

INTESA SANPAOLO
BANK IRELAND

ANNUAL REPORT

2007



**INTESA SANPAOLO
BANK IRELAND**

(Formerly SANPAOLO IMI BANK IRELAND plc)

Directors' report and financial statements

Year ended 31 December 2007

Registered number 125216

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Directors and other information

Directors	Mr. S. Del Punta (<i>Chairman, Italian</i>) Mr. C. Casalino (<i>Deputy Chairman, Italian</i>) Mr. P.C. Arena (<i>Managing Director, Italian</i>) Mr. G. Sivilotti (<i>Italian</i>) Mr. M.A. Bertotti (<i>Italian</i>) 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	Ernst & Young Chartered Accountants Harcourt Centre, Harcourt Street 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	McCann Fitzgerald Sir John Rogerson's Quay Dublin 1 A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1

Directors' report

Financial statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2007.

Principal activities, business review and future developments

INTESA SANPAOLO BANK IRELAND plc (The Company) is actively involved in Intra-Group lending deriving chiefly through the issuance of notes under the Group's Euro Commercial Paper and Certificate of Deposit Programme and the Global Medium Term Note Programme.

The Company remains active in lending to large corporate clients and financial institutions in Ireland and abroad both on a bilateral and syndicated basis, and achieved several MLA roles for certain clients within the loan syndications market. In addition, the Company manages its own portfolio of investment securities.

Parent

The Company is a wholly owned subsidiary of INTESA SANPAOLO S.p.A., a company incorporated in Italy. The financial statements for 2007 of INTESA SANPAOLO S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Torino, Italy.

Results and dividends

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. 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 legal steps to change the name of its registered shareholder to reflect the new Group's name. The merger in Ireland was effected by transferring the assets of Intesa Bank Ireland plc to Intesa Sanpaolo Bank Ireland plc during the course of the year in accordance with the application of Part III of the Central bank Act, 1971.

Following the merger of Intesa Sanpaolo Bank Ireland Plc's Parent Company Sanpaolo IMI Spa with Banca Intesa Spa on 1 January 2007, the Parent Company decided to integrate the Irish banking businesses of the Group by transferring the assets and liabilities of Intesa Bank Ireland Plc into Intesa Sanpaolo Bank Ireland Plc (ex-Sanpaolo IMI Bank Ireland Plc) before 31 December 2007. The integration process was completed on 30 November 2007.

The impact of the incorporation contributed principally to the increase of the assets of the Company by 97.6% from €11.77 billion to €23.27 billion. The increase affected all main business lines of the Company with loans and advances to banks represented mainly by Intra-Group financings progressing by 86.5% (2007: €20.17 billion; 2006: €10.82 billion), loans and advances to customers by 201.1% (2007: €1.84 billion; 2006: €0.61 billion) and securities investments by 440.3% (2007: €0.94 billion; 2006: €0.17 billion) at the year end.

Directors' report cont'd

The expansion of Intesa Sanpaolo Bank Ireland Plc took place in the midst of an economic global downturn. Economic growth in the euro zone slowed in 2007 to 2.6% from 2.8% in the previous year, while Ireland recorded a growth in excess of 5% in 2007, although economic performance is expected to ease in 2008. In the US, the economy expanded by an average rate of almost 2.5%, however, growth slowed sharply at the end of 2007. The turbulence in the global financial market arising from the US sub-prime mortgage crisis impacted negatively on global markets as a whole and has led to a tighter liquidity environment.

The Company remained generally unaffected by the tighter liquidity market conditions. Debt securities in issue increased by 94.0% during the year (2007: €19.25 billion; 2006: €9.92 billion), with, a significant increase in the issuance of short-term debt (Certificate of Deposits and European Commercial Paper) from €3.99 billion in December 2006 to €10.68 billion at the end of 2007.

The principal risks faced by Intesa Sanpaolo Bank Ireland Plc as a result of the normal course of its activities are:

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

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

The results are set out on pages 10 - 11 of the financial statements. The profit after tax for the financial year was Euro 29.33 million (2006: Euro 20.53 million). The directors have agreed with the Parent that it would be in the best interest of the Company to retain distributable 2007 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 2007. The results for the year were in line with the expectations of the management

Future Developments in the Business

The directors intend to continue developing the Company's international lending, intra-group and financial activities.

Events since the year end

In January 2008, the Group's Euro 35 billion Global Medium Term Note Programme (under which, the Company is Issuer) was increased to Euro 50 billion.

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.

Directors' report cont'd

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
Mr. D. Casalino (appointed 7 April 2007)
Mr. N. Healy
Mr. I. Letchford
Mr. M.A. Bertotti
Mr. D. Campioni (resigned 4 April 2007)
Mr. P.C. Arena
Mr. P.A. Ricciardi
Mr. G. Sivilotti

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

Directors' report cont'd

Interests of directors and secretary

The directors and secretary of the company at 31 December 2007 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 INTESA SANPAOLO S.p.A.

	31 December 2007	31 December 2006
S. Del Punta	***1,800	460
C.Casalino	*1,118	-
P.C. Arena	**2,267	**610
P.A. Ricciardi	***1,801	460
M. A. Bertotti	**3,626	**404
G. Sivilotti	**1,626	**404

On 2nd January 2007 SANPAOLO IMI S.p.A. shares were converted in INTESA SANPAOLO S.p.A. shares at the merger exchange ratio of 3.115 ordinary shares.

* or date of appointment if later

** of which 467 (2006: 150 SANPAOLO IMI) shares are blocked until 27 July 2009 and 368 (2006: nil) shares are blocked until 2010

*** of which 368 (2006 : nil) shares are blocked until 2010

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

	31 December 2007	31 December 2006
G. Sivilotti	Nil	Nil
At 1 st January	-	25,000
Options exercised during the year	-	(25,000)
Exercise Price	-	€12.7229
Market Price	-	-
Market Price at date of exercise	-	€14.66
Period in which exercisable	-	-
	31 December 2007	31 December 2006
S. Del Punta	623,000	200,000
At 1 st January	200,000	200,000
Exercise Price	€3.951	€12.3074
Market Price	€5.41	€17.60
Period in which exercisable	2009-2012	2009-2012

On 2nd January 2007 SANPAOLO IMI S.p.A. shares were converted in INTESA SANPAOLO S.p.A. shares at the merger exchange ratio of 3.115 ordinary shares.

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 2007.

Directors' report cont'd

Auditors

During the year PricewaterhouseCoopers resigned as the auditor and Ernst & Young have been appointed as the new auditors in accordance with Section 161(1) of the Companies Act, 1963. Ernst & Young, have indicated their willingness to continue in office under Section 160 of the Companies Act, 1963.

On behalf of the board

S. Del Punta
Chairman

P.C. Arena
Managing Director

I. Letchford
Director

N. Healy
Director

6 March 2008

Statement of directors' responsibilities

The directors present herewith the audited financial statements for the year ended 31 December 2007.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

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 prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

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
Chairman

P.C. Arena
Managing Director

I. Letchford
Director

N. Healy
Director

6 March 2008

Independent auditors' report to the members of INTESA SANPAOLO BANK IRELAND plc

We have audited the financial statements (the "financial statements") of INTESA SANPAOLO BANK IRELAND Plc for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation which may require the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's balance sheet is in agreement with the books of account.

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

We read the directors' report and considered the implications for our report if we became aware of any apparent misstatements or material inconsistencies 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company as at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations 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.

In our opinion, the Balance Sheet does not disclose 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.

**Ernst & Young
Registered Auditors
Dublin**

28 March 2008

Income Statement

for the year ended 31 December 2007

	Note	2007 €'000	2006 €'000
Interest and similar income	5	689,097	317,888
Interest expense and similar charges	5	(654,606)	(289,399)
Net interest income		34,491	28,489
Fees and commissions income	6	8,888	1,702
Fees and commissions expense	6	(3,234)	(1,314)
Net trading income	7	(30,477)	(1,513)
Foreign Exchange profit		574	5
Other operating income	7	31,102	17
Total Operating income		41,344	27,386
Administrative expenses	9	(4,275)	(3,678)
Impairment losses on loans and advances	15	(3,632)	(467)
Operating profit/profit on ordinary activities before tax – continuing activities	10	33,437	23,241
Tax on profit on ordinary activities	11	(4,104)	(2,710)
Profit for the financial year		29,333	20,531

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

The notes on pages 14 to 61 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

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

Balance Sheet

at 31 December 2007

	Note	2007 Euro €'000	2006 Euro €'000
ASSETS			
Cash and balance with central banks	12	138,945	91,929
Loans and advances to banks	13	20,172,827	10,815,567
Financial instruments at fair value through income statement	16	269,081	142,051
Derivative financial instruments	18	153,634	77,676
Loans and advances to customers	14	1,841,626	611,578
Available for sale debt securities	17	675,226	32,720
Property, plant and equipment	19	137	161
Prepayments and accrued income		118	177
Deferred income tax	22	618	583
Corporation Tax		288	41
Other assets	21	14,999	140
Total assets		23,267,499	11,772,623
LIABILITIES			
Deposits from banks	23	1,686,836	1,067,401
Derivative financial instruments	18	239,494	88,567
Due to customers		1,081,447	123,707
Debt securities in issue	24	19,251,169	9,922,998
Accruals and deferred income		18,978	1,089
Other liabilities	25	3,838	1,136
Corporation Tax		-	218
Deferred Income Tax	22	582	-
Total liabilities		22,282,344	11,205,116
EQUITY			
Share capital	26	400,500	7,500
Share Premium	26	1,025	1,025
Other reserves		500,015	504,700
Retained earnings		83,615	54,282
Total Equity		985,155	567,507
Total liabilities and shareholders' funds		23,267,499	11,772,623

The notes on pages 14 to 61 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

C. Brougham

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

Statement of changes in equity
 for the year ended 31 December 2007

	<u>Other reserves attributable to equity shareholders of the company</u>			
	Share capital €'000	Other reserves €'000	Retained Earnings €'000	Total €'000
1 January 2006	8,525	504,703	33,751	546,979
Net loss on available for sale debt securities	-	(3)	-	(3)
	-	-	20,531	20,531
1 January 2007	8,525	504,700	54,282	567,507
Ordinary Shares issued	393,000	-	-	393,000
Net loss on available for sale debt securities	-	(4,685)	-	(4,685)
Profit for financial year	-	-	29,333	29,333
31 December 2007	<u>401,525</u>	<u>500,015</u>	<u>83,615</u>	<u>985,155</u>

Share capital comprises Called up share capital of €400,500,000 (2006: €7,500,000) and share premium of €1,024,665 (2006 €1,024,685).

No transaction costs were incurred in the issue of the new shares.

Other reserves include a capital contribution of €504,701,446 (2006: €504,701,446).

Cash Flow Statement

Year ended 31 December 2007

	Note	2007 Euro €'000	2006 Euro €'000
Cash Flows from operating activities			
Interest received		593,987	289,352
Fee and commission receipts (net)		9,354	614
Net trading and other income		78,643	(4,714)
Recoveries on loans previously written off		47	62
Interest Paid		(658,453)	(250,625)
Cash Payments to employees an supplies		(3,988)	(3,840)
Income Taxes paid		(4,569)	(2,727)
Cash Flows from operating activities before changes in operating assets and liabilities		<u>15,021</u>	<u>28,122</u>
Changes in operating assets and liabilities			
Net increase in loans and advances to banks		(7,697,003)	(5,115,312)
Net (increase)/decrease in loans and advances to customers		(1,216,900)	566,353
Net (decrease)/increase in deposits from banks		(37,812)	565,014
Increase in other liabilities		1,876	-
Net increase in amounts due to customers		943,692	100,458
(Purchase) / Proceeds of assets at fair value though income statement		(766,538)	50,259
Cash flows used in changes in operating assets and liabilities		<u>(8,772,685)</u>	<u>(3,833,228)</u>
Net cash used in operating activities		<u>(8,757,664)</u>	<u>(3,805,106)</u>
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment		(49)	(121)
Net cash from/(used in) investing activities		<u>(49)</u>	<u>(121)</u>
Cash flows from financing activities			
Proceeds from issuance of debt securities		9,345,021	3,382,130
Proceeds from issue of new shares		393,000	-
Net cash from financing activities		<u>9,738,021</u>	<u>3,382,130</u>
Net increase/(decrease) in cash and cash equivalents		980,308	(423,097)
Cash and cash equivalents at beginning of year		977,423	1,400,520
Cash and cash equivalents at end of year	27	<u>1,957,731</u>	<u>977,423</u>

Notes to the Financial Statements
Year ended 31 December 2007

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 and statement of Compliance

INTESA SANPAOLO BANK IRELAND plc is a limited Company incorporated and domiciled in the Republic of Ireland under the Companies Act, 1963 with the registration number 125216 and is regulated by the Irish Financial Services Regulatory Authority.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, applicable to companies reporting under IFRS and with Article 4 of the IAS Regulation.

