399	52,641

6 Fees and commission income and expense

	2006 €'000	2005 €'000
Fee and commission income		
Credit related fees and commissions	**1,669**	1,861
Other fees	**33**	23
	1,702	1,884

	2006 €'000	2005 €'000
Fee and commission expense		
Credit related fees and commissions	**(1,218)**	-
Brokerage fees paid	**(31)**	(33)
Other fees paid	**(65)**	(701)
	(1,314)	(734)

7. Net trading income

	2006 €'000	2005 €'000
Market to market (losses)/ gains:		
- Derivatives	**4,922**	3,067
- Financial instruments designated at fair value through Income statement	**(6,435)**	(3,481)
	(1,513)	(414)

8. Employee numbers

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

	Number of employees 2006	2005
Administration	**20**	19

9. Administrative expenses

	2006 €'000	2005 €'000
Staff costs:		
- wages and salaries	**1,579**	1,179
- social security costs	**115**	92
- pension costs	**187**	161
Other personnel expenses	**2**	-
Other administrative expenses	**1,723**	1,717
Depreciation	**72**	102
	3,678	3,251

10. Operating profit / Profit on ordinary activities before taxation

		2006 €'000	2005 €'000
Depreciation - fixed assets		**72**	102
Auditors' remuneration (including VAT):			
Audit Services:	Statutory audit	**46**	44
Non-audit services:	Taxation services	**33**	22
Other consultancy		**81**	38
Subtotal		**114**	60
		160	104
Directors' remuneration:			
Executive		**344**	339
Non-executive		**40**	43
		384	382

11. Tax on profit on ordinary activities

	2006 €'000	2005 €'000
Corporation tax charge 12.5% (2005-12.5%) on the profit for the year on ordinary activities	**2,895**	2,196
Less relief under Section 446(2) TCA 1997	**-**	(549)
Current tax charge for the year	**2,895**	1,647
Under provision in prior year	**(185)**	2
Total Current Tax	**2,710**	1,649
Deferred Tax Credit	**-**	-
Income Tax	**-**	-
	2,710	1,649

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:

	2006 €'000	2005 €'000
Profit on ordinary activities before tax	**23,241**	16,689
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 12.5% (2005: 10%)	**2,905**	1,669
Effects of:		
Adjustments to tax charge in respect of previous periods	**(185)**	2
General Bad Debt Provision	**-**	-
Other adjustments	**(10)**	(24)
Current tax charge for the year	**2,710**	1,647

12. Cash and balances with central banks

	2006 €'000	2005 €'000
Mandatory reserve deposits with central bank	**65,484**	16,462
Other cash balances	**26,445**	4,106
	91,929	20,568

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 27) €91,807,274 (2005: €20,568,009).

13. Loans and advances to banks

	2006 €'000	2005 €'000
Placement with other banks	**10,817,554**	7,491,728
Gross Loans and advances	**10,817,554**	7,491,728
Less allowances for losses	**(1,987)**	-
	10,815,567	7,491,728

Of which included in cash and cash equivalents (Note 27) €990,933,843 (2005: €2,798,985,000).

14. Loans and advances to customers

	2006 €'000	2005 €'000
Loans to corporate entities:		
- Syndicated and Bilateral loans	**615,242**	1,186,307
Gross loans and advances	**615,242**	1,186,307
Less allowances for losses	**(3,664)**	(6,171)
	611,578	1,180,136

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

	2006 €'000	2005 €'000
Balance at beginning of year	**6,171**	8,197
Disposed loans	**(641)**	(2,964)
Charge to profit and loss account	**1,783**	452
Released to profit and loss account	**(1,253)**	(281)
Translation Adjustment	**(371)**	767
Balance at end of year	**5,689**	6,171

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of EUR 62,345 (2005: EUR 344,881 in relation to loans previously written-off.

Amounts include:

	2006 €'000	2005 €'000
Loans and advances to banks (note 13)	**1,987**	-
Loans and advances to customers (note 14)	**3,664**	6,171
Available for sale debt securities (note 17)	**38**	-
Balance at end of year	**5,689**	6,171

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.

