SANPAOLO IMI BANK IRELAND PLC

Directors' report and financial statements

Year ended 31 December 2003

Registered number 125216

Contents

2003 was the first year of activity in the new office at George's Dock 4 in Dublin's IFSC. Operations developed in two main directions, an expansion of the Bank's loan book and a parallel strengthening of the pool of funding sources. Corporate Banking continued to focus on lending to selected corporate customers in Ireland and abroad and the Treasury Department worked on widening the number of counterparties and diversifying instruments in use. Banking services to commercial customers increased in volume and range, providing interesting niche opportunities.

Performance

Net Profit for the year was Euro 21.2 million, 8.2% above budget. This was possible despite Interest Margin at 9.2% below forecast at Euro 18.4 million and in line with the trend during the period for Euro short term interest rates. Under the final terms of the Marconi restructuring we were allowed to reverse part of the specific provisions set aside in 2002 and this effect more than offset the reduction in Interest Margin. Other Income was in line with expectations. Expenses, within budget level, increased 30% from 2002 as a result of the expansion of the operational structure as we continued to invest in the potential for expanded activity.

Loan Portfolio

The year started with the objective of signing new loans for Euro 900 million by year end. A total of Euro 1,281 million of new loans were approved, 42% above the target. However, due to the scaling down in some syndications, the loan portfolio increased by Euro 761 million, or 85% of our initial target. The average amount of loans granted during 2003 was Euro 58.2 million.

By end 2003 the loan portfolio was distributed over 26 countries. Irish borrowers took 19% of loans granted *(16% in 2002)* and 32% of loans disbursed *(29% in 2002)* confirming once again our commitment to the Irish marketplace. Germany had the largest share *(unchanged at 28%)*, followed by Ireland at 19% and France at 18%; all other countries were at single digit percentages. Exposure is 90% to customers based in the EU, 3% to Swiss companies and the remaining 7% mostly for projects supported by Export Credit Agencies.

Exposure to Italian resident companies, as in the past, is not material, while loans in favour of Irish companies related to Italian Groups show a growing trend with 9% of total loans granted.

Distribution by sector was as follows: *(2002 in brackets):* Utilities 21% *(25%),* Banks 15% *(n.s.),* Insurance 12% *(16%),* Oil & Gas 8% *(9%),* Automotive 7% *(11%)*, Chemicals 6.7% *(9%),* Telecom 5.1% *(10%)*, Construction & Real Estate 4.6% *(n.s.),* Retailing 4.6% *(n.s.).*

The single exposure limit was at 130 million, with ample capacity for expansion in all sectors.

Quality of assets at end 2003 was reflected by the composition of the portfolio and by the level of provisions for loan losses agreed by Management with the Board of Directors. Loans and bonds rated investment grade were 99.63% of the total portfolio, net of specific provisions only 0.22% were in the non-investment grade. Specific provisions provide cover for 92% of sub-standard exposure and 41% of non-investment grade exposure. In addition, at end 2003 the Company held Generic Provisions for Loan Losses equal to 0.19% of the total portfolio.

Funding.

Own Funds are stable at Euro 518 million. In line with the objective to progressively diversify the Company's funding sources, the Treasury Department — redesigned at end of 2002 — started with the mission to diversify instruments and develop new large depositors. We are now confident that Treasury is well placed to provide effective management of the Company's present and future funding requirements as committed funds are drawn.

Liquidity tests are run monthly to assess the requirement, if any, for medium or long-term funds. In the second half of 2003 the Company adopted a new Funding Liquidity Policy released by the Parent Bank. These tests have consistently returned values within the thresholds set by the Investment Committee and within the levels required by the Group's Funding Liquidity Policy .

Operating structure

The number of persons employed by the Company increased to 17 by year end, from 12 in 2002 and 10 in 2001. The structure evolves in parallel with activity being developed and in compliance to the standards of the International Network of the Sanpaolo IMI Group.

Corporate Governance & Internal Controls

The Audit Committee, Credit Committee and Investment Committee of the Board of Directors are respectively supervising the system of internal controls, credit operations and holding of securities as well as asset and liability management.

Internal controls are on three levels: a) the Internal Control Unit within the Company, b) the Audit Committee and c) ongoing co-ordination and periodical inspection from the Group's Internal Auditing department.

Key procedures established by the Directors to effect these internal controls are as follows:-

- The organisation structure has clearly defined lines of responsibility;
- Experienced and suitably qualified staff are charged with responsibility for the main business functions;
- All credit, investment and treasury functions are subject to formal authorised procedures within defined areas of delegated authority. These procedures are in line with those recommended by the Parent Company to all subsidiaries within the Sanpaolo IMI Group.
- Accounting and financial operations are monitored, evaluated and reported on through appropriate control systems;
- There are comprehensive operating manuals and codes of conduct in place for the employees of the Company. Documentation evolves with the activity being developed.

SANPAOLO IMI Spa has written to the Central Bank of Ireland confirming that, for as long as the Company is its subsidiary it shall ensure that the Company is in a position to meet its liabilities.

Directors	Mr. M. Trombetti *(Chairman, Italian)* Mr. P. Arena *(Managing Director, Italian)* Mr. G. Scarabosio *(Italian)* Mr. P. Cancellaro *(Italian)* Mr. N. Healy Mr. P. Ricciardi Mr. I. Letchford
Registered office	AIB International Centre International Financial Services Centre Dublin 1
Joint Secretaries	AIB International Financial Services Ltd Mr. N. Healy
Auditors	PricewaterhouseCoopers Chartered Accountants George's Quay Dublin 2
Principal bankers	SANPAOLO IMI S.p.A. 156 Piazza San Carlo I-10121 Torino Italy UBS Stanford Branch 299 Park Avenue New York NY 10171 USA
Solicitors	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1

Financial statements
The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2003.

Principal activities, business review and future developments
The company's principal activity is lending to large corporate clients in Ireland and abroad. The company continues to review opportunities in the financial services sector.

