shared **progress**

EBS Annual Report and Accounts **2004**

all together better

EBS
BUILDING SOCIETY

contents

In last year's Annual Report we spoke about how we were encouraging members across the country to share their views about EBS, both present and future, by participating in workshops and surveys. You had a lot to say, we listened carefully and we learned a lot. Some of the issues that you felt particularly strongly about were that EBS should;

- Continue to build on its mutual status
- Broaden its range of products and improve its service
- Bring more benefits to members of the society
- Give members more opportunities to participate in their society
- Do more to help members understand financial matters
- Strive to make a positive impact in the communities where members work and live.

Addressing these issues became the focus of our work in 2004.

This year's Annual Report is the story of what we've achieved to date.

shared **purpose**

2004 was another landmark year for EBS. The progress we have made is a reflection of the strong relationships we have established with our members and their continued support of EBS.

Brian Joyce Chairman

CHAIRMAN'S MESSAGE TO MEMBERS

I can assure you that your board remains committed to strengthening and growing EBS as a customer-owned organisation. As a mutual, we believe that our members should not only share in the achievements of their society but must also be part of shaping its future.

The foundation for our commitment is the feedback we consistently receive directly from members. This feedback affirms our belief that the EBS board's ambition for your society is shared by members and is in the best long-term interests of all our stakeholders. Many members now know from personal experience that every year we apply a great deal of time and resources to engaging in conversations with them in every part of the country; listening to their ideas and understanding their concerns. In 2004 we continued this consultation process by asking members to help us find more ways to improve EBS. This has involved finding ways to enhance products, deliver better services and improve our responsiveness to their financial needs.

Armed with this invaluable feedback, EBS continues to develop and grow and the society has turned in a very healthy performance for 2004. Earning a surplus is important for the society to sustain its growth and remain competitive. But we are not a bank and we are not in the business of maximising profits in the short term. We believe in optimising our surplus, which is a totally different approach. It means we should only seek to achieve that level of surplus which is necessary to ensure the financial security of the society and to invest in its future development. It is important to highlight that in 2004, as a result of our surplus optimisation approach, we delivered additional member benefits of €20.5m which were returned to members in the form of better value products and services and through focused community investments.

As a result our pre-tax trading surplus in 2004 is actually less than in 2003. While the society's assets have grown by almost 27% to a total value of €12.3bn, our pre-tax surplus of €56.1m is still very satisfactory given the significantly increased 'mutuality dividend' we were able to share with our members.

Meanwhile EBS' reputation in financial markets has been enhanced. In June 2004, Moody's, the investor ratings agency, changed to positive from stable the outlook on the society's A3 long term rating and C financial strength rating. According to Moody's, *"the outlook change reflects the society's continued sound financial position, ongoing ability to maintain a strong market share in the Irish residential mortgage-lending market and its good asset quality".* This outlook change was followed in January 2005 with a full upgrade of the society's long-term debt and deposit ratings and financial strength rating to A2/C+ from A3/C. The upgrade consolidates the reputation of the society in international investor markets and demonstrates the high regard in which external agencies hold the society. This upgrade will enable EBS to continue to deliver better value to members.

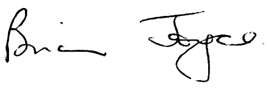
In 2004 EBS was the first, and to date the only, mortgage lending institution to abolish the practice of discounted introductory pricing for new customers. We did not take this decision lightly. However we believe that it is unfair to our existing members that they should be asked to subsidise heavily discounted introductory pricing for new customers and not be able to avail of these rates themselves. Instead we abolished introductory discounts while at the same time reducing our Standard Variable Mortgage Rate (SVR) to the lowest in the country and gave this lowest rate to both new and existing members. This initiative reflects our commitment to meaningful mutual behaviour which in turn makes membership of the society tangible and more rewarding. As a result, last year almost 22,000 new members joined EBS. We would like to welcome them to the EBS community while sincerely thanking our existing members for their continuing loyalty and support. For our part we pledge to repay that loyalty and support by continuing to treat all members fairly and by putting their interests at the heart of everything we do.

We have been hearing for some time that new Building Societies legislation is likely to be published in 2005. We await its publication with interest. Your board believes, as independent reports have shown, that a strong mutual presence in the Irish market is good for competition, good for Ireland, good for members and good for consumers generally. We intend to continue to expand our products and services to offer our members even greater value. As you will see in the remainder of this report, during 2004 significant progress has been made on many fronts and it is our intention in 2005 to continue in this vein.

In previous reports I have written about the possibility of partnerships with likeminded mutual organisations. As you may be aware, from media comment and my speech at last year's AGM, we have devoted a lot of time and energy to investigating whether we could put together a partnership with a likeminded European institution. This did not bear fruit at this time and no specific linkup is currently envisaged. We do however remain open to considering strategic partnerships which would add value to members and that are aligned to our strategy of offering the best long-term value in the market. Thus while we would welcome the modernisation of the Building Societies legislation, a change to the legislation is not essential to the achievement of our overall objectives.

The regulatory environment within financial services is becoming much more demanding. We believe that this is ultimately good for Irish consumers. For our part a number of important actions were undertaken in 2004 to reinforce our commitment to compliance with laws and regulations. We restructured our Regulatory Compliance function, in the process giving it greater resources to support all areas of our business in identifying, managing and monitoring their regulatory and compliance risks and to strengthen our relationship with the Irish Financial Services Regulatory Authority (IFSRA).

A critical part of our continued success is our people and I would like to thank your Chief Executive Ted McGovern, his leadership team and staff for delivering a strong set of results, combining excellent financial returns together with a commitment to making membership of EBS altogether better. We also value the contribution of our agents, their staff, and our service partners who all play their part in helping us to evolve and develop your society in line with your wishes. I trust that you will continue to support EBS and share with us in the unique benefits of the EBS mutual difference.



Brian Joyce
Chairman, EBS Board of Directors

Ted McGovern Chief Executive

CHIEF EXECUTIVE'S REVIEW

I am delighted to report that 2004 was another outstanding year of growth and development for your society. Together we are making solid progress in evolving our unique approach to delivering financial services. This approach amounts to working with members to shape their society in a way a bank could never do - for us it's all about sharing.

Market Overview

In 2004 we continued to see strong growth in the Irish economy. This growth was in large part driven by sustained investment in housing and public infrastructure, together with stable performance in key domestic industries. Real GDP grew by approximately 5% and is expected to grow at a similar pace in 2005. This level of growth compares well with the IMF forecast of an average of less than 3% for developed economies. Public finances remained robust while the Budget delivered further benefits to those most in need and retained its overall commitment to national infrastructural improvement plans. In 2004 higher oil prices were offset by consistently low European interest rates and the persistent strength of the Euro compared with the US Dollar. The annual rate of inflation in 2004 was estimated at around 2.2%, and is forecast to reach 2.4% in 2005. The European Central Bank is expected to maintain interest rates at between 2% and 3% over the medium term, and the rate of unemployment should be contained at around 4.4% for the year ahead. In 2004 consumer sentiment also showed a marked improvement from the lows of 2002 and 2003.

Average house prices in 2004 increased by an estimated 9%, compared to growth of almost 14% in 2003. This welcome moderation in house price growth is a reflection of the extraordinary increase in the number of new homes built over the past 3 years. Taking all the relevant indicators into consideration, the market in 2004 remained robust and prospects for the year ahead look stable.

EBS in 2004

2004 saw EBS make steady progress in delivering on our promise to make membership of the society meaningful, tangible and rewarding. In the next few pages I have outlined some of the business highlights and summarised some of the stories which are representative of the progress we have made together in 2004. Finally I preview what 2005 has in store.

Business Highlights

The business highlights for 2004 are dominated by our focus on delivering better value to members. In each of our key performance areas the society has strengthened its mutual positioning and this has been reflected in our outstanding results. Members have responded by staying with us longer, doing more business with us and recommending us to their family and friends.

Surplus: At the end of 2003 EBS publicly committed itself to transfer more of its surplus to members in the form of better value products and services and focused investments in local communities. We planned for a reduction in our surplus in keeping with our surplus optimisation (as distinct from maximisation) approach. As a result our surplus before tax at €56.1m is 10% less than 2003 (on a like for like basis, excluding non operating items), while still maintaining our strong financial ratios and investing in the development of the society. During 2004 we are proud to say that we have transferred an estimated €20.5m to members and their communities. This is up from an estimated €8.5m in 2003. We have, in addition continued to invest significant sums in the implementation of our strategic plan.

Total Assets: Total assets under management at the year end now stand at over €13.4bn.

Lending: Gross lending was up 26% to €3.1bn resulting in the loan book increasing by 20% to €10.2bn. Within this our commercial property business had an exceptionally strong year with advances growing by almost 72% to €445m.

Savings: In 2004 savings recovered strongly recording growth of 24%. This represents an increase of €1.4bn in inflows. These inflows reflect the better value of our products and to a lesser extent a general improvement in the savings market.

Funding: International investor appetite for EBS bonds continued to grow evidenced by the ongoing success of our EMTN* debt securities programme and the execution of a €500m 3 year public bond transaction. This transaction was substantially oversubscribed with 46 investors from 12 countries participating. This coupled with our proactive utilisation of our new short term ECP** and certificate of deposit funding programmes, reflects increased investor confidence in the financial stability of EBS and steadily improving access to international investor funding.

Interest Margin: The society's net interest margin was reduced to 1.08% from 1.33% in 2003 on a like for like basis. This largely reflects our decision to unilaterally reduce our standard variable rate to the lowest in the market and to apply this low rate to both new and existing members, thus demonstrating our commitment to deliver the maximum possible value to both new and existing members of the society. This margin remains amongst the lowest in the industry.

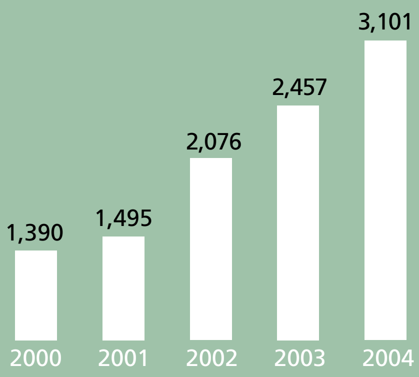
Efficiency: The ratio, cost to assets under management reduced to 0.66% during the year as a result of our continued focus on cost management and strong asset growth. Arising from our lower margins the gross cost/income ratio increased to 59.1%. However when distributions to members and community are taken into consideration the underlying cost/income ratio was 51.4%.

Capital: Year end capital, including general and revaluation reserves totalled €476m, resulting in a tier 1 capital ratio of 8% (own capital). Total capital was €637m, producing an overall capital ratio of 11%. This strong capital base underlines our financial strength.

* Euro Medium Term Note
** Euro Commercial Paper

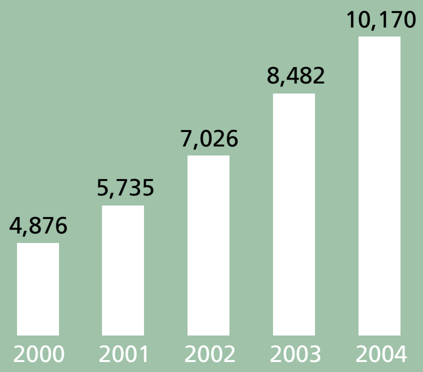
LENDING ADVANCES €m

Another year of strong growth resulted in €3.1bn in loans being advanced, a 26% increase.



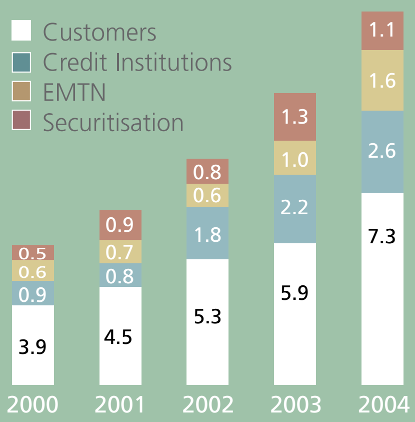
LOAN BOOK €m

The strong growth in lending advances pushed the total value of loans outstanding to €10.2bn.



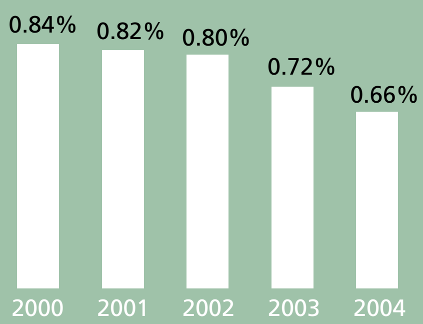
FUNDING BROADLY BASED €bn

Meanwhile total funding is broadly based and increased by 21% to €12.6bn.