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, available for sale debt securities and derivative contracts that have been measured at fair value.

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

Notes to the Financial Statements
Year ended 31 December 2007

of an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount

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 / Financial liabilities

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.

(c) Available-for-sale financial assets

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. Unrealised 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. Unrealised 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.

Financial liabilities are measured at amortised cost, except for liabilities designated at fair value, which are held at fair value through the income statement.

Notes to the Financial Statements
Year ended 31 December 2007

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

Notes to the Financial Statements
Year ended 31 December 2007

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 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.

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Year ended 31 December 2007

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 re-measured 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.

IAS 39 Financial Instruments: Recognition and Measurement requires hedge effectiveness to be assessed both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%.

The Company applies hedge accounting to its fixed rate assets and liabilities hedged by interest rate swaps in order to mitigate its interest rate risk in the banking book. The Company has adopted to perform its effectiveness tests using the "Dollar offset method". A consequence of the use of such methodology is that the results can show a rather high volatility with the risk of failing the test, when the level of the delta Net Present Value (NPV) of both the hedge instrument and the hedging derivative is low and the impact on the P&L is not significant.

To avoid this risk, the Group has adopted the rule to force to 100% the effectiveness test, even if the result is outside the permissible range of 80% to 125%, when the following conditions are simultaneously satisfied:

Notes to the Financial Statements
Year ended 31 December 2007

- Condition 1: the difference between the absolute values of delta NPV of both the synthetic asset/liability and the hedging derivative must be lower than (or equal to) 50.000 euros;
- Condition 2: the ratio between the delta NPV and the principal amount must be lower than (or equal to) 1% for both the synthetic asset/liability and the hedging derivative.

In the case of an effectiveness test showing a result situated within the range 80-125%, but different than 100%, the Mark to Market (MTM) value associated to the differential is recorded into the income statement.

Finally, in the case of an adjusted effectiveness test showing a result situated outside the range 80-125%, Management must be informed in order to authorize the break-up of the hedge link between the hedging derivative and the hedged asset/liability.

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 Accumulated Depreciation – Property, Plant & Equipment

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 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.

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 contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Notes to the Financial Statements
Year ended 31 December 2007

1.13 Taxation

The charge for income 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. Income tax is recognised in the income statement to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the 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
IFRS 8 Operating Segments	1 January 2009
IAS 23 Borrowing Costs (Revised)	1 January 2009
IAS 1 Presentation of Financial Statements (Revised)	1 January 2009
IFRS 2 Amendments to IFRS 2 – Vesting Conditions and cancellations	1 January 2009
IFRS 3 Business Combinations	1 July 2009
IAS 27 Consolidated and Separate Financial Statements	1 July 2009

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.

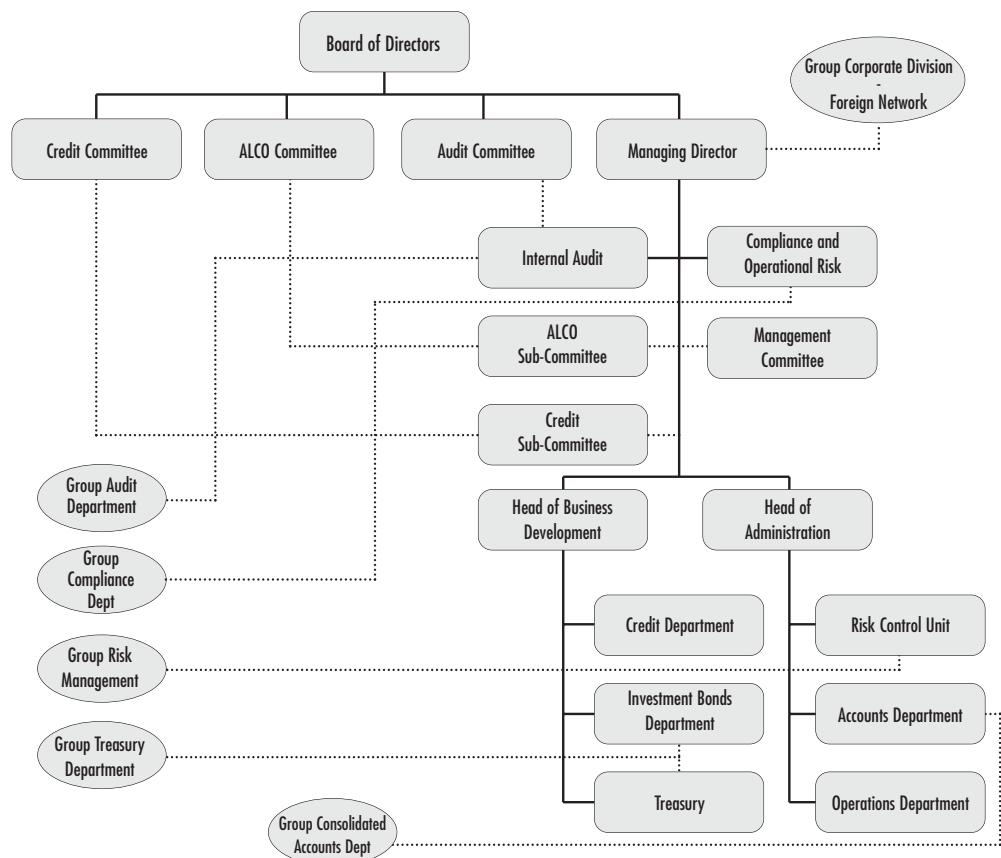
The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Company has adopted IFRS 7 during the year. The impact was on disclosures only and did not impact recognition and measurement in the financial statements. The Company has reviewed IFRIC numbers 1, 4, 5, 6, 8, 9, 10 and 11 and considered these as not being applicable to the entity.

Notes to the Financial Statements
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2 Qualitative risk disclosures

The overview of the board and executive management structure in the chart below identifies key individuals and committees and their inter-relationship with business and control units:



The Company's appetite for risk is subject to the Group's strategic guidelines. The core of the Group's current strategic plan (2007/ 2009) includes income sustainability in the medium long term, based on steady divisional plans and several operative projects in progress and common to every business unit. The existing mission of the Company is to finance autonomously medium long term needs from intra-Group companies and the Parent Company and to lend to multi-national companies. This mission, by limiting as much as possible its exposure to financial risks while focusing exclusively on investment grade credit risk exposures, is consistent with the Group's plan to minimise income volatility in the medium long term.

The Board has the responsibility to adjust the risk appetite of the Company to changes to its mission resulting from Group's strategic guidelines. The risk appetite is implemented operatively through the Board's adoption of risk policies and limits which are consistent with the Company's ultimate mission.

Furthermore, the Board has delegated to the Risk Control Unit of the Company, comprised of two Members of Staff under the supervision of Senior Management, the task to perform on an annual basis (or more frequently if the Company becomes involved in a new activity) a full risk assessment.

Notes to the Financial Statements
Year ended 31 December 2007

The task includes:

- ▶ A review of all main risk factors and a qualitative assessment on their materiality given the Company's activities at the time of the assessment;
- ▶ A qualitative justification of the materiality assessment which, may include the absence or insignificance of exposure given the Company's business, or the exclusion from the local list of material risks on the basis of a Group exposure to the risk factor managed at Group level;
- ▶ A description of the methodology used locally for the measurement of the exposure to all material risk factors;
- ▶ A risk measure for all material risks with, if applicable, the corresponding allocation of economic capital to cover individual risk factors;
- ▶ A description of methodology used locally for stress and scenario analysis, if applicable;
- ▶ The quantitative outcome of the stress and scenario analysis, if applicable.

The material risks which the Company monitors and manages on an on-going basis as a result of the risk assessment, are:

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

2.1 Quantitative risk disclosures

Credit Risk and Counterpart Credit Risk

Loans, debt securities and off-balance sheet commitments such as guarantees, confirmed credit lines and derivatives generate credit risk. Credit risk is characterised, for a specific counterparty, by the existence of a potential loss linked to the possible default of that counterparty, regarding the commitments it subscribed to.

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. 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. 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 basis 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, and are measured at the level of each line granted according to the following methodology:

- Principal outstanding + interest if past due for loans;
- Positive replacement cost + add-on for derivatives;
- Market value for bonds.

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Year ended 31 December 2007

Eligible (although not exclusively) lending transactions adopted by the Board are:

1. Export Credit Financing bearing the following features:
 - ▶ Export Credit Agreements (SACE, COFACE, ECGD, HERMES and other major ECA guarantees) for at least 85% of the political risk;
 - ▶ Guarantee issued by the exporter to secure at least 50% of country risk not covered by ECA,
2. Facilities guaranteed by a cash collateral and / or by way of guarantees issued by Banks rated at least I2 based on the new Basel II Methodology ("A3" by Moody's and "A-" by S&P with only a Stable outlook or better),
3. Unsecured facilities in favour of companies rated at least I3 based on the new Basel II Methodology ("Baa1" by Moody's and "BBB+" by S&P),
4. Financial Institutions rated at least I6 based on the new Basel II Methodology ("Baa3" by Moody's and "BBB-" by S&P).

Impairment provisioning of credit exposures is another tool used by the Company to manage its credit risk and reflect in its books the representation of the economic impact on the Company's assets of a credit event or potential credit event. The Company, in line with IAS 39 rules and the Group's accounting policies, assess whether there is objective evidence of impairment (lasting loss of value) in its loans and receivables. The assessment must be done individually if there is an individual evidence of impairment. Alternatively, the assessment is done collectively on the basis of losses already inherent in the portfolio, even if it is not yet possible to tie them to specific credits, also defined as "incurred but not reported losses".

In the case of collective assessment, impairment provisions for the Company are calculated as the sum of the incurred but not reported losses resulting from both counterpart credit risk and country risk. In both cases, the incurred loss is computed as:

Exposure (net of specific provisions, and relevant guarantees for country risk only) x Probability of Default (PD) x Loss Severity (LS) x Calibration Factor (CF)

The exposures covered include all financial assets that are subject to impairment review in accordance with the terms of IAS 39, which requires that "all financial assets except those measured at fair value through the profit and loss are subject to review for impairment." In the case of incurred losses relating to counterpart credit risk, the credit rating of the guarantor applies to the covered portion while the credit rating of the obligor applies to the uncovered portion. In the case of incurred losses relating to country risk, the credit worthiness of the country of residence of the obligor applies to the uncovered portion only.

The Company computes collective impairment provisions on committed and uncommitted lines to both banks (excluding intra-Group for Credit Risk only) and corporates according to the following rules:

Notes to the Financial Statements
Year ended 31 December 2007

	Corporate & Banks	Government & Public Entities
Committed facilities granted:		
Drawn	CRR + COR	COR
Undrawn	CRR	N/A
Uncommitted facilities granted:		
Drawn	CRR + COR	CRR + COR
Undrawn	N/A	N/A

Legend:

- CRR: Credit Risk
- COR: Country Risk

The probability of default relating to a country or an obligor/guarantor is driven by the internal rating assigned according to the Group's methodology. The internal rating is a synthetic indicator of the risk attributed to a country defaulting on its cross border obligations (i.e. transfer risk), or a client/issuer becoming insolvent within a specified period of time.

The loss severity indicates the percentage of the Company's total exposure to a client or a country that will not be recovered in case of default. In the case of counterpart credit risk, it is determined on the basis of factors such as: financial guarantees/covenants, nature of loan/financial instrument, level of subordination, legal action undertaken. In the case of country risk, factors such as political environment and macro-economic conditions are considered.