Results and dividends
The results are set out on page 16 of the financial statements. The profit after tax for the financial year was Euro 21,265,535 *(2002: loss after tax Euro 8,002,069).* A dividend of Euro 20,000,000 was proposed *(2002:Euro 142,749 was paid)*.

Banking Book Debt Securities
The directors believe that the current holdings are adequate to support the intended development in the core business.

Events since the year end
The directors consider the state of affairs of the company to be satisfactory and there has been no material change since the balance sheet date.

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

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

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

Mr. M. Trombetti
Mr. P. Arena (appointed 28 January 2004)
Mr. G. Scarabosio
Mr. P. Cancellaro
Mr. A. Lynch (resigned 31December 2003)
Mr. N. Healy
Mr. P. Ricciardi
Mr. I. Letchford (appointed 10 December 2003)

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

Interests of directors and secretary
The directors and secretary of the company at 31 December 2003 had no interest in the shares or debentures or loan stock of the company or group companies other than those set out below:

	Ordinary Shares in SANPAOLO IMI S.p.A. 31 December 2003	31 December 2002
G. Scarabosio	4,920	5,206
P. Ricciardi	460	206
P. Cancellaro	254	–
M.Trombetti	460	206

	Options to subscribe for shares in SANPAOLO IMI S.p.A 31 December 2003	31 December 2002
P. Cancellaro	**15,000**	–
At 1ST January	–	–
Granted since 1ST January 2003	**15,000**	
Exercise Price	**€7.1264**	–
Market Price	**€10.34**	–
Period in which exercisable	**2005-2007**	–

	Options to subscribe for shares in SANPAOLO IMI S.p.A 31 December 2003	31 December 2002
M. Trombetti	**55,000**	35,000
At 1ST January	**15,000**	15,000
Exercise Price	**€16.45573**	€16.45573
Market Price	**€10.34**	€6.20
Period in which exercisable	**2003-2005**	2003-2005
At 1ST January	**20,000**	20,000
Exercise Price	**€12.7229**	€12.7229
Market Price	**€10.34**	€6.20
Period in which exercisable	**2004-2006**	2004-2006
Granted since 1ST January 2003	**20,000**	
Exercise Price	**€7.1264**	–
Market Price	**€10.34**	–
Period in which exercisable	**2005-2007**	–

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

On behalf of the board

M. Trombetti	P. Arena	N. Healy	G. Scarabosio
Chairman	*Managing Director*	*Director*	*Director*

8 March 2004

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 year. In preparing those 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; 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2001 and all Regulations to be construed as one with those Acts and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board

M. Trombetti	P. Arena	N. Healy	G. Scarabosio
Chairman	*Managing Director*	*Director*	*Director*

8 March 2004

PricewaterhouseCoopers
P.O. Box 1283
George]s Quay
Dublin 2
Telephone +353 (0) 1 678 9999
Facsimile +353 (0) 1 704 8600
Internet www.pwcglobal.com/ie

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

We have audited the financial statements on pages 14 to 33, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies on pages 14 to 15.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 11 in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

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

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

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

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

Opinion
In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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 on pages 8 to 10 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 18, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2003 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

8 March 2004

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

Basis of accounting
The company prepares its financial statements denominated in Euro on the historical cost basis of accounting in compliance with the special provisions relating to banking groups contained in the Companies (Amendment) Act, 1986 as amended by the European Communities (Credit Institutions: Accounts) Regulations, 1992, and the BBA Statements of Recommended Practice.

Income recognition
Interest income and expense is recognised on an accruals basis.
Commitment fee is recognised on an accruals basis. Other fee income on loans is amortised over the life of the relevant loan.

Debt securities
Banking book debt securities
Debt securities held for use on a continuing basis in the company's activities are classified as banking book securities. Banking book debt securities are stated at cost (adjusted for the amortisation of premiums or discounts on a straight-line basis over the period to maturity), less provision for any impairment value. The amortisation of premiums or discounts is included in interest income. When sold before maturity the difference between the proceeds and the cost (adjusted for amortisation of premiums and discounts) is taken to the profit and loss account in the year of realisation.

Trading book debt securities
Debt securities held for short term trading purposes and associated off balance sheet financial instruments are marked to market with the resulting unrealised profit or loss taken to the profit and loss account.

Profits and losses on disposal of securities are recognised in the profit and loss account in the year of sale.

Depreciation – Fixed Assets
The cost of fixed assets is written off over the life of the assets at the following rates:

Office equipment	20% straight line
Computer equipment	33.3% straight line
Motor Vehicles	20% straight line
Software	33.3% straight line

The second hand fixed assets are recognised at cost and depreciated over their economic useful life.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the transaction date. Monetary assets and liabilities which are denominated in currencies other than Euro are translated to Euro at the rates ruling on the balance sheet date.

Where a branch of the company's operations is denominated in a foreign currency the assets, liabilities, gains and losses of this branch are accounted for using the net investment method. The assets and liabilities of the branch are translated to Euro at the rate ruling at the balance sheet date. The profit and loss of the branch are translated at average rates for the year. Exchange differences resulting from the retranslation of the opening assets and liabilities at closing rates, together with differences on the translation of the profit and loss account, are dealt with through reserves. Share capital and capital contributions denominated in foreign currencies which are used to fund the net assets of the branch are also translated at the closing rate and the exchange gain or loss arising is accounted for as a movement on reserves.

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are made as considered necessary. Provisions made (less amounts released) during the year are charged against profits.
The level of Loan Loss Provision ("LLP") required is determined at every month end adopting a model in use throughout the Group for international lending activity.

Pension costs

The company operates a defined contribution scheme. Pension costs are charged to the profit and loss account as incurred.

Off balance sheet financial instruments

Transactions are undertaken in derivative financial instruments, "derivatives", which include interest rate and currency swaps for non- trading purposes.