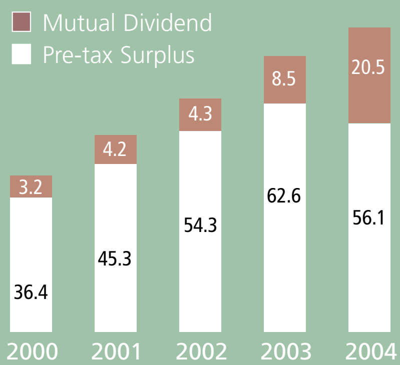
OPERATING EXPENSES TO ASSETS UNDER MANAGEMENT

Reflecting the strong growth in assets combined with control of costs, the overall efficiency ratio continues to improve.



PRE-TAX SURPLUS €m

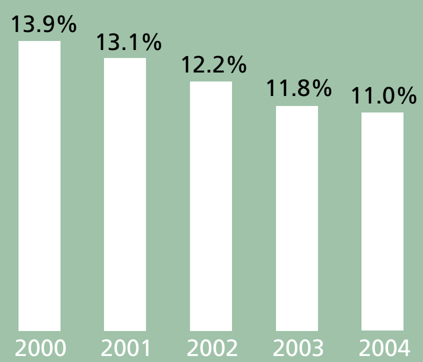
Pre-tax surplus* reduced by 10% reflecting the impact of investments in mutuality benefits for members and one-off, non-recurring costs for investigating partnership opportunities.



**Excess of income over expenditure before non operating items and tax*

TOTAL CAPITAL RATIO %

As a result of healthy progress in other key performance areas the capital base of the society remains strong.



highlights from **2004**

In 2004 we focused on making progress in four key areas that members told us are particularly important to them:

shared **benefits**

Doing better quality business with you by expanding our range of products and services and ensuring you get a better deal by being a member of EBS.

shared **ideas**

Providing more opportunities for you to participate and give us feedback.

shared **know-how**

Making it easier for you to benefit from the know-how we have built up over many years. This includes making that know-how more accessible to you and also investing in the communities in which you live and making a positive impact on society.

shared **achievements**

Developing our people and technology to deliver a better service to you and recognising those achievements.

We would like to share with you some of the highlights which demonstrate the progress we have made together in these areas during 2004.

The representative stories which follow reflect our unique values, our focus on the priorities that matter to members and demonstrates our commitment to providing you with a financial service that is not only different but better.

shared **benefits**

In 2004 we remained focused on ensuring that members share even more in our successes. Shared success means delivering concrete benefits to members. These benefits demonstrate the unique advantages of our commitment to the EBS mutual difference. It is our aim that in the near future members of EBS will be able to avail of a package of financial solutions which will not be matched, in the aggregate, by any other institution.

EBS members received benefits worth over €20m arising from lower rates on loans, a special members' savings bond, lower transaction charges and continued support for member driven local community activities. It is concrete benefits such as these that distinguish EBS as a mutual organisation.

Read on to find out more about some of the unique benefits members received during 2004...

A personal loan that's built around a member's relationship with EBS

From our many discussions with members we heard loud and clear that EBS needed to make it easier for you to get access to finance for car loans, holidays and other personal needs. We worked hard to find a partner who would agree to recognise that for EBS a member's relationship with us is at the heart of how we operate. With GE Money as partners, we launched the **Members Personal Loan** offering personal loans to members at the lowest rates in Ireland. The rate you get depends on how long you have been a member and how many products you already hold with us - obviously the longer and the more, the better it is for you.

A members' travel insurance package

With so many members travelling around the world, we wanted to ensure that they had access to good value insurance cover while on holiday. So we introduced a special members' travel insurance package offering special rates to EBS members.

The best value capital guaranteed investment in Ireland

Capital Plus Bond offers members access to the stock market for as little as €5,000 with 100% security and no entry or exit fees.

EBS members get the best return on their government SSIA

In 2004 EBS members continued to benefit from better savings rates, the best SSIA rate and the most flexibility on their SSIA in the market.

TREATING EXISTING AND NEW CUSTOMERS FAIRLY

Earlier this year EBS stepped out from the crowd by deciding to treat existing EBS mortgage holders in the same way as new customers. We thought it was unfair that some institutions charge their existing customers more than new customers. So we chose to reduce our standard variable mortgage rate and give the same rate to all members. We are the only home loan provider in Ireland to have abolished introductory discounts to give all members the same interest rate!

A chance for loyal members to boost their savings

At last year's Annual General Meeting longstanding members of EBS asked about the possibility of rewards for loyal members of the society. In response we introduced the Members Bonus Savings Bond available to members of five or more years standing. This new 1 year savings account gives members the best return in the market.

GETTING THE MESSAGE OUT- ALL TOGETHER BETTER

We launched a television and radio campaign to let people know about the EBS mutual difference. The campaign highlighted to members and non-members alike our commitment to long-term value and the benefits of membership. Members tell us they like it and it does make EBS stand out from the crowd.

Investments that offer guaranteed return and 100% capital protection

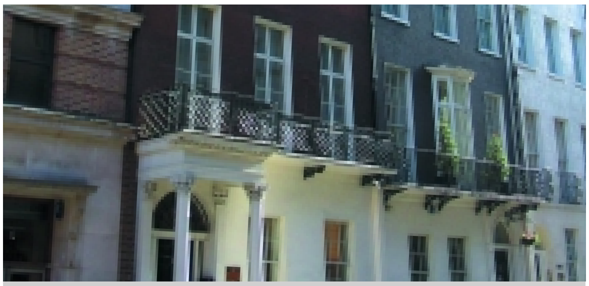
In 2004 EBS launched its 50/50 savings solution. This is an investment that gives members the best of both worlds. 50/50 offers a minimum guaranteed return, unlimited growth potential and 100% capital protection.

An opportunity to win in our member draws

We held a number of members' draws in 2004 with prizes including your mortgage paid for a year, €10,000 savings, All Ireland Tickets and Holiday vouchers. Congratulations to all those who won and many thanks to those members who entered these draws and gave us invaluable feedback.

From standing in line to getting online

More and more members are beating the queue by opting for the convenience of our online facilities. Now by simply registering on **www.ebs.ie** you can conduct balance enquiries, get statements and transaction searches, transfer funds between your EBS accounts, pay your household and credit card bills and print interest certificates for savings accounts.



An opportunity to invest in the UK property market

With the launch of the EBS UK Property Fund members were given the opportunity to invest in the UK property market.

This Fund provides another excellent option to be included in a balanced portfolio of savings and investments.

shared **ideas**

Members have a real voice in how their society is run. EBS has a solid tradition of member participation - it's part of our roots. We don't believe that the board and management know it all. So we listen. In 2004, members got involved in helping us design new products, sharing ideas on how to improve service and deciding where funds should be invested in their local communities. In this way we ensure that you have a voice as you work with us to shape the future of your society.

Your right to vote for your board & find out more about your society

At the Annual General Meeting (AGM) members personally meet and vote for their board of directors. At the 2004 AGM we had an exhibition, staffed by our people, explaining our full range of products and services, our commitment to mutuality and our plans for the future. The exhibition provided an opportunity for two-way dialogue with members via individual, face to face access to EBS staff and management in an informal atmosphere.

Keeping members up to date

Members told us that we need to keep them up to date about what's happening in their society. So in 2004 we published the first edition of the Members Voice newsletter. The newsletter provides relevant material and useful information on products, services and important lifestyle issues. We have also issued a number of other booklets that aim to keep you up to date about new products, services and initiatives at your society.

LISTENING TO MEMBERS

Over the course of 2004 EBS conducted meetings across the country involving hundreds of members. These face to face meetings were held with members to ask them about their experience and expectations of their society. This consultation is part of what we are. It helps us to learn how we can continue to improve our services and ensure that your views are heard loud and clear.

Members decide where funds are invested in their communities

EBS has worked with members to establish 48 **Community Investment Groups (CIGs)** throughout the country. These groups are made up of EBS staff and members who are concerned about helping those in need in their local community. Within all of our communities there are those in need. At EBS we believe that by funding the **CIGs** and then letting members decide where the needs are and how best to allocate the funds, their communities will see the most benefit. Members' **CIGs** have been established across the country to fulfil this purpose. There are now hundreds of examples of beneficiaries of these groups.

ebs member approved

Clear and Understandable

Clear communication gets the Members' Mark

We asked a group of members to help ensure that we communicate more clearly and in plain English in all our correspondence. The Members' Mark Forum read our product and communication material and only give it their mark of approval when they are satisfied that it is clear and will be easily understood. Look out for the Members' Mark on your next letter from EBS.

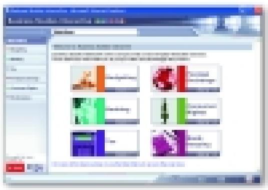
shared **know-how**

In 2004 EBS focused on sharing our financial know-how, getting involved in supporting community development and helping children to learn. These initiatives are part of our commitment to making a positive impact on society, particularly in the areas of education and homelessness.

NALA

TAKING THE JARGON OUT OF FINANCIAL SERVICES

Adult literacy is an area in which many of our members felt we could make a difference. A recent survey published by the Organisation of Economic Co-operation and Development (OECD) suggested that 1 out of 4 adults in Ireland has a low level of literacy and as such could be vulnerable to poor financial advice. In order to do our part in addressing this, EBS joined forces with the National Adult Literacy Agency (NALA) to support them in the area of financial literacy. Our first project as part of a 3 year programme was a booklet designed to unlock the jargon of financial services, called the Plain English A-Z of Financial Terms. The booklet contains over 450 definitions on Irish money-related matters and is available from NALA or from the EBS website. We look forward to working with NALA on further initiatives in 2005.



An interactive learning resource for second level Business Studies students

Business Studies Interactive is a CD-ROM based learning resource developed for second level business students. The CD-ROM was developed as a joint initiative with the Business Studies Teachers Association. The information provided by the resource complements the Business Studies syllabus and reinforces key topics such as budgeting, banking, consumer rights and book-keeping. Business Studies teachers have welcomed the initiative, as interactive learning is increasingly a part of their approach to education.

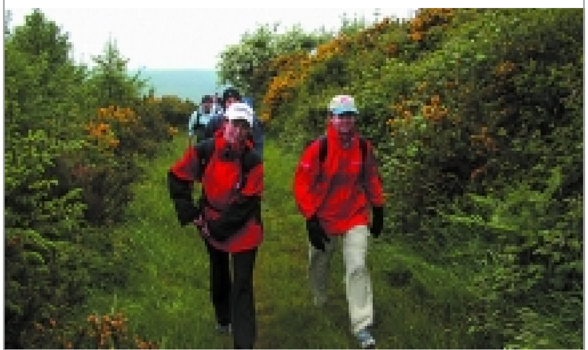
Encouraging children to learn

INTO • EBS HANDWRITING COMPETITION

Promoting educational programmes within the Irish school system is an integral part of the EBS heritage. EBS is proud to work with the Irish National Teachers Organisation on a long-standing partnership with schools through-out Ireland. Together the two organisations run a school based Handwriting Competition on both a local and national level. In 2004, over 100,000 pupils took part in the annual competition that has been sponsored by the EBS for the past 12 years. The spirit of the competition is to encourage children to strive for excellence while having fun. Congratulations once again to all the participants and winners and many thanks to the teachers who made the competition possible.

EBS staff get involved in building local communities

Sharing know-how is not just about education, it's also about sharing time and expertise where it's needed most. The EBS Staff Volunteer Scheme encourages staff members to get involved in helping the many causes supported by EBS. Under this scheme staff can give of their time and expertise to support charitable work in the areas of education and homelessness. Support provided under the Staff Volunteer Scheme has ranged from participation in community investment activities to direct fundraising such as carol singing over the festive season.



Two significant initiatives organised by staff in order to raise funds for People In Need during 2004 were a 70's night at the Olympia Theatre in Dublin and a walking challenge along the Wicklow Way. The Olympia show entitled 'We are Family' starred members of staff as well as some well-known celebrities. The night was a great success. The walking challenge involved 26 members of the EBS Hiking Club, who covered 102 kilometres of the Wicklow Way. Both of these events raised much needed funding for People In Need and some of the causes supported by members' **Community Investment Groups.**

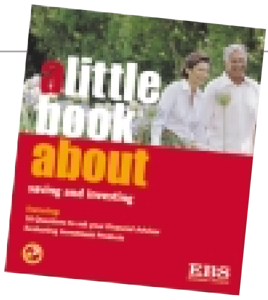
HELPING TO BREAK THE CYCLE OF HOMELESSNESS

During 2004 EBS entered a partnership with the Simon Communities of Ireland to support a programme called Independent Living. The programme involves acquiring and building housing for people caught in the cycle of homelessness in Ireland. The programme assists people to move out of group shelter and into an independent living arrangement.

