



Summary  
Financial Statements  
2007

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# Company Information



# Company Information

## Directors

### **Frank Westhoff, Chairman**

(Appointed as Chairman on 20th April 2007)  
Member of the Board of Managing Directors,  
DZ BANK AG, Frankfurt am Main

### **Walter Brazil**

Finance Director of AIB Capital Markets

### **Dr Tilmann Gerhards**

Managing Director,  
DZ BANK Ireland plc

### **Mark Jacob**

Managing Director,  
DZ BANK Ireland plc

### **Thomas Kaltwasser**

Head of Treasury,  
DZ BANK AG, Frankfurt am Main

### **John McCloskey**

Former Chief Executive of ACCBank plc

### **Carl O'Sullivan**

Partner  
Arthur Cox

### **Dr Ulrich Brixner, Chairman**

(Resigned 20th April 2007)  
Former Chairman of the Board of Managing Directors,  
DZ BANK AG, Frankfurt am Main

### **Dr Martin Elsasser**

(Resigned 20th April 2007)  
Former German Ambassador to Ireland

### **Wolfgang Kirsch**

(Resigned 20th April 2007)  
Chairman of the Board of Managing Directors,  
DZ BANK AG, Frankfurt am Main

## Audit Committee

### **Walter Brazil**

### **John McCloskey**

## Managing Directors

### **Dr Tilmann Gerhards**

### **Mark Jacob**

## Company Secretary

### **AIB International Financial Services Ltd.**

International Centre  
I.F.S.C.  
Dublin 1

## Registered Office

Guild House  
Guild Street  
I.F.S.C.  
Dublin 1

## Solicitors

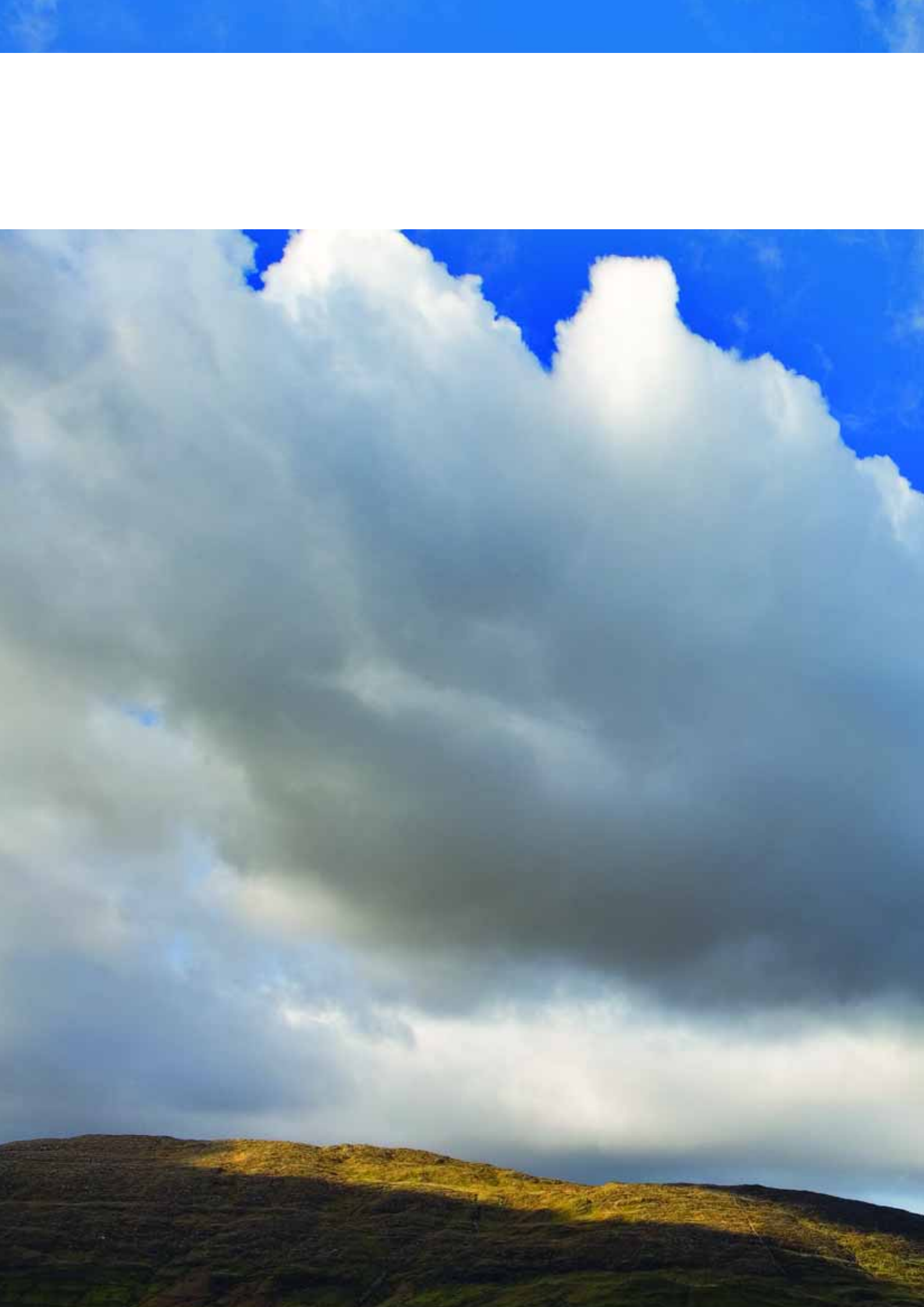
### **Arthur Cox**

Earlsfort Centre  
Earlsfort Terrace  
Dublin 2

## Auditors

### **Ernst & Young**

Registered Auditors  
Harcourt Street  
Dublin 2



# Company Profile and Business Review 2007



# Company Profile and Business Review 2007

DZ BANK Ireland plc is a wholly owned subsidiary of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DZ BANK AG).

## The Parent Company

DZ BANK AG is the central bank, corporate bank and parent holding company for the DZ BANK Group. It was established in September 2001 by the merger of DG BANK and GZ-Bank. In terms of total assets, the DZ BANK Group ranked among the top five banking groups in Germany at year-end 2007.

As a central bank, DZ BANK AG is responsible for servicing 1,011 out of 1,232 local cooperative banks which in total have aggregate assets of EUR 632 billion as at December 2007. The cooperative banks have a significant share of the fragmented German market with approximately 18% of retail deposits and 15% of retail loans. DZ BANK AG acts as a liquidity manager for, and supports, the local cooperative banks with transactions such as brokerage and securities processing, international business and the development of retail products and individual customer solutions.