The severity of the loss relating to country risk is conditional on the wealth level of that country as per the World Bank classification. The severity of the loss relating to an obligor's default is driven by the type of transaction involved, and the geographical or business sector origins of the obligor.

Calibration factors for counterparty credit risk apply to the undrawn or available portion of a committed facility. The factors represent the estimated new drawdowns at the risk horizon given a deterioration of the credit worthiness of the counterpart. Calibration factors for country risk apply to the severity of the loss associated with a country default. It adjusts the loss severity according to the actual type of facility involved.

The collective impairment provisions of the Company are defined as the sum of incurred losses for both counterpart credit risk and country risk, adjusted for the following parameters:

- ▶ Loss confirmation period (LCP): the Company has opted for a LCP of 1 year given the predominantly corporate structure of the portfolio,
- ▶ Cyclicity: the Company has presently opted for no adjustment given the current macro-economic environment,
- ▶ Concentration: the Company is aware of the relative high concentration of its portfolio due to its exclusive dealing with major corporate groups and financial institutions, and, as a result, of the potential bias this may cause in comparison with the data used at Group level. The Company has therefore opted for an adjustment of the general provisions by multiplying the sum of incurred losses by a Concentration Index defined as:

Notes to the Financial Statements
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$$\text{Concentration Index (CI)} = \frac{\text{Average 35 largest granted facilities (excluding intragroup facilities)}}{\text{Portfolio average granted facility (excluding intragroup facilities)}}$$

In the case of an individual assessment, impairment provisions for the Company are calculated as the difference between the book value of the relevant asset and the sum of the discounted recoverable cash-flows.

Incurred losses are computed as:

$$\text{Book value of the asset at time of assessment} - \text{past dues} * \text{recovery rate} - \text{PV}(\text{recoverable cash-flows})$$

The recoverable amount on an impaired asset to be assessed individually is determined on the basis of the internal rating assigned to the obligor.

All recoverable amounts (including principal and interest amounts) are discounted using:

- The contractual interest rate in case of a fixed-rate facility;
- The market Libor curve + the contractual spread in case of a floating-rate facility.

In the case of fixed-rate and floating-rate capitalizing facilities, the effective rate is assumed constant for the duration of the asset and equal to the rate for the current period.

Cash-flows to be discounted are determined according to specific rules depending on the terms and conditions of the asset.

Exposure to credit risk is also managed by using credit mitigation techniques, which contribute to the Company's mission to minimise risks while ensuring adequate returns involving a frequent use of credit risk mitigation techniques. These mitigation techniques enable the Company to approve transactions which comply with its internal credit policy, and at year-end 2007, of the total amount of assets (excluding intra-Group transactions and bonds) of €2.82 billion, €1.59 billion (representing 56.3%) had a credit risk mitigation attached.

The breakdown in percentages of these mitigation instruments by types is shown below:

Mitigation Instrument Types	As a % of Referred Assets
Export Credit Agencies' guarantees to cover Political and commercial risks generated by trade finance operations,	1.98%
Intra-group guarantees for other facilities involving country risk and Intra-group risk participations for large syndicated facilities in order to limit concentration risk and comply with the regulatory Large Exposure limits,	46.95%
Third party guarantees for transactions involving exposures below the policy requirements of the Company,	4.00%
Collateral for transactions involving exposures below the policy requirements of the Company.	3.37%

Notes to the Financial Statements
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The Company performs periodically a revaluation of all physical collateral received in order to ensure proper coverage of the relevant risk exposures. The table below shows the inventory of all such collateral as at December 31st 2007 (all of which acquired during 2007 as a result of the transfer of the activities of Intesa Bank Ireland Plc), as well as the external source and frequency of revaluation for all non-cash physical collateral:

COLLATERAL TYPE	COLLATERAL FAIR VALUE (EUR)	LOAN OUT-STANDING (EUR)	COLLATERAL COVERAGE RATIO (%)	% INTRA-GROUP GUARANTEE	LOAN AMOUNT COVERED BY COLLATERAL ONLY	LATEST VALUATION DATE	FREQUENCY OF VALUATION	VALUATION METHODOLOGY / SOURCE
Aircraft (B777-200)	21,100,000.00	14,935,776.15	141%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B767-300)	4,958,902.25	4,957,456.93	100%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-700)	16,371,170.44	13,471,987.05	122%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B747-400F)	18,816,656.48	7,763,366.39	242%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (A320-200)	7,947,829.63	2,030,703.74	391%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (A320-200)	8,015,759.80	2,007,039.25	399%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,358,603.36	1,088,243.86	125%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,358,603.36	1,088,281.46	125%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	2,105,835.20	1,619,195.31	130%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,426,533.52	1,133,022.39	126%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,426,533.52	1,130,504.19	126%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	2,173,765.37	1,717,798.56	127%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,358,603.36	965,337.97	141%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B737-500)	1,494,463.69	1,173,561.01	127%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B747-400 combi)	12,023,639.70	9,848,869.75	122%	89%	1,112,557.87	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (MD-11P)	4,400,000.00	3,261,163.38	135%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (MD-11P)	5,700,000.00	3,920,394.67	145%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (MD-11P)	8,800,000.00	9,435,473.88	93%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B747-400 combi)	14,800,000.00	15,070,364.38	98%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Aircraft (B747-400 combi)	11,412,268.19	9,436,603.50	121%	100%	-	Nov-07	Annual	Average of Current Market and Base Value as received from Avitas, ASG and Ascend
Flight Simulator A320	339,650.84	707,471.49	48%	100%	-	2007	Annual	Estimated value based on contractual purchase price at final maturity - INSPIRE
Flight Simulator A330	509,476.26	684,574.68	74%	100%	-	2007	Annual	Estimated value based on contractual purchase price at final maturity - INSPIRE
Locomotives	4,955,850.83	3,218,084.82	154%	100%	-	Dec-07	Annual	Oliver Wyman, USA Projected Cash Flow vs. Debt Amortisation-
Locomotives	6,555,397.05	4,459,453.60	147%	100%	-	Dec-07	Annual	Oliver Wyman, USA Projected Cash Flow vs. Debt Amortisation-
Train Carriages	8,919,498.68	5,986,240.24	149%	0%	5,986,240.24	Dec-07	Annual	Oliver Wyman, USA Projected Cash Flow vs. Debt Amortisation-
Train Carriages	4,873,220.57	3,135,634.19	155%	0%	3,135,634.19	Dec-07	Annual	Oliver Wyman, USA Projected Cash Flow vs. Debt Amortisation-
Train Carriages	4,417,184.97	3,155,131.85	140%	0%	3,155,131.85	Dec-07	Annual	Oliver Wyman, USA Projected Cash Flow vs. Debt Amortisation-
LNG tanker	9,510,223.49	4,075,810.07	233%	100%	-	Nov-07	Annual	Estimated value based on similar new vessels under construction - ISP Hong Kong
LNG tanker	9,510,223.49	4,075,810.07	233%	100%	-	Nov-07	Annual	Estimated value based on similar new vessels under construction - ISP Hong Kong
Real Estate Property	6,426,969.02	5,729,703.51	112%	100%	-	Oct-07	Annual	Historical Cost
Bonds pledge	7,811,969.30	6,430,864.07	121%	0%	6,430,864.07	Dec-07	Weekly	Bloomberg market price evaluation - INSPIRE
Cash Deposit	74,000,000.00	74,000,000.00	100%	0%	74,000,000.00	n/a	n/a	n/a
Cash Deposit	105,218.40	2,805,840.78	4%	0%	105,218.40	n/a	n/a	n/a
Cash Deposit	43,245.70	864,914.27	5%	0%	43,245.70	n/a	n/a	n/a
Cash Deposit	77,144,563.70	77,144,563.70	100%	0%	77,144,563.70	n/a	n/a	n/a
Total	362,171,860.14	302,529,241.16			171,113,456.02			

Notes to the Financial Statements
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Impaired loan	Nature of collateral	Fair value of collateral	Loan Outstanding	Impairment	Net Outstanding
Restructured loans	Flight Simulator A-320	849,127	1,392,046	1,062,820	329,226

These loans were acquired in 2007 and hence 2006 is nil.

An amount of €302.53 million of loans were partially or fully covered by physical collateral at year-end 2007, with a fair value of such collateral estimated at €362.17 million at its last revaluation date. The Company has in some cases received guarantees in addition to the collateral pledged. In the case of guarantees received from the Group, the risk mitigation provided by the guarantee prevails over the collateral received. In the case of guarantees received from third party, a risk assessment is performed in order to transfer the risk to the guarantor or the collateral. As at 31 December 2007, €171.11 million of loans were covered by collateral only, without the mitigation of a prevailing guarantee.

In case of the default of an obligor (as defined in the terms and conditions of the contractual agreement linking the obligor to the Company), the Company will call the guarantee first, if applicable, and then assign the pledged collateral to the same guarantor. If no such guarantee exists, the Company will proceed with the disposal of the collateral using professional support depending on the type of collateral involved.

It is the policy of the Company to monitor and control concentrations of credit. The monitoring is performed at the sector of activity, geographical and credit rating level, taking into consideration all relevant credit mitigations.

With regard to loans, the total exposure of the Company derived from loans to banks and customers after adjustments shown in the table below, amounted up to €21.89 billion at the end of 2007 (€11.40 billion in 2006):

	2007 (‘000)	2006 (‘000)
Loans and advances to banks <i>(as per balance sheet)</i>	20,172,827	10,815,567
Loans and advances to customers <i>(as per balance sheet)</i>	1,841,626	611,578
	22,014,453	11,427,145
Accruals	152,359	57,018
Collective impairment	-6,999	-3,664
Discount on loan	-3,946	0
Hedge acc. Adjustment	-14,711	-10,470
IAS adjustment	-544	-12,342
Adjusted total	21,888,294	11,396,603

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The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by activity sectors is shown in the table below:

Sector of Risk	2007	As %	2006	As %
Collateral	171,113,456.94	12.44%	7,090,280.37	0.63%
Automobile & Auto Parts	13,799,207.17	1.00%	17,655,074.69	1.56%
Banks: central & Commercial	485,839,396.38	35.32%	680,599,825.35	60.03%
Cement & Building Materials	50,120,126.63	3.64%	27,423,115.16	2.42%
Chemicals, Resins, Rubber & Glass	407,581.01	0.03%	-	0.00%
Construction & Real Estate	50,789.97	0.00%	35,135.83	0.00%
Diversified financial	159,622,700.81	11.60%	-	0.00%
Electronic & Electronical equip.	8,491,270.97	0.62%	-	0.00%
Engineering & machinery	21,349,406.25	1.55%	13,207,104.28	1.16%
Food, beverage & tobacco	84,037,897.57	6.11%	71,293,569.90	6.29%
Forestry, paper & packaging	11,199,247.68	0.81%	-	0.00%
Government & Municipalities	63,294,063.98	4.60%	30,035,496.62	2.65%
Miscellaneous	586,427.55	0.04%	147,393.81	0.01%
Oil & natural gas	84,774,616.24	6.16%	81,524,380.68	7.19%
Pharmaceutical, pers. & health care	13,617,607.23	0.99%	22,156,209.67	1.95%
Publishing & media	30,000,000.00	2.18%	-	0.00%
Steel & other metals	3,986,834.03	0.29%	1,708,428.25	0.15%
Telecommunication services	10,245,810.13	0.74%	122,595.81	0.01%
Textile & apparel	-	0.00%	-	0.00%
Transportation	44,079,975.95	3.20%	64,221,150.00	5.66%
Utilities	118,967,793.36	8.65%	116,453,596.02	10.27%
Total	1,375,584,209.84	100.00%	1,133,673,356.44	100.00%
Group	20,512,709,894.02		10,262,929,247.88	
Grand Total:	21,888,294,103.86		11,396,602,604.32	

The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by credit internal rating is shown in the table below:

Rating	2007	As %	2006	As %
I.1.A	1,130,779.70	0.08%	1,587,788.85	0.14%
I.1.C	62,583,657.27	4.55%	49,000,000.00	4.32%
I.1.D	125,131,563.01	9.10%	79,275,233.15	6.99%
I.1.E	248,837,104.74	18.09%	301,347,614.28	26.58%
I.1.F	112,563,553.05	8.18%	185,690,005.26	16.38%
12	476,813,855.92	34.66%	290,451,421.58	25.62%
14	114,079,422.37	8.29%	212,028,590.00	18.70%
15	191,829,845.24	13.95%	11,332,095.48	1.00%
16	27,175,442.38	1.98%	1,711,528.81	0.15%
M2	14,518,702.09	1.06%	275,971.28	0.02%
M3	482,068.83	0.04%	686,320.59	0.06%
M4	337,837.46	0.02%	147,393.81	0.01%
R1	15,716.96	0.00%	35,135.83	0.00%
R2	82,337.47	0.01%	88,798.13	0.01%
R3	-	0.00%	15,459.39	0.00%
R4	2,323.35	0.00%	-	0.00%
Total	1,375,584,209.84	100.00%	1,133,673,356.44	100.00%
Group I.1.D	20,512,709,894.02		10,262,929,247.88	
Grand Total:	21,888,294,103.86		11,396,602,604.32	

S&P's Rating Equivalent	Counterparty internal Rating
AAA	I.1.A
AA+	I.1.B
AA	I.1.C
AA-	I.1.D
A+	I.1.E
A	I.1.F
A-	12
BBB+	13
BBB	14
BBB-	15
BB+	16
BB	M1
BB-	M2
B+	M3
B	M4
B-	R1
CCC	R2
	R3
	R4
	R5

Notes to the Financial Statements
Year ended 31 December 2007

The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by country risk is shown in the table below:

Country of Risk	2007	As %	2006	As %
Argentina	45,655.18	0.00%	31,850.52	0.00%
Austria	-	0.00%	93,212,058.66	8.22%
Bahrain	40,861,886.42	2.97%	71,519,346.05	6.31%
Belgium	-	0.00%	24,000,000.00	2.12%
Brazil	32,151.71	0.00%	59,896.90	0.01%
Croatia	45,000,000.00	3.27%	25,000,000.00	2.21%
Dominican Republic	2,323.35	0.00%	15,459.39	0.00%
France	241,792,438.07	17.58%	256,444,319.90	22.62%
Germany	56,377,614.09	4.10%	45,385,110.03	4.00%
Greece	14,500,373.62	1.05%	15,030,372.06	1.33%
Hungary	18,000,000.00	1.31%	18,000,000.00	1.59%
Iceland	15,000,000.00	1.09%	15,000,000.00	1.32%
Ireland	262,654,491.98	19.09%	40,990,187.77	3.62%
Italy	110,612,040.65	8.04%	86,710,649.88	-7.65%
Kuwait	9,170,572.65	0.67%	12,148,823.09	1.07%
Malta	11,250,000.00	0.82%	11,250,000.00	0.99%
Morocco	-	0.00%	12,540.85	0.00%
Poland	43,368,053.84	3.15%	15,557,906.53	1.37%
Portugal	137,000,000.00	9.96%	127,108,828.33	11.21%
Qatar	20,991,033.90	1.53%	31,131,359.15	2.75%
Russia	21,432,178.13	1.56%	11,838,440.64	1.04%
Spain	79,000,000.00	5.74%	84,450,867.40	7.45%
Sweden	10,791,666.67	0.78%	-	0.00%
Switzerland	54,709,061.98	3.98%	34,870,709.09	3.08%
Turkey	-	0.00%	6,833,712.98	0.60%
United Arab Emirates	64,533,659.40	4.69%	56,947,608.20	5.02%
United Kingdom	318,321.63	0.02%	173,180,904.77	15.28%
United States	118,140,686.58	8.59%	50,363,704.02	4.44%
Total	1,375,584,209.84	100.00%	1,133,673,356.44	100.00%

Group exposures

Croatia	100,000,000.00	0.49%	-	0.00%
France	7,677,538.42	0.04%	-	0.00%
Hungary	714,282,045.08	3.48%	70,450,556.97	0.69%
Italy	19,179,220,894.95	93.50%	9,818,534,690.91	95.67%
Romania	121,046,666.66	0.59%	123,944,000.00	1.21%
Slovenia	390,482,748.90	1.90%	250,000,000.00	2.44%
Total	20,512,709,894.02	100.00%	10,262,929,247.88	100.00%
Grand Total:	21,888,294,103.86		11,396,602,604.32	

With regard to bonds, investments in permissible bonds (as per the permissible bond typology adopted by the Board) are subject to the following notional limits:

- ▶ Notional limit of €1.5 billion equivalent
- ▶ Country diversification limits
- ▶ Issuers diversification portfolio limits
- ▶ Weighted average minimum return portfolio limit of 15 basis points
- ▶ Credit rating diversification portfolio limits
- ▶ Minimum weighted average portfolio rating of A
- ▶ Single government issuer exposure limits
- ▶ Single supranational and banking issuer exposure limits
- ▶ Single corporate issuer exposure limits
- ▶ Transaction tenor limits

The total exposure of the Company derived from available-for-sale and carried-at-fair-value bonds after adjustments shown in the table below, amounted up to €933.29 million at the end of 2007 (€171.63 million in 2006):

Notes to the Financial Statements
Year ended 31 December 2007

	2007	2006
Securities Carried at Fair Value <i>(as per balance sheet)</i>	269,080,638	142,051,179
Securities Available for Sale <i>(as per balance sheet)</i>	675,226,220	32,720,210
	944,306,858	174,771,389
Accruals	11,397,941	3,181,017
Impairment provisions (on AFS only)	-383,078	-38,632
Adjusted total	933,291,995	171,629,003

The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by activity sectors is shown in the table below:

Sector of Risk	2007	2006
Automobile & Auto Parts	6,480,836.00	-
Banks: Central & Commercial	240,157,984.08	62,348,144.28
Diversified Financial	136,924,687.00	46,905,000.00
Government & Municipalities	541,917,937.00	62,375,858.71
Group	2,835,201.00	-
Investment banking	-	-
Telecommunication services	4,975,350.00	-
Total	933,291,995.05	171,629,002.99

The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by credit internal rating is shown in the table below:

Rating	2007	2006
I.1.A	51,219,450.00	46,905,000.00
I.1.B	-	3,201,945.48
I.1.C	8,199,285.00	10,015,000.00
I.1.D	80,966,501.70	15,122,719.06
I.1.E	578,043,403.00	75,960,748.42
I.1.F	112,511,240.00	-
I2	48,748,235.00	7,589,217.91
I4	46,936,801.35	4,991,500.00
I5	2,665,859.00	7,842,872.12
I6	4,001,220.00	-
Total	933,291,995.05	171,629,002.99

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Year ended 31 December 2007

The breakdown of the Company's risk exposures at year-ends 2007 and 2006 by country risk is shown in the table below:

Country of Risk	2007	2006
Cayman Islands	1,677,488.00	-
France	2,700,635.00	-
Germany	992,822.00	3,201,945.48
Greece	7,426,350.00	-
Iceland	18,352,067.00	-
Italy	719,847,285.35	140,817,839.60
Netherlands	33,403,296.00	7,589,217.91
Portugal	9,908,700.00	-
Singapore	5,096,800.00	-
Spain	4,975,350.00	-
Sweden	17,984,346.00	-
United Kingdom	19,971,754.00	10,015,000.00
United States	90,955,101.70	10,005,000.00
Total	933,291,995.05	171,629,002.99

It is the policy of the Company to monitor and control concentrations of credit so that they do not exceed specified limits. It is sound banking practice to avoid concentration of lending to specific industries and specific clients or group of clients. On the contrary, it is preferable to spread exposure over an extensive cross section of industries and geographic locations.

In addition to the monitoring of concentration limits at the counterpart and sectors of activity levels, the Board has adopted the prudent view of calibrating the collective impairment provisions of the Company to take into consideration the materiality of the credit concentration risk factor associated with the Company activity of lending principally to large corporations (as described above). The Concentration Index, utilized for managerial purposes, is reviewed by the Risk Control Unit at least on an annual basis and the result is communicated to the Board.

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

Furthermore, the Company has set the following other limits:

- Large Exposures to a client or group of connected clients not to exceed 25% of the Own Funds base. Intra Group exposures are exempt from this requirement.
- Large Exposures in total not to exceed 800 per cent of Own Funds base.
- Loans to Directors are not permitted.
- Sectoral Concentration: the aggregate amount of loans concentrated in one sector of business or economic activity which is subject to a "common predominant risk factor" must not exceed 200%; where a common risk could be considered to apply to two or more separate sectors (for example, property development and building sectors) then not more than 250% of the Own Funds base shall be employed in such sectors on aggregate.

Notes to the Financial Statements
Year ended 31 December 2007

2.2 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 Company's Liquidity Risk Policy approved by the Board of Directors in line with the Financial Regulator requirements, the Company's liquidity analysis aims at:

- Defining 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;
- Defining "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.
- Defining rules for maintaining a minimum of liquid assets to cover very short-term liquidity risk, to be refinanced through borrowings.

Flows which are readily realisable or have variable maturity such as retail accounts, call deposits, undrawn credit lines and guarantees, are allocated to time segments on the basis of behavioural assumptions determined by the Company and based on nearly 4 years of proprietary historical data. The Company also differentiates between undrawn committed credit lines likely to be drawn in the case of a liquidity crunch such as medium/long term facilities and export facilities, and those with a low likelihood of drawing such as back-up revolving facilities or guarantees.

	Standard Assumption (0-8 Days) - 31 December 2007	Standard Assumption (0-8 Days) - 29 December 2006
Drawings on unlikely undrawn committed facilities granted	2%	1%
Drawings on guarantees issued	6%	1%
Drawings on likely undrawn committed facilities granted	93%	96%

With regard to on-demand accounts such as retail accounts and call deposits, the Company assumes that 100% of all balances will be repaid in the first time band. This assumption is driven by the limited amount of local historical on the behaviour of such flows and the immateriality of their amount.

Notes to the Financial Statements
Year ended 31 December 2007

The funding liquidity position of the Company is monitored and reported daily to the Company's Management, while it is presently reported weekly to both the ALCO Committee and the Financial Regulator.

The overall liquidity risk monitoring framework of the Company as well as the support provided by the Group in that respect, are helping the Company mitigate liquidity risk, and include:

- The Company is inserted in the overall liquidity management of the Group since the Company has been assigned a main funding rule for the Group;
- All short-term and medium/long-term debt issued by the Company under its existing programmes are fully guaranteed by the Parent Company;
- The Company is also inserted in the contingency policies of the Group in addition to the local contingency funding plan;
- An uncommitted money market line in favour of the Company for €2.9 billion exists with the Parent Company;
- The adoption by the Company of a Funding Policy to ensure and manage the access to diverse funding sources in the financial market;
- The issuance of a Letter of Comfort dated 2 July 2002 issued by the Parent Company and ensuring that the Company will remain able to meet all its liabilities.