Inside Track - Giving members access to information about money matters

Members told us they needed impartial information about financial matters. In response EBS developed **'inside track'** an online resource that gives members information and advice based on where they are in their financial lives. This resource is free and is regularly updated to provide easy to understand information on a very broad range of relevant topics from planning for retirement to starting your first job. Check out **www.insidetrack.ie** to get all the information you need - without the hard sell.

Little books that give you the financial know-how



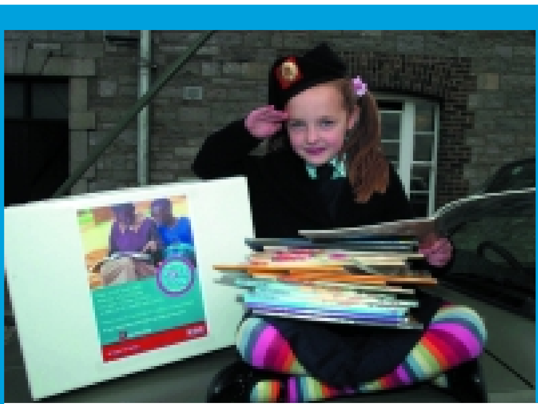
Members told us that most financial institutions are very poor at sharing financial know-how in a straightforward and helpful way. Clearly without adequate financial know-how it is near impossible to make sound decisions about one's future. At EBS we see it as our responsibility to share our financial know-how with members.

In response we developed **'A little book about'** which explains financial information simply in a way that appeals to you. Look out for 'A little book about buying your first home' and 'A little book about saving and investing' in our branches. And, more to come.

Helping members to get on the property ladder

All of us who have been through the experience of buying our first home know how daunting and potentially confusing it can be. Research conducted by EBS suggested that many people felt intimidated when buying their first home because they did not have all the information they needed about the process.
In order to address this challenge, EBS invited prospective first-time home buyers to seminars around the country. The seminars were attended by EBS mortgage experts, auctioneers and solicitors. We talked to hundreds of people and gave them a chance to ask questions about the process face to face.

These seminars have proved to be very popular and many people have commented that they understand the process far better after having attended.



SUPPORTING EDUCATION IN WAR-TORN LIBERIA

The Irish Defence Forces engaged in peacekeeping activities in Liberia highlighted an urgent need for school books in this war torn state. As Liberia is an English speaking country, in conjunction with **www.schoolbookexchange.ie,** EBS launched a campaign to gather as many second hand school books as possible. Members responded to the appeal by donating over 150,000 books. With the help of the Irish Defence Forces these books were shipped to Liberia and distributed to schools across the country. Many thanks to all of those members who kindly sent their books to our offices and to the Irish Defence Forces who made this initiative possible.

shared **achievements**

We invest in our staff so that they can provide the highest quality of service to members. We believe this is the only way to run a business. By having competent and satisfied staff, members benefit from their efficiency, expertise and empathy. Examples of how this investment in staff is paying off can be seen in the numerous awards and commendations our staff received in 2004.

Learning Centre

In order to actively support staff development we opened our in-house Learning Centre. The centre provides an environment away from the hurly burly, and encourages personal development and learning.

Staff Satisfaction Results

Our 2004 staff survey showed continued increases in the key measures of staff satisfaction. This is an essential ingredient in ensuring that our people are motivated and focused to deliver on members' financial services needs.

CHAMBERS OF COMMERCE PRESIDENT'S AWARD

EBS was commended by the Chambers of Commerce of Ireland for the community initiatives we have undertaken with members in the areas of financial literacy and homelessness. Thanks to all those members who were involved in making these community initiatives an enormous success.

BEST PLACE TO WORK

In 2004, following an Ireland-wide competition involving an independent staff survey EBS was selected as the Best Place to Work in Ireland in the category 500 to 1,000 employees. Not only that but we were also selected as one of the Best 100 Places to Work in Europe!

Chartered Institute of Personnel and Development Award

The CIPD assessed our Service Recovery training programme under its first ever Training and Development Awards. The EBS programme was short listed in the top ten and it received a Certificate of Excellence from the judging panel.

Trusted Advisor

Our Learning and Development team designed and launched a new member-focused training programme called Trusted Advisor. Over 100 of our staff who work in EBS offices around the country completed the course in 2004. This demonstrates a strong commitment from EBS to ensure that our staff have the skills to meet your needs.

Excellence Through People Award

Our commitment to our people development was externally assessed under the Irish National Standard, FAS Excellence Through People process. Following a detailed assessment involving site visits and one to one staff interviews, we were awarded a rating of 94% with the designation of "best in class" from the assessors.

Excellence Ireland Quality Association

EBS was assessed by the EIQA under the European Foundation Quality Management system and we were awarded the Index of Excellence for our strategy implementation, people management, continuous improvement and the quality of our results.

looking ahead **to 2005**

In the year ahead, members can look forward to a number of new developments aimed at continuing to enhance the range and value of the products and services we provide.

- Early in 2005 we launched a new Members Credit Card offering members a number of great features and a highly attractive rate.

- We are currently conducting a review of our existing insurance offerings and examining our options in terms of providing a superior range of best value life assurance products. In 2005 we expect to greatly improve our insurance offering which in turn will enhance the value available from EBS.

- We believe that there are opportunities for your society to write significant additional loan business through the mortgage broker channel. Consequently we will be establishing a specialist unit to deal with brokers in early 2005. The returns from this venture will be used to broaden and enhance the value we offer to EBS members.

- We plan to expand the Community Investment Group initiatives and increase support for our chosen partners in addressing the areas of education and homelessness.

- EBS is already recognised as a great place to work but in keeping with our philosophy of continuous improvement, in 2005 we will strive to make EBS an even better place to work for our people by maximising the benefit of our people development processes and improving the physical environment for our staff in our distribution network.

Last year EBS lived up to its promise to step out even further from the rest of the financial services sector. In 2005 this gap between us and our competitors could become even more pronounced should we become the only remaining Building Society committed to mutual principles left in Ireland. Far from seeing this as a threat we see this as an opportunity to underline just how different we are. Different in our heritage, our ethos, our values, our behaviours and our long-term value in the market.

Be assured that EBS will continue, in the aggregate, to strive to offer the best value in the market bar none. We believe that 2005 will see EBS members valuing the tangible and unique benefits of membership even more than they did in 2004.

I look forward to continuing to work with members, staff and partners in the year ahead. The progress we have made during 2004 gives us confidence in our belief that as a membership organisation we are in a unique position to deliver what members really want from their financial services provider.

Ted McGovern

Ted McGovern
Chief Executive

EBS management team

MANAGEMENT BOARD

Ted McGovern
B ACC, FCA, FIB
CHIEF EXECUTIVE
ted.mcgovern@mail.ebs.ie

Joe Ryan
B Comm, FCCA, FCIS
DIRECTOR, RISK & SECRETARIAT
joe.ryan@mail.ebs.ie

Tony Moroney
MBA
DIRECTOR, MEMBERSHIP BUSINESS
tony.moroney@mail.ebs.ie

John Cullen
FCCA
DIRECTOR, FINANCE
john.cullen@mail.ebs.ie

John Flanagan
MCIPD
DIRECTOR, OPERATIONS & I.T.
john.flanagan@mail.ebs.ie

Dave Keenan
BA, MBA, MIB, FCIPD
DIRECTOR, PEOPLE,
COMMUNICATIONS & CHANGE
dave.keenan@mail.ebs.ie

SENIOR MANAGEMENT

Fidelma Clarke
BA Hons (Econ), M Litt (Econ)
CREDIT & OPERATIONAL RISK
fidelma.clarke@mail.ebs.ie

Audrey Collins
ACA
REGULATORY COMPLIANCE
audrey.collins@mail.ebs.ie

Neil Copland
BA Hons
DIRECT BUSINESS
neil.copland@mail.ebs.ie

Dara Deering
BSc (Mgmt)
MORTGAGE BUSINESS
dara.deering@mail.ebs.ie

Enda Devine
FCCA
FINANCE
enda.devine@mail.ebs.ie

Tom Doherty
B Sc
INFORMATION TECHNOLOGY
tom.doherty@mail.ebs.ie

Jackie Gilroy
B Comm, FCA
TREASURY
jackie.gilroy@mail.ebs.ie

Brian Healy
B Comm
COMMERCIAL PROPERTY BUSINESS
brian.healy@mail.ebs.ie

Kevin Johnson
MBA
MEMBERS MARKETPLACE
kevin.johnson@mail.ebs.ie

Sarah Loftus
BBS, FCA
SAVINGS AND INVESTMENTS BUSINESS
sarah.loftus@mail.ebs.ie

Brian Nugent
BAAF, ACA
INTERNAL AUDIT
brian.nugent@mail.ebs.ie

Owen Purcell
B Comm
NEW CHANNEL DEVELOPMENT
owen.purcell@mail.ebs.ie

board of **directors**

1 Brian A. Joyce BA, B Comm, FCMA - Non-Executive Chairman (Age 64)
Appointed director in 1989. Brian has extensive experience in business and in the co-operative movement, and is a former Managing Director of Bord Bainne. Principal other directorships: Mater Private Hospital Ltd., Celtic Anglian Water (Ireland) Ltd., Clancourt Holdings Ltd., Kingspan Group plc.

2 Ted McGovern B ACC, FCA, FIB - Chief Executive (Age 51)
Appointed Chief Executive 2001. Ted has more than 20 years experience in banking, including 15 years with the Bank of Ireland Group in a number of senior positions. Prior to joining EBS, he was Chief Executive of ICS Building Society. Principal other directorships: Summit Investment Funds plc., Summit Mutual Funds plc.

3 Ronald J. Bolger BA, FCA, AITI, F Inst D - Non-Executive Vice-Chairman & Senior Independent Director (Age 56)
Appointed director in 1999. Ron is a former Managing Partner of KPMG and has wide experience in the financial services industry. He served on the Taoiseach's IFSC Committee 1987-2002. Principal other directorships: Ely Capital Ltd., Irish Food Processors, C & D Foods Ltd., Galway Clinic Doughiska Ltd., UCD Foundation, Summit Investment Funds plc., Summit Mutual Funds plc.

4 John Cullen FCCA - Executive Director (Age 54)
Appointed director in 1994. John joined the society in 1974 and prior to that worked with a major accountancy firm. He has line responsibility for the finance function in EBS. Principal other directorships: EBS Asset Managers Ltd., Educational Finance Ltd., EBS Property, Hinsona Ltd., Breezewalk Ltd.

5 Cathal Magee BA (Mgt), MSc - Independent Non-Executive Director (Age 51)
Appointed director in 2002. Cathal is Managing Director of eircom Retail, the eircom voice, data and internet communications business. His previous business experience includes periods in banking and manufacturing, mainly in the Human Resources area. Principal other directorships: eircom plc., eircom Employee Share Ownership Trust.

6 Mark Moran BE, MBA - Non-Executive Director (Age 42)
Appointed director in 2002. He is Chief Executive of the Mater Private Hospital. Before joining the Mater Private Hospital, Mark held senior positions in international pharmaceutical and financial services firms. Principal other directorships: Mater Private Hospital Ltd., Common Purpose (Ireland) Ltd.

7 Michael Moroney PhD, M Litt, BA, HDE - Non-Executive Director (Age 68)
Appointed director in 1988. Michael served as General Treasurer of the Irish National Teachers Organisation for 19 years until his retirement in 1997. Principal other directorship: EBS Asset Managers Ltd.

8 **Barbara Patton** MBS - Independent Non-Executive Director (Age 44)
Appointed director in 2002. She worked in the financial services industry for 13 years, firstly with AIB Capital Markets and then with Irish Permanent plc. Barbara is now an independent marketing consultant specialising in Services Marketing in the SME sector, and is also a part-time lecturer at the Michael Smurfit Graduate School of Business. Principal other directorships: Social Innovations Ireland, Summit Investment Funds plc., Summit Mutual Funds plc.

9 **Joe Ryan** B Comm, FCCA, FCIS - Secretary and Executive Director (Age 57)
Appointed director in 1994. Joe joined the society in 1989 and prior to that he worked in the treasury and lending areas of a commercial bank. In addition to acting as secretary of the society, his line responsibilities cover Commercial Property Lending and Risk. Principal other directorships: Credit Institutions' Ombudsman of Ireland Ltd., EBS Asset Managers Ltd., Educational Finance Ltd., EBS Property, Hinsona Ltd., Breezewalk Ltd.

