

SANPAOLO IMI BANK IRELAND PLC

Directors' report and financial statements

Year ended 31 December 2004

Registered number 125216

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Review from the Chairman and the Managing Director

For SANPAOLO IMI BANK IRELAND PLC (the "Bank"), the year 2004 was characterized by the following main events:

- The nomination of new Directors of the Bank at the Annual General Meeting of April 7th, 2004. Mr. Dante Campioni was appointed as the new Chairman of the Board of Directors.
- The Bank has continued to pursue the growth of its assets;
- Lending activity to Financial Institutions was increased in cooperation with the Parent Company's Area Europe syndication desk;
- The organizational structure of the Bank was reviewed and modified in order to further strengthen the culture of controls and risk management;
- Investments in the technological field have been put into effect with the installation of a new front-office system and the migration of the Bank to the global network of the Parent Group; and
- A detailed analysis was carried out for the expansion and diversification of the Bank's activities for 2005.

Performance

Net Profit for the year was Euro 14.7 million, 5.4% above budget. This was possible despite Interest Margin at 4.7% below budget at Euro 15.5 million as a result of lower-than-expected volumes and short-term Euro interest rates. Under the final terms of the Marconi restructuring, during the year we received a further amount of Euro 1.1 million, which more than offset the reduction in Interest Margin. Expenses finished 3.8% over budget, with Administration Expenses 25.9% in excess of budget as a result of the technological investments of the Bank, while Personnel Expenses ended 12.1% below budget.

Loan Portfolio

In 2004, a total of Euro 1,970 million of new facilities were approved, showing an increase of 53.8% from 2003 (Euro 1,281 million). However, due to the scaling down in some syndication, the total new facilities actually granted during the year amounted to Euro 1,566 million. Total loans drawn at the end of the year were Euro 1,096 million as against Euro 671 million in 2003 (an increase of 63.3%) and available limits on committed lines was Euro 1,464 million against Euro 1,381 million for 2003 (an increase of 6.0%).

At the end of 2004, the portfolio of granted facilities was distributed over 29 countries. Irish borrowers took 12.8% of lines granted and 13.7% of loans drawn. In the rest of the world, Germany had the largest share of granted facilities with 26.3% (28.0% in 2003), followed by France at 14.4% (18.0% in 2003); while all other countries were at single digit percentages.

Distribution and concentration by sector was as follows: (2003 in brackets): Banks 19.9% (14.8%), Insurance 16.4% (12.2%), Utilities 14.1% (20.6%), Pharmaceuticals 7.3% (2.6%), Oil & Gas 6.3% (8.0%), Automotive 5.7% (7.2%), Forestry and Paper 4.7% (2.8%). The single exposure limit was Euro 130 million, with ample capacity for expansion in all sectors. Quality of assets at the end of 2004 was reflected by the high weighted averaged rating of the portfolio (between A+ and AA- at year-end) and by the low level of provisions for loan losses agreed by Management with the Board of Directors. The proportion of granted facilities rated investment grade represented, net of specific provisions, 99.7% of the total portfolio.

Specific provisions provide cover for 80.1% of sub-standard drawn exposure and 72.0% of non-investment grade drawn exposure. In addition, at the end of 2004, the Bank held General Provisions for Loan Losses equal to 0.4% of the total drawn portfolio.

Funding.

Own Funds increased from Euro 517.72 million to Euro 532.41 million as a result of the non-distribution of dividends in accordance with the decision of the Parent Company. Furthermore, the Treasury Department continued to diversify the Bank's funding sources. As of 31st December 2004, the Bank took Euro 820.39 million of deposits from non-Group Banks, with the maximum exposure to a single non-Group depositor representing 9.9% of the total funding base, comfortably within the limits set by the Central Bank Rule 7.1. Liquidity tests are run monthly to assess the present and future funding requirements of the Bank – the tests take into account actual drawings and possible drawings of committed lines in excess of historic rates. The tests monitor the Bank's compliance with the thresholds set by the Investment Committee (set in accordance with the requirements of the Parent Group's Funding Liquidity Policy) and are presented to the Board of Directors.

Operating structure

The number of persons employed by the Bank remained unchanged at 17 by year-end. The organizational structure evolves in parallel with the activity being developed.