Derivatives classified as non-trading are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange rates and interest rates inherent in the bank's non-trading assets, liabilities and positions. Non-trading assets, liabilities and positions are those intended for use on a continuing basis in the activities of the bank.

A derivative is designed as non-trading where there is an offset between the effects of potential movements in market rates on the derivative and designated non-trading asset, liability or position being hedged.

Non-trading derivatives are accounted for on an accrual basis, consistent with the assets, liabilities, or positions being hedged. Income and expense on non-trading derivatives are recognised as they accrue over the life of the instrument.

Certain derivative instruments are not treated as hedges for accounting purposes and include swaps and forward rate agreements. These derivatives are measured at fair value and the resultant profits and losses are included in dealing profits / losses. Unrealised gains and losses are reported in other assets and other liabilities.

Taxation

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

Deferred tax is accounted for in respect of all timing differences. Timing differences arise from the inclusion of items of income and expenditure in tax computations in years different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability is expected to crystallise.

Profit and loss account
for the year ended 31 December 2003

	Note	2003 Euro	2002 Euro
Interest receivable: continuing activities			
Interest receivable and similar income arising from debt securities		**5,162,378**	4,418,544
Other interest receivable and similar income		**33,678,314**	25,882,124
Interest payable		**(20,411,872)**	(12,366,014)
Net interest income		**18,428,820**	17,934,654
Dividend income from group undertakings		**1,857,776**	2,352,418
Fees and commissions receivable		**1,994,389**	1,589,754
Dealing profits	1	**649,645**	–
Foreign exchange (loss) / gain		**(20,766)**	34,435
Operating income		**22,909,864**	21,911,261
Administrative expenses	3	**(2,457,455)**	(1,909,435)
Depreciation	11	**(96,572)**	(60,599)
Provisions for bad and doubtful debts	9	**2,506,226**	(28,990,707)
Impairment provision in respect of equity investment		**–**	(50,863)
Operating expenditure		**(47,801)**	(31,011,604)
Operating profit/ (loss)/Profit/ (Loss) on ordinary activities before tax– continuing activities	4	**22,862,063**	(9,100,343)
Tax on profit/ (loss) on ordinary activities	5	**(1,596,528)**	1,098,274
Profit / (Loss) for the financial year		**21,265,535**	(8,002,069)
Dividends paid	6	**–**	(142,749)
Dividends proposed	6	**(20,000,000)**	–
Retained profit /Absorbed (Loss) for the financial year		**1,265,535**	(8,144,818)
Foreign exchange loss on retranslation of net investment in foreign currency capital contribution	19	**–**	(696,309)
Foreign exchange gain on retranslation of net investment in foreign currency branch	19	**–**	206,414
Gain on retranslation of Profit and Loss account	19	**–**	12,831
Foreign exchange loss on retranslation of share capital in foreign currency share capital		**–**	(14,509)
Profit and loss account at beginning of year		**3,228,964**	11,865,355
Profit and loss account at end of year		**4,494,499**	3,228,964

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical basis.

On behalf of the board

M. Trombetti
Chairman

P. Arena
Managing Director

N. Healy
Director

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

Statement of total recognised gains and losses
for the year ended 31 December 2003

	Note	**2003 Euro**	2002 Euro
Profit / (Loss) for the financial year		**21,265,535**	(8,002,069)
Foreign exchange gain on retranslation of net investment in foreign currency branch	*19*	–	206,414
Gain on retranslation of Profit and Loss account	*19*	–	12,831
Total recognised gains and losses for the financial year		**21,265,535**	(7,782,824)

Balance Sheet
at 31 December 2003

	Note	2003 Euro	2002 Euro
Assets			
Cash and balance at central banks		**29,173,446**	41,637,625
Loans and advances to banks	*8*	**443,907,644**	383,766,274
Loans and advances to customers	*9*	**490,436,365**	526,573,623
Debt securities	*10*	**161,156,041**	196,598,255
Fixed assets	*11*	**213,250**	285,240
Investments in group undertakings	*12*	**25,719,586**	33,982,897
Other assets	*13*	**6,188,696**	9,446,726
Deferred Taxation	*14*	**550,000**	–
Prepayments and accrued income		**14,850,976**	13,824,236
Total assets	*7*	**1,172,196,004**	1,206,114,876
Liabilities			
Deposits by banks	*15*	**572,558,692**	435,349,195
Customer accounts	*16*	**27,477,896**	229,381,457
Other liabilities	*17*	**31,893,288**	5,924,669
Accruals and deferred income		**22,545,518**	19,004,480
Total liabilities		**654,475,394**	689,659,801
Capital and reserves			
Called up share capital	*18*	**7,500,000**	7,500,000
Share Premium account	*18*	**1,024,665**	1,024,665
Profit and loss account	*19*	**4,494,499**	3,228,964
Other reserves	*19*	**504,701,446**	504,701,446
Shareholders' funds			
– Equity	*20*	**517,720,610**	516,455,075
Total liabilities and shareholders' funds	*7*	**1,172,196,004**	1,206,114,876
Commitments – financial commitments	*21*	**1,381,167,855**	1,015,387,603

On behalf of the board

M. Trombetti
Chairman

P. Arena
Managing Director

N. Healy
Director

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

1 **Dealing profits**

	2003 Euro	2002 Euro
Realised profits on sales of trading book and banking book debt securities	**708,164**	–
Unrealised trading loss on short term derivatives	**(58,519)**	–
	649,645	–

2 **Employee numbers**

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

	Number of employees	
	2003	2002
Administration	**16**	13

3 **Administrative expenses**

	2003 Euro	2002 Euro
Staff costs:		
– wages and salaries	**879,609**	694,303
– social security costs	**133,654**	45,203
– pension costs	**156,252**	112,356
Other administrative expenses	**1,287,940**	1,057,573
	2,457,455	1,909,435

4 **Operating profit/ (loss)/ Profit /(Loss) on ordinary activities before taxation**