The tables below show the liquidity risk exposures of the Company for year-ends 2006 and 2007 using the behavioural assumption described above and used by the Company's Board and Management for the monitoring and management of this risk factor:

Liquidity of Credit Institutions Maturity Mismatch Calculation - Liquidity Ratios							
Credit Institution: INTESA SANPAOLO BANK IRELAND Institution Code: SPBANK							
Reporting Date: 31-Dec-07 Amount: Operational Currency 000							
Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 yr	1 to 2 yr	2 Years +
Discounted Liquid Assets	2,439,624.83						
Cash Inflows	437,062.57	3,594,080.87	3,832,486.83	1,412,769.51	3,014,424.78	5,373,486.84	10,121,446.79
Net Cumulative Cashflow c/fwd		611,065.68	358,323.37	0	0	0	0
Total Cash Inflow	2,876,687.40	4,205,146.55	4,190,810.20	1,412,769.51	3,014,424.78	5,373,486.84	10,121,446.79
Cash Outflows	-2,265,621.72	-3,846,823.17	-7,600,863.21	-2,516,257.81	-2,869,729.28	-4,128,238.20	-4,820,825.73
Net Cumulative Cashflow c/fwd		0	0	-3,410,053.01	-4,513,541.30	-4,358,845.80	-3,113,597.15
Total Cash Outflow	-2,265,621.72	-3,846,823.17	-7,600,863.21	-5,926,310.82	-7,373,270.58	-8,487,084.00	-7,934,084.00
Net Position in the Period	611,065.68	-252,742.30	-3,768,376.38	-1,103,488.29	154,695.50	1,245,248.65	5,300,621.06
Net Cumulative Inflow/Outflow	611,065.68	358,323.37	-3,410,053.01	-4,513,541.30			2,187,023.91
Ratio Analysis							
Liquidity Ratio	126.97%	109.37%	-	-	-	-	-
Monitoring Ratio	-	-	55.14%	23.84%	40.88%	63.31%	127.56%

Notes to the Financial Statements
Year ended 31 December 2007

Liquidity of Credit Institutions Maturity Mismatch Calculation - Liquidity Ratios							
Credit Institution: SANPAOLO IMI BANK IRELAND Plc Code:				Code Format			
Reporting Date: Amount in Euros		29-Dec-06		ATTENTION: timeband extended to the 31/01/07 and following timebands adjusted consequently			
Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 yr	1 to 2 yr	2 Years +
Discounted Liquid Assets	1,310,717,160.41						
Cash Inflows	96,371,351.73	1,969,983,244.97	835,665,869.65	883,922,917.07	1,290,037,069.58	1,087,284,647.26	7,681,055,298.31
Net Cumulative Cashflow c/fwd		585,329,558.00	279,023,639.19	0	0	0	0
Total Cash Inflow	1,407,088,512.15	2,555,312,802.97	1,114,689,508.84	883,922,917.07	1,290,037,069.58	1,087,284,647.26	7,681,055,298.31
Cash Outflows	-821,758,954.15	-2,276,289,163.78	3,108,309,427.07	-2,105,761,551.89	-1,108,918,390.13	-449,718,541.21	-4,103,524,754.71
Net Cumulative Cashflow c/fwd		0	0	-1,993,619,918.23	-3,215,458,553.05	-3,034,339,873.60	-2,396,773,767.55
Total Cash Outflow	-821,758,954.15	-2,276,289,163.78	-3,108,309,427.07	-4,099,381,470.12	-4,324,376,943.18	-3,484,058,414.81	-6,500,298,522.27
Net Position in the Period	585,329,558.00	-306,305,918.81	-272,643,557.42	-1,221,838,634.82	181,118,679.45	637,566,106.04	3,577,530,543.59
Net Cumulative Inflow/Outflow	585,329,558.00	279,023,639.19	-1,993,619,918.23	-3,215,458,553.05	-3,034,339,873.60	-2,396,773,767.55	1,180,756,776.04
Ratio Analysis							
Liquidity Ratio	171	-	-	-	-	-	-
Monitoring Ratio in the period	-	0.87	0.27	0.42	1.16	2.42	1.87
Cumulative Monitoring Ratio	-	1.12	0.36	0.22	0.30	0.31	1.18

The "target liquidity ratio" as at 31/12/07 reached 126.97% (2006: 171%) in the time bucket on-demand to 8 days and reached 109.31% (2006: 112%) in the time bucket 8 days to 1 month, in excess of the minimum limits imposed by the Company's policy.

The tables below show the liquidity risk exposures of the Company for year-ends 2006 and 2007 using the IFRS 7 application guidance and assuming that all undrawn loan commitments are included in the time band containing the earliest date they can be drawn (0 – 8 days). These adjusted exposures are not used by the Company's Board and Management for the monitoring and management of this risk factor:

Liquidity of Credit Institutions Maturity Mismatch Calculation - Liquidity Ratios							
Credit Institution: INTESA SANPAOLO BANK IRELAND Institution Code: SPBANK							
Reporting Date: Amount: Operational Currency 000		31-Dec-07					
Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 yr	1 to 2 yr	2 Years +
Discounted Liquid Assets	2,439,624.83						
Cash Inflows	437,062.57	3,594,080.87	3,832,486.83	1,412,769.51	3,145,163.00	5,438,855.96	11,239,899.94
Net Cumulative Cashflow c/fwd		0	0	0	0	0	0
Total Cash Inflow	2,876,687.40	3,594,080.87	3,832,486.83	1,412,769.51	3,145,163.00	5,438,855.96	11,239,899.94
Cash Outflows	-3,580,182.20	-3,846,823.17	-7,600,863.21	-2,516,257.81	-2,859,729.28	-4,128,238.20	-4,820,825.73
Net Cumulative Cashflow c/fwd		-703,494.80	-956,237.11	-4,724,613.49	-5,828,101.78	-5,542,668.05	-4,232,050.29
Total Cash Outflow	-3,580,182.20	-4,550,317.97	-8,557,100.31	-7,240,871.29	-8,687,831.06	-9,670,906.25	-9,052,876.03
Net Position in the Period	-703,494.80	-252,742.30	-3,768,376.38	-1,103,488.29	285,433.73	1,310,617.76	6,419,074.20
Net Cumulative Inflow/Outflow	-703,494.80	-956,237.11	-4,724,613.49	-5,828,101.78	-5,542,668.05	-4,232,050.29	2,187,023.91
Ratio Analysis							
Liquidity Ratio	80.35%	78.99%	-	-	-	-	-
Monitoring Ratio	-	-	44.73%	19.51%	36.20%	56.24%	124.16%

Notes to the Financial Statements
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Liquidity of Credit Institutions Maturity Mismatch Calculation - Liquidity Ratios							
Credit Institution: SANPAOLO IMI BANK IRELAND Plc Code:	Code Format						
Reporting Date: Amount in Euros	29-Dec-06 ATTENTION: timeband extended to the 31/01/07 and following timebands adjusted consequently						
Timebands	Sight to 8 days	Over 8 days to 1 mth	Over 1 mth to 3 mths	Over 3 mths to 6 mths	Over 6 mths to 1 yr	1 to 2 yr	2 Years +
Discounted Liquid Assets	1,310,717,160.41						
Cash Inflows	96,371,351.73	1,969,983,244.97	835,665,869.65	883,922,917.07	1,479,486,175.17	1,339,018,619.01	8,501,136,586.81
Net Cumulative Cashflow c/fwd		-	0	0	0	0	0
Total Cash Inflow	1,407,088,512.15	1,969,983,244.97	835,665,869.65	883,922,917.07	1,479,486,175.17	1,339,018,619.01	8,501,136,586.81
Cash Outflows	-2,083,023,319.98	-2,276,289,163.78	-3,108,309,427.07	-2,105,761,551.89	-1,108,918,390.13	-449,718,541.21	-4,103,524,754.71
Net Cumulative Cashflow c/fwd		-675,934,807.84	-982,240,726.65	-3,254,884,284.07	-4,476,722,918.88	-4,106,155,133.85	-3,216,855,056.06
Total Cash Outflow	-2,083,023,319.98	-2,952,233,971.62	-4,090,550,153.72	-5,360,645,835.95	-5,585,641,309.02	-4,555,873,675.06	-7,320,379,810.77
Net Position in the Period	-675,934,807.84	-306,305,918.81	2,272,643,557.42	-1,221,838,634.82	370,567,785.03	889,300,077.79	4,397,611,832.10
Net Cumulative Inflow/Outflow	-675,934,807.84	-982,240,726.65	-3,254,884,284.07	-4,476,722,918.88	-4,106,155,133.85	-3,216,855,056.06	1,180,756,776.04
Ratio Analysis							
Liquidity Ratio	0.68	-	-	-	-	-	-
Monitoring Ratio in the period	-	0.87	0.27	0.42	1.33	2.98	2.07
Cumulative Monitoring Ratio	-	0.67	0.20	0.16	0.26	0.29	1.16

2.3 Interest Rate and Foreign Exchange Risks in the Banking Book

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

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

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

Interest rate exposure is measured separately for each currency by analysing assets and liabilities in terms of the dates they re-price. Interest rate risk exposure is assessed by measuring daily the financial impact (or sensitivity) on assets and liabilities of the Company of a parallel shift of 25 basis points of the relevant yield curves and the exposure, assuming that all such assets and liabilities are revalued at fair value, and is reviewed daily by management against the set limit.

As at 31 December 2007, the interest rate sensitivity for the Company amounted up to Euro -1,608,323 (2006 Euro -1,496,153), within the limit approved by the Board of Directors of €2,000,000.

Interest rate sensitivity

	2007	2006
Average	(356,243)	(213,393)
High	780,108	881,205
Low	(1,608,323)	(1,496,153)

Notes to the Financial Statements
Year ended 31 December 2007

The interest rate risk sensitivity of the Company at year-ends 2006 and 2007, by time bucket and by currency, is shown in the tables below:

Sensitivity as at 31/12/2007

Currency	NPV	O/N	T/N	1D	1W	1Wto 1M	1M	2M	3M	4M	5M	6M
BRITISH POUND STERLING	2,210,203	0	0	-163	1,242	0	2,647	-5,229	-5,015	-11,890	-2	-29
CANADIAN DOLLAR	4,469	0	0	0	0	0	0	0	0	0	0	0
DANISH KRONE	9,952	0	0	0	0	0	1	-4	-2	0	0	0
EUROPEAN CURRENCY	1,173,419,376	0	0	-2,201	-34,890	0	135,500	387,662	-287,962	168,716	-342,953	-1,209,484
HONG KONG DOLLAR	5,049	0	0	0	0	0	0	0	0	0	0	0
HUNGARIAN FORINT	620	0	0	0	0	0	0	0	0	0	0	0
JAPANESE YEN	1,505,817	0	0	0	0	0	-2	-3	-2	-3	-2	0
POLISH ZLOTY	3,684	0	0	0	0	0	0	0	0	0	0	0
SINGAPORE DOLLAR	10,409	0	0	0	0	0	0	0	0	0	0	-1
SWISS FRANC	41,265,722	0	0	415	-338	0	83	-1,371	7,879	-8	-15,970	-60,051
US DOLLAR	273,212,719	0	0	885	493	0	-66,828	-26,071	2,840	-21,839	-24,919	-49,933
TOTAL	1,491,648,019	0	0	-1,063	-33,494	0	71,400	355,183	-282,261	134,975	-383,846	-1,319,498

Currency	7M	8M	9M	10M	11M	12M	2Y	3Y	4Y	5Y	Total as at 31/12/2007
BRITISH POUND STERLING	2,390	6,379	2,377	-30	0	-82	-239	-200	-32	0	-7,876
CANADIAN DOLLAR	0	0	0	0	0	-2	-7	-2	0	0	-11
DANISH KRONE	0	0	0	0	0	0	0	0	0	0	-5
EUROPEAN CURRENCY	15,225	75,808	69,458	87,779	88,940	-5,247	-56,191	-55,007	-60,975	-338,092	-1,363,714
HONG KONG DOLLAR	-1	0	-1	-1	0	-4	-5	0	0	0	-12
HUNGARIAN FORINT	0	0	0	0	0	0	0	0	0	0	0
JAPANESE YEN	-31	-19	0	0	0	-199	-154	-214	-261	-2,260	-3,957
POLISH ZLOTY	0	0	0	-1	0	-1	-4	0	0	-1	-6
SINGAPORE DOLLAR	-2	0	0	0	0	-9	-8	0	0	0	-20
SWISS FRANC	-13	-11	-12	-18	6,005	-6,730	-434	-566	-356	-169	-71,665
US DOLLAR	36,703	35,713	-299	1,220	-4,672	-9,132	20,768	-26,270	-4,778	-24,936	-161,055
TOTAL	54,271	117,871	71,523	88,949	90,273	-21,270	-36,275	-82,260	-66,402	-365,456	-1,608,323

Shift Sensitivity Analysis as at 29/12/2006

Currency	NPV	O/N	T/N	1D	1W	1Wto 1M	1M	2M	3M	4M	5M	6M
CHF	429,594	0	0	1	5	-23	-15	-2	-2	-8	-10	-36
EUR	300,212,086	0	0	-430	-15,297	25,531	97,373	-2,524	-26,078	27,811	-372,748	-1,052,550
GBP	529,366	0	0	-1	-821	-2,182	-811	12,943	6,819	-9	0	-19
HKD	8,327	0	0	0	0	0	0	0	0	0	0	0
JPY	1,553,901	0	0	0	0	-2	0	0	-2	-3	0	0
USD	-108,127,342	0	0	287	1,299	11,206	-13,909	-17,961	8,689	56,700	-42,293	-13,938
TOTAL	194,605,931	0	0	-142	-14,814	34,530	82,638	-7,544	-10,574	84,490	-415,051	-1,066,543

Currency	7M	8M	9M	10M	11M	12M	2Y	3Y	4Y	5Y	Total as at 29/12/2006
CHF	-14	-6	-4	-21	-19	-217	-463	-493	-552	-153	-2,032
EUR	-13,503	-262	-1,222	-1,113	-1,403	-10,262	-23,302	-32,054	-29,054	-119,143	-1,550,230
GBP	-14	-8	-72	-17	0	-223	-597	-695	-318	-33	13,942
HKD	0	0	-1	-1	0	-1	-3	-1	0	0	-28
JPY	0	0	0	0	0	-13	-28	-42	-57	-289	-436
USD	-15,251	-3,988	10,239	27,074	6,560	8,282	33,454	-4,159	-2,636	-7,024	42,631
TOTAL	-28,782	-4,265	8,940	25,923	5,138	-2,434	-9,061	-37,444	-32,617	-126,642	-1,496,153

With regard to foreign exchange risk in the banking book, such risk results from the mismatching of the currency of denomination between assets and liabilities. The Company mitigates this risk mainly using foreign exchange swaps in order to re-align the currency of denomination of its assets with that of the corresponding funding.