16. Financial instruments at fair value through income statement

	2006 €'000	2005 €'000
Debt securities at fair value		
Issued by public bodies		
- government securities	**62,376**	72,975
- other public sector securities	**54,748**	62,390
Issued by other issuers		
- banks	**24,927**	82,157
- other debt securities	**-**	361
	142,051	217,883
of which:		
- listed on a recognised exchange	**73,318**	139,392
- unlisted	**68,733**	78,491
	142,051	217,883

17. Available for sale debt securities

Debt securities – at fair value		
Gross debt securities-at fair value	**32,758**	13,493
Less allowances for losses	**(38)**	-
	32,720	13,493
Issued by other issuers - banks	**32,720**	13,493
	32,720	13,493
of which:		
- listed on a recognised exchange	**32,720**	13,493
	32,720	13,493

18. 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 2006		**Fair values including accruals**	
	Contract/notional amount €'000	**Assets €'000**	**Liabilities €'000**
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Currency swaps	1,330,134	8,022	(18,566)
Total OTC derivatives		8,022	(18,566)
b) Credit derivatives			
Credit default swaps	22,500	752	(752)
Total OTC derivatives		752	(752)
c) Interest rate derivatives			
Interest rate swaps	2,371,822	6,039	(6,764)
Cross-currency interest rate swaps	41,420	38,028	(50,248)
Forward rate agreements	60,000	224	-
Total OTC derivatives		44,291	(57,012)

		Contract/notional amount €'000	Assets €'000	Liabilities €'000
	c) Equity Options			
	Equity options purchases	80,500	11,819	-
	Equity options sold	80,500	-	(11,819)
	Total OTC derivatives		11,819	(11,819)
Total derivative assets/(liabilities) held for trading			64,884	(88,149)
2)	**Derivatives held for risk management**			
	a) Derivatives designated as fair value hedges			
	Interest rate swaps	875,000	12,792	(418)
	Total OTC derivatives		12,792	(418)
	Total derivative assets/(liabilities) held for risk management		12,792	(418)
	Total derivative financial instruments		77,676	(88,567)

At 31 December 2005			**Fair values including accruals**	
		Contract/notional amount	**Assets**	**Liabilities**
		€'000	**€'000**	**€'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)

19. Fixed assets

	Office equipment	Computer equipment and software	Total
	€'000	**€'000**	**€'000**
Cost			
At beginning of year	132	554	686
Additions in year	105	16	121
Disposals in year	(3)	-	(3)
At end of year	**234**	**570**	**804**
Depreciation			
At beginning of year	93	481	574
Charge for year	23	49	72
Disposals in year	(3)	-	(3)
At end of year	**113**	**530**	**643**
Net book value			
At 31 December 2006	**121**	**40**	**161**
At 31 December 2005	39	73	112

20. 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.

21. Other assets

	2006 €'000	2005 €'000
Other accounts receivable	**140**	65
	140	65

22. Deferred tax assets

	2006 €'000	2005 €'000
Analysis of movement in deferred taxation		
At 1 January	**613**	575
Exchange translation	**(30)**	38
At 31 December	**583**	613

23. Deposits from banks

	2006 €'000	2005 €'000
Deposits from other banks	**1,067,401**	1,812,030
	1,067,401	1,812,030

Included in cash and cash equivalents (Note 27) €105,317,870 (2005: €1,491,033,000).

24. Debt securities in issue
At 31/12/2006

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN)					
EUR	Floating Rate Note	24/01/2007	3.62%		1,006,890
EUR	Fixed Note	03/03/2007	5.80%		31,441
EUR	Floating Rate Note	01/08/2007	3.71%		50,314
EUR	Floating Rate Note	01/08/2007	3.71%		452,663
EUR	Floating Rate Note	08/10/2007	3.66%		110,889
EUR	Floating Rate Note	17/12/2007	3.13%		46,047
EUR	Floating Rate Note	13/06/2008	5.69%		12,891
EUR	Floating Rate Note	30/11/2008	5.15%		10,039
EUR	Fixed Note	26/06/2009	1.11%		16,393
EUR	Floating Rate Note	09/11/2009	3.63%		3,513,833
EUR	Fixed Note	10/11/2009	5.62%		25,201
EUR	Floating Rate Note	30/03/2010	3.76%		50,477
EUR	Floating Rate Note	04/06/2010	4.14%		50,160
EUR	Floating Rate Note	14/06/2010	3.28%		10,012
EUR	Floating Rate Note	30/09/2010	4.50%		9,990
EUR	Fixed Note	30/11/2011	1.50%		69,232
				3.63%	
GBP	Floating Rate Note	06/08/2007	5.34%		111,100
				5.34%	
JPY	Fixed Note	30/10/2007	0.69%		88,609
				0.69%	
NOK	Fixed Note	17/12/2007	6.25%		35,282
				6.25%	
USD	Fixed Note	29/04/2008	5.55%		30,662
				5.55%	
CHF	Floating Rate Note	27/10/2008	1.87%		187,305
				1.87%	
HKD	Floating Rate Note	19/10/2009	4.24%		14,773
				4.24%	
Total EMTN					**5,934,203**
Certificates of Deposits (ECD)					
in €				3.61%	1,330,220
in £				5.25%	36,844
in US$				5.36%	253,982
Total ECD					**1,621,046**
European Commercial Paper (ECP)					
in €				3.58%	1,500,631
in £				5.22%	147,971
in US$				5.34%	672,484
in CHF				1.66%	32,327
in JPY				0.24%	14,336
Total ECP					**2,367,749**
Total Debt Securities Issued					**9,922,998**