Operating profit /(loss)/ Profit /(Loss) on ordinary activities before taxation is arrived at after charging

		2003 Euro	2002 Euro
Depreciation – fixed assets		**96,572**	60,599
Auditors' remuneration *(including VAT):*			
Audit Services:	Statutory audit	**31,249**	26,890
Non-audit services:	Taxation services	**11,837**	22,189
	Other consultancy	**7,882**	26,890
		50,968	49,079
Directors' remuneration:			
Executive		**238,462**	235,455
Non-executive		**25,456**	18,869
		263,918	254,324

5	**Tax on profit /(loss) on ordinary activities**	**2003 Euro**	2002 Euro
	Corporation tax charge /(credit) 12.5% *(2002-16%)*		
	on the profit for the year on ordinary activities	**2,848,452**	(1,779,986)
	Less relief under Section 446(2) TCA 1997	**(712,113)**	667,495
	Current tax charge / (credit) for the year	**2,136,339**	(1,112,491)
	Under provision in prior year	**7,950**	14,217
	Total Current Tax	**2,144,289**	(1,098,274)
	Deferred Tax Credit	**(550,000)**	–
	Income Tax	**2,239**	–
		1,596,528	(1,098,274)

10% tax rate will remain until 31 December 2005.

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

	2003 Euro	2002 Euro
Profit / (Loss) on ordinary activities before tax	**22,862,063**	(9,100,343)
Profit / (Loss) on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 10% (2002: 10%)	**2,286,206**	(910,034)
effects of:		
Dividend income not taxable	**(185,778)**	(235,242)
General Bad Debt Provision	**50,000**	49,013
Other adjustments	**(14,089)**	(16,228)
Foreign exchange adjustment to tax charge	–	–
Current tax charge / (credit) for the year	**2,136,339**	**(1,112,491)**

6	**Dividends**	**2003 Euro**	2002 Euro
	Ordinary shares:		
	Dividend proposed and paid of Euro Nil per share *(2002 Euro 0.02 per share)*	–	142,749
	Dividend proposed of Euro 2.67 per share *(2002 Euro Nil per share)*	**20,000,000**	–
		20,000,000	142,749

7 Assets, liabilities and shareholders' funds

Assets are denominated as follows:	2003 Euro	2002 Euro
Denominated in Euros	**936,201,160**	1,025,273,584
Denominated in other currencies	**235,994,844**	180,841,292
Total assets	**1,172,196,004**	1,206,114,876

Liabilities and shareholders' funds are denominated as follows:	2003 Euro	2002 Euro
Denominated in Euros	**936,201,160**	1,025,273,584
Denominated in other currencies	**235,994,844**	180,841,292
Total liabilities and shareholders funds	**1,172,196,004**	1,206,114,876

8 Loans and advances to banks

	2003 Euro	2002 Euro
Loans and advances by remaining maturity:		
– 3 months or less	**164,679,146**	272,265,956
– 1 year or less but over 3 months	**115,000,000**	1,053,821
– 5 years or less but over 1 year	**164,228,498**	110,446,497
– over 5 years	–	–
	443,907,644	383,766,274
Due from parent and fellow subsidiary undertakings	**165,462,731**	225,375,016

9 Loans and advances to customers

	2003 Euro	2002 Euro
Remaining maturity		
– On demand	**4,547,969**	5,280,810
– 3 months or less	**160,185,856**	204,549,536
– 1 year or less but over 3 months	**47,521,643**	70,146,451
– 5 years or less but over 1 year	**194,084,570**	242,053,395
– over 5 years	**92,161,431**	40,331,471
Gross advances	**498,501,469**	562,361,663
Provisions (see below)	**(8,065,104)**	(35,788,040)
Net advances	**490,436,365**	526,573,623

This represents the analysis by remaining maturity of the drawn down amount of customer facilities at the year end. Included in the net advances above are subordinated loans of Euro 808,174 (2002:Euro 1,507,670) to GPA-ATR Limited, a company in which SANPAOLO IMI BANK IRELAND plc holds 12½% of the share capital.

Included in the gross advances above are non-performing loans – loans accounted for on a non-accrual basis of Euro Nil (2002 Euro 41,645,681).

9 Loans and advances to customers (contd.)

Included in the net advances above are non-performing loans – loans accounted for on a non-accrual basis of Euro Nil (2002 Euro 11,265,311).

Analysis of provisions	**2003 Euro Specific**	**2003 Euro General**	2002 Euro Specific	2002 Euro General
Balance at beginning of year	**31,888,040**	**3,900,000**	5,900,374	3,404,062
Disposed loans	**(21,561,562)**	–	–	–
Charge to profit and loss account	**1,575,902**	**1,300,000**	28,500,573	900,000
Released to profit and loss account	**(4,582,128)**	**(800,000)**	–	(409,866)
Translation Adjustment	**(3,655,148)**	–	(2,512,907)	5,804
Balance at end of year	**3,665,104**	**4,400,000**	31,888,040	3,900,000

10 Debt securities

	2003 Euro	2002 Euro
(a) Carrying value		
Banking book debt securities:		
Issued by public bodies		
– government securities	**58,089,575**	62,202,264
– other public sector securities	**3,932,897**	5,063,035
Issued by other issuers		
– banks	**80,938,282**	79,239,635
– other debt securities	**18,195,287**	50,093,321
	161,156,041	196,598,255
(b) Maturity analysis		
Securities becoming due:		
– within one year	**22,168,496**	36,927,693
– one year and over	**138,987,545**	159,670,562
	161,156,041	196,598,255
(c) Listed / unlisted		
Banking book debt securities:		
– listed on a recognised exchange	**140,424,818**	174,428,018
– unlisted	**20,731,223**	22,170,237
	161,156,041	196,598,255
(d) Market value of banking book debt securities:		
Issued by public bodies		
– government securities	**74,104,180**	83,544,309
– other public sector securities	**4,337,531**	5,575,536
Issued by other issuers		
– banks	**85,086,164**	98,099,276
– other debt securities	**18,580,130**	51,096,048
	182,108,005	238,315,169

Disclosures of the market/fair values of the securities and related derivatives is set out in note 25.