As an internationally oriented corporate bank, DZ BANK AG provides the full range of corporate banking services to its predominantly SME customers and also provides investment banking services in the areas of fixed income and private, customer oriented securities services. DZ BANK AG is represented in all key financial centres in Europe, the U.S. and Asia.

As a holding company, DZ BANK AG coordinates the efforts of the cooperative sector's wide range of specialist product and service providers which includes activities such as asset management (Union Investment), insurance (R+V Versicherung), real estate and mortgages (Bausparkasse Schwäbisch Hall, DG HYP) and leasing (VR LEASING).

In 2006, DZ BANK AG's long-term debt ratings were raised by one notch to A+ by Standard & Poor's and in 2007 Moody's raised the long-term rating 2 notches to Aa3. The current ratings are Aa3/P1 by Moody's, A+/A1 by S&P and A+/F1 by Fitch.

## DZ BANK Ireland plc

DZ BANK Ireland plc has been in operation in Dublin's International Financial Services Centre (I.F.S.C.) since its incorporation as SGZ (Ireland) plc in November 1994. The Bank received a full banking licence from the Irish Financial Services Regulatory Authority ("IFSRA", previously the Central Bank of Ireland) in April 1995.

DZ BANK Ireland is positioned within the investment bank function of the DZ BANK Group. It is focused on high grade credit products including floating rate notes, asset swaps, syndicated and bilateral loans to a range of parties such as financial institutions, ABS issuers, corporations, sovereign and sub-sovereign entities in Europe and North America. Furthermore it provides medium and long-term fixed rate loans for refinancing purposes to the local cooperative banks in Germany.

DZ BANK AG has issued a "Patronatserklärung" ("strong letter of comfort") in favour of DZ BANK Ireland. In view of its strong financials and the assertion by the parent company, that DZ BANK Ireland will always be in a position to meet its liabilities, the short-term debt ratings from Moody's and S&P are P1/A1 and the long-term senior unsecured debt ratings are A2/A+.

# Company Profile and Business Review 2007

## Business Review 2007

2007 was a year of major volatility in the financial markets and the performance of the Bank was significantly influenced by these developments. The favourable conditions in the early months of the year gave way to turmoil driven by the collapse of the US sub-prime market. Investor appetite for new assets deteriorated, bond prices fell and liquidity in the money markets was severely disrupted. In this context, the Bank's business developed satisfactorily with a focus on maintaining excellent asset quality, strong liquidity and sound capital ratios. The balance sheet grew by 13.5% to EUR 7.3 billion and net interest income for the year was EUR 24.3 million. However, the negative mark-to-market valuations on trading book assets resulted in a reported net loss of EUR 24.4 million.