Debt securities in issue
At 31/12/2005

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	Floating Rate Note	13/06/2008	5.33%		12,861
EUR	Floating Rate 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 (ECO)		
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**

25. Other liabilities

	2006 €'000	**2005 €'000**
Other accrued expenses	**1,136**	1,281
	1,136	1,281

26. Share capital

	Number of shares €'000	**Ordinary shares €'000**	**Share Premium €'000**	**Total €'000**
At 1 January 2005	7,500	7,500	1,025	8,525
At 31 December 2005 / 1 January 2006	7,500	7,500	1,025	8,525
At 31 December 2006	7,500	7,500	1,025	8,525

The total authorised number of ordinary shares at year end was 10,000,000 million (2005: 10,000,000) with a par value of €1 per share (2005: €1 per share). All issued shares are fully paid.

27. 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.

	2006 €'000	2005 €'000
Cash and balances with central bank (Note 12)	**91,807**	20,568
Loans and advances to banks (Note 13)	**990,934**	2,798,985
Deposits from banks (Note 23)	**(105,318)**	(1,419,033)
	977,423	1,400,520

28. Commitments

Financial commitments
At 31 December 2006 the contracted amounts of financial commitments were:

	2006 €'000	2005 €'000
Guarantees and irrevocable Letters of Credit	**118,047**	127,868
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	**253,412**	163,450
- one year and over	**1,082,976**	969,465
	1,454,435	1,260,783

Of the above amount of guarantees €Nil (2005: €6,231,171) 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% €1,165,036,751 (2005: €1,097,615,967).

29. 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 186,689 (2005: Euro 161,048).

30. Related party transactions

The ultimate parent company is Sanpaolo IMI S.p.A. (Intesa Sanpaolo S.p.A. from 1 January 2007), 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 2006

	PARENT	FELLOW SUBSIDIARIES	TOTAL
ASSETS	**€'000**	**€'000**	**€'000**
Cash and Balances with central Banks	3,166	64	**3,230**
Loans and advances to banks	6,882,278	3,142,165	**10,024,443**
Financial instruments at fair value though income statement	3,785	-	**3,785**
Derivative financial instruments	58,084	16,999	**75,083**
Loans and advances to clients	-	-	**-**
LIABILITIES			
Deposits from Banks	582,528	70,330	**652,858**
Derivative financial instruments	56,947	7,156	**64,103**
Due to customers	-	45,243	**45,243**
INCOME STATEMENT			
Interest and similar income	152,024	88,780	**240,804**
Interest Expense and similar charges	(16,946)	(583)	**(17,592)**
Net trading interest	14,021	(5,118)	**8,903**
FINANCIAL COMMITMENTS			
Commitments - financial commitments	-	16,000	**16,000**
DERIVATIVES			
Derivatives	921,833	1,709,939	**2,631,772**

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
DERIVATIVES			
Derivatives	357,936	923,970	1,281,906

31. Post - balance sheet events

There has been no material post - balance sheet events which would require disclosure or adjustment to the 31 December 2006 Financial Statements.

The board of directors of Sanpaolo IMI Spa and Banca Intesa Spa approved the proposed merger of the two groups and the related merger plan on 12 October 2006. This merger became effective on 1 January 2007 alongside with the adoption of a new corporate name for the surviving post-merger entity: Intesa Sanpaolo Spa.

In Ireland, the Italian merger was approved by both the Competition Authority and the Financial regulator. Furthermore, as a consequence of this merger, the Company took the legal steps to change the name of its registered shareholder to reflect the new Group's name. Preliminary investigations have also taken place in order to prepare for the merger of Sanpaolo IMI Bank Ireland Plc and Intesa Bank Ireland Plc during the course of 2007. The merger in Ireland should be effected by transferring the assets of one of the two licensed banks to the surviving entity in accordance with the application of Part III of the Central Bank Act, 1971.

32. Date of approval

The financial statements were approved by the directors on 6 March 2007.

SANPAOLO IMI BANK IRELAND PLC

Registered office:
3rd Floor, KBC House
4 George's Dock, IFSC, Dublin 1- Ireland

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SANPAOLO IMI BANK IRELAND plc, a bank regulated by the Irish Financial Services Regulatory Authority, is a member of the INTESA SANPAOLO Group.

Registered in Ireland No: 125216

VAT Reg. No: IE 4817418C

Operational Contacts:

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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

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

Other currencies: please contact on requirement