11 Fixed assets

	Motor Vehicles	Office equipment	Computer equipment and software	Leasehold	31 December 2003 Total
	Euro	Euro	Euro	Euro	Euro
Cost					
At beginning of year	29,676	129,938	501,843	83,654	745,111
Additions in year	–	10,689	11,383	2,510	24,582
At end of year	**29,676**	**140,627**	**513,226**	**86,164**	**769,693**
Depreciation					
At beginning of year	14,343	38,401	403,074	4,053	459,871
Charge for year	5,935	26,574	47,057	17,006	96,572
At end of year	**20,278**	**64,975**	**450,131**	**21,059**	**556,443**
Net book value					
At 31 December 2003	**9,398**	**75,652**	**63,095**	**65,105**	**213,250**
At 31 December 2002	15,333	91,537	98,769	79,601	285,240

12 Investments in group undertakings

	2003 Euro	2002 Euro
Shares at cost - unlisted	**32**	33
Loans to subsidiaries:		
Tobuk Ltd	**25,719,554**	25,719,554
Tushingham Ltd	–	8,263,310
	25,719,586	33,982,897

The company maintained its investment of 2 Ordinary Shares at a cost of Euro €1.25 each, 10 "A" Ordinary shares at a cost of Euro €0.50 each, and 1 "B" Ordinary share at a cost of Euro €0.5 in Bonec Limited and 10 "A" Ordinary shares and 1 "B" Ordinary share at a cost of Euro €0.5 each, 2 Ordinary shares at a cost of Euro €1.25 each in Lackenstar Limited, 2 Ordinary shares at a cost of Euro €1.27 each in Tushingham Limited and 2 Ordinary shares at a cost of Euro €1.27 each in Tobuk Limited and 2 Ordinary shares at a cost of GBP £3.50 each in Sanpaolo IMI Bank (International) S.A.

The directors of Bonec Limited, Lackenstar Limited and Tushingham Limited have applied to have the companies struck off, as they are no longer carrying on business and have no assets or liabilities. The application has been accepted by the Registrar of Companies and will be implemented in the course of 2004.

Subsidiary companies

Names	**Registered office**	**% Holding**	**Nature of business**
Bonec Limited Lackenstar Limited Tushingham Limited and Tobuk Limited	AIB International Centre International Financial Services Centre, Dublin 1, Ireland	100	The purchase and holding of investments

The bank loan to Tobuk Limited is due for repayment on 16 April 2004.

13 Other assets

	2003 Euro	2002 Euro
Dividends receivable	**356,688**	549,326
Other accounts receivable	**44,324**	68,916
Forward contract	**4,662,188**	7,715,993
Corporation tax	**1,125,496**	1,112,491
	6,188,696	9,446,726

14 Deferred tax asset

	2003 Euro	2002 Euro
Analysis of movement in deferred taxation		
At 1 January	–	–
Deferred tax credit for the year	**550,000**	–
At 31 December	**550,000**	–

15 Deposits by banks

	2003 Euro	2002 Euro
Repayable on demand	**87,849,827**	45,879,165
With agreed maturity dates or periods of notice, by remaining maturity:		
– 3 months or less but not repayable on demand	**460,556,317**	367,830,407
– 1 year or less but over 3 months	**24,152,548**	21,639,623
	572,558,692	435,349,195
Amounts include:		
Due to parent and fellow subsidiary undertakings	**47,852,052**	133,669,897

16 Customer accounts

	2003 Euro	2002 Euro
Repayable on demand	**3,514,059**	2,267,213
With agreed maturity dates or periods of notice, by remaining maturity:		
– 3 months or less but not repayable on demand	**22,899,379**	225,599,180
– 1 year or less but over 3 months	**1,064,458**	1,515,064
	27,477,896	32,081,214
Amounts include:		
Due to group companies and fellow Subsidiary undertakings	**4,291**	10,767

17 Other liabilities

	2003 Euro	2002 Euro
Corporation tax	**2,137,678**	–
Foreign exchange and interest rate contracts	**9,006,015**	5,135,714
Proposed dividend	**20,000,000**	–
Other accrued expenses	**749,595**	708,955
	31,893,288	5,924,669

18	**Called up share capital**	**2003 Euro**	2002 Euro
	Authorised		
	10,000,000 Ordinary shares of Euro €1 each	**10,000,000**	10,000,000
	Allotted, called up and fully paid		
	7,500,000 Ordinary shares of Euro €1 each	**7,500,000**	7,500,000

Following the change of the functional currency in 2002 to Euro, the US dollar shares were replaced with Euro shares resulting in the creation of a share premium account of Euro 1,024,665.

19	**Reserves**	**2003 Euro Revenue**	**2003 Euro Capital contribution**	2002 Euro Revenue	2002 Euro Capital contribution
	At the beginning of year	**3,228,964**	**504,701,446**	11,865,355	449,005,137
	Total recognised gains for the year	**21,265,535**	–	(7,782,824)	–
	Dividends paid and proposed	**(20,000,000)**	–	(142,749)	–
	Foreign exchange (loss) on retranslation of foreign currency share capital	–	–	(14,509)	–
	Foreign exchange (loss) on retranslation of foreign currency capital contributions	–	–	(696,309)	696,309
	Capital contribution received	–	–	–	55,000,000
	At end of year	**4,494,499**	**504,701,446**	3,228,964	504,701,446