## Capitalisation

In 2007, the Bank's total assets increased to EUR 7.3 billion with the most growth taking place in the first half of the year. Risk-weighted assets increased by 16% to EUR 2.5 billion due primarily to an increased volume of 20% risk-weighted assets.

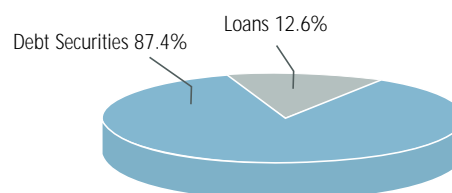
in € million	2007	2006
Total Assets	7,305	6,436
Risk-Weighted Assets	2,519	2,174
Regulatory Capital	241	242
Tier 1 Ratio	7.6%	9.7%
Total Ratio	9.6%	9.7%

Despite the reported loss, the Bank's capitalisation remained well above minimum requirements with a Tier 1 ratio of 7.6% and the total capital ratio, supported by the issuance of EUR 50 million of subordinated debt in 2007, was 9.6%.

## Asset Quality

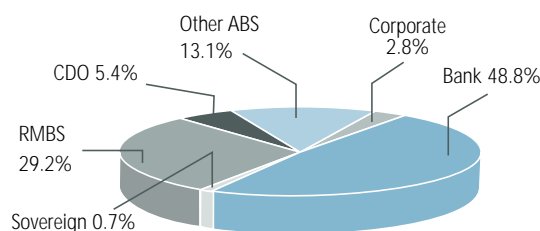
The credit quality, geographic distribution and maturity profile of the balance sheet continue to reflect the conservative nature of the business.

## Asset Profile



Approximately 12.6% of the balance sheet consists of loans to banks and corporates, in line with the previous year. Loans to local cooperative banks accounted for 78% of this. The remaining loans exhibit a profile similar to the debt securities outlined below. By the very nature of the cooperative banking model in Germany and its underlying support mechanism the credit worthiness of these banks is considered to be synonymous with DZ BANK Group. Member Banks of the Federal Association of Cooperative Banks ("BVR") participate automatically in a protection system centrally administered and controlled by the BVR and funded by the sector's banks as stipulated in the BVR statutes. These statutes provide extensive opportunities for preventive intervention and rehabilitation of troubled member banks. Consequently, no member bank has failed and no creditor or customer has suffered a loss since the cooperative sector scheme was established in 1932. The majority of the remaining credit exposure in DZ BANK Ireland's balance sheet relates to fixed income debt securities (87.4%).

## Analysis of Debt Securities





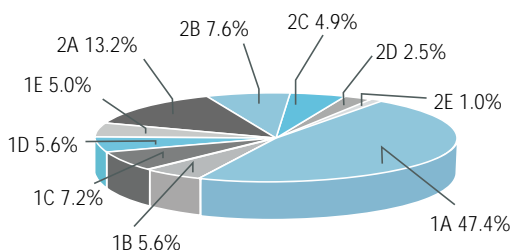
# Company Profile and Business Review 2007

Bonds issued by financial institutions, corporates and sovereigns account for 52% of all debt securities. The remaining fixed income exposure relates primarily to Residential Mortgage Backed Securities as well as to Asset Backed Securities and Collateralised Debt/Loan Obligations. Exposure to the US is limited (see geographical information below) and exposure to sub-prime assets is negligible.

DZ BANK Ireland continued to maintain a cautious investment policy in 2007, reflected by the continued high quality of the Bank's international credit portfolio. The international credit portfolio consists of debt securities and loans, excluding loans to cooperative banks. The entire international credit portfolio is rated the equivalent of investment grade using the Group's internal rating system, with 47% rated 1A the highest possible rating. 50% of the portfolio is rated AAA by the external rating agencies and 98.6% is rated single 'A' or higher. There were no non-performing credits at year-end.

The portfolio is well diversified by borrower and by geography. The ten largest credit exposures at 31 December 2007 accounted for approximately 9.8% of the portfolio.

## Ratings Profile of International Credit Portfolio



DZ BANK Ireland's principal geographic focus is on Europe. The Bank monitors the geographical breakdown of its exposures based on the country of domicile of the borrower or guarantor of ultimate risk. 86% of the total international credit portfolio consists of exposures in the wealthy developed economies of Germany, the Netherlands, Italy, the United States, Britain, Spain, Ireland and France.