The Board have set a limit on the total overnight open position (measured as the maximum of the sums of all long and short open positions) of €3,000,000 equivalent, which is monitored daily.

Notes to the Financial Statements
Year ended 31 December 2007

The table below summarises the Company's exposure to foreign currency exchange rate risk at year-ends 2006 and 2007:

Currency	2007 Position in '000s		2006 Position in '000s	
	Original Ccy	Euro	Original Ccy	Euro
USD	311	211	389	295
GBP	-426	-580	5	7
CHF	294	177	-1	-1
DKK	25	3	0	0
NOK	1	0	0	0
SEK	22	2	21	2
CAD	1	1	1	1
AUD	1	1	9	5
JPY	55,072	334	312	2
PLN	52	14	14	4
HKD	31	3	6	1
SGD	0	0	0	0
ZAR	2	0	0	0
NZD	2	1	2	1
HUF	212	1	0	0
Totals in Euro				
Long Foreign currency:		748		318
Short Foreign currency:		580		1

2.4 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.

The main mitigation techniques used by the Company to reduce operational risk are:

- ▶ The monitoring of the effectiveness of internal controls using a Sarbanes-Oxley Section 404 compliant methodology. This monitoring involves the on-going:
 - Review of processes affecting significant accounts of the Company with a documentation of the same processes, of the attached risks, and of the controls in place;
 - Identification of key controls with operative details (frequency, manual/automated, etc.);
 - Tests of key controls compliance and execution.

The implementation of this methodology has enabled the Company to reduce its yearly average operational losses (net of recoveries) from €12,700 in 2005, to €122 in 2006 and €962 in 2007.

- ▶ The existence of a local Disaster Recovery and Business Continuity framework including:
 - A local UPS at the main office;
 - A building with an independent generator at the main office;
 - An alternative site located 10 km away from the main office consisting of a room in a protected area with a network of work stations configured with the critical systems of the Company and tested semi-annually.
- ▶ The critical IT systems of the Company are centralised Group systems with local access. These centralised systems are daily replicated in London or at Moncalieri in Italy as well as at the disaster recovery sites in both places.
- ▶ The purchase of insurances with third parties including:
 - Property damage insurance;
 - Liability insurance (employer's liability and public liability);
 - Internal fraud insurance (i.e. internal theft, falsification of documents, internal system fraud, etc).

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Year ended 31 December 2007

The table below summarizes the breakup of the financial assets and liabilities by category for 2007 and 2006

	Loans and receivables	Held for Trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non- Financial assets	Total
As at 31 December 2007	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Assets							
Cash and balance with central banks	138,945	-	-	-	-	-	138,945
Loans and advances to banks	20,172,827	-	-	-	-	-	20,172,827
Financial instruments at fair value	-	-	269,081	-	-	-	269,081
Derivative financial instruments	-	153,634	-	-	-	-	153,634
Loans and advances to customers	1,841,626	-	-	-	-	-	1,841,626
Available for sale debt securities	-	-	-	-	675,226	-	675,226
Property, plant and equipment	-	-	-	-	-	137	137
Prepayment and accrued income	118	-	-	-	-	-	118
Deferred income tax assets	-	-	-	-	-	618	618
Corporation tax	-	-	-	-	-	288	288
Other assets	14,999	-	-	-	-	-	14,999
Total assets	22,168,515	153,634	269,081	-	675,226	1,043	23,267,499
Financial Liabilities							
Deposits from Bank	1,686,836	-	-	-	-	-	1,686,836
Derivative financial instruments	-	239,494	-	-	-	-	239,494
Due to customers	1,081,447	-	-	-	-	-	1,081,447
Debt securities in issue	19,251,169	-	-	-	-	-	19,251,169
Accruals and deferred income	18,978	-	-	-	-	-	18,978
Other liabilities	3,838	-	-	-	-	-	3,838
Corporation tax	-	-	-	-	-	-	-
Deferred income tax liability	-	-	-	-	-	582	582
Equity							
Share capital	-	-	-	-	-	400,500	400,500
Share premium	-	-	-	-	-	1,025	1,025
Other reserves	-	-	-	-	-	504,700	504,700
Retained earning	-	-	-	-	-	78,930	78,930
Total liabilities and shareholders' funds	22,042,268	239,494	-	-	-	985,737	23,267,499

Notes to the Financial Statements
Year ended 31 December 2007

As at 31 December 2006	Loans and receivables	Held for Trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non- Financial assets	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Assets							
Cash and balance with central banks	91,929	-	-	-	-	-	91,929
Loans and advances to banks	10,815,567	-	-	-	-	-	10,815,567
Financial instruments at fair value	-	-	142,051	-	-	-	142,051
Derivative financial instruments	-	77,676	-	-	-	-	77,676
Loans and advances to customers	611,578	-	-	-	-	-	611,578
Available for sale debt securities	-	-	-	-	32,720	-	32,720
Property, plant and equipment	-	-	-	-	-	161	161
Prepayment and accrued income	177	-	-	-	-	-	177
Deferred income tax assets	-	-	-	-	-	583	583
Corporation tax	-	-	-	-	-	41	41
Other assets	140	-	-	-	-	-	140
Total assets	11,519,391	77,676	142,051	-	32,720	785	11,772,623
Financial Liabilities							
Deposits from Bank	1,067,401	-	-	-	-	-	1,067,401
Derivative financial instruments	-	88,567	-	-	-	-	88,567
Due to customers	123,707	-	-	-	-	-	123,707
Debt securities in issue	9,922,998	-	-	-	-	-	9,922,998
Accruals and deferred income	1,089	-	-	-	-	-	1,089
Other liabilities	1,136	-	-	-	-	-	1,136
Corporation tax	-	-	-	-	-	218	218
Deferred income tax liability	-	-	-	-	-	-	-
Equity							
Share capital	-	-	-	-	-	7,500	7,500
Share premium	-	-	-	-	-	1,025	1,025
Other reserves	-	-	-	-	-	504,700	504,700
Retained earning	-	-	-	-	-	54,282	54,282
Total liabilities and shareholders' funds	11,116,331	88,567	-	-	-	567,725	11,772,623

Notes to the Financial Statements
Year ended 31 December 2007

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

As at 31 December 2007

	Euro %	US\$ %	CHF %	GBP£ %
ASSETS				
Cash and balances with central banks	4.16	5.57	-	-
Loans and advances to banks	4.86	5.28	2.98	6.26
Available-for-sale debt securities	5.07	5.23	-	7.13
Loans and advances to customers	5.00	5.68	3.20	6.98

LIABILITIES				
Deposits from banks	4.66	5.31	2.50	6.78
Due to customers	4.45	-	-	-
Debt securities in issue	4.70	5.13	2.72	6.27
Other	3.80	4.05	-	-

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	-	-

Notes to the Financial Statements
Year ended 31 December 2007

2.5 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 receivables, payables and items present in the company balance sheet at their fair value) held in the non-trading book as at 31 December 2007

	At 31/12/07 Carrying value €'000	At 31/12/07 Fair value €'000	At 31/12/06 Carrying value €'000	At 31/12/06 Fair value €'000
Assets				
Cash and balance at central banks	138,945	138,945	91,929	91,929
Loans and advances to banks	20,172,827	20,172,827	10,815,567	10,815,567
Loans and advances to customers	1,841,626	1,841,626	611,578	611,578
Liabilities				
Deposits by banks	1,686,836	1,686,836	1,067,401	1,067,401
Debt securities in issue	19,251,169	19,251,169	9,922,998	9,922,998
Due to customers	1,081,447	1,081,447	123,707	123,707

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.

The valuation of financial instruments at fair value at year-end 2007 was performed using diverse external sources, and on the basis of external market quotes or external models fed by observable inputs.

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.

Notes to the Financial Statements
Year ended 31 December 2007

(b) Fair value of financial instruments

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

	2007 €'000	2006 €'000
Interest income		
Cash and short term funds	12,307	49,955
Available for sale debt securities	17,464	7,775
Loans and advances *	639,703	244,272
Net swap interest receivable	19,623	15,886
	<u>689,097</u>	<u>317,888</u>

* Interest income includes €121,060 (2006: €142,527) accrued on impaired loan.

Interest expense		
Banks and customers	91,194	53,424
Debt securities in issue	563,412	235,975
	<u>654,606</u>	<u>289,399</u>

Notes to the Financial Statements
Year ended 31 December 2007

6. Fees and commission income and expense	2007	2006
	€'000	€'000
Fee and commission income		
Credit related fees and commissions	8,698	1,669
Other fees	190	33
	8,888	1,702
Fee and commission expense		
Credit related fees and commissions	(3,055)	(1,218)
Brokerage fees paid	(11)	(31)
Other fees paid	(168)	(65)
	(3,234)	(1,314)
7. Net trading income	2007	2006
	€'000	€'000
Mark to market (losses) / gains:		
- Derivatives *	(38,202)	4,943
- Net result Hedge Accounting ***	139	(21)
- Financial instruments designated at fair value through Income statement **	7,586	(6,435)
	(30,477)	(1,513)
Other Operating Income *	31,102	17

* This relates to the sale of a security and the loss on the economic hedge of the bond.

** This comprises the Mark to market loss on the Financial instruments designated at fair value through Income statement of €1,288,482 and interest income of €8,874,833 (2006 mark to market loss of €6,435,157 and interest income €6,764,021 (previously classified under the heading Interest Income).