20	**Reconciliation of movements in shareholders' funds**	**2003 Equity Euro**	2002 Equity Euro
	Profit / (Loss) for the financial year	**21,265,535**	(8,002,069)
	Foreign exchange gain on retranslation of net investment in foreign currency branch	–	206,414
	Foreign exchange gain on retranslation of profit and loss account	–	12,831
	Total recognised gains and losses for the year	**21,265,535**	(7,782,824)
	Transactions with shareholders		
	Dividends paid and proposed on equity shares	**(20,000,000)**	(142,749)

20 Reconciliation of movements in shareholders' funds (contd.)

	2003 Equity Euro	2002 Equity Euro
Capital Contribution received	–	55,000,000
Net increase in shareholders' funds	**1,265,535**	47,074,428
Opening shareholders' funds	**516,455,075**	469,380,647
Closing shareholders' funds	**517,720,610**	516,455,075

21 Commitments

Financial commitments

At 31 December 2003 the contracted amounts of financial commitments were:

	2003 Euro	2002 Euro
Guarantees and irrevocable letters of credit	**61,408,099**	65,520,024
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	**371,024,554**	359,153,752
– one year and over	**948,735,202**	590,713,827
	1,381,167,855	1,015,387,603

Of the above amount of guarantees Euro 6,375,999 (2002: Euro 4,845,000) relates to Group companies and has a regulatory risk weighting of 20%. The regulatory risk weighting of the amount excluding fellow subsidiary undertakings is 100% Euro 1,374,791,856 (2002: Euro 1,010,542,603).

22 Segmental reporting

The company is engaged in the financial services industry. The company's income is entirely attributable to banking activities carried out in Ireland. The company operates in the following geographical area.

Summary of assets	2003 Euro	2002 Euro
Ireland	**250,792,731**	201,265,964
Europe	**802,352,053**	814,689,212
South America	**45,661,940**	60,121,068
United States of America	**9,275,264**	19,693,203
Rest of World	**64,114,016**	110,345,429
	1,172,196,004	1,206,114,876

Of the South American and rest of world balances, Euro 107m (2002: Euro 151m) is guaranteed in European countries.

The United States of America assets relate mostly to debt securities.

22 **Segmental reporting** *(contd)*

Summary of interest income	**2003 Euro**	2002 Euro
Ireland	**5,461,457**	5,550,356
Europe	**28,354,565**	19,195,132
South America	**3,367,013**	2,355,066
United States of America	**(905,918)**	(1,078,024)
Rest of World	**2,563,575**	4,278,138
	38,840,692	30,300,668

Income from United States of America is limited to debt securities income and swap expense / income.

23 **Pension scheme**

The company operates a defined contribution pension scheme. The scheme is trustee administered and the assets are kept separated from those of the company. Contributions to the scheme are charged to the profit and loss account as incurred. The pension charge for the year was Euro 156,252 *(2002: Euro 112,356)*.

24 **Derivatives held for hedging purposes**

The company uses derivatives to manage its own interest and exchange rate position. Profits and losses on instruments which are being used to hedge exposures are recognised in a manner that reflects the accounting treatment of the assets or liabilities hedged. Any profit or loss on the early termination of a hedge is taken to the profit and loss on a basis consistent with the underlying asset or liability hedged.

The company has established clear risk policies, including limits, reporting lines and control procedures. This framework is designed to provide tight control and is reviewed regularly. Risk exists principally from the failure of counterparties to meet the terms of their contracts (credit risk).

At the year end, the notional principal amounts, by maturity, of the company's derivatives were:

	1 year or less Euro'000	2 years or less but over 1 year Euro'000	5 years or less but over 2 years Euro'000	Over 5 years Euro'000	Total Euro'000
Forwards	103,523	–	–	–	103,523
Cross currency interest rate swaps	–	–	–	39,124	39,124
Forward rate agreements	50,000	–	–	–	50,000
Interest rate swaps	366,292	686	62,387	44,506	473,871
At 31 December 2003	**519,815**	**686**	**62,387**	**83,630**	**666,518**
At 31 December 2002	394,481	2,346	54,550	64,716	516,093

24 **Derivatives held for hedging purposes (contd.)**

The replacement cost for the above derivatives was Euro 4,662,188 and has maturity of less than one year. Included in the 1 year or less category above are an amount of Euro 364,002,375 relating to interest rate swaps and an amount of Euro 50,000,000 relating to forward rate agreements which are recorded at fair value on the basis that they are not treated as specific hedges.

The table below shows the weighted average interest rates to be received and paid on the company's interest rate swaps:

	2003			2002		
	Notional principal amount Euro'000	**Weighted average interest rates receive %**	**Weighted average interest rates pay %**	Notional principal amount Euro'000	Weighted average interest rates receive %	Weighted average interest rates pay %
Receive fixed swaps	–	–	–	–	–	–
Pay fixed swaps	**473,871**	**2.29**	**3.26**	216,304	3.48	4.56
	473,871			216,304		

Glossary of terms on derivatives

Derivative

A contract whose value is derived from an underlying physical or financial commodity.

Forward

A contract to buy (or sell) a specified amount of the physical or financial commodity, at an agreed price, at an agreed date.

Forward foreign exchange contract

A contract to pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed exchange rate.

Market value/mark to market

The amount for which a derivative could be exchanged in an arm's length transaction between informed and willing parties. It is based on quoted market prices when available. If no quoted price exists for a particular instrument, market value is determined from market prices for its components using appropriate models.

Notional principal amount

The amount of the underlying physical or financial commodity on which the derivative contract is based.

Swap

An agreement to exchange cashflows in the future according to a pre-arranged formula.

25 Risk management

The company enters into financial instruments for two main purposes:

– as part of its trading operations
– to manage the interest rate and currency risks arising from its operations.

The company finances its operations using shareholders' funds, bank and customer deposits. The company borrows primarily in Euro and US Dollars at floating rates of interest. Where necessary derivatives are used to achieve the required currency profile and interest rate basis. The derivatives used for this purpose are principally interest rate swaps, currency swaps and forward foreign currency contracts.