10 **Yvonne Scannell** PhD, LLD (h.c), Barrister - Independent Non-Executive Director (Age 56)
Appointed director in 1995. Yvonne is Professor of Law at Trinity College Dublin specialising in Environmental and Planning Law. She also works with Arthur Cox Solicitors as a consultant in planning and environmental law. Principal other directorships: Summit Investment Funds plc., Summit Mutual Funds plc., Tara Mines Ltd., Habitat for Humanity.

11 **Ethna Tinney** BA (Mod), LRAM - Independent Non-Executive Director (Age 50)
Appointed director in 2000. Ethna is a producer with RTE lyric fm, the music and arts radio station, and has extensive experience in the field of classical music as an artist, teacher, producer and entrepreneur.

directors' **report**

The directors present to the members of EBS Building Society their report and the audited accounts for the year ended 31 December 2004.

Business Review

The Chairman's Message on pages 3 to 4 and the Chief Executive's Review from page 5 onwards, contain a review of the business of the society and its subsidiaries during the year and the plans for 2005.

Directors

The board consists of eleven directors, of whom three are full-time executives of the society and eight are non-executives. Director's names and other details are provided on pages 26 to 27.

At the 2005 Annual General Meeting, three directors - Brian A. Joyce, Cathal Magee and Yvonne Scannell - retire and are offering themselves for re-election.

Events since the year end

In our view there have been no events since the year end that have had a material effect on the position of the group or society.

Subsidiary Companies

The society's principal trading subsidiary is EBS Asset Managers Limited, which manages the Summit range of investment funds. The results of this company and other subsidiary companies have been incorporated into the group accounts.

Safety of Employees and Customers

The society's policy is to maintain a safe place and system of work. During the year the society has continued to promote a culture of health and safety amongst staff. Key initiatives in 2004 included ongoing business continuity planning, a review of buildings security, the incorporation of health and safety training in staff orientation and an information security awareness campaign.

Corporate Governance

Role of the board

The board is responsible to the members and other stakeholders for the overall governance and performance of EBS. In discharging this responsibility, its role is to decide on the strategic direction of the society, set values and standards and review the effectiveness of management in running the business and achieving the goals set by the board.

Board meetings

The board meets on a scheduled basis once a month, but additional meetings are held at other times, as required. Written reports, containing a review of business activities, risks and future prospects, are circulated prior to board meetings. Members of senior management attend, where necessary, for discussions on their areas of responsibility. A full range of business and strategic issues are considered by the directors at these meetings, and directors are expected to question, seek additional information, raise any issues that are of concern to them and make decisions accordingly.

Matters reserved for the board

The day to day responsibility for the society's business rests with management, however strategic issues and major policy changes require a board decision. So also do significant capital expenditure projects and very large credits. A detailed schedule of *Matters Reserved for the Board* has been prepared, showing clearly what decisions require board involvement.

Board committees

The board has established five permanent committees to share detailed work and to consider certain issues and functions in detail. In addition, ad hoc committees are set up from time to time, as required. Each committee reports back and advises the board on its decisions.

The membership of all committees is reviewed from time to time, the last such review took place in September 2004. The Terms of Reference of all committees are regularly reviewed.

One of the permanent committees, the Board Credit Approval Committee, meets as required to consider large credits. The key responsibilities of the other committees are shown below, while the full Terms of Reference of these committees may be downloaded from the society's web site on **www.ebs.ie** (follow the link under the Corporate Governance section in About Us).

Audit & Compliance Committee

This committee is responsible for monitoring the integrity of the financial statements and internal control systems and for reviewing the effectiveness of the framework for managing regulatory compliance. The committee also assesses the effectiveness of the internal audit and regulatory compliance functions, as well as the independence and objectivity of the external auditors. The committee makes recommendations regarding the appointment as well as the remuneration and terms of engagement of the external auditors; it also makes recommendations regarding the provision of non-audit services by the external auditors. The committee meets at least four times a year.

Risk Committee

The Board Risk Committee is responsible for identifying, evaluating and monitoring significant corporate risks and opportunities associated with the achievement of EBS' strategic goals and objectives. The committee makes recommendations to manage material risks through prevention, elimination, mitigation, insurance or a combination of these options. It also recommends enhancements to the reporting of risk management to the board where appropriate. The committee assesses the quality, adequacy, resources, scope and nature of the work of the Credit and Operational Risk function in particular, and risk management framework in general. The committee meets at least three times a year.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration of the executive directors and other senior management and also deals with senior management succession issues. The committee meets at least three times a year.

Board Committee Membership at 18 February 2005

	Credit Approval	Audit & Compliance	Risk	Remuneration	Nominations
Ronald J. Bolger	•	• (chair)		•	
John Cullen	•		•		
Brian A. Joyce	• (chair)		• (chair)	• (chair)	•
Cathal Magee			•	•	
Ted McGovern	•		•		•
Mark Moran		•	•		•
Michael Moroney	•				•
Barbara Patton	•	•			
Joe Ryan	•		•		
Yvonne Scannell	•				• (chair)
Ethna Tinney		•			•

Note: In addition to the membership shown above, executive directors and other members of senior management attend board committee meetings, as required.

Nominations Committee

The Nominations Committee, which meets at least twice a year, is responsible for reviewing the size, structure and composition of the board. In identifying new non-executive directors, a combination of external search consultancy and open advertising has been used; the Nominations Committee acts as the interview board for such appointments, submitting its recommendations to the board. The committee also oversees the process for evaluating the performance of the board and individual directors.

Performance evaluation of the board and directors

Every year we carry out an evaluation of board effectiveness and the performance of individual directors. This exercise is facilitated by an external consultant, whose findings are presented to the board, for consideration. Arising from this, follow-up actions are agreed, where necessary. The external consultant also reports to the chairman on the assessed performance of each director, with the report on the performance of the chairman being presented to the vice chairman.

Risk Management

The directors are responsible for the effective management of risks and opportunities and for the system of internal controls in the society and its subsidiaries. Risk is defined as failure to maximise opportunities or capitalise on corporate strengths or failure to foresee or manage events which result in unnecessary material financial loss or damage to the society's reputation. EBS operates a continuous risk management process which identifies and evaluates the key risks facing the society and its subsidiaries. This process includes an assessment of the effectiveness of internal control, and was in place for the full year under review up to the date of approval of the accounts; it is regularly reviewed by the board and management and complies with *The Combined Code on Corporate Governance, July 2003.*

The primary aim of the risk process is to ensure that EBS obtains an appropriate relationship between risk and rewards on any investment of finance, people, time and resources. The system of internal control is designed to manage, rather than eliminate risk through a process of identification, measurement, monitoring and reporting, which provides reasonable, but not absolute assurance against material misstatement or loss.

The Board Risk Committee supports the board in identifying potential risks to the strategic objectives of the society and evaluating the risk management policies and practices which are in place to reduce the likelihood of the risk occurring and /or minimise the impact in the case that the risk event did occur. The Credit and Operational Risk team reports to the Board Risk Committee which met on four occasions in 2004. The Board Audit and Compliance Committee supports the board in reviewing existing internal control mechanisms to assess whether they are performing effectively. The Internal Audit and Regulatory Compliance functions report separately and independently to the Board Audit and Compliance Committee.

There are management systems and procedures in place in the society to identify, measure, manage and report on material risks, key elements of which are:

- There is a clearly defined organisational structure which is regularly updated.
- Strategies, goals, objectives, authority limits and reporting mechanisms are clearly defined and performance is monitored.
- Each business and support unit undertakes a regular assessment of the risks associated with its area of responsibility and its objectives. This self-assessment of risk involves an evaluation of the inherent risks which are being managed (and for external risks, monitored) by the unit, and the materiality of these risks. The management activities which are in place to reduce the probability of the risk occurring or the impact if it does occur, are reviewed. Where the level of the residual risk exceeds the risk appetite of the unit, actions are taken to reduce its level of exposure.
- The society's risk exposure is monitored by management committees such as the Asset and Liability Committee, Credit Risk Committee and other executive committees.
- The Credit and Operational Risk function supports all areas of the business in identifying, managing and treating risk exposures and monitors and reports on strategic, financial, operational and regulatory risk management developments to the board on a monthly basis.
- The Regulatory Compliance function supports each area of the business in identifying their responsibilities in relation to prevailing and pending laws and regulations and monitors and reports to the Board Audit and Compliance Committee on compliance with these requirements.
- Projects are underway to ensure that EBS is in a position to meet the spirit as well as the letter of new domestic and international laws and regulations which are of particular relevance to the financial services industry. Among these are the new Central Bank and Financial Services Authority of Ireland Act, 2004, International Financial Reporting Standards (IFRS) and the new Capital Requirements Directive (Basel 2).

Contracts

There have been no contracts or arrangements with EBS or its subsidiaries in which a director of EBS was materially interested and which were significant in relation to the society's business.

On behalf of the board

Brian A. Joyce	Chairman
Ronald J. Bolger	Vice Chairman

18 February 2005

report of the **remuneration committee**

The Remuneration Committee is made up of the following non-executive directors: Brian A. Joyce (Chairman), Ronald J. Bolger and Cathal Magee. The Chief Executive normally attends, except when his own performance review and remuneration is being discussed.

The Committee, which has at least three scheduled meetings a year, considers all aspects of remuneration paid to senior executives and makes recommendations to the board on pay policy and succession planning. It also approves, on behalf of the board, the specific remuneration of all the senior management team.

It is the policy of the Committee to engage external independent consultants to advise the Committee on appropriate remuneration policy for senior executives. In 2004 the Committee engaged Towers Perrin to provide such advice.

Remuneration Policy

The society's remuneration policy is designed to ensure that remuneration packages for senior management are competitive in terms of the market, can attract, retain and motivate senior management, are aligned to EBS culture and values and reflect good practice. The policy seeks to reward senior management for both their individual and collective contributions to the society's performance.

Remuneration Package for Senior Management

The remuneration package for senior management comprises the following elements:

- Base Salary - this is paid monthly and set at a level to recognise the role and responsibilities carried out by the individual. Base salary levels are reviewed annually by the Remuneration Committee.
- A Performance Related Annual Bonus Plan - linked to the achievement of annual business objectives (financial, market, staff satisfaction and customer member satisfaction). The overall level of bonus pool awarded is decided by the Remuneration Committee and sub allocations are then determined by the performance of the individual against predetermined key result areas.
- A Medium Term Incentive Plan (MTI) - to encourage the achievement of longer term objectives and to aid the retention of key personnel. This bonus is awarded annually but is only payable after a three year period. It is based on achievement of medium term objectives consistent with the society's approved Strategic Plan.
- A Contributory Defined Benefit Pension Plan - the senior management plan provides for an employee contribution of 5% of pensionable salary and an accrual rate of 1/60th for each year of pensionable service. The maximum accrual is 40/60ths and the normal retirement age is 60.

2004 Executive Director Remuneration

The remuneration of the executive directors is listed below:

	Salary		Annual Bonus		Medium Term Incentive Scheme		Benefits		Total	
	2004 €000	2003 €000	**2004 €000**	2003 €000	**2004 €000**	2003 €000	**2004 €000**	2003 €000	**2004 €000**	2003 €000
Ted McGovern	336.2	319.5	121.4	123.3	110.0	123.3	33.6	22.6	601.2	588.7
John Cullen	248.3	235.7	62.5	40.0	60.0	60.0	22.1	22.3	392.9	358.0
Joe Ryan	248.3	235.7	71.0	60.0	60.0	60.0	17.9	17.5	397.2	373.2
Total	**832.8**	**790.9**	**254.9**	**223.3**	**230.0**	**243.3**	**73.6**	**62.4**	**1,391.3**	**1,319.9**

Benefits provided to the executive directors were the provision of a car and contributions towards health insurance. Executive directors do not receive any additional reward for acting as directors.

The executive directors are members of the EBS Pension Plan for senior managers with a retirement age of 60. Contributions made by the society in respect of the executive directors totalled €314,500 in 2004 (€299,500 in 2003).

The executive directors' pension benefits under the defined benefit pension scheme in which they are members are as follows:

	Total accrued pension		Increase in accrued pension not attributable to inflation		Transfer value of the increase in accrued pension	
	(a) 2004 €000	(a) 2003 €000	**(b) 2004 €000**	(b) 2003 €000	**(c) 2004 €000**	(c) 2003 €000
Ted McGovern	107.2	86.7	18.6	17.0	350.5	281.3
John Cullen	153.0	142.1	7.8	8.0	164.4	156.5
Joe Ryan	156.4	141.8	11.4	11.4	245.9	228.1
Total	**416.6**	**370.6**	**37.8**	**36.4**	**760.8**	**665.9**

Column (a) represents the pension which the directors would have been entitled to receive on reaching pensionable age, had they left the society at the end of the financial year.