Corporate Governance & Internal Controls

The Audit Committee, Credit Committee and ALCO 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 continue to be organized on three levels: a) the Internal Control Unit within the Bank, b) the Audit Committee and c) ongoing co-ordination and periodical inspection from the Parent Group's Internal Audit department.

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

- The organizational structure has clearly defined lines of responsibility;
- Experienced and suitably-qualified staff are charged with responsibility for the main business functions. In this respect a new Risk Management Unit has been created;
- All credit, investment and treasury functions are subject to formal authorized 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; and
- There are comprehensive operating manuals and codes of conduct in place for the employees of the Bank. Documentation evolves with the activity being developed. In this regard the Internal Audit Procedures, Operations Procedures and Emergency Procedures & Business Continuity Plan were totally reviewed.

The Parent Company has written to IFSRA confirming that, for as long as the Bank remains its subsidiary, it shall ensure that the Bank is constantly in a position to meet its liabilities.

Outlook

Apart from the development of the present core activities, the Bank has discussed with the Parent Company the potential opportunity to play a pivotal role within the Group in the areas of Medium Term funding and intra group lending activity. These project are now at an advanced stage and the Bank's positive discussion continue with IFSRA the local Regulatory Authority and Senior management of the Parent Group in order to obtain formal approval to proceed.

Directors and other information

Directors	Mr. D. Campioni (<i>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 Dublin 1
Joint Secretaries	AIB International Financial Services Ltd Mr. N. Healy
Auditors	PricewaterhouseCoopers Chartered Accountants George's Quay Dublin 2
Principal bankers	SANPAOLO IMI S.p.A. 156 Piazza San Carlo I-10121 Torino Italy UBS AG Stamford Branch P.O Box 120300 Stamford, CT 06912-0300 USA
Solicitors	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1

Financial statements

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 31 December 2004.

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 pages 16 of the financial statements. The profit after tax for the financial year was Euro 14,690,922 (2003:Euro 21,265,535). A dividend of NIL was proposed (2003:Euro 20,000,000).

Events since the year end

The directors consider the state of affairs of the company to be satisfactory and there has been no material change since the balance sheet date. However, the company is in the process of developing new activities, and a request for approval has already been submitted to IFSRA.

Health and safety statements

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

Books of Account

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

Directors

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

Mr. M. Trombetti (resigned 7 April 2004)
Mr. P.C. Arena
Mr. G. Scarabosio (resigned 7 April 2004)
Mr. P. Cancellaro (resigned 7 April 2004)
Mr. N. Healy
Mr. P.A. Ricciardi
Mr. I. Letchford
Mr. D. Campioni (appointed 5 May 2004)
Mr. G. Sivilotti (appointed 19 May 2004)
Mr. M.A. Bertotti (appointed 19 May 2004)

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 2004 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 2004	31 December 2003*
D. Campioni	460	460
P.C. Arena	460	460
P. A. Ricciardi	460	460
M. A. Bertotti	460	460
G. Sivilotti	254	254

* or date of appointment if later.

	Options to subscribe for shares in SANPAOLO IMI S.p.A	
	31 December 2004	31 December 2003
P. C. Arena	<u>10,000</u>	<u>10,000</u>
At 1 st January	10,000	10,000
Exercise Price	€7.1264	€7.1264
Market Price	€10.60	€10.34
Period in which exercisable	2005-2007	2005-2007

	Options to subscribe for shares in SANPAOLO IMI S.p.A	
	31 December 2004	31 December 2003*
G. Sivilotti	<u>66,500</u>	<u>66,500</u>
At 1 st January	16,500	16,500
Exercise Price	€16.45573	€16.45573
Market Price	€10.60	€10.34
Period in which exercisable	2003-2005	2003-2005
At 1 st January	25,000	25,000
Exercise Price	€12.7229	€12.7229
Market Price	€10.60	€10.34
Period in which exercisable	2004-2006	2004-2006
Ar 1 st January	25,000	25,000
Exercise Price	€7.1264	€7.1264
Market Price	€10.60	€10.34
Period in which exercisable	2005-2007	2005-2007

* or date of appointment if later.