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

Credit Risk

Credit Risk is the exposure to loss due to a counterparty default on credit obligations. It arises mainly in the Company core activity of lending to corporate customers. All of the lending exposures on and off balance sheet are subject to monitoring under a credit risk management model developed within the SANPAOLO IMI Group, including an internal rating system applied to all clients. The quality of the loan portfolio is reviewed on an ongoing basis by Corporate Banking and detailed reports are presented to the Directors at the end of each month or if any significant event arises. Customer loans show a high level of asset quality: the total portion of investment grade exposure is currently above 99% of total granted facilities (net of provisions for loan losses). Credit risk also arises from transactions with banking counterparts in the ordinary course of the company's operations and represent the risk that the counterparty to a financial instrument will not adhere to the terms of the contract with the company on settlement date.

Operational Risk

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

Interest rate risk

The bank's policy is to match each loan and debt security held with borrowings with an equivalent interest rate profile. However, this is not always possible due to the nature of the company's operations. Where necessary, and within the limits approved by the Board, the company's exposure to interest rate fluctuations on its borrowings and deposits is managed by using interest rate swaps.

25 Risk management *(contd)*

Liquidity risk

It is the company's policy to maintain a proportion of its assets in a readily-realisable form, in accordance with the current regulations of the Irish Financial Services Regulatory Authority, in order to cover any liquidity mismatch arising. These assets are principally in the form of quoted government bonds and short-term placements with banks. Liquidity tests are run monthly to highlight the requirement, if any, to raise medium or long-term funds. During 2003 results have been steadily above policy thresholds.

Currency risks

The company deals primarily in Euro and US Dollars. The company's policy is to match loans and deposits on a currency basis. Open currency positions are monitored within a set of limits established by the Board. As exposures are not significant, no analysis by currency of the net amount of monetary assets and liabilities in the non-trading book is given.

Interest rate gap analysis

Interest rate mismatches are substantially eliminated by the matched funding policies of the company.

Hedging Activities

The bank's policy is to hedge the following exposures:

- interest rate risk – using interest rate swaps.
- transactional currency exposures – using foreign exchange swaps and foreign currency funding.

The following table provides examples of certain activities undertaken by the bank, the related risks associated with such activities and the type of derivatives used in managing such risks. Such risks may also be managed by using on-balance sheet instruments as part of the integrated approach to risk management.

Activity	**Risk**	**Type of Hedge**
Fixed rate lending	Sensitivity to increases in interest rates	Interest rate swaps Forward rate agreements
Foreign currency assets	Sensitivity to strengthening of Euro against other currencies	Foreign Exchange Swaps Foreign Currency Funding

Non-trading derivatives are measured on an accrual basis, consistent with the assets, liabilities or positions being hedged. The gain and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss.

Hedging activities are limited to interest and currency swaps. Gains and losses on the fair value of these instruments are not accounted for until they mature.

25 Risk management *(contd)*

The following table summarises the repricing mismatches on the company's non-trading book as at 31 December 2003:

	Not more than three months Euro '000	More than three months but not more than six months Euro '000	More than six months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	Non-interest bearing Euro '000	Total Euro '000
Assets:							
Cash and balance at central banks	29,173	–	–	–	–	–	29,173
Loans and advances to banks	328,461	95,447	20,000	–	–	–	443,908
Loans and advances to customers	318,168	171,547	–	721	–	–	490,436
Debt Securities	1,198	5,740	14,953	72,762	66,503	–	161,156
Investment in group undertakings	–	–	–	–	–	25,720	25,720
Other assets	–	–	–	–	–	6,952	6,952
Prepayments and accrued income	4,580	10,057	200	14	–	–	14,851
Total assets	681,580	282,791	35,153	73,497	66,503	32,672	1,172,196
Liabilities:							
Deposits by banks	548,406	24,056	97	–	–	–	572,559
Customer accounts	27,478	–	–	–	–	–	27,478
Other liabilities	–	–	–	–	9,006	22,887	31,893
Accruals and deferred income	3,063	1,790	18	16,141	1,533	–	22,545
Shareholder's funds	–	–	–	–	–	517,721	517,721
Total liabilities	578,947	25,846	115	16,141	10,539	540,608	1,172,196
Off balance sheet items	72,187	84,880	(1,357)	(63,074)	(92,636)	–	–
Interest rate sensitivity gap	**174,820**	**341,825**	**33,681**	**(5,718)**	**(36,672)**	**(507,936)**	–
Cumulative gap	**174,820**	**516,645**	**550,326**	**544,608**	**507,936**	–	–

The following table summarises the repricing mismatches on the company's non-trading book as at 31 December 2002:

	Not more than three months Euro '000	More than three months but not more than six months Euro '000	More than six months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	Non-interest bearing Euro '000	Total Euro '000
Assets:							
Cash and balance at central banks	41,638	–	–	–	–	–	41,638
Loans and advances to banks	382,266	1,500	–	–	–	–	383,766
Loans and advances to customers	407,031	101,314	7,354	1,117	–	9,758	526,574
Debt Securities	40,081	–	16,658	66,300	73,559	–	196,598
Investment in group undertakings	–	–	–	–	–	33,983	33,983
Other assets	–	–	–	–	–	9,732	9,732
Prepayments and accrued income	5,641	7,816	345 22	–	–	–	13,824
Total assets	876,657	110,630	24,357	67,439	73,559	53,473	1,206,115
Liabilities:							
Deposits by banks	413,710	11,692	9,947	–	–	–	435,349
Customer accounts	227,866	1,515	–	–	–	–	229,381
Other liabilities	–	–	–	–	5,136	789	5,925
Accruals and deferred income	3,255	1,015	343	13,271	1,121	–	19,005
Shareholder's funds	–	–	–	–	–	516,455	516,455
Total liabilities	644,831	14,222	10,290	13,271	6,257	517,244	1,206,115
Off balance sheet items	88,813	33,748	(949)	(56,896)	(64,716)	–	–
Interest rate sensitivity gap	**320,639**	**130,156**	**13,118**	**(2,728)**	**2,586**	**(463,771)**	–
Cumulative gap	**320,639**	**450,795**	**463,913**	**461,185**	**463,771**	–	–