Column (b) is the increase in the amount shown in column (a) over and above the increase that would be payable on account of inflation.

Column (c) represents the transfer values of the increases in accrued benefits during 2004. These transfer values do not represent sums paid or due, but the amounts that the pension plan would transfer to another pension plan, in relation to the benefits accrued in 2004, in the event of the executive director leaving the society.

2004 Non-Executive Director Remuneration

The Committee, after taking appropriate qualified advice, also recommends to the board the level of fees for non-executive directors to be proposed to members at the Annual General Meeting.

The remuneration of the non-executive directors is listed below:

	2004 €000	2003 €000
Brian A. Joyce (Chairman)	90.0	85.0
Ronald J. Bolger (Vice-Chairman)	66.0	62.0
Cathal Magee	38.0	36.0
Mark Moran	38.0	36.0
Michael Moroney (Chairman of EBS Asset Managers Ltd.)	51.0	48.0
Barbara Patton	38.0	36.0
Yvonne Scannell	38.0	36.0
Ethna Tinney	38.0	36.0
Total	**397.0**	**375.0**

statement of directors' responsibilities
in relation to the financial statements

The Building Societies Act, 1989 requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the society and the group and of the income and expenditure and cash flow statement of the society and the group for that period. In preparing these financial statements, the directors are required to;

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- Prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the society 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 society and of the group and which enables them to ensure that the financial statements comply with the Building Societies Act, 1989. They are also responsible for safeguarding the assets of the society and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

independent auditors' report
to the members of EBS Building Society

We have audited the financial statements for the year ended 31 December 2004 which comprise the Income and Expenditure Account, the Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 36. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the society's members, as a body, in accordance with Section 88(1) of the Buildings Societies Act 1989. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable Irish law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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 for use in the Republic of Ireland and the United Kingdom.

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 the Building Societies Act, 1989. We also report to you our opinion as to: whether proper accounting records have been kept by the society and the group; whether proper returns adequate for our audit have been received from branches and agents of the society not visited by us; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the accounting records and returns.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's Review and the Chief Executive's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the society and of the group as at 31 December 2004 and of the income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Building Societies Act, 1989 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 accounting records have been kept by the society and the group and proper returns adequate for the purpose of our audit have been received from branches and agents of the society not visited by us. The financial statements are in agreement with the accounting records and returns.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young
Registered Auditors
Dublin

18 February 2005

accounts

Income and Expenditure Account

for the year ended 31 December 2004

Society 2004 €m	Society 2003 (Reclassified - note 2) €m		Note	Group 2004 €m	Group 2003 (Reclassified - note 2) €m
375.7	343.2	Interest receivable and similar income	3	377.3	344.8
(254.8)	(220.3)	Interest payable and similar charges		(258.3)	(223.8)
16.2	14.3	Fees and commission receivable		22.0	19.2
(4.8)	(4.7)	Fees and commission payable		(8.1)	(7.3)
2.6	1.3	Other operating income		4.6	3.3
134.9	**133.8**	**Total operating income**		**137.5**	**136.2**
(73.2)	(65.2)	Administrative expenses	4	(73.1)	(65.3)
(7.5)	(6.6)	Depreciation	13	(8.1)	(7.2)
(80.7)	**(71.8)**	**Total operating expenses**		**(81.2)**	**(72.5)**
(0.2)	(1.1)	Provision for bad and doubtful debts	9(b)	(0.2)	(1.1)
54.0	**60.9**	**Excess of income over expenditure before non operating Items**		**56.1**	**62.6**
-	6.5	Non operating items - profit on sale of premises	5	-	6.5
54.0	**67.4**	**Excess of income over expenditure on ordinary activities before tax**	**6**	**56.1**	**69.1**
(7.6)	(9.4)	Tax on excess of income over expenditure on ordinary activities	7	(7.8)	(9.7)
(5.8)	(5.8)	Government bank levy	7	(5.8)	(5.8)
40.6	**52.2**	**Excess of income over expenditure on ordinary activities after tax**		**42.5**	**53.6**
410.2	358.0	General reserve at beginning of year		417.3	363.7
450.8	**410.2**	**General reserve at end of year**	**22**	**459.8**	**417.3**

The notes on pages 42 to 71 form part of these accounts

Balance Sheet

at 31 December 2004

Society 2004 €m	Society 2003 €m		Note	Group 2004 €m	Group 2003 €m
		Assets			
295.2	159.1	Cash and balances at central banks		295.2	159.1
488.3	76.0	Central government bills and other bills eligible for refinancing with a central bank	10	488.3	76.0
2,166.6	2,079.1	Loans and advances to credit institutions	8	2,167.7	2,079.7
9,023.9	7,100.3	Loans and advances to customers	9(a)	9,023.9	7,100.3
		Securitised Assets			
1,146.0	1,381.3	Loans and advances to customers	9(c)	1,146.0	1,381.3
(1,124.9)	(1,359.6)	Less non-recourse funding		(1,124.9)	(1,359.6)
21.1	21.7			21.1	21.7
80.0	87.3	Debt securities and other fixed income securities	10	80.0	87.3
0.4	0.4	Shares in group undertakings	11	-	-
-	-	Investment property	12	32.1	32.1
56.8	56.1	Other tangible fixed assets	13	64.5	64.0
143.6	114.0	Prepayments and accrued income	14	128.3	97.2
12,275.9	**9,694.0**	**Total assets**		**12,301.1**	**9,717.4**
		Liabilities			
2,604.3	2,190.7	Deposits by credit institutions	15	2,604.1	2,190.1
7,264.3	5,866.8	Customer accounts	16	7,264.3	5,866.8
1,650.6	1,003.5	Debt securities in issue	17	1,650.6	1,003.5
10.3	20.3	Other liabilities	18(a)	10.3	20.5
127.1	94.1	Accruals and deferred income	18(b)	127.5	94.8
7.4	7.0	Provision for liabilities and charges	19	7.4	7.0
161.1	101.4	Subordinated debt	21	161.1	101.4
-	-	Investment revaluation reserve	12,22	16.0	16.0
450.8	410.2	General reserve	22	459.8	417.3
12,275.9	**9,694.0**	**Total liabilities**		**12,301.1**	**9,717.4**

Brian A. Joyce, Chairman
Ronald J. Bolger, Vice-Chairman
Ted McGovern, Chief Executive

The notes on pages 42 to 71 form part of these accounts

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2004

Society				Group	
2004	2003			**2004**	2003
€m	€m		Note	**€m**	€m
40.6	52.2	Excess of income over expenditure on ordinary activities after tax		42.5	53.6
-	-	Revaluation of investment property		-	7.0
40.6	**52.2**	**Total gains recognised for year**		**42.5**	**60.6**
-	35.4	Prior year adjustment		-	35.4
40.6	**87.6**	**Total gains and losses recognised since last annual report**		**42.5**	**96.0**

Reconciliation of Movement in Shareholders' Funds

for the year ended 31 December 2004

Society				Group	
2004	2003			**2004**	2003
€m	€m		Note	**€m**	€m
40.6	52.2	Total gains recognised for year		42.5	60.6
-	-	Investment revaluation reserve at beginning of year		16.0	9.0
410.2	358.0	General reserve at beginning of year		417.3	363.7
450.8	**410.2**	**Reserves at end of year**	**22**	**475.8**	**433.3**

The notes on pages 42 to 71 form part of these accounts

Group and Society Cash Flow Statement

for the year ended 31 December 2004

Society 2004 €m	Society 2003 €m		Note	Group 2004 €m	Group 2003 €m
(70.6)	(335.8)	Net cash flow from operating activities		(69.7)	(333.7)
(6.7)	(6.5)	Return on investments and servicing of finance	30(a)	(6.7)	(6.5)
(14.8)	(9.0)	Taxation		(15.2)	(9.2)
(5.8)	(5.8)	Government bank levy		(5.8)	(5.8)
(413.1)	81.0	Capital expenditure and financial investments	30(b)	(413.6)	79.1
(511.0)	(276.1)	Net cash outflow before financing		(511.0)	(276.1)
647.1	310.8	Financing - Increase in debt securities in issue		647.1	310.8
136.1	**34.7**	**Increase in cash**	**30(c)**	**136.1**	**34.7**

Reconciliation of Group and Society Excess of Income over Expenditure Before Tax to Net Cash Flow from Operating Activities

Society 2004 €m	Society 2003 €m		Note	Group 2004 €m	Group 2003 €m
54.0	60.9	Excess of income over expenditure before tax and non operating income		56.1	62.6
(29.6)	(16.9)	Increase in prepayments and accrued income		(31.1)	(18.4)
(10.0)	(2.5)	Decrease in other liabilities		(10.2)	(2.7)
33.0	5.3	Increase in accruals and deferred income		32.7	6.8
0.2	1.1	Provision for bad and doubtful debts		0.2	1.1
7.5	6.6	Depreciation and write down of assets		8.1	7.2
6.7	6.5	Interest on subordinated debt	21	6.7	6.5
-	6.5	Non operating items		-	6.5
-	(6.5)	Profit on disposal of tangible fixed assets		-	(6.5)
61.8	**61.0**	**Net cash inflow from trading activities**		**62.5**	**63.1**
(1,923.8)	(850.6)	Increase in loans and advances to customers		(1,923.8)	(850.6)
0.6	(8.3)	Increase (decrease) in securitised assets		0.6	(8.3)
(87.5)	(462.9)	Increase in loans and advances to credit institutions		(88.0)	(462.5)
1,397.5	506.5	Increase in customer accounts		1,397.5	506.5
413.6	425.4	Increase in deposits by credit institutions		414.0	425.0
59.7	(5.3)	Increase (decrease) in subordinated debt		59.7	(5.3)
7.5	(1.6)	Other non cash movements		7.8	(1.6)
(70.6)	**(335.8)**	**Net cash flow from operating activities**		**(69.7)**	**(333.7)**

The notes on pages 42 to 71 form part of these accounts

Notes to the Accounts

31 December 2004

1. Accounting Policies

The accounts have been drawn up in accordance with the Building Societies Act, 1989 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 which implemented the EU Directive on annual accounts of financial institutions and with accounting standards generally accepted in Ireland. Accounting Standards generally accepted in Ireland are those issued by the Accounting Standards Board and include Statements of Recommended Practice issued jointly by the British Bankers Association and the Irish Bankers Federation.

(a) Accounting convention

The accounts are drawn up under the historical cost convention, with the exception of investment properties which are stated at their revalued amount.

(b) Consolidation

The group accounts include the accounts of the society and its subsidiary undertakings to 31 December 2004.

(c) Depreciation

(i) Freehold and long leasehold buildings with an unexpired term of 100 years or more are depreciated at a rate of 1% per annum on the straight line method.

(ii) Leasehold land and buildings with an unexpired term of less than 100 years are depreciated by equal instalments over the unexpired period of the lease.

(iii) Motor vehicles and office equipment are depreciated at 20% and 10% per annum on the straight line method.

(iv) Computer equipment is depreciated at 33.33% and 20% per annum on the straight line method.

(d) Corporation tax

Corporation tax is calculated at a rate of 12.5% on the excess of income over expenditure for the year.

(e) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date except in respect of the revaluation of fixed assets in which case tax is only provided to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(f) Debt securities

Debt Securities are held for investment purposes. Income from debt securities is adjusted for the amortisation of any premium or discount on a straight line basis from the date of purchase to the date of maturity. These investments are stated in the balance sheet at amortised cost.

(g) Pension costs

Pension benefits are funded over the employees' period of service by way of contributions to external pension schemes. The society's annual contributions are based on actuarial advice and are charged to the income and expenditure account in the period to which they relate. The group has adopted the transitional arrangements for FRS 17 'Retirement Benefits' and the related disclosures are detailed in Note 24.

1. Accounting Policies (continued)

(h) Income recognition

Interest on advances is accounted for on an accruals basis. Interest is not taken to income where recovery is doubtful. Interest income from lending advances is adjusted for interest rate discounts granted to customers over the expected life of the loans.

The society's policy is to amortise the initial acquisition costs of new lending business in the income and expenditure account over the expected life of the loan.

Interest rate discounts on loans issued in previous years are charged to the income and expenditure account over the expected life of the loan.

Fees and commission which represent a return for services provided or risk borne are credited to income, over the period during which the service is performed or the risk is borne, as appropriate.

Leasing income is credited to interest income in proportion to net cash invested so as to give a constant rate of return on each contract over each accounting period after taking account of taxation.

(i) Foreign currencies

Foreign currency transactions during the year have been converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Euro at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the income and expenditure account.