	SANPAOLO IMI zero Coupon Series 115 (Maturity 2022)	
	31 December 2004	31 December 2003
M.A. Bertotti	15,000	Nil

Auditors

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

On behalf of the board

D. Campioni
Chairman

P.C. Arena
Managing Director

N. Healy
Director

I. Letchford
Director

10 March 2005

Statement of directors' responsibilities

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 2003 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

D.Campioni
Chairman

P.C. Arena
Managing Director

N. Healy
Director

I. Letchford
Director

10 March 2005

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 2003 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 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 2004 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
Chartered Accountants and Registered Auditors
Dublin

10 March 2005

Statement of 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.

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 permanent diminution in 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 & software	33.3% straight line
Motor Vehicles	20% straight line
Leasehold	20% 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, exchange differences are taken to the profit and loss account in the year in which they arise.

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 company'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 company.

A derivative is designated 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 accruals 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.

Fair value is based on quoted market rates. Where representative market rates are not available, the fair value is determined from current market information using appropriate pricing or valuation models.

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 2004

	Note	2004 Euro	2003 Euro
Interest receivable: continuing activities			
Interest receivable and similar income arising from debt securities		3,522,026	5,162,378
Other interest receivable and similar income		22,813,832	33,678,314
Interest payable		(10,834,200)	(20,411,872)
Net interest income		15,501,658	18,428,820
Dividend income from group undertakings		505,214	1,857,776
Fees and commissions receivable		2,536,128	1,994,389
Dealing profits	1	86,956	649,645
Foreign exchange loss		(9,632)	(20,766)
Other operating income		114,597	-
Operating income		18,734,921	22,909,864
Administrative expenses	3	(2,842,703)	(2,457,455)
Depreciation	11	(106,315)	(96,572)
Provisions for bad and doubtful debts	9	466,310	2,506,226
Operating expenditure		(2,482,708)	(47,801)
Operating profit/profit on ordinary activities before tax– continuing activities	4	16,252,213	22,862,063
Tax on profit on ordinary activities	5	(1,561,291)	(1,596,528)
Profit for the financial year		14,690,922	21,265,535
Dividend Proposed	6	-	(20,000,000)
Retained profit for the financial year		14,690,922	1,265,535
Profit and loss account at beginning of year		4,494,499	3,228,964
Profit and loss account at end of year		19,185,421	4,494,499

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

D. Campioni
Chairman

P.C. Arena
Managing Director

I.Letchford
Director

B.Sweeney
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 2004

	<i>Note</i>	2004 Euro	2003 Euro
Profit for the financial year		<u>14,690,922</u>	<u>21,265,535</u>
Total recognised gains and losses for the financial year		<u>14,690,922</u>	<u>21,265,535</u>

Balance Sheet
at 31 December 2004

	Note	2004 Euro	2003 Euro
Assets			
Cash and balance at central banks		11,925,001	29,173,446
Loans and advances to banks	8	658,454,015	443,907,644
Loans and advances to customers	9	687,126,597	490,436,365
Debt securities	10	141,925,876	161,156,041
Fixed assets	11	229,139	213,250
Investments in group undertakings	12	13	25,719,586
Other assets	13	59,412	6,188,696
Deferred Taxation	14	574,682	550,000
Prepayments and accrued income		17,909,826	14,850,976
Total assets	7	1,518,204,561	1,172,196,004
Liabilities			
Deposits by banks	15	926,906,568	572,558,692
Customer accounts	16	18,449,224	27,477,896
Other liabilities	17	13,495,347	31,893,288
Accruals and deferred income		26,941,890	22,545,518
Total liabilities		985,793,029	654,475,394
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	19,185,421	4,494,499
Other reserves	19	504,701,446	504,701,446
Shareholders' funds			
– Equity	20	532,411,532	517,720,610
Total liabilities and shareholders' funds	7	1,518,204,561	1,172,196,004
Commitments – financial commitments	21	1,464,234,815	1,381,167,855