Notes to the Financial Statements
Year ended 31 December 2007

*** Break up of the net result of hedge accounting

2007 Net results of hedge accounting ('000)					
	Loans and Receivables	Available for Sale	ECP	MTN	Total
Net gains / (losses) on Hedged Asset / Liability	(14,711)	14,111	(88)	102	(586)
Net gains / (losses) on Fair Value of Hedged Derivative	14,604	(14,387)	529	(21)	725
	(107)	(276)	441	81	139

2006 Net results of hedge accounting ('000)					
	Loans and Receivables	Available for Sale	ECP	MTN	Total
Net gains / (losses) on Hedged Asset / Liability	(12,483)	0	0	8,275	(4,208)
Net gains / (losses) on Fair Value of Hedged Derivative	12,462	0	0	(8,275)	4,187
	(21)	0	0	0	(21)

8. Employee numbers

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

	Number of employees	
	2007	2006
Administration	<u>21</u>	<u>20</u>

9. Administrative expenses

	2007	2006
	€'000	€'000
Staff costs		
- wages and salaries	1,946	1,579
- social welfare costs	133	115
- pension costs	256	187
- other personnel expenses	3	2
Other administrative expenses	1,864	1,723
Depreciation	73	72
	<u>4,275</u>	<u>3,678</u>

Notes to the Financial Statements
Year ended 31 December 2007

10. Operating profit / Profit on ordinary activities before taxation

	2007	2006
	€'000	€'000
Profit before tax is stated after charging: Depreciation – property, plant and equipment	<u>73</u>	<u>72</u>
Auditors' remuneration (including VAT): Audit Services Statutory audit	<u>61</u>	<u>46</u>
Non-audit services Taxation services	42	33
Other consultancy	40	81
Subtotal	<u>82</u>	<u>114</u>
	<u>143</u>	<u>160</u>
Directors' remuneration: Executive	442	344
Non-executive	45	40
	<u>487</u>	<u>384</u>

The following tables detail the total remuneration of the directors

2007	Salary / Bonus (‘000)	Directors Fees (‘000)	Taxable Benefits (‘000)	Pension Contribution (‘000)	Total (‘000)
Executive Director					
<i>P.C. Arena</i>	298	0	48	96	442
Total	<u>298</u>	<u>0</u>	<u>48</u>	<u>96</u>	<u>442</u>
Non – Executive Directors					
<i>Ian Letchford</i>	0	22.5	0	0	22.5
<i>Nathaniel Healy</i>	0	22.5	0	0	22.5
Total	<u>0</u>	<u>45</u>	<u>0</u>	<u>0</u>	<u>45</u>

Notes to the Financial Statements
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2006	Salary (‘000)	Directors Fees (‘000)	Taxable Benefits (‘000)	Pension Contribution (‘000)	Total (‘000)
Executive Director					
<i>P.C. Arena</i>	221	0	59	64	344
Total	<u>221</u>	<u>0</u>	<u>59</u>	<u>64</u>	<u>344</u>
Non – Executive Directors					
<i>Ian Letchford</i>	0	20	0	0	20
<i>Nathaniel Healy</i>	0	20	0	0	20
Total	<u>0</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>40</u>

11. Tax on profit on ordinary activities

	2007 €'000	2006 €'000
Corporation tax charge 12.5% (2006: 12.5%) on the profit for the year on ordinary activities	<u>4,161</u>	<u>2,895</u>
Current tax charge for the year (Over) / Under provision in prior year	<u>4,161</u> <u>(57)</u>	<u>2,895</u> <u>(185)</u>
Total Current Tax	<u><u>4,104</u></u>	<u><u>2,710</u></u>

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

	2007 €'000	2006 €'000
Profit on ordinary activities before tax	<u>33,437</u>	<u>23,241</u>
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 12.5% (2006: 12.5%)	<u>4,180</u>	<u>2,905</u>
Effects of:		
Adjustments to tax charge in respect of previous periods	<u>(57)</u>	<u>(185)</u>
General Bad Debt Provision	-	-
Other adjustments	<u>(19)</u>	<u>(10)</u>
Current tax charge for the year	<u><u>4,104</u></u>	<u><u>2,710</u></u>

Notes to the Financial Statements
Year ended 31 December 2007

12. Cash and balances with central banks

	2007 €'000	2006 €'000
Mandatory reserve deposits with central bank	134,395	65,484
Other cash balances	4,550	26,445
	<u>138,945</u>	<u>91,929</u>

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) €138,640,842 (2006: €91,807,274).

13. Loans and advances to banks

	2007 €'000	2006 €'000
Placement with other banks	20,176,767	10,817,554
Gross loans and advances	20,176,767	10,817,554
Less allowances for losses	(3,940)	(1,987)
	<u>20,172,827</u>	<u>10,815,567</u>

Of which included in cash and cash equivalents (Note 27) €2,582,696,538 (2006: €990,933,843).

14. Loans and advances to customers

	2007 €'000	2006 €'000
Loans to corporate entities	1,847,496	615,242
- Syndicated and Bilateral loans		
Gross loans and advances	1,847,496	615,242
Less allowances for losses	(5,870)	(3,664)
	<u>1,841,626</u>	<u>611,578</u>

Notes to the Financial Statements
Year ended 31 December 2007

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

	2007 €'000	2006 €'000
Balance at beginning of year	5,689	6,171
Disposed loans	-	(641)
Acquired loan	1,130	-
Charge to profit and loss account	3,776	1,783
Released to profit and loss account	(98)	(1,253)
Translation adjustment	(304)	(371)
	<hr/>	<hr/>
Balance at end of year	10,193	5,689
	<hr/> <hr/>	<hr/> <hr/>

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of EUR 46,621 (2006: EUR 62,345) in relation to loans previously written-off. Further, included in the Provisions for Bad Debts figure in the profit and loss account is a charge of EUR 349,698 (2006: EUR 43,604) in relation to available for sale securities.

Amounts include:

	2007 €'000	2006 €'000
Loans and advances to banks (note 13)	3,940	1,987
Loans and advances to customers (note 14)	5,870	3,664
Available for sale debt securities (note 17)	383	38
	<hr/>	<hr/>
Balance at end of year	10,193	5,689
	<hr/> <hr/>	<hr/> <hr/>

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

	2007 €'000	2006 €'000
Debt securities at fair value		
Issued by public bodies		
- government securities	147,184	62,376
- other public sector securities	81,230	54,748
Issued by other issuers		
- banks	28,374	24,927
- other debt securities	12,293	-
	<hr/>	<hr/>
	269,081	142,051
Of which:		
- listed on a recognized exchange	216,189	73,318
- unlisted	52,892	68,733
	<hr/>	<hr/>
	269,081	142,051
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements
Year ended 31 December 2007

17. Available for sale debt securities

Debt securities - at fair value		
Gross debt securities – at fair value	675,609	32,758
Less allowances for losses	(383)	(38)
	<u>675,226</u>	<u>32,720</u>
Issued by public bodies		
- other public sector securities	363,442	-
Issued by other issuers		
- banks	172,951	32,720
- other debt securities	138,833	-
	<u>675,226</u>	<u>32,720</u>
Of which:		
- listed on a recognized exchange	649,536	32,720
- unlisted	25,690	-
	<u>675,226</u>	<u>32,720</u>

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.

Notes to the Financial Statements
Year ended 31 December 2007

At 31 December 2007		Fair values including accruals	
	Contract/notional amount €'000	Assets €'000	Liabilities €'000
1) Derivatives held for trading			
<i>a) Foreign exchange derivatives</i>			
Currency swaps	3,616,551	10,470	(76,122)
Total OTC derivatives		10,470	(76,122)
<i>b) Credit derivatives</i>			
Credit default swaps	70,000	564	(564)
Total OTC derivatives		564	(564)
<i>c) Interest rate derivatives</i>			
Interest rate swaps	2,659,004	7,627	(13,272)
Cross-currency interest rate swaps	39,411	-	(8,023)
Forward rate agreements	-	-	-
Total OTC derivatives		7,627	(21,295)
<i>d) Equity Options</i>			
Equity options purchases	796,541	116,110	-
Equity options sold	796,541	-	(116,110)
Total OTC derivatives		116,110	(116,110)
Total derivative assets/(liabilities) held for trading		134,771	(214,091)
2) Derivatives held for risk management			
<i>a) Derivatives designated as fair value hedges</i>			
Interest rate swaps	1,812,899	18,863	(25,403)
Total OTC derivatives		18,863	(25,403)
Total derivative assets/(liabilities) held for risk management		18,863	(25,403)
Total derivative financial instruments		153,634	(239,494)

At 31 December 2006		Fair values including accruals	
	Contract/notional amount €'000	Assets €'000	Liabilities €'000
1) Derivatives held for trading			
<i>a) Foreign exchange derivatives</i>			
Currency swaps	1,330,134	8,022	(18,566)
Total OTC derivatives		8,022	(18,566)

Notes to the Financial Statements
Year ended 31 December 2007

<i>b) Credit derivatives</i>			
Credit default swaps	22,500	752	(752)
Total OTC derivatives		752	(752)
<i>c) Interest rate derivatives</i>			
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)
<i>d) Equity Options</i>			
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			
<i>a) Derivatives designated as fair value hedges</i>			
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)

19. Property, plant and equipment

	Office equipment	Computer equipment and software	Total
	€'000	€'000	€'000
Cost			
At beginning of year	234	570	804
Additions in year	27	22	49
Disposals in year	-	(2)	(2)
At end of year	261	590	851
Depreciation			
At beginning of year	113	530	643
Charge for year	39	34	73
Disposals in year	-	(2)	(2)
At end of year	152	562	714

Notes to the Financial Statements
Year ended 31 December 2007

Net book value

At 31 December 2007	109	28	137
At 31 December 2006	121	40	161
	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 Group 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.

The registered office is at AIB International Centre, International Financial Services Centre, Dublin 1, Ireland.

21. Other assets

	2007	2006
	€'000	€'000
Other accounts receivable	14,999	140
	14,999	140

Notes to the Financial Statements
Year ended 31 December 2007

22. Deferred tax assets	2007 €'000	2006 €'000
Analysis of movement in deferred taxation		
Provision for impairment of loans and receivables	583	613
Available for sale debt securities	62	0
Exchange Translation adjustment	(27)	(30)
Total gross deferred tax assets	618	583
Deferred Tax liabilities:		
Available for sale debt securities	582	0
Total gross deferred tax liabilities	582	0
Net Deferred Tax assets	36	583
Analysis of movement in deferred taxation		
At 1 January	583	613
Exchange translation adjustment	(27)	(30)
Deferred tax through equity	(520)	0
At 31 December	36	583
23. Deposits from banks	2007 €'000	2006 €'000
Deposits from other banks	1,686,836	1,067,401
	1,686,836	1,067,401

Included in cash and cash equivalents (Note 27) €763,606,029 (2006: €105,317,870).

Notes to the Financial Statements
Year ended 31 December 2007

24. Debt securities in issue

At 31/12/2007

Currency	Type	Maturity	Interest Rates %	Average Rate %	€'000
European medium Term Notes (EMTN)					
CAD	Fixed Note	13/07/2010	4.94%		17,485
				4.94%	
CHF	Floating Rate Note	27/10/2008	2.77%		182,194
				2.77%	
EUR	Fixed Note	15/02/2008	3.60%		10,316
EUR	Fixed Note	15/02/2008	4.33%		5,006
EUR	Fixed Note	12/06/2008	2.00%		5,155
EUR	Floating Rate Note	13/06/2008	5.10%		12,851
EUR	Fixed Note	30/06/2008	2.90%		7,530
EUR	Fixed Note	07/07/2008	2.00%		15,630
EUR	Floating Rate Note	30/11/2008	5.54%		10,048
EUR	Fixed Note	20/03/2009	1.02%		10,029
EUR	Fixed Note	20/03/2009	1.80%		10,144
EUR	Fixed Note	16/06/2009	2.69%		101,457
EUR	Fixed Note	26/06/2009	1.11%		18,103
EUR	Floating Rate Note	27/10/2009	3.20%		5,028
EUR	Floating Rate Note	09/11/2009	4.64%		3,523,904
EUR	Fixed Note	10/11/2009	5.62%		25,199
EUR	Floating Rate Note	30/03/2010	4.95%		50,653
EUR	Floating Rate Note	04/06/2010	4.50%		51,294
EUR	Floating Rate Note	14/06/2010	5.08%		10,025
EUR	Fixed Note	13/07/2010	2.81%		30,182
EUR	Floating Rate Note	30/09/2010	4.50%		10,001
EUR	Fixed Note	25/11/2010	3.10%		21,325
EUR	Fixed Note	29/04/2011	0.00%		21,000
EUR	Fixed Note	19/07/2011	0.80%		35,126
EUR	Fixed Note	02/08/2011	1.70%		10,222
EUR	Fixed Note	27/09/2011	5.11%		75,853
EUR	Fixed Note	31/10/2011	5.13%		66,960
EUR	Fixed Note	30/11/2011	1.50%		70,092
EUR	Fixed Note	27/12/2011	5.02%		93,410
EUR	Fixed Note	03/01/2012	3.12%		5,316
EUR	Fixed Note	30/03/2012	4.00%		6,355
EUR	Floating Rate Note	20/06/2012	4.96%		7,512
EUR	Fixed Note	23/06/2012	0.00%		120,000
EUR	Fixed Note	07/07/2012	0.00%		60,000
EUR	Fixed Note	07/12/2012	3.12%		4,259
EUR	Floating Rate Note	10/05/2015	1.00%		15,021
EUR	Floating Rate Note	27/07/2015	0.93%		50,083
EUR	Fixed Note	27/09/2015	5.74%		43,405
EUR	Fixed Note	31/10/2015	5.86%		40,976
EUR	Fixed Note	27/12/2015	5.77%		55,304
EUR	Fixed Note	15/03/2016	5.76%		27,661
EUR	Fixed Note	21/03/2016	3.85%		7,725
EUR	Fixed Note	25/10/2017	6.00%		15,167
EUR	Fixed Note	01/10/2018	4.00%		50,500