(j) Leasing expenses

All payments under operating lease contracts are charged to administrative expenses in the year in which the expenditure is incurred.

(k) Debt securities and other fixed income securities

Debt issue expenses are deducted from the proceeds of issue and amortised in the income and expenditure account so that the finance costs are allocated to accounting periods over the economic life of these instruments at a constant rate based on their carrying amount.

(l) Provision for bad and doubtful debts

Provisions are made to reduce the value of loans to the amount which the directors consider is likely to ultimately be received, based on a detailed appraisal of loans. In addition general provisions are carried to cover risks which, although not specifically identifiable, are present in any portfolio of loans. The directors have reviewed the general provisioning levels in light of the low level of historic losses. Consequently, they have reduced the charge to the income and expenditure account in the current year.

(m) Investment property

The investment property is included in the balance sheet at market value and is revalued every three years on a net open market basis. The directors review the valuation on an annual basis. The revaluation is incorporated in the annual accounts, any surplus being credited to the investment revaluation reserve in the balance sheet.

(n) Derivative instruments

The society uses derivative instruments such as swaps for hedging purposes. Income and costs arising from hedging are recognised in the income and expenditure account in accordance with the accounting treatment of the underlying transactions. The society considers its derivative instruments qualify for hedge accounting as it does not trade deriviatives and purchases them exclusively for hedging purposes.

Notes to the Accounts
31 December 2004

1. Accounting Policies (continued)

(o) Non-recourse funding
Advances secured on residential property subject to non-recourse funding are in substance securitised and have been included in the balance sheet using a linked presentation. The non-recourse element of the funding is shown as a deduction from Loans and Advances to customers. The interest earned by the society and the group from the securitised assets is included in interest receivable and similar income.

(p) Initial acquisition costs
Initial acquisition costs include commission paid, mortgage indemnity insurance cover and the legal or valuation fees absorbed by the group. Initial acquisition costs on new loan advances are deferred and amortised to the income and expenditure account over the expected life of the loan.

International Financial Reporting Standards (IFRS)

Under a European Union regulation, companies with listed securities or debt are required to prepare their consolidated financial statements in accordance with IFRS for accounting periods starting on, or after, 1 January 2005. Guidance has been issued by the Committee of European Securities Regulators on how listed european companies can effectively communicate to investors the financial impact of the transition to IFRS in 2005 and, in connection with that guidance, the Irish Financial Services Authority has encouraged companies to provide disclosure and information necessary to assess their progress with the transition to IFRS. In accordance with this guidance, an overview of the society's current position as regards progress to the 2005 transition is provided below:

The directors believe that the society has sufficient qualified internal resources to manage and perform the required transition to IFRS in 2005. Significant progress has been made on transition matters during 2004 allowing the society to report under IFRS as required in 2005.

Staff performing key roles in the transition have already received, and will continue to receive, IFRS training provided by suitably qualified external organisations; and

the society is currently discussing with its auditors the assistance and advice that they can provide throughout the transition period, including the initial identification of likely differences arising on the transition; external professional advice will be taken on specific IFRS matters as they arise where considered necessary by the directors.

Based on our assessments carried out to date on IFRS, the key differences likely to apply to the society's consolidated financial statements are:

The presentation of primary statements is likely to be different in respect of format and content.

We anticipate changes in accounting treatment for the following items; general bad debt provisions, employee defined benefit pensions, property revaluations, the treatment of unrealised gains and losses on derivatives and other investments.

The society will adopt IFRS in the consolidated financial statements for the full year to 31 December 2005 (with 2004 IFRS comparatives).

2. Prior Year Reclassification

The society has re-classified commission charges in respect of new mortages and commission paid for customer funding from the fees and commission payable line in the income and expenditure account to reduce the interest receivable and similar income (interest on loans and advances to customers) and increase the interest payable and similar charges. The 2003 comparatives have been presented on the same basis.

	Society		Group	
	2004	2003 (Reclassified - note 2)	**2004**	2003 (Reclassified - note 2)
	€m	€m	**€m**	€m
3. Interest Receivable and Similar Income				
Arising from debt securities and other fixed income securities (Income from listed investments)	8.3	11.7	8.3	11.7
Other interest receivable and similar income:				
Interest on loans and advances to customers	302.1	281.2	302.2	281.4
Other interest receivable (Interest from banks)	65.3	50.3	66.8	51.7
	375.7	343.2	377.3	344.8

Included in interest on loans and advances to customers is finance lease income of €1.6m for the group (2003: €1.6m), society €nil.

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
4. Administrative Expenses				
Staff costs	33.8	31.3	34.1	31.6
Other administrative expenses	39.4	33.9	39.0	33.7
	73.2	65.2	73.1	65.3

The average number of persons employed by the group and society in the financial year was 629 and is analysed into the following categories:

	2004	2003
Full time staff	586	568
Part time staff	43	31
	629	599

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
Staff costs comprise:				
Wages and salaries	28.9	26.9	29.2	27.2
Social welfare costs	3.1	2.9	3.1	2.9
Pension costs	1.8	1.5	1.8	1.5
	33.8	31.3	34.1	31.6

Notes to the Accounts

31 December 2004

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
5. Non Operating Items - Profit on Sale of Premises				
Surplus on sale of former head office buildings	-	6.5	-	6.5

The after tax impact of these non operating items for the group and society was €4.6m in 2003.

	2004	2003
	€m	€m
6. Excess of Income Over Expenditure on Ordinary Activities Before Tax		
Group and Society		
The excess of income over expenditure on ordinary activities before tax is stated after charging:		
Auditors' remuneration and expenses (including value added tax)	0.2	0.1
Operating lease charges	5.9	5.7

Details of Directors remuneration are given in the Remuneration Report on page 32.

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
7. Tax on Excess of Income Over Expenditure on Ordinary Activities				
The taxation charge for the year is as follows:				
Corporation tax	7.2	8.5	7.4	8.8
Deferred tax (Note 20)	0.4	0.9	0.4	0.9
	7.6	9.4	7.8	9.7
Bank levy	5.8	5.8	5.8	5.8
The deferred taxation charge arises from:				
Capital allowances in excess of depreciation	0.6	1.4	0.6	1.4
General bad debts provision	(0.1)	(0.3)	(0.1)	(0.3)
Other timing differences	(0.1)	(0.2)	(0.1)	(0.2)
	0.4	0.9	0.4	0.9

7. Tax on Excess of Income Over Expenditure on Ordinary Activities (continued)

The reconciliation of current tax on excess of income over expenditure on ordinary activities at the standard Irish corporation tax rate to the group's and society's actual tax charge is analysed as follows:

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
Excess of income over expenditure on ordinary activities before tax at 12.5% (2003: 12.5%)	6.8	8.4	7.0	8.6
Effects of:				
Capital allowances in excess of depreciation	0.6	(1.4)	0.6	(1.4)
General bad debts provision	(0.1)	0.3	(0.1)	0.3
Other timing differences	(0.1)	0.2	(0.1)	0.2
Addbacks and income not taxable at standard rates	-	1.0	-	1.1
Current tax	7.2	8.5	7.4	8.8

The tax arising on the surplus on sale of former head office buildings was €1.9m in 2003.

In 2003 the Irish Government introduced a levy based on the domestic deposit taking businesses of Irish Banks and Building Societies. The society's share of this levy is €5.8m per year for three years to 31 December 2005.

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
8. Loans and Advances to Credit Institutions (Deposits with Banks and Building Societies)				
Repayable on demand	2,166.6	2,079.1	2,167.7	2,079.7

		2004 €m	2003 €m
9(a)	**Loans and Advances to Customers**		
	Group and Society		
	Repayable on demand	10.0	9.0
	Repayable in less than three months	66.2	183.6
	Repayable in more than three months but less than one year	75.7	32.4
	Repayable in more than one but less than five years	255.6	215.5
	Repayable in more than five years	8,639.9	6,683.1
	Total loans and advances to customers before provisions	9,047.4	7,123.6
	Provision for bad and doubtful debts	(23.5)	(23.3)
		9,023.9	7,100.3

The total loans and advances to customers on which interest is suspended are not significant.

Loans to directors are made in the ordinary course of business on commercial terms in accordance with established policy. At 31 December 2004 the aggregate amount outstanding in loans to persons who at any time during the year were directors was €0.9m (2003: €0.5m).

		2004 €m	2003 €m
9(b)	**Provision for Bad and Doubtful Debts**		
	Group and Society		
	At 1 January	23.3	22.2
	Charge against profits	0.2	1.1
	At 31 December	23.5	23.3
	Provisions at 31 December		
	- specific	1.1	1.2
	- general	22.4	22.1
		23.5	23.3

Loans written off during the year were €0.1m (2003: €0.1m). No recoveries were made in the year of amounts previously written off.

The group's general provision provides for loan losses which potentially exist in the portfolio and includes a prudential element which will be offset in certain circumstances against specific loan losses as they arise in future years.

		2004 €m	2003 €m
9(c)	**Securitised Assets**		
	Group and Society		
	Securitised Assets	1,146.0	1,381.3
	Less: Non recourse funding	(1,124.9)	(1,359.6)
		21.1	21.7

The society issued the following limited recourse Loan Notes:

	Issue date	Amount €m
Emerald No.1	2000	495
Emerald No.2	2001	525
Emerald No.3	2003	750
Total		**1,770**

These Loan Notes have been assigned to Emerald Mortgages No.1 plc ("Emerald No.1"), to Emerald Mortgages No.2 plc ("Emerald No.2") and to Emerald Mortgages No.3 plc ("Emerald No.3") respectively (hereafter the three Emerald Mortgage plc's are referred to as "Emerald"). Each company is incorporated in Ireland. In each case the loan notes are secured in favour of the respective Emerald by deeds of charge on portfolios of residential loans and all cashflows from the portfolios are passed to the respective Emerald. The society's obligations in respect of payment of principal and interest under the loan notes is limited, save in certain circumstances, to amounts received by it on the portfolios of residential loans.

The society does not own directly or indirectly any of the share capital of Emerald or their parent company and has no right to participate in any residue in Emerald. The society has entered into an agreement to provide Emerald with administrative services in relation to the portfolios of residential loans for which it receives fee income.

Income and expense recognised in respect of the securitisation is set out below:

	2004 €m	2003 €m
Interest receivable and similar income	47.1	49.5
Interest payable and similar charges	(31.2)	(34.2)
	15.9	15.3
Administrative expenses	(1.0)	(0.9)
	14.9	14.4

Emerald funded the purchase of the loan notes by the issue of class A and class B floating rate notes ("notes"). Emerald entered into swap agreements with third party banks to hedge their interest rate exposure between interest payments receivable under the loan notes and their payment obligations under the notes.

9(c) Securitised Assets (continued)

The issue terms of the notes include provisions that neither Emerald nor the note holders have recourse to the society or its subsidiaries. Neither the society nor its subsidiaries are obliged or intend to support any losses of Emerald. The society has the right, in certain limited circumstances to fund additional advances to customers in the residential loan portfolios and to substitute mortgages from the principal repayments on the loan portfolios. Apart from this right, the proceeds of the loan portfolios are used to pay the interest and capital on the notes and any other administrative expenses and costs.

		2004	2003
		€m	€m
10.	**Central Government Bills and Other Bills Eligible for Refinancing with a Central Bank and Debt Securities and Other Fixed Income Securities**		
	Group and Society		
	Government stocks:		
	Eligible bills (government stocks with a maturity date of less than five years)	488.3	76.0
	Total bills eligible for refinancing with a central bank	488.3	76.0
	Debt securities and other fixed income securities (government stocks with a maturity date of more than five years)	80.0	87.3
	Total listed securities	568.3	163.3
	Maturing within one year	445.3	76.0
	Maturing after one year	123.0	87.3
	Total listed securities	568.3	163.3
	Market value	569.1	165.0

Government stocks are held as financial fixed assets. The unamortised premium to redemption as at 31 December 2004 is €0.3m (2003: €0.6m). Profits on disposal of investment securities amounted to €4.4m (2003: €6.1m).

	2004	2003
	€m	€m
Movements in the portfolio		
Opening balance	163.3	240.8
Purchases medium / long term securities	410.2	62.0
Sales medium / long term securities	(220.7)	(106.8)
Net movement on short term securities	215.5	(32.7)
Closing balance	568.3	163.3

		2004 €m	2003 €m
11.	**Shares in Group Undertakings**		
	Society		
	Principal subsidiary undertakings	0.4	0.4

Principal subsidiary undertakings:

(i) The society holds 300,000 €1.27 ordinary shares in EBS Asset Managers Limited, a wholly owned subsidiary. The company trades as an investment manager.
(ii) The society holds 2 €2 ordinary shares in Educational Finance Limited, a wholly owned subsidiary. The company trades as an investment holding company.
(iii) Educational Finance Limited holds 2 €2 ordinary shares in EBS Property, a wholly owned subsidiary. The company trades as a property investment company.
(iv) The society holds 2 €2 ordinary shares in Hinsona Limited a wholly owned subsidiary. The company trades as a property investment company.
(v) The society holds 2 €2 ordinary shares in Breezewalk Limited a wholly owned subsidiary. The company trades as a property investment company.