On behalf of the board

D. Campioni
Chairman

P. C.Arena
Managing Director

I. Letchford
Director

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

Notes
forming part of the financial statements

1	Dealing profits	<u>2004 Euro</u>	<u>2003 Euro</u>
	Realised profits on sales of trading book and banking book debt securities	53,853	708,164
	Unrealised trading profit/ (loss) on short term derivatives	<u>33,103</u>	<u>(58,519)</u>
		<u>86,956</u>	<u>649,645</u>
2	Employee numbers		
	The average number of persons employed by the company (including executive directors) during the year was as follows:		
		Number of employees	
		<u>2004</u>	<u>2003</u>
	Administration	<u>16</u>	<u>16</u>
3	Administrative expenses	<u>2004 Euro</u>	<u>2003 Euro</u>
	Staff costs:		
	– wages and salaries	1,015,042	879,609
	– social security costs	82,574	133,654
	– pension costs	166,683	156,252
	Other administrative expenses	<u>1,578,404</u>	<u>1,287,940</u>
		<u>2,842,703</u>	<u>2,457,455</u>
4	Operating profit/ Profit on ordinary activities before taxation		
	Operating profit /Profit on ordinary activities before taxation is arrived at after charging		
		<u>2004 Euro</u>	<u>2003 Euro</u>
	Depreciation – fixed assets	<u>106,315</u>	<u>96,572</u>
	Auditors' remuneration (including VAT):		
	Audit Services: Statutory audit	<u>32,674</u>	<u>31,249</u>
	Non-audit services: Taxation services	17,915	11,837
	Other consultancy	<u>8,524</u>	<u>7,882</u>
		<u>59,113</u>	<u>50,968</u>
	Directors' remuneration:		
	Executive	345,212	238,462
	Non-executive	<u>26,794</u>	<u>25,456</u>
		<u>372,006</u>	<u>263,918</u>

5 Tax on profit /(loss) on ordinary activities	<u>2004 Euro</u>	<u>2003 Euro</u>
Corporation tax charge /(credit) 12.5% (2003-12.5%) on the profit for the year on ordinary activities	2,118,435	2,848,452
Less relief under Section 446(2) TCA 1997	(529,609)	(712,113)
Current tax charge for the year	1,588,826	2,136,339
Under provision in prior year	22,465	7,950
Total Current Tax	1,611,291	2,144,289
Deferred Tax Credit	(50,000)	(550,000)
Income Tax	-	2,239
	<u>1,561,291</u>	<u>1,596,528</u>

10% tax rate will remain until 31 December 2005.

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 are explained below:

	<u>2004 Euro</u>	<u>2003 Euro</u>
Profit on ordinary activities before tax	<u>16,252,213</u>	<u>22,862,063</u>
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for year of 10% (2003: 10%)	1,625,221	2,286,206
effects of:		
Dividend income not taxable	(50,521)	(185,778)
General Bad Debt Provision	40,000	50,000
Other adjustments	(25,874)	(14,089)
Current tax charge for the year	<u>1,588,826</u>	<u>2,136,339</u>
6 Dividends	<u>2004 Euro</u>	<u>2003 Euro</u>
Dividend proposed of Euro Nil per share (2003 Euro 2.67 per share)	-	20,000,000
	<u>-</u>	<u>20,000,000</u>

7 Assets, liabilities and shareholders' funds

Assets are denominated as follows:	<u>2004 Euro</u>	<u>2003 Euro</u>
Denominated in Euros	1,281,913,307	936,201,160
Denominated in other currencies	236,291,254	235,994,844
Total assets	<u>1,518,204,561</u>	<u>1,172,196,004</u>
Liabilities and shareholders' funds are denominated as follows:	<u>2004 Euro</u>	<u>2003 Euro</u>
Denominated in Euros	1,281,913,307	936,201,160
Denominated in other currencies	236,291,254	235,994,844
Total liabilities and shareholders funds	<u>1,518,204,561</u>	<u>1,172,196,004</u>

8 Loans and advances to banks

Loans and advances by remaining maturity:	<u>2004 Euro</u>	<u>2003 Euro</u>
– 3 months or less	213,649,477	164,679,146
– 1 year or less but over 3 months	184,296,474	115,000,000
– 5 years or less but over 1 year	230,508,064	164,228,498
– over 5 years	30,000,000	–
	<u>658,454,015</u>	<u>443,907,644</u>
Due from parent and fellow subsidiary undertakings	<u>199,844,896</u>	<u>165,462,731</u>

9 Loans and advances to customers

Remaining maturity	<u>2004 Euro</u>	<u>2003 Euro</u>
– On demand	3,764,304	4,547,969
– 3 months or less	207,122,510	160,185,856
– 1 year or less but over 3 months	54,402,346	47,521,643
– 5 years or less but over 1 year	285,648,208	194,084,570
– over 5 years	144,386,618	92,161,431
Gross advances	695,323,986	498,501,469
Provisions (see below)	<u>(8,197,389)</u>	<u>(8,065,104)</u>
Net advances	<u>687,126,597</u>	<u>490,436,365</u>

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 649,649 (2003: Euro 808,174) to GPA-ATR Limited, a company in which SANPAOLO IMI BANK IRELAND plc holds 12½% of the share capital.