25 Risk management *(contd)*

Fair values of financial assets and financial liabilities

Set out below is a comparison of book values and fair values of the financial assets and financial liabilities (excluding short term debtors and creditors) held in the non-trading book as at 31 December 2003

	At 31/12/03 Book value Euro	At 31/12/03 Fair value Euro	At 31/12/02 Book value Euro	At 31/12/02 Fair value Euro
Non trading financial instruments:				
Banking book debt securities	161,156,041	182,108,005	196,598,255	238,315,169
Assets				
Cash and balance at central banks	29,173,446	29,173,446	41,637,625	41,637,625
Loans and advances to banks	443,907,644	443,907,644	383,766,274	383,766,274
Loans and advances to customers	490,436,365	490,436,365	526,573,623	526,573,623
Investment in group undertakings	25,719,586	25,719,586	33,982,897	33,982,897
Liabilities				
Deposits by banks	572,558,692	572,558,692	435,349,195	435,349,195
Customer accounts	27,477,896	27,477,896	229,381,457	229,381,457
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	(43,589)	(12,536,909)	–	(11,753,483)
Currency swaps	(9,006,015)	(22,097,811)	(5,135,714)	(23,081,884)
Forward Rate Agreement	(14,350)	(14,350)	–	–
Forward contract	4,662,188	4,662,188	7,715,993	7,715,993

Market values have been used to determine the fair value of all derivatives, forward foreign currency contracts, and all debt securities (banking book and trading book) held. The book value of variable rate assets and liabilities is considered to be its fair value.

Financial instruments held as hedges

As explained above it is the company's policy to hedge both interest rate and foreign exchange risk arising as a result of its operations. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

The cumulative aggregate unrecognised losses on derivatives held for hedging purposes at 31 December 2003 amounted to Euro 22,857,213 (2002: Euro 29,683,628). The cumulative unrecognised gains on the portfolio of banking securities being hedged by these derivatives amounted to Euro 21,185,336 at 31 December 2003 (2002: Euro 27,690,623) giving a net unrealised loss of Euro 1,671,877 (2002: Euro 1,993,005). The cumulative aggregate unrecognised losses on hedges of non marked-to-market loan transactions at 31 December 2003 amounted to Euro 2,727,903. These amounts refer to export credit loans where the fixed rate payable by the borrower is converted to a floating rate by interest make up agreements.

These derivatives have a maturity period of greater than one year and the company does not intend to dispose of them during the year ending 31 December 2004. Accordingly, the extent to which these losses are expected to be recognised in the year ending 31 December 2004 is Euro Nil (2003: Euro Nil)

There were no gains or losses on derivatives included in this year's profit and loss account in respect of unrecognised gains or losses arising in previous years.

26 Cash flow statement

The ultimate parent company is SANPAOLO IMI S.p.A. and the cash flows of the company are included in the consolidated group cash flow statement of SANPAOLO IMI S.p.A. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.

27 Group membership

The company's ultimate parent company is SANPAOLO IMI S.p.A. a company incorporated in Italy. This is the smallest and largest group in which the results of the company and its subsidiaries is consolidated. The financial statements of SANPAOLO IMI S.p.A. may be obtained from the group headquarters based at Piazza San Carlo, 156, I-10121 Torino, Italy.

28 Related party disclosures

The company is availing of the exemption afforded under paragraph 3 of the accounting standards, FRS 8 "Related Party Disclosure" which states that disclosure is not required in the financial statements of subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, of transactions with entities that are part of the group qualifying as related parties, provided that the consolidated financial statements in which that subsidiary is included are publicly available. In the ordinary course of business, the company enters a limited number of treasury transactions with other group companies and receives technical services from specialised units within the group, all such transactions are at an arm's length basis.

During the year 2003 the Bank made payments of Euro 53,270 to A&L Goodbody (2002: Euro 17,000) with respect of services rendered. The Bank's director Mr. N Healy is a partner in A&L Goodbody.

29 Consolidated financial statements

The company is a wholly owned subsidiary of SANPAOLO IMI S.p.A., a company established under the law of a member state of the European Union. Consequently the company is exempt under the terms of Financial Reporting Standard No. 2 from preparing consolidated financial statements.

30 Comparative amounts

Comparative amounts have been regrouped where necessary on the same basis as those for the current year.

31 Date of approval

The financial statements were approved by the board of directors on 8 March 2004.

SANPAOLO IMI BANK IRELAND PLC

Registered office:
AIB International Centre
International Financial Services Centre
Dublin 1

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

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

Registered in Ireland No: 125216

VAT Reg. No: IE 4817418C

SANPAOLO IMI GROUP

Operational Contacts:

Pier Carlo Arena	*Managing Director* Direct line: 672 672 0 piercarlo.arena@sanpaoloimi.com
Franck Fleury	*Deputy General Manager* Direct line: 672 675 1 franck.fleury@sanpaoloimi.com
Giancarlo Solari	*Treasury* Direct line: 672 673 1 giancarlo.solari@sanpaoloimi.com
Michael Macken	*Corporate Banking* Direct line: 672 670 6 michael.macken@sanpaoloimi.com
Bernard Diamond	*Financial Controller* Direct line: 672 671 1 bernard.diamond@sanpaoloimi.com
Andrea Lepore	*Operations Department* Direct line: 672 672 5 andrea.lepore@sanpaoloimi.com

SWIFT:IBSPIE2D

Main Settlement Details:

USD:
UBS Stanford Branch, 299 Park Avenue, New York, NY 10171
SWIFT UBSWUS33
For the account of: SANPAOLO IMI BANK IRELAND plc
Account number: 101-WA-289833-000

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

Other currencies: please contact on requirement