## Geographical Breakdown of International Credit Portfolio

	%	%
	2007	2006
Germany	20.4	12.6
Spain	16.5	19.9
Italy	12.8	15.3
Britain	10.0	10.5
Ireland	8.9	6.5
Netherlands	7.4	9.8
United States	5.3	6.1
France	4.7	3.8
Rest of EU	10.9	12.5
Rest of World	3.1	3.0

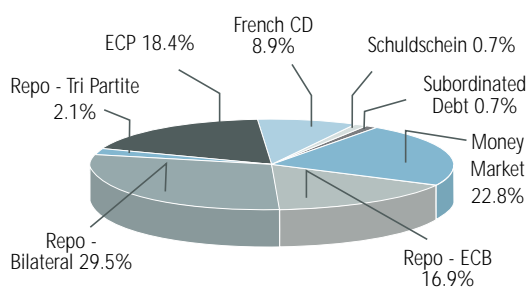
## Liquidity and Refinancing

Despite the major disruption to financial market liquidity, DZ BANK Ireland successfully managed its liability profile in 2007. The Bank adapted its funding structure to meet the challenges that arose in the latter part of the year. Consequently interbank money market outstandings and French CD issuance totalled EUR 1.6 billion and EUR 634 million respectively. The Bank managed its asset portfolio more actively and significantly increased its repo activity to EUR 3.5 billion at year-end. These repurchase transactions were conducted with the European Central Bank and a number of bilateral and triparty repurchase counterparties. The decline in the general ABCP market benefited the Bank's multi-currency Euro Commercial Paper (ECP) programme, as investors sought out traditional bank paper. Year-end outstandings totalled EUR 1.3 billion. Significantly, the Bank managed its liabilities without increasing its cost of funding and, in a large proportion of cases, took advantage of market uncertainty by reducing the Bank's overall funding costs.

DZ BANK Ireland continues to have a well diversified funding base and enjoys access to various wholesale funding sources from a wide range of counterparties and markets supported by the "Patronatserklärung" ("strong letter of comfort") from DZ BANK AG.

# Company Profile and Business Review 2007

## Liquidity Profile



Long-term funding is obtained through bilateral "Schuldschein" instruments which totalled EUR 53 million and the aforementioned EUR 50 million subordinated debt issue.

## Profitability

Although net interest income of EUR 24.3 million was essentially flat year-on-year, the Bank reported a pre-tax loss of EUR 27.8 million due primarily to the mark-to-market effect in the Trading Book.

Net other operating income, which includes realised and unrealised gains and losses on the investment and trading portfolios, net fee/commission income and changes in the value of the macro and other hedging activities, was dominated by the unrealised losses in the trading book. Realised losses were negligible. Fees, which include income generated from the provision of ABS-related services to Group entities, were lower due to reduced activity in the CORAL conduit programme for which the Bank provided Securities Investment Management services.

Total administrative expenses were EUR 4.6 million, an increase of 8.8% year-on-year due to higher staff costs and costs associated with the roll-out of Group-wide IT-related projects. The average number of employees in 2007 was 30 (27 in 2006). The net loss for 2007 after adjusting for tax amounted to EUR 24.4 million.

## Net Profit Analysis

€'000	2007	2006
Net Interest Income	24,267	24,074
Net Other Operating Income	(47,506)	3,006
Administrative Expenses	(4,582)	(4,209)
(Loss) / Profit Before Tax	(27,821)	22,871
Tax	3,459	(2,871)
<b>(Loss) / Profit</b>	<b>(24,362)</b>	<b>20,000</b>

## Profitability

%	2007	2006
Return on Equity (before tax)	-14.4	10.5
Return on Equity (after tax)	-12.6	9.2
Cost / Income Ratio excl. unrealised losses	17.1	15.5

## Risk Management

Please refer to the Financial Statements of DZ BANK Ireland as of 31 December 2007 for full disclosure with respect to Risk Management.

# Independent Auditors' Statement to the Members of DZ BANK Ireland plc



# Independent Auditors' Statement to the Members of DZ BANK Ireland plc

We have examined the summary financial statements for the year ended 31 December 2007, which comprise the Income Statement and Balance Sheet. We have agreed to report to you our opinion on the consistency of the summary financial statements with the statutory financial statements and directors' report, on which we reported on 8th April 2008. This report is made solely to the company's members, as a body.