9 Loans and advances to customers (contd.)

Analysis of provisions	2004 Euro Specific	2004 Euro General	2003 Euro Specific	2003 Euro General
Balance at beginning of year	3,665,104	4,400,000	31,888,040	3,900,000
Disposed loans	–	–	(21,561,562)	–
Charge to profit and loss account	362,567	400,000	1,575,902	1,300,000
Released to profit and loss account	(142,316)	–	(4,582,128)	(800,000)
Translation Adjustment	(285,426)	(202,540)	(3,655,148)	–
Balance at end of year	<u>3,599,929</u>	<u>4,597,460</u>	<u>3,665,104</u>	<u>4,400,000</u>

Included in the Provisions for Bad Debts figure in the profit and loss account is a credit of Eur 1,086,561 in relation to loans previously written off.

10 Debt securities

	<u>2004 Euro</u>	<u>2003 Euro</u>
(a) Carrying value		
<i>Banking book debt securities:</i>		
Issued by public bodies		
– government securities	56,511,272	58,089,575
– other public sector securities	3,395,429	3,932,897
Issued by other issuers		
– banks	82,019,175	80,938,282
– other debt securities	–	18,195,287
	<u>141,925,876</u>	<u>161,156,041</u>
(b) Maturity analysis		
Securities becoming due:		
– within one year	665,990	22,168,496
– one year and over	141,259,886	138,987,545
	<u>141,925,876</u>	<u>161,156,041</u>
(c) Listed / unlisted		
<i>Banking book debt securities:</i>		
– listed on a recognised exchange	76,690,421	92,373,444
– unlisted	65,235,455	68,782,597
	<u>141,925,876</u>	<u>161,156,041</u>
(d) Market value of banking book debt securities:		
Issued by public bodies		
– government securities	71,742,295	74,104,180
– other public sector securities	3,573,384	4,337,531
Issued by other issuers		
– banks	85,701,454	85,086,164
– other debt securities	–	18,580,130
	<u>161,017,133</u>	<u>182,108,005</u>

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	Total
	Euro	Euro	Euro	Euro	Euro
Cost					
At beginning of year	29,676	140,627	513,226	86,164	769,693
Additions in year	–	3,670	125,511	–	129,181
Disposals in year	(29,676)	(13,393)	(79,231)	–	(122,300)
At end of year	<u>Nil</u>	<u>130,904</u>	<u>559,506</u>	<u>86,164</u>	<u>776,574</u>
Depreciation					
At beginning of year	20,278	64,975	450,131	21,059	556,443
Charge for year	2,473	26,447	60,164	17,231	106,315
Disposals in year	(22,751)	(13,386)	(79,186)	–	(115,323)
At end of year	<u>Nil</u>	<u>78,036</u>	<u>431,109</u>	<u>38,290</u>	<u>547,435</u>
Net book value					
At 31 December 2004	<u>Nil</u>	<u>52,868</u>	<u>128,397</u>	<u>47,874</u>	<u>229,139</u>
At 31 December 2003	<u>9,398</u>	<u>75,652</u>	<u>63,095</u>	<u>65,105</u>	<u>213,250</u>

12 Investments in group undertakings

	2004 Euro	2003 Euro
Shares at cost - unlisted	13	32
Loans to subsidiaries:		
Tobuk Ltd	–	25,719,554
	<u>13</u>	<u>25,719,586</u>

The company maintained its investment of 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.

On the 4th June 2004 Bonec Limited, Lackenstar Limited and Tushingam Limited were dissolved.