All companies are incorporated in the Republic of Ireland.

12. Investment Property

The Leasehold Investment Property was independently revalued by Quinn Agnew, Chartered Surveyors, in December 2003.

	2004 €m	2003 €m
Group		
Investment property at cost	16.1	16.1
Investment revaluation reserve	16.0	16.0
	32.1	32.1

No depreciation is provided on the Investment Property which is in accordance with the required Statement of Standard Accounting Practice 19. The tax payable on the sale of the investment property at its last valuation date is €3.2m.

		Land and buildings €m	Office equipment and motor vehicles €m	Total €m
13.	**Other Tangible Fixed Assets**			
	Group			
	Cost			
	At 1 January	42.3	68.9	111.2
	Additions	2.2	7.1	9.3
	Disposals	(0.3)	(21.1)	(21.4)
	At 31 December 2004	44.2	54.9	99.1
	Depreciation			
	At 1 January	4.9	42.3	47.2
	Charge for year	0.8	7.3	8.1
	Disposals	-	(20.7)	(20.7)
	At 31 December 2004	5.7	28.9	34.6
	Net book amounts at 31 December 2004	38.5	26.0	64.5
	Net book amounts at 31 December 2003	37.4	26.6	64.0

Land and buildings to the value of €44.2m are occupied by the group (society: €37.1m) for its own activities. The cost of land and buildings comprises Freeholds of €21.9m (society: €21.9m), Long Leaseholds of €4.2m (society: €4.2m) and Short Leaseholds of €18.1m (society: €11.0m). The depreciation charge on leasehold buildings is €0.8m (society: €0.4m).

The disposal figure of €21.1m for the year includes €20.7m of group assets (society: €20.8m) which are being eliminated from the cumulative cost and depreciation figures, as they are already fully depreciated.

		Land and buildings €m	Office equipment and motor vehicles €m	Total €m
13.	**Other Tangible Fixed Assets (continued)**			
	Society			
	Cost			
	At 1 January	35.5	67.3	102.8
	Additions	1.9	6.9	8.8
	Disposals	(0.3)	(21.1)	(21.4)
	At 31 December 2004	37.1	53.1	90.2
	Depreciation			
	At 1 January	4.6	42.1	46.7
	Charge for year	0.4	7.1	7.5
	Disposals	-	(20.8)	(20.8)
	At 31 December 2004	5.0	28.4	33.4
	Net book amounts at 31 December 2004	32.1	24.7	56.8
	Net book amounts at 31 December 2003	30.9	25.2	56.1

		Society		Group	
		2004 €m	2003 €m	**2004 €m**	2003 €m
14.	**Prepayments and Accrued Income**				
	Loans to subsidiary undertakings	19.8	22.6	-	-
	Prepayments	91.3	68.2	92.3	70.0
	Sundry debtors	1.9	2.0	5.4	6.0
	Interest accrued	30.6	21.2	30.6	21.2
		143.6	114.0	128.3	97.2

		Society		Group	
		2004	2003	**2004**	2003
		€m	€m	**€m**	€m
15.	**Deposits by Credit Institutions**				
	(Deposits by Banks and Building Societies)				
	Repayable in less than three months	2,204.7	2,147.5	2,204.5	2,146.9
	Repayable in more than three months but less than one year	389.3	32.7	389.3	32.7
	Repayable in more than five years	10.3	10.5	10.3	10.5
		2,604.3	2,190.7	2,604.1	2,190.1

		2004	2003
		€m	€m
16.	**Customer Accounts (Shareholders and Depositors)**		
	Group and Society		
	Repayable on demand	2,152.1	1,969.6
	Repayable in less than three months	2,854.0	2,236.2
	Repayable in more than three months but less than one year	750.4	573.7
	Repayable in one year or more but less than five years	991.1	693.7
	Repayable in more than five years	516.7	393.6
		7,264.3	5,866.8

		2004	2003
		€m	€m
17.	**Debt Securities in Issue (Notes and Certificates of Deposit in Issue)**		
	Group and Society		
	Repayable in less than three months	153.0	189.3
	Repayable in more than three months but less than one year	443.9	161.0
	Repayable in one year or more but less than five years	953.8	643.3
	Repayable in more than five years	99.9	9.9
		1,650.6	1,003.5

All debt securities in issue are medium term notes.

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
18(a) Other Liabilities				
Corporation tax	1.2	8.8	1.2	9.0
Creditors	9.1	11.5	9.1	11.5
	10.3	20.3	10.3	20.5

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
18(b) Accruals and Deferred Income				
Interest accrued	115.1	77.3	115.1	77.3
Deposit interest retention tax	2.4	2.9	2.4	2.9
Other accruals and deferred income	9.6	13.9	10.0	14.6
	127.1	94.1	127.5	94.8

	Society		Group	
	2004	2003	**2004**	2003
	€m	€m	**€m**	€m
19. Provision for Liabilities and Charges				
Deferred tax (Note 20)	7.4	7.0	7.4	7.0

		2004 €m	2003 €m
20.	**Deferred Tax**		
	Group & Society		
	At 1 January (as previously reported)	7.0	6.1
	Amount charged for the year	0.4	0.9
	At 31 December	7.4	7.0
	The amounts provided for deferred tax are as follows:		
	Capital allowances in excess of depreciation	10.3	9.7
	General bad debts provision	(2.9)	(2.8)
	Other short term timing differences	-	0.1
		7.4	7.0

		2004 €m	2003 €m
21.	**Subordinated Debt**		
	Group and Society		
	Repayable in more than five years but less than ten years	97.8	38.1
	Repayable in more than ten but less than fifteen years	63.3	-
	Repayable in more than fifteen but less than twenty years	-	63.3
		161.1	101.4

Details of bonds issued are as follows:

Issue date	Maturity Date	Interest Rate		Amount
31 July 1998	Jul-13	Fixed rate	5.81%	€38.1m
26 November 1999	Nov-19	Fixed rate	7.00%	Stg £14.6m, (€20.7m)
19 December 2002	Nov-19	Fixed rate	6.44%	Stg £30.0m, (€42.6m)
14 December 2004	Dec-14	Variable	2.72%	€60m

The interest expense on the subordinated bonds amounted to €6.7m (2003: €6.5m) during the year.

		Society		Group	
		2004	2003	**2004**	2003
		€m	€m	**€m**	€m
22.	**Reconciliation of Reserves**				
	At 1 January	410.2	358.0	433.3	372.7
	Excess of income over expenditure on ordinary activities after tax	40.6	52.2	42.5	53.6
	Investment revaluation reserve movement	-	-	-	7.0
	At 31 December	450.8	410.2	475.8	433.3
	Investment Revaluation Reserve	-	-	16.0	16.0
	General Reserve	450.8	410.2	459.8	417.3
		450.8	410.2	475.8	433.3

		Society		Group	
		2004	2003	**2004**	2003
		€m	€m	**€m**	€m
23.	**Assets and Liabilities denominated in Foreign Currencies**				
	Assets denominated in currencies other than euro	671.9	529.6	671.9	529.6
	Liabilities denominated in currencies other than euro	672.2	529.5	672.2	529.5

24. Pensions

Under the current reporting regulations the society is obliged to report on pensions under two different reporting standards, SSAP 24 and FRS 17. The liabilities of the pensions fund are calculated using different methologies under both standards, consequently some of the figures reported below under the two standards differ.

(a) SSAP 24 disclosures

The group operates a number of defined benefit pension schemes. The assets of the schemes are held separately from those of the group. The group continues to account for the schemes in accordance with SSAP 24 "Accounting for Pension Costs". The measurement aspects of FRS 17 "Retirement Benefits" will not be mandatory for the company until 2005. Meanwhile phased disclosure is given below in accordance with the transitional requirements of FRS 17.

Contributions are determined in accordance with the advice of a professional qualified actuary, using the attained-age method. The most recent valuations were carried out as at 1 January 2002. The assumptions which have the most significant effect on the results of the valuation are that the long-term investment returns would exceed salary inflation by 2% per annum. The actuarial reports are available for inspection by the members only.

The pension charge for the year in respect of the defined benefit schemes was €1.8m (2003: €1.5m). The contributions paid to the defined schemes during the year were €6.8m (2003: €2.9m). There were prepayments and accruals at 31 December 2004 of €7.2m and €0.1m respectively (2003: €1.5m prepayment and a €0.1m accrual).

The market value of the fund at 31 December 2004 was €80.2m whereas the liabilities of the fund valued (under SSAP 24) was €82.7m, consequently 97% of the pension liabilities (under SSAP 24) are covered by assets. During 2004 a special €5m contribution was made to reduce the shortfall in fund. The cost of this contribution will be charged to the income and expenditure account over the average service lives of the members.

(b) FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations at 1 January 2002 using the projected unit credit method as specified under FRS17. These valuations were subsequently updated by a qualified independent actuary to take account of FRS 17 as at 31 December 2003 and 2004 in order to assess the liabilities of the schemes at year end. Scheme assets are stated at their market value at 31 December.

The main assumptions used to calculate the scheme liabilities as at 31 December are:

Financial Assumptions

	2004	2003	2002
Inflation rate	2.25%	2.25%	2.25%
Rate of increase in salaries	3.75%	3.75%	3.75%
Rate of increase in pensions	2.25%	2.25%	2.25%
Discount rate for liabilities in the schemes	4.85%	5.25%	5.50%

24. Pensions (continued)

(b) FRS 17 disclosures (continued)

The assets and liabilities of the schemes and expected rates of return at 31 December were:

	2004 €m	%	2003 €m	%	2002 €m	%
Equities	62.4	7.8%	50.7	7.8%	39.3	7.8%
Fixed Interest	10.0	4.8%	9.5	4.8%	11.6	4.8%
Other	7.8	5.8%	6.6	5.8%	5.4	5.8%
Total market value of assets / average return %	80.2	7.2%	66.8	7.1%	56.3	6.9%
Present value of schemes' liabilities	(85.7)		(69.1)		(60.2)	
Deficit in the schemes	(5.5)		(2.3)		(3.9)	
Related deferred tax asset	-		0.2		0.4	
Net pension liability	(5.5)		(2.1)		(3.5)	

Impact of FRS 17 on the reported surplus
If FRS 17 had been implemented at the year end the effect on the group's financial statements would have been as follows:

Analysis of the amount that would have been charged to operating surplus:

	2004 €m	2003 €m	2002 €m
Service cost	2.8	2.3	1.9
Total operating cost	2.8	2.3	1.9
Analysis of net return on assets of pension schemes			
Expected return on assets of pension schemes	(4.8)	(4.0)	(5.3)
Interest on pension liabilities	3.7	3.4	3.1
Net return	(1.1)	(0.6)	(2.2)
Net impact on surplus before tax	1.7	1.7	(0.3)

Analysis of amount that would have been recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2004 €m	2003 €m	2002 €m
Actual return less expected return on assets of the pension schemes	2.1	3.8	(17.1)
Experience gains less losses on liabilities of the pension schemes	(4.2)	0.1	(3.5)
Changes in assumptions underlying the present value	(6.2)	(3.6)	0.6
Net (loss) gain recognised in STRGL	(8.3)	0.3	(20.0)

24. Pensions (continued)

(b) FRS 17 disclosures (continued)

Movement in (deficit) surplus during the year

	2004 €m	2003 €m	2002 €m
Deficit in schemes at beginning of year	(2.3)	(3.9)	14.8
Movement in year:			
Current service cost	(2.8)	(2.3)	(1.9)
Contributions	6.8	2.9	1.0
Net return on assets less interest cost	1.1	0.6	2.2
Actuarial (loss) gain	(8.3)	0.4	(20.0)
Deficit in schemes at end of year	(5.5)	(2.3)	(3.9)

The update of the actuarial position as at 31 December 2004 showed an increase in the deficit from €2.3m to €5.5m. Employer contributions totalled €6.8m including special contributions of €5.0m to improve the funding position of the schemes.