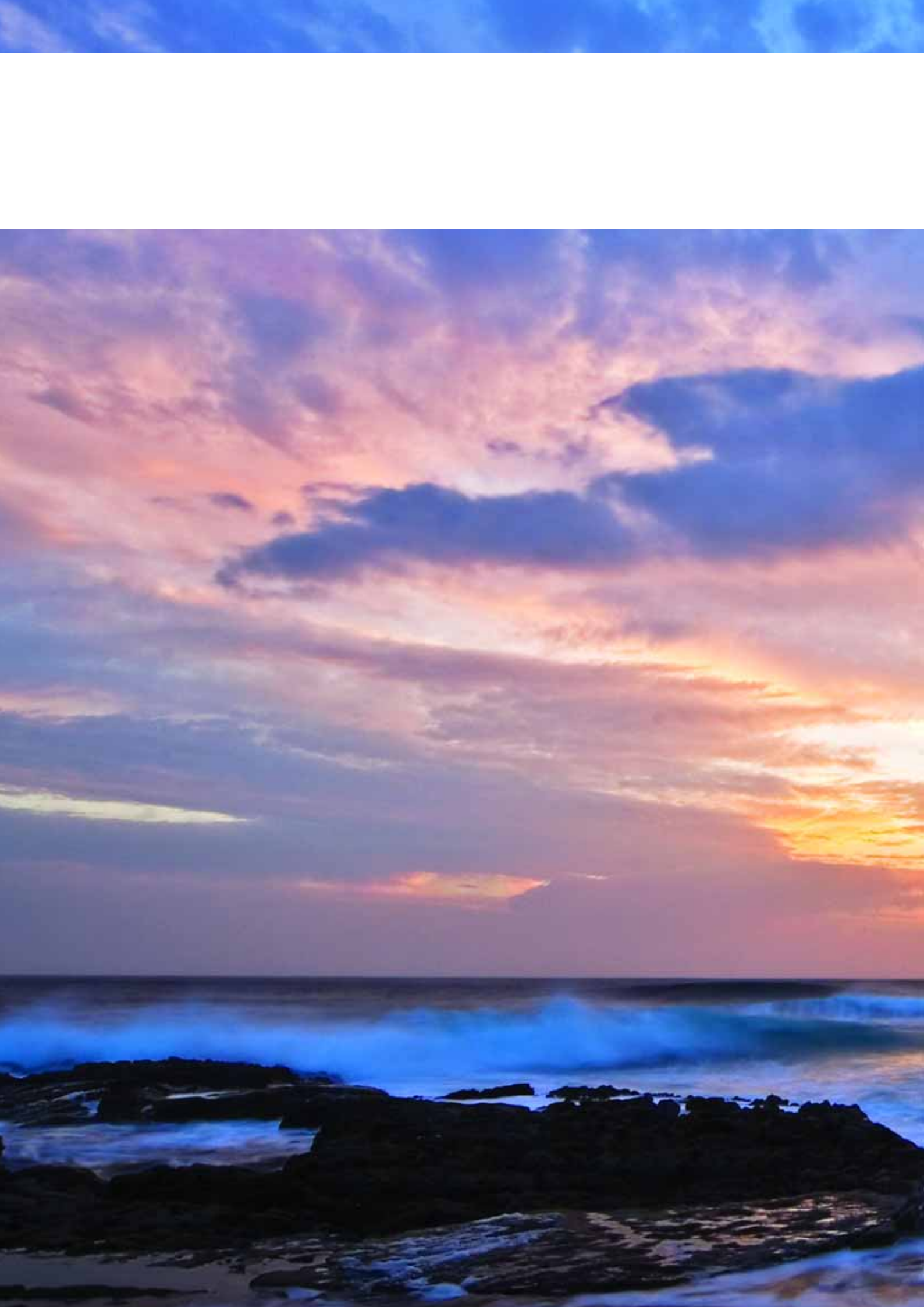
The Directors are responsible for the preparation of the summary financial statements for the purposes of compliance with Section 20 of the Central Bank Act, 1971.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed. We have carried out the procedures we consider necessary to ensure that the summary financial statements have been properly compiled based on the statutory financial statements which set out the financial position of the company. We also read the other information contained in the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

In our opinion the summary financial statements are consistent with the full statutory accounts and directors' report for the year ended 31 December 2007.

