

LBBW BANK IRELAND PLC

UNAUDITED INTERIM REPORT

FOR THE HALF-YEAR ENDED

30 JUNE 2007

DIRECTORS' REPORT AND INTERIM FINANCIAL STATEMENTS
For the Half-Year ended 30 June 2007

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COMPANY INFORMATION

DIRECTORS

Mr. Hans-Joachim Strüder - Chairman
Dr. Bernhard Walter - Deputy Chairman
Mr. Liam Miley
Mr. Tony Mc Poland
Mr. Francis Joseph O' Riordan
Mr. Guido Paris

SECRETARY

Mr. Tony Mc Poland

REGISTERED OFFICE

PO Box 4566
6 George's Dock
International Financial Services Centre
Dublin 1

SOLICITORS

A & L Goodbody
North Wall Quay
International Financial Services Centre
Dublin 1

AUDITORS

Ernst & Young
Chartered Accountants
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin 2

Report on the Net Assets, Financial Position and Results of Operation

In the first half of 2007 the Bank saw total assets reduced by 18% to €6.20bn from €7.61bn as at 31 December 2006. This is due to the sale of certain assets to other Group units as noted below. The Bank earned Profit before Tax of €21.3m, which was 61% higher than the same period in 2006.

The results include, for the first time, a full six months earnings on the two funds managed by the Bank and exclude earnings on proprietary trading which was closed on 30 November 2006. The Bank also continued to avail of market opportunities to realise profits on asset sales, while overall costs were also marginally lower which brought the cost-to-income ratio to 15.5% for the six-month period, compared to 22.2% for 2006 as a whole.

Forecast Report and Other Statements on the Prospective Development

As noted in the 2006 Annual Report strategic alternatives for the Bank in Ireland continue to be considered in conjunction with the Group, including the option for the Bank to increase its presence in the management of credit for third parties following the launch of the first two credit funds in 2006.

As part of this strategic re-evaluation the Bank is placing two dormant subsidiaries, LBBW Ireland International Finance and LBBW Ireland Limited, into voluntary liquidation. The Bank will also be redeeming the €25m issue of Tier 2 debt before year-end as the regulatory cost of issuing small amounts of debt are now quite substantial.

Report on Opportunities and Risks

The Bank is currently capitalised significantly in excess of minimum regulatory levels after the payment of the 2006 dividend of €21.5m and also continues to benefit from a Letter of Comfort issued to the Financial Regulator in Ireland. The Bank has access to adequate liquidity in the market.

The current credit market turmoil and asset illiquidity has had an impact on the product pipeline of the Bank, and a number of new product launches have been postponed until the market returns to normality and market liquidity and demand is restored. The deferral of product launches will have a negative impact on expected earnings for the remainder of the year.

Report on Major Business Transactions with Related Parties

The Bank has, in line with approved policies of the LBBW Group, sold a portfolio of assets to other Group units as part of a geographic restructuring of portfolios.

**INTERIM PROFIT AND LOSS ACCOUNT
for the Half-Year ended 30 June 2007 (Unaudited)**

| | <i>Six months ended 30 June 2007</i> | <i>Six months ended 30 June 2006</i> | <i>Year ended 31 December 2006</i> |
|--|--|--|--|
| | €000 | €000 | €000 |
| Interest receivable & similar income | 224,039 | 195,280 | 421,758 |
| Interest payable & similar charges | (207,871) | (178,866) | (388,855) |
| | ----- | ----- | ----- |
| Net interest income | 16,168 | 16,414 | 32,903 |
| OTHER INCOME | | | |
| Fee and commission income | 1,667 | 546 | 814 |
| Fee and commission expense | (528) | (298) | (725) |
| Income from trading activities | 5,404 | 158 | 4,574 |
| Net (loss)/gain on financial assets designated at fair value through profit and loss | 509 | (310) | (210) |
| Income from discontinued operations (Proprietary trading) | - | 1,150 | 407 |
| | | | |
| Other operating income | 5,524 | 1,550 | 4,000 |
| | ----- | ----- | ----- |
| Total Income | 28,744 | 19,210 | 41,763 |
| | | | |
| Administrative expenses | 4,195 | 4,263 | 8,829 |
| Depreciation | 251 | 210 | 486 |
| | ----- | ----- | ----- |
| Operating profit before collective impairment provision | 24,298 | 14,737 | 32,448 |
| | | | |
| Charge of loan impairment provision | (3,000) | (1,500) | (376) |
| | | | |
| Profit on ordinary activities before taxation | 21,298 | 13,237 | 32,072 |
| | | | |
| Tax on profit on ordinary activities | (2,774) | (1,637) | (3,472) |
| | ----- | ----- | ----- |
| Profit on ordinary activities after taxation | 18,524 | 11,600 | 28,600 |
| | | | |
| Dividends paid/approved | (21,500) | (25,000) | (25,000) |
| | ----- | ----- | ----- |
| Profit Retained | (2,976) | (13,400) | 3,600 |
| Transfer to Other Reserves | - | - | - |
| | ----- | ----- | ----- |
| Increase in the Period | (2,976) | (13,400) | 3,600 |
| | | | |
| Profit brought forward at beginning of year | 22,362 | 18,762 | 18,762 |
| | ----- | ----- | ----- |
| Profit carried forward at end of period | 19,386 | 5,362 | 22,362 |
| | ===== | ===== | ===== |