Notes to the Financial Statements
Year ended 31 December 2007

EUR	Floating Rate Note	15/12/2018	4.00%		40,071
EUR	Fixed Note	06/04/2021	0.20%		20,029
EUR	Fixed Note	30/06/2021	0.00%		20,000
EUR	Floating Rate Note	01/08/2022	5.42%		50,459
EUR	Fixed Note	20/04/2025	6.92%		11,866
EUR	Fixed Note	30/06/2026	0.00%		20,000
EUR	Fixed Note	20/06/2035	5.00%		20,531
EUR	Fixed Note	25/01/2036	7.00%		5,326
				4.25%	
GBP	Floating Rate Note	26/08/2010	6.729%		21,963
GBP	Floating Rate Note	08/02/2011	6.346%		161,648
				6.392%	
HKD	Floating Rate Note	19/10/2009	5.081%		13,201
				5.081%	
JPY	Fixed Note	14/06/2011	1.710%		12,240
JPY	Fixed Note	25/06/2014	1.820%		30,601
JPY	Fixed Note	22/06/2015	1.127%		6,064
				1.707%	
PLN	Fixed Note	09/11/2009	9.150%		14,099
				9.150%	
SGD	Fixed Note	21/07/2009	3.811%		57,662
				3.811%	
USD	Fixed Note	29/04/2008	5.55%		27,432
USD	Fixed Note	22/08/2008	4.875%		401,059
USD	Fixed Note	24/10/2008	4.875%		50,982
USD	Fixed Note	24/11/2008	4.875%		1,318,738
USD	Floating Rate Note	12/03/2010	5.261%		204,356
USD	Floating Rate Note	29/03/2010	4.975%		271,758
USD	Floating Rate Note	27/07/2010	5.500%		308,675
USD	Fixed Note	25/07/2011	4.875%		268,506
USD	Floating Rate Note	17/05/2012	5.055%		170,851
USD	Floating Rate Note	07/06/2013	5.279%		23,852
				4.993%	
Total EMTN					8,567,474
Certificates of Deposits (ECD)					
in €				4.740%	1,478,967
in £				6.205%	334,011
in US\$				5.194%	924,238
Total ECD					2,737,216

Notes to the Financial Statements
Year ended 31 December 2007

European Commercial Paper (ECP)

in €	4.682%	4,238,666
in £	6.286%	1,317,925
in US\$	5.103%	1,799,913
In CHF	2.724%	465,291
In HUF	7.354%	34,142
In JPY	0.906%	63,571
In PLN	5.403%	19,426
In SGD	2.780%	7,545

Total ECP

7,946,479

Total Debt Securities Issued

19,251,169

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

Notes to the Financial Statements
Year ended 31 December 2007

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**

25. Other liabilities

	2007	2006
	€'000	€'000
Other accrued expenses	1,962	1,136
Other liabilities	1,876	-
	3,838	1,136

26. Share capital

	Number of shares €'000	Ordinary shares €'000	Share Premium €'000	Total €'000
At 1 January 2006	7,500	7,500	1,025	8,525
At 31 December 2006/1 January 2007	7,500	7,500	1,025	8,525
Issue of new shares	393,000	393,000	-	393,000
At 31 December 2007	400,500	400,500	1,025	401,525

The total authorised number of ordinary shares at year end was 500,000,000 million (2006: 10,000,000) with a par value of €1 per share (2006: €1 per share). All issued shares are fully paid. The Capital Adequacy of the Company is monitored periodically in terms of regulatory requirements and of economic financial needs. This activity is performed in order to ensure current and estimated future capital adequacy within the business plan horizon of the Company. The Company has complied with the externally imposed capital requirements of the regulator.

Notes to the Financial Statements
Year ended 31 December 2007

The capital plan of the Company, in accordance with the Group's strategy and ratified by the Board of Directors of the Company, has been to increase the own funds of the Company for the last two years by retaining the Company's earnings for 2007 and 2006 in order to support the continuing growth of the business.

Furthermore, after the incorporation of the assets and liabilities of Intesa Bank Ireland Plc by the Company in the second half of 2007, the net worth of Intesa Bank Ireland Plc has been transferred in its entirety to the Company by way of issuance of 393,000,000 new shares of Euro 1.00 each, in favour of the Parent Company. With effect from 30 November 2007 the authorised share capital of the Company is Euro 500,000,000 of which Euro 400,500,000 was issued and paid up. At 31 December 2007, the capital and reserves of the Company amounted to Euro 955.8 million (985.2 million including YTD profits after Tax).

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.

	2007	2006
	€'000	€'000
Cash and balances with central bank (Note 12)	138,641	91,807
Loans and advances to banks (Note 13)	2,582,696	990,934
Deposits from banks (Note 23)	(763,606)	(105,318)
	1,957,731	977,423

28. Commitments

Financial commitments

At 31 December 2007 the contracted amounts of financial commitments were:

	2007	2006
	€'000	€'000
Guarantees and irrevocable Letters of Credit	174,224	118,047
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	167,185	253,412
- one year and over	1,269,425	1,082,976
	1,610,834	1,454,435

Of the above amount of guarantees €106,607,515 (2006: Nil) relates to Group companies and has a regulatory risk weighting of 20%. The regulatory risk weighting of the amount excluding fellow subsidiary undertakings and financial institutions is 100% €1,337,297,536 (2006: €1,165,036,751).

Notes to the Financial Statements
Year ended 31 December 2007

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 income statement as incurred. The pension charge for the year was Euro 256,120 (2006: Euro 186,689).

30. Related party transactions

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

31 DECEMBER 2007

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
Cash and Balances with central Banks	1,072	-	1,072
Loans and advances to banks	14,577,907	4,800,284	19,378,191
Financial instruments at fair value though income statement	3,005	-	3,005
Derivative financial instruments	136,782	22,238	159,020
Loans and advances to clients	-	94,202	94,202
LIABILITIES			
Deposits from Banks	1,254,945	-	1,254,945
Derivative financial instruments	68,665	32,532	101,197
Due to customers	-	118,465	118,465
INCOME STATEMENT			
Interest and similar income	393,405	155,935	549,340
Interest Expense and similar charges	(22,633)	(11,777)	(34,410)
Net trading interest	21,090	(64,278)	(43,188)
FINANCIAL COMMITMENTS			
Commitments - financial commitments	106,607	23,740	130,347
DERIVATIVES			
Derivatives	4,329,571	2,872,416	7,201,987

31 DECEMBER 2006

	PARENT	FELLOW SUBSIDIARIES	TOTAL
	€'000	€'000	€'000
ASSETS			
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

Notes to the Financial Statements
Year ended 31 December 2007

INCOME STATEMENT

Interest and similar income	152,024	88,780	240,804
Interest Expense and similar charges	(16,946)	(583)	(17,592)
Net trading income	14,021	(5,118)	8,903

FINANCIAL COMMITMENTS

Commitments - financial commitments	-	16,000	16,000
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DERIVATIVES

Derivatives	921,833	1,709,939	2,631,772
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31. Geographic Concentrations

Geographic concentrations of assets, liabilities and off balance sheet items 31 December 2007	Total Assets €'000	Total liabilities €'000	Credit Commitments €'000	Revenues €'000
Ireland	672,034	1,132,597	40,156	11,972
E.U. (excl. Ireland)	21,030,818	21,555,384	1,253,964	(4,634)
U.S.A.	297,556	152,065	7,341	302
South America	748,052	103,331	-	(6,698)
Rest of the World	519,039	324,122	309,373	40,402
Total	23,267,499	23,267,499	1,610,834	41,344

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

	2007 €'000	2007 %	2006 €'000	2006 %
Ireland	536,197	29	23,451	4
E.U. (excl. Ireland)	610,403	33	394,385	65
U.S.A.	205,108	11	-	-
South America	3,554	-	8,4281	1
Rest of the World	486,364	27	185,314	30
Total	1,841,626	100	611,578	100

Notes to the Financial Statements
Year ended 31 December 2007

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

	2007	2007	2006	2006
	€'000	%	€'000	%
Ireland	-	-	20,090	-
E.U. (excl. Ireland)	19,428,329	95	10,231,440	95
U.S.A.	-	-	94,254	1
Rest of the World	744,498	5	469,783	4
Total	<u>20,172,827</u>	<u>100</u>	<u>10,815,567</u>	<u>100</u>

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

	2007	2007	2006	2006
	€'000	%	€'000	%
E.U. (excl. Ireland)	252,675	94	142,051	100
U.S.A.	7,157	3	-	-
Rest of the World	9,249	3	-	-
Total	<u>269,081</u>	<u>100</u>	<u>142,051</u>	<u>100</u>

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

	2007	2007	2006	2006
	€'000	%	€'000	%
E.U. (excl. Ireland)	569,255	84	12,589	38
U.S.A.	84,801	13	20,131	62
Rest of the World	21,170	3	-	-
Total	<u>675,226</u>	<u>100</u>	<u>32,720</u>	<u>100</u>

32. Post - balance sheet events

There has been no material post - balance sheet events which would require disclosure or adjustment to the 31 December 2007 Financial Statements.

33. Date of approval

The financial statements were approved and authorised by the directors on 6 March 2008.

INTESA SANPAOLO BANK IRELAND plc

Registered office:

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

Business Address:

3rd Floor, KBC House
4 George's Dock, IFSC, Dublin 1 – Ireland
Telephone +353 (0) 1 672 672 0
Fax +353 (0) 1 672 672 7

INTESA SANPAOLO BANK IRELAND plc, a bank regulated by the
Financial Regulator, is a member of the
INTESA SANPAOLO Group

Registered in Ireland No: 125216

VAT Reg. No: IE 4817418C

Operational Contacts:

Pier Carlo Arena	<i>Managing Director</i> Direct line: 672 6720 piercarlo.arena@intesasanpaolo.com
Franck Fleury	<i>Deputy General Manager/Head of Administration</i> Direct line: 672 6751 franck.fleury@intesasanpaolo.com
Andrew Plomp	<i>Deputy General Manager/Head of Business Development</i> Direct line: 672 6735 andrew.plomp@intesasanpaolo.com
Pasquale Ciciriello	<i>Treasury</i> Direct line: 859 0231 pasquale.ciciriello1@intesasanpaolo.com
Michael Macken	<i>Corporate Banking</i> Direct line: 672 6706 michael.macken@intesasanpaolo.com
Davide De Marco	<i>Credit Department</i> Direct line: 672 6759 davide.demarco@intesasanpaolo.com
Bernard Diamond	<i>Financial Controller</i> Direct line: 672 6711 bernard.diamond@intesasanpaolo.com
Nodlaig Sampson	<i>Operations Department</i> Direct line: 672 6731 nodlaig.sampson@intesasanpaolo.com
Louise Murray	<i>Internal Audit</i> Direct line: 672 6772 louise.murray@intesasanpaolo.com
Derek O'Connor	<i>Operational Risk & Compliance Department</i> Direct line: 672 6723 derek.oconnor@intesasanpaolo.com
Vincent Beck	<i>Risk Management Department</i> Direct line: 672 6744 vincent.beck@intesasanpaolo.com

SWIFT:IBSPIE2D

Main Settlement Details:

USD:

UBS Stamford Branch, 677 Washington Boulevard, Stamford, CT 06912-0305

SWIFT UBSWUS33

For the account of: INTESA SANPAOLO BANK IRELAND plc

Account number: 101-WA-289833-000

€:

INTESA SANPAOLO S.p.A., Milan

SWIFT: BCITITMMXXX

For the account of: INTESA SANPAOLO BANK IRELAND plc

Account number: 615287008850

IBAN: IT31 0030 6912 7116 1528 7008 850

Other currencies: please contact on requirement