**Ernst & Young**  
Registered Auditors  
Dublin

Date 8th April 2008



# Summary Financial Statements 2007



# Income Statement

for the Year Ended 31 December 2007

EUR '000	2007	2006
Interest receivable and similar income	372,100	273,919
Less: interest payable and similar charges	(347,833)	(249,845)
<b>Net interest income</b>	<b>24,267</b>	<b>24,074</b>
<b>Other income</b>		
Fees and commissions income	485	1,040
Fees and commissions expense	(754)	(720)
Net trading (expense)/income	(37,351)	24,055
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss	(10,067)	(21,642)
Other operating income	181	273
<b>Total income</b>	<b>(23,239)</b>	<b>27,080</b>
<b>Operating expenses</b>		
Administrative expenses	(4,398)	(4,128)
Depreciation of property and equipment	(91)	(81)
Amortisation of intangible assets	(93)	-
<b>(Loss)/profit before taxation</b>	<b>(27,821)</b>	<b>22,871</b>
Taxation	2860	(2,859)
Deferred taxation	599	(12)
<b>(Loss)/profit for the period</b>	<b>(24,362)</b>	<b>20,000</b>

## Directors

Frank Westhoff      Dr Tilmann Gerhards      Mark Jacob

On behalf of AIB International Financial Services Ltd (Company Secretary)

# Balance Sheet

as at 31 December 2007

EUR '000	2007	2006
<b>Assets</b>		
Cash and balances at Central Bank & FSAI	39,126	39,902
Loans and advances to banks	584,767	696,965
Trading securities	2,201,432	1,587,378
Derivative financial instruments	21,026	8,194
Other financial assets at fair value through profit or loss	638,868	784,264
Loans and advances to customers	490,343	347,855
Investment securities – available-for-sale	3,319,126	2,971,242
Intangible assets - software	405	-
Property, plant & equipment	146	202
Current income tax assets	2,860	-
Deferred income tax assets	7,255	34
Other assets	112	284
<b>Total assets</b>	<b>7,305,466</b>	<b>6,436,320</b>
<b>Liabilities</b>		
Deposits from banks	4,392,698	3,224,981
Derivative financial instruments and other liabilities	28,689	48,877
Financial liabilities at fair value through profit or loss	652,781	664,231
Due to customers	654,041	47,388
Debt securities in issue	1,379,217	2,207,605
Current income tax liabilities	-	359
Deferred income tax liabilities	-	512
Other liabilities	633	783
Subordinated liabilities	50,122	-
<b>Total liabilities</b>	<b>7,158,181</b>	<b>6,194,736</b>
<b>Equity</b>		
Called up share capital	6,500	6,500
Capital contribution	196,888	196,888
Retained earnings	(9,753)	34,610
Other reserves	(46,350)	3,586
<b>Total equity</b>	<b>147,285</b>	<b>241,584</b>
<b>Total equity and liabilities</b>	<b>7,305,466</b>	<b>6,436,320</b>
<b>Memorandum items</b>		
Commitments	42,374	44,447

## Directors

Frank Westhoff      Dr Tilmann Gerhards      Mark Jacob

On behalf of AIB International Financial Services Ltd (Company Secretary)



# Notes to the Summary Financial Statements

for the Year Ended 31 December 2007

## **Summary Financial Statements**

The Summary Financial Statements are not the financial statements which are required to be filed with the annual returns to the Companies Registration Office. However, copies of the financial statements will be filed with the 2007 Annual Return.

The auditors have made a report under Section 163 of the Companies Act, 1963, in respect of the financial statements of the company which relate to the year ended 31 December 2007 and with which the Summary Financial Statements purport to deal. The auditors' report was unqualified.

## **Availability of Financial Statements**

Copies of the full financial statements are available from:

DZ BANK Ireland plc  
Guild House  
Guild Street  
I.F.S.C.  
Dublin 1

And can be requested on the following website at [www.dzbank.ie](http://www.dzbank.ie)



DZ BANK Ireland plc  
Guild House  
Guild Street  
I.F.S.C.  
Dublin 1  
Republic of Ireland

Tel.: 00353 1 670 0715

Fax: 00353 1 829 0298

Mail: [info@dzbank.ie](mailto:info@dzbank.ie)

[www.dzbank.ie](http://www.dzbank.ie)

DZ BANK Ireland plc is a wholly  
owned subsidiary of DZ BANK AG,  
Frankfurt am Main.

Photography by Peter Cox  
[www.petercox.ie](http://www.petercox.ie)

Designed and produced by alphabet graphics  
[www.alphabet.ie](http://www.alphabet.ie)