INTERIM BALANCE SHEET
as at 30 June 2007 (Unaudited)

| | <i>Six months ended 30 June 2007</i> | <i>Six months ended 30 June 2006</i> | <i>Year ended 31 December 2006</i> |
|--|--|--|--|
| | €000 | €000 | €000 |
| ASSETS | | | |
| Cash and balances at central banks | 14,079 | 16,863 | 13,566 |
| Loans and advances to banks | 222,751 | 207,811 | 211,693 |
| Loans and advances to customers | 52,224 | 196,255 | 183,641 |
| Financial assets at fair value through profit and loss | 23,702 | 256,082 | 91,634 |
| Derivative financial instruments | 29,227 | 48,386 | 31,121 |
| Financial assets - loans and receivables | 877,654 | 1,555,728 | 1,410,868 |
| Financial assets - available-for-sale | 4,979,927 | 5,513,689 | 5,659,115 |
| Tangible fixed assets | 1,672 | 1,880 | 1,792 |
| Shares and investments in Group undertakings | 100 | 100 | 100 |
| Other assets | 2,958 | 5,551 | 4,735 |
| | ----- | ----- | ----- |
| TOTAL ASSETS | 6,204,294 | 7,802,345 | 7,608,265 |
| | ===== | ===== | ===== |
| LIABILITIES | | | |
| Deposits by banks | 5,235,120 | 6,680,731 | 7,094,023 |
| Deposits by customers | 527,711 | 473,873 | 23,696 |
| Financial Liabilities at fair value through profit or loss | 0 | 161,722 | 0 |
| Derivative financial instruments | 16,920 | 73,389 | 61,550 |
| Debt issued and other borrowed funds | 10,443 | 33,560 | 33,874 |
| Other liabilities | 26,893 | 8,226 | 4,345 |
| | ----- | ----- | ----- |
| TOTAL LIABILITIES | 5,817,087 | 7,431,501 | 7,217,488 |
| | ----- | ----- | ----- |
| CAPITAL RESOURCES | | | |
| Subordinated liabilities | 25,000 | 25,000 | 25,000 |
| | ----- | ----- | ----- |
| | 25,000 | 25,000 | 25,000 |
| | ----- | ----- | ----- |
| SHAREHOLDERS' FUNDS | | | |
| Called up share capital | 6,688 | 6,688 | 6,688 |
| Capital contribution | 316,429 | 316,429 | 316,429 |
| Reserves | 13,625 | 13,625 | 13,625 |
| Profit and loss account | 19,386 | 5,362 | 22,362 |
| Available-for-sale reserve | 6,079 | 3,740 | 6,673 |
| | ----- | ----- | ----- |
| SHAREHOLDERS' FUNDS - EQUITY INTERESTS | 362,207 | 345,844 | 365,777 |
| | ----- | ----- | ----- |
| TOTAL LIABILITIES AND CAPITAL RESOURCES | 6,204,294 | 7,802,345 | 7,608,265 |
| | ===== | ===== | ===== |
| MEMORANDUM ITEMS | | | |
| Commitments | 60,432 | 112,856 | 9,507 |
| | ===== | ===== | ===== |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Half-Year ended 30 June 2007 (Unaudited)

| | <i>Six months ended 30 June 2007</i> €000 | <i>Six months ended 30 June 2006</i> €000 | <i>Year ended 31 December 2006</i> €000 |
|--|--|--|--|
| Profit for the period | 18,524 | 11,600 | 28,600 |
| Net change in available-for-sale investments, net of tax | (594) | (669) | 2,264 |
| | ----- | ----- | ----- |
| Total recognised gains for the period | <u>17,930</u> | <u>10,931</u> | <u>30,864</u> |

RECONCILIATION OF SHAREHOLDERS FUNDS
Half-Year Ended 30 June 2007 (Unaudited)

| | Share Capital | Capital Contribution | Capital Reserve | Profit and Loss Account | Available-for-sale Investments | Total |
|---|----------------------|-----------------------------|------------------------|--------------------------------|---------------------------------------|----------------|
| Shareholders funds as at 1 January 2006 | 6,688 | 316,429 | 13,625 | 18,762 | 4,409 | 359,913 |
| Net change in AFS investments net of tax | - | - | - | - | (669) | (669) |
| Profit for the six months to 30 June 2006 | - | - | - | 11,600 | - | 11,600 |
| Equity dividends | - | - | - | (25,000) | - | (25,000) |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| At 30 June 2006 | 6,688 | 316,429 | 13,625 | 5,362 | 3,740 | 345,844 |
| Net change in AFS investments net of tax | - | - | - | - | 2,933 | 2,933 |
| Profit for the six months to 31 December 2006 | - | - | - | 17,000 | - | 17,000 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| At 31 December 2006 | 6,688 | 316,429 | 13,625 | 22,362 | 6,673 | 365,777 |
| Net change in AFS investments net of tax | - | - | - | - | (594) | (594) |
| Profit for the six months to 30 June 2007 | - | - | - | 18,524 | - | 18,524 |
| Equity dividends approved | - | - | - | (21,500) | - | (21,500) |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| At 30 June 2007 | <u>6,688</u> | <u>316,429</u> | <u>13,625</u> | <u>19,386</u> | <u>6,079</u> | <u>362,207</u> |