Subsidiary Company

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

13 Other assets	<u>2004 Euro</u>	<u>2003 Euro</u>
Dividends receivable	–	356,688
Other accounts receivable	59,412	44,324
Forward contract	–	4,662,188
Corporation tax	–	1,125,496
	<u>59,412</u>	<u>6,188,696</u>
14 Deferred tax asset	<u>2004 Euro</u>	<u>2003 Euro</u>
Analysis of movement in deferred taxation		
At 1 January	550,000	–
Profit and loss account taxation credit	50,000	550,000
Exchange Translation	(25,318)	–
At 31 December	<u>574,682</u>	<u>550,000</u>
Deferred tax relates solely to the general bad provision which is not a deductible expense for tax purposes.		
15 Deposits by banks	<u>2004 Euro</u>	<u>2003 Euro</u>
Repayable on demand	30,329,842	87,849,827
With agreed maturity dates or periods of notice, by remaining maturity:		
– 3 months or less but not repayable on demand	803,158,891	460,556,317
– 1 year or less but over 3 months	93,417,835	24,152,548
	<u>926,906,568</u>	<u>572,558,692</u>
Amounts include:		
Due to parent and fellow subsidiary undertakings	<u>106,520,374</u>	<u>47,852,052</u>
16 Customer accounts	<u>2004 Euro</u>	<u>2003 Euro</u>
Repayable on demand	6,263,687	3,514,059
With agreed maturity dates or periods of notice, by remaining maturity:		
– 3 months or less but not repayable on demand	11,377,981	22,899,379
– 1 year or less but over 3 months	807,556	1,064,458
	<u>18,449,224</u>	<u>27,477,896</u>
Amounts include:		
Due to group companies and fellow Subsidiary undertakings	<u>51</u>	<u>4,291</u>
17 Other liabilities	<u>2004 Euro</u>	<u>2003 Euro</u>
Corporation tax	688,826	2,137,678
Foreign exchange and interest rate contracts	11,911,249	9,006,015
Proposed dividend	–	20,000,000
Other accrued expenses	895,272	749,595
	<u>13,495,347</u>	<u>31,893,288</u>

18	Called up share capital	<u>2004 Euro</u>	<u>2003 Euro</u>
	<i>Authorised</i>		
	10,000,000 Ordinary shares of Euro €1 each	<u>10,000,000</u>	<u>10,000,000</u>
	<i>Allotted, called up and fully paid</i>		
	7,500,000 Ordinary shares of Euro €1 each	<u>7,500,000</u>	<u>7,500,000</u>

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	<u>2004 Euro</u>	<u>2004 Euro</u>	<u>2003 Euro</u>	<u>2003 Euro</u>
		Revenue	Capital contribution	Revenue	Capital contribution
	At the beginning of year	4,494,499	504,701,446	3,228,964	504,701,446
	Total recognised gains for the year	14,690,922	–	21,265,535	–
	Dividends paid and proposed	–	–	(20,000,000)	–
	At end of year	<u>19,185,421</u>	<u>504,701,446</u>	<u>4,494,499</u>	<u>504,701,446</u>

20	Reconciliation of movements in shareholders' funds	<u>2004</u>	<u>2003</u>
		Equity Euro	Equity Euro
	Profit for the financial year	14,690,922	21,265,535
	Total recognised gains and losses for the year	14,690,922	21,265,535
	<i>Transactions with shareholders</i>		
	Dividends paid and proposed on equity shares	–	(20,000,000)
	Net increase in shareholders' funds	14,690,922	1,265,535
	Opening shareholders' funds	<u>517,720,610</u>	<u>516,455,075</u>
	Closing shareholders' funds	<u>532,411,532</u>	<u>517,720,610</u>

21 Commitments**Financial commitments**

At 31 December 2004 the contracted amounts of financial commitments were:

	<u>2004 Euro</u>	<u>2003 Euro</u>
Guarantees and irrevocable letters of credit	55,086,051	61,408,099
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	498,888,200	371,024,554
– one year and over	910,260,564	948,735,202
	<u>1,464,234,815</u>	<u>1,381,167,855</u>

Of the above amount of guarantees Euro 4,831,171 (2003: Euro 6,375,999) 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 1,459,403,644 (2003: Euro 1,374,791,856).

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	<u>2004 Euro</u>	<u>2003 Euro</u>
Ireland	236,589,865	250,792,731
Europe	1,188,848,258	802,352,053
South America	34,862,407	45,661,940
United States of America	882,804	9,275,264
Rest of World	57,021,227	64,114,016
	<u>1,518,204,561</u>	<u>1,172,196,004</u>

Of the South American and rest of world balances, Euro 65m (2003: Euro 107m) is guaranteed in European countries.

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

Summary of interest income	<u>2004 Euro</u>	<u>2003 Euro</u>
Ireland	5,543,952	5,461,457
Europe	19,514,393	28,354,565
South America	870,179	3,367,013
United States of America	(1,011,255)	(905,918)
Rest of World	1,418,589	2,563,575
	<u>26,335,858</u>	<u>38,840,692</u>

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 166,683 (2003: Euro 156,252).

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	106,185	–	–	–	106,185
Cross currency interest rate swaps	–	–	–	46,545	46,545
Forward rate agreements	110,000	–	–	–	110,000
Interest rate swaps	<u>997,476</u>	<u>92,889</u>	<u>17,574</u>	<u>44,981</u>	<u>1,152,920</u>
At 31 December 2004	<u>1,213,661</u>	<u>92,889</u>	<u>17,574</u>	<u>91,526</u>	<u>1,415,650</u>
At 31 December 2003	<u>519,815</u>	<u>686</u>	<u>62,387</u>	<u>83,630</u>	<u>666,518</u>

24 Derivatives held for hedging purposes (contd.)

Credit exposure defined as positive replacement costs amounted to Euro 12,621 with Euro 11,556 having a maturity of less than one year and Euro 1,065 having a maturity of 2 years or less but over 1 year. Included in the 1 year or less category above are an amount of Euro 996,809,926 relating to interest rate swaps and an amount of Euro 110,000,000 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:

	Notional principal amount Euro'000	2004 Weighted average interest rates		Notional principal amount Euro'000	2003 Weighted average interest rates	
		receive %	pay %		receive %	pay %
Receive fixed swaps	–	–	–	–	–	–
Pay fixed swaps	<u>1,152,920</u>	2.52	2.16	<u>473,871</u>	2.29	3.26
	<u>1,152,920</u>			<u>473,871</u>		

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 contract 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 mark to market 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 amount 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 S.p.A. 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 company'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-realizable 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.

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 company, 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 2004:

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

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

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	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	-	-	-	-	9006	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	-	-

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 2004

	At 31/12/04 Book value Euro	At 31/12/04 Fair value Euro	At 31/12/03 Book value Euro	At 31/12/03 Fair value Euro
Non trading financial instruments:				
Banking book debt securities	141,925,876	161,017,133	161,156,041	182,108,005
Assets				
Cash and balance at central banks	11,925,001	11,925,001	29,173,466	29,173,446
Loans and advances to banks	658,454,015	658,454,015	443,907,644	443,907,644
Loans and advances to customers	687,126,597	687,126,597	490,436,365	490,436,365
Investment in group undertakings	13	13	25,719,586	25,719,586
Liabilities				
Deposits by banks	926,906,568	926,906,568	572,558,692	572,558,692
Customer accounts	18,449,224	18,449,224	27,477,896	24,477,896
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	(22,653)	(8,913,887)	(43,589)	(12,536,909)
Currency swaps	(10,267,127)	(21,153,364)	(9,006,015)	(22,097,811)
Forward Rate Agreement	(2,301)	(2,301)	(14,350)	(14,350)
Forward contract	(1,644,122)	(1,644,122)	4,662,188	4,662,188

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.

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 2004 amounted to Euro 19,626,812 (2003: Euro 22,857,213). The cumulative unrecognised gains on the portfolio of banking securities being hedged by these derivatives amounted to Euro 19,591,909 at 31 December 2004 (2003: Euro 21,185,336) giving a net unrealised loss of Euro 34,903 (2003: Euro 1,671,877). The cumulative aggregate unrecognised losses on hedges of non marked-to-market loan transactions at 31 December 2004 amounted to Euro 150,659. These amounts refer to two fixed rate intra group loans where the fixed rate payable by the borrower is converted to a floating rate by derivatives.

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 2005. Accordingly, the extent to which these losses are expected to be recognised in the year ending 31 December 2005 is Euro Nil (2004: 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 2004 the company made payments of Euro 22,095 to A&L Goodbody (2003: Euro 53,270) with respect of services rendered. The company's director Mr. N Healy was a partner in A&L Goodbody until 31st October 2004.

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 Regulation 8 of the European Communities (Credit Institutions: Accounts) Directive, 1992 and 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 10 March 2005.

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

Registered in Ireland No: 125216

VAT Reg. No: IE 4817418C

SANPAOLO IMI GROUP

Operational Contacts:

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SWIFT:IBSPIE2D**Main Settlement Details:****USD:**

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

€:

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

Other currencies: please contact on requirement