NOTES TO THE INTERIM REPORT
Half-Year ended 30 June 2007

1. BASIS OF PREPARATION

Basis of preparation

The financial information presented in the Interim Financial Report accounts for the six months to 30 June 2007 have been prepared under the historic cost convention, as modified by the revaluation of available-for-sale assets, financial assets and liabilities held at fair value through profit or loss account and all derivative contracts.

The accounting policies and presentation used in preparing this Interim Report are the same as those used in preparing the Annual Report and Financial Statements for the year ended 31 December 2006.

The summary financial statements for the year ended 31 December 2006 as presented in the Interim Report represent an abbreviated version of the Company's full Financial Statements for that year, on which the independent auditor issued an unqualified audit report and which have been filed with the Companies Registration Office in Ireland.

Both the interim results for the six months ended 30 June 2007 and the comparatives for the six months ended 30 June 2006 are unaudited.

| | <i>Six months ended 30 June 2007</i> | <i>Six months ended 30 June 2006</i> | <i>Year ended 31 December 2006</i> |
|--|--|--|--|
| | €000 | €000 | €000 |
| 2. IMPAIRMENT LOSSES ON LOANS AND ADVANCES | | | |
| Opening Balance | 3,900 | 4,848 | 4,848 |
| Increase of impairment provision | 3,000 | 1,500 | 3,000 |
| Release of impairment provision | - | - | (2,624) |
| Write-off of impairment provision on disposal of loans | (6,900) | (759) | (1,324) |
| | ----- | ----- | ----- |
| | - | 5,589 | 3,900 |
| | ===== | ===== | ===== |

| | <i>Six months ended 30 June 2007</i> | <i>Six months ended 30 June 2006</i> | <i>Year ended 31 December 2006</i> |
|--|--|--|--|
| | €000 | €000 | €000 |
| 3. TAX ON PROFIT ON ORDINARY ACTIVITIES | | | |
| Current Tax | | | |
| Irish Corporation Tax Payable | 1,721 | 1,769 | 3,151 |
| Deferred Tax | 1,053 | (132) | 321 |
| | ----- | ----- | ----- |
| | 2,774 | 1,637 | 3,472 |
| | ===== | ===== | ===== |

NOTES TO THE INTERIM REPORT
Half-Year ended 30 June 2007 (continued)

| 4. AVAILABLE-FOR-SALE RESERVE | <i>Six months ended 30 June 2007</i> €000 | <i>Six months ended 30 June 2006</i> €000 | <i>Year ended 31 December 2006</i> €000 |
|--|--|--|--|
| Balance as at 1 January | 6,673 | 4,409 | 4,409 |
| Net gain/(losses) from changes in fair value | 979 | (1,611) | 3,632 |
| Net gain/(losses) transferred to profit and loss on disposal | (1,658) | 847 | (1,045) |
| Deferred tax | 85 | 95 | (323) |
| Balance as at end of period | 6,079 | 3,740 | 6,673 |

5. PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The Bank is a wholly owned subsidiary of Landesbank Baden-Württemberg, the immediate and ultimate controlling party, a company incorporated in Germany. As such, the company has availed of the exemption under FRS 1 and is not presenting a cash flow statement. As permitted by FRS 8, any transactions involving this party are not disclosed as related party transactions because in excess of 90% of the voting rights of the bank are controlled by this party.

6. APPROVAL

The Interim Financial Statements were approved by the Board of Directors on 24 August 2007.

INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF LBBW BANK IRELAND PLC

Introduction

We have been instructed by LBBW Bank Ireland plc (“the Bank”) to review the financial information set out on pages 5 to 9 of this Interim Report for the Bank for the six months ended 30 June 2007. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Bank’s Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Bank’s Directors those matters we are required to state to them in this review report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank’s Directors as a body, for our review work, for this review report, or for the conclusions we have reached.

Directors’ responsibilities

This Interim Report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing this Interim Report and for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board. A review consists principally of making enquiries of the Bank’s management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the interim financial information on pages 5 to 9 as presented for the six month period ended 30 June 2007.

Ernst & Young
Dublin
24 August 2007

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the interim management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company for the remaining months of the financial year.

Liam Miley, Managing Director

Tony McPoland, Finance & Operations Director