History of experience gains and losses

	2004 €m	2003 €m	2002 €m
Difference between expected and actual return on schemes assets:	2.1	3.8	(17.0)
As a percentage of scheme assets	2.6%	6.0%	(30.0%)
Experience gains and losses on schemes liabilities:	(4.2)	0.1	(3.5)
As a percentage of scheme liabilities	4.9%	0.0%	(6.0%)
Total amount recognised in statement of total recognised gains and losses:	(8.3)	0.4	(20.1)
As a percentage of scheme liabilities	9.6%	1.0%	(33.0%)

Determination of reserves on FRS17 basis

	2004 €m	2003 €m	2002 €m
General reserve excluding pension asset per group balance sheet	459.8	417.3	363.7
Elimination of pension assets in group balance sheet under SSAP 24	(7.2)	(1.5)	-
Pension liability under FRS 17	(5.5)	(2.1)	(3.5)
General reserve including pension liability	447.1	413.7	360.2

25. Leasing Commitments

Group and Society

At 31 December, annual commitments under operating leases relating to land and buildings are as follows:

	2004	2003
	€m	€m
Leases which expire:		
Less than one year	0.2	0.1
Between one and five years	0.1	0.3
After five years	6.2	5.4
	6.5	5.8

	2004	2003
	€m	€m
26. Capital Commitments		
Group and Society		
Capital expenditure contracted but not provided for	0.5	5.3
Capital expenditure authorised but not contracted for	15.9	7.7
	16.4	13.0

27. Unmatured Forward Transactions

The society has entered into various interest rate swap agreements in order to hedge interest rate exposures. In addition the society has entered into equity index options to hedge exposures to customers on the Secure Investment Product.

28. Risk Management and Control

The group defines risk as a failure to maximise opportunities or capitalise on corporate strengths or a failure to foresee or manage events which could result in unnecessary material financial loss or damage to the group's reputation. The group recognises that the effective management of risk and its system of internal control is essential to the growth of earnings, the preservation of member value and the achievement of the group's strategic objectives. The primary focus of the risk management framework is to ensure that the group achieves the optimal risk/reward return on any investment of people, time and resources. All material risk management policies are approved by the board and monitored by management committees, and all areas of the business are supported by specific risk functions (credit & operational risk, finance, regulatory compliance and treasury) in managing risk on a day to day basis.

28. Risk Management and Control (continued)

Strategic Risk Management
Strategic risk management comprises the group's values and beliefs, organisational structure and alignment, change readiness, strategic plan management, performance incentives, brand management, leadership and communication. Strategic risk also encompass external trends which cannot be controlled but which could have a significant impact on the group's business such as the economic environment, market developments and technological innovation. Strategic risks are managed and monitored in the main by the senior management team and the board. Significant developments are reported on a monthly basis to the board in the enterprise risk management report.

Financial Risk Management
The board approves all material changes to financial risk management policies including interest rate risk policy, counterparty credit risk policy, liquidity policy, capital policy, funding policy, credit policies for lending, large exposures policy, provisioning policy and the mortgage indemnity insurance policy. These policies are managed on a day to day basis throughout the group, and are monitored by specific business units and management committees.

Group treasury manages the potential adverse change in group income arising from movements in interest rates, exchange rates or other market prices using gap and sensitivity analysis. Derivatives – interest rate and foreign currency swap agreements and equity index options – are used to hedge these market risks. (More details on these exposures are set out in the following tables.) Group treasury also manages counterparty credit risk, i.e., the potential cost to the group of a counterparty default and the replacement of the contract with a new party. Strict parameters are in place for all types of counterparty credit exposure and all counterparty credit proposals are assessed within these parameters. The group limits the potential counterparty default risk by dealing with counterparties who have good external credit ratings. Group treasury is also responsible for the management of liquidity, i.e., to ensure that resources are available at all times to meet the group's obligations arising from the withdrawal of customer deposits or interbank lines. The group asset and liability committee monitors these risks and they are reported to the board each month.

Group credit & operational risk is responsible for the quality of the group's loan assets. It ensures that the appropriate structures, policies, practices and procedures are in place to manage credit risk. Group credit & operational risk is responsible for monitoring and reporting on new lending business trends, loan book exposures and loan book performance. Group credit & operational risk also monitors and reports on external economic trends and credit market developments and recommends changes to credit policies where appropriate. The group makes provisions for bad and doubtful debts and insures the group against systemic risk in the Irish property market through mortgage indemnity insurance. Credit risk management is also supported through scoring and risk rating systems, links to the Irish Credit Bureau, clear loan approval authority limits and appropriate separation of function between loan sourcing, loan approval and loan issue. The group credit risk committee monitors key credit risks and they are reported to the board on a monthly basis in the enterprise risk report.

Finance conducts a regular review of the insurances in place to protect the group against unexpected events. Finance also monitors cost management and income concentration for the group and reports this on a monthly basis to the board in the financial performance report.

28. Risk Management and Control (continued)

Operational Risk Management
The core focus of operational risk management is delivery of optimal products and services to members and customers, efficiency in operations, fraud prevention, clearly defined approval authority limits across all areas of the business, employee development, health and safety of all employees and customers, robust solutions development processes, systems integrity, business interruption and alliance partner management. The group credit & operational risk team supports each area of the business in conducting a regular self-assessment of risk, based on its role and area of responsibility. The self-assessment process is designed to support each area in identifying the risks associated with its responsibilities and objectives, assessing the materiality of the risks, reviewing the management activities to control and/or mitigate the risk and evaluating the level of residual risk in each area. This allows each part of the business to identify actions to improve their risk management capabilities.

Group credit & operational risk reports to the Board Risk Committee at least three times a year on developments in risk management policy, governance framework, processes and capabilities. It is responsible for the delivery of the Basel 2 project which is a change in the way credit institutions will calculate, validate and report on the level of economic capital they should hold as a buffer against risk. It is also responsible for the production of the enterprise risk management report for the board each month which includes information on key operational risk management indicators.

Regulatory Risk Management
Regulatory Compliance is responsible for advising and facilitating the business in identifying, managing and monitoring its legal and regulatory obligations. One of the key objectives of regulatory risk management is in the establishment and delivery of an appropriate framework which enables the business to clearly determine their legal and regulatory risks, identify the controls in place that mitigate those risks, ensuring appropriate allocation of responsibility for risks and controls and ensuring feedback is monitored and reported. A robust framework and monitoring programme enables the Board and management to receive timely information regarding the group's ongoing compliance. Regulatory Compliance reports to the Audit Committee on at least a quarterly basis. In addition, given the extent of changes in laws and regulations and the increasing focus on compliance, Regulatory Compliance facilitates the business in performing an impact assessment and determining the required amendments to processes and procedures.

Participation and representation of the group in the relevant industry forums in addition to third party relationship management forms part of the remaining core activities in this area.

28. Risk Management and Control (continued)

The table below gives an indication of the interest rate repricing mismatch in the groups balance sheet. A cumulative net liability position in a time band indicates an exposure to a rise in interest rates.

Interest Rate Repricing 2004

	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 12 months €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Non Interest Bearing €m	Total €m
Non - Trading Book							
Assets							
Cash	295.2	-	-	-	-	-	295.2
Government bills	488.3	-	-	-	-	-	488.3
Loans and advances to banks	2,045.6	86.6	35.5	-	-	-	2,167.7
Loans and advances to customers	7,233.1	460.7	769.1	541.7	19.3	-	9,023.9
Debt securities	-	-	-	-	80.0	-	80.0
Other assets	21.1	-	-	-	-	224.9	246.0
Total Assets	**10,083.3**	**547.3**	**804.6**	**541.7**	**99.3**	**224.9**	**12,301.1**
Liabilities							
Deposits by banks	2,204.3	272.0	117.3	-	10.5	-	2,604.1
Customer accounts	5,129.2	398.4	352.0	991.1	393.6	-	7,264.3
Debt securities in issue	1,380.1	140.8	15.0	114.7	-	-	1,650.6
Other liabilities	-	-	-	-	-	145.2	145.2
Subordinated debt	59.6	-	-	-	101.5	-	161.1
Reserves	-	-	-	-	-	475.8	475.8
Total Liabilities	**8,773.2**	**811.2**	**484.3**	**1,105.8**	**505.6**	**621.0**	**12,301.1**
Total assets less total liabilities	1,310.1	(263.9)	320.3	(564.1)	(406.3)	(396.1)	-
Off balance sheet items	(1,578.0)	1,045.1	171.0	297.7	64.2	-	-
Interest Rate Repricing Gap	**(267.9)**	**781.2**	**491.3**	**(266.4)**	**(342.1)**	**(396.1)**	**-**
Cumulative Interest Rate Repricing Gap	**(267.9)**	**513.3**	**1,004.6**	**738.2**	**396.1**	**-**	**-**

28. Risk Management and Control (continued)

Interest Rate Repricing 2003

	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 12 months €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Non Interest Bearing €m	Total €m
Non - Trading Book							
Assets							
Cash	159.1	-	-	-	-	-	159.1
Government bills	76.0	-	-	-	-	-	76.0
Loans and advances to banks	2,079.7	-	-	-	-	-	2,079.7
Loans and advances to customers	5,671.5	213.6	524.5	651.4	39.3	-	7,100.3
Debt securities	-	-	-	-	87.3	-	87.3
Other assets	21.7	-	-	-	-	193.3	215.0
Total Assets	**8,008.0**	**213.6**	**524.5**	**651.4**	**126.6**	**193.3**	**9,717.4**
Liabilities							
Deposits by banks	2,146.9	-	32.7	-	10.5	-	2,190.1
Customer accounts	4,205.7	311.4	262.4	693.7	393.6	-	5,866.8
Debt securities in issue	711.9	191.6	-	100.0	-	-	1,003.5
Other liabilities	-	-	-	-	-	122.3	122.3
Subordinated debt	-	-	-	-	101.4	-	101.4
Reserves	-	-	-	-	-	433.3	433.3
Total Liabilities	**7,064.5**	**503.0**	**295.1**	**793.7**	**505.5**	**555.6**	**9,717.4**
Total assets less total liabilities	943.5	(289.4)	229.4	(142.3)	(378.9)	(362.3)	-
Off balance sheet items	(867.0)	486.0	93.4	84.2	203.4	-	-
Interest Rate Repricing Gap	**76.5**	**196.6**	**322.8**	**(58.1)**	**(175.5)**	**(362.3)**	**-**
Cumulative Interest Rate Repricing Gap	**76.5**	**273.1**	**595.9**	**537.8**	**362.3**	**-**	**-**

28. Risk Management and Control (continued)

Derivatives
Group operations are exposed to the risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow the group to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the group to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall just as on-balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest or exchange rates change, will generally be offset by the unrealised appreciation or depreciation of the hedge items.

To achieve its risk management objectives, the group uses a combination of derivative financial instruments, particularly interest rate and currency swaps. The group only engages in derivatives for hedging purposes.

Derivative instruments are contractual agreements whose value is derived from the price movements in underlying assets, interest rates, exchange rates or indices. Derivatives are an efficient and cost effective means of managing market risk and limiting counterparty exposure. The board of directors approves policy with respect to credit risk, market risk and liquidity risk and has delegated its monitoring and control responsibilities to the group Asset and Liability Committee. Membership of this committee consists of senior management including executive directors.

The following table analyses the derivative contracts by remaining maturity:

	2004 €m	**2004 €m**	2003 €m	2003 €m
Derivative Contracts	Notional Principal Amount	Fair Value	Notional Principal Amount	Fair Value
Group and Society				
Maturing within one year	5,058.8	(4.5)	4,465.9	1.5
Maturing in more than one year but not more than five years	2,508.4	14.5	2,432.6	7.5
Between five and ten years	351.5	(0.5)	330.4	(8.2)
After ten years	-	-	63.8	9.9
	7,918.7	9.5	7,292.7	10.7

The fair value is the net cost of replacing all derivative contracts.

28. Risk Management and Control (continued)

The following table represents the the underlying principle amounts, average maturity and fair value by class of instrument utilised for the group at 31 December:

Derivative Transactions - Group 2004

	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Non - Trading Book			
Interest rate contracts			
Interest rate swaps-receive fixed			
1 year or less	79.0	0.3	0.1
1 to 5 years	637.7	3.0	15.0
5 to 10 years	206.4	7.5	6.9
Over 10 years	-	-	-
Interest rate swaps-pay fixed			
1 year or less	222.5	0.4	(1.0)
1 to 5 years	356.8	2.5	(5.1)
5 to 10 years	145.1	8.3	(7.4)
Interest rate swaps - pay and receive floating			
1 year or less	4,220.0	0.2	(0.4)
1 to 5 years	1,211.0	3.6	1.2
Interest rate caps, floors & options held			
1 year or less	-	-	-
1 to 5 years	10.8	3.7	0.6
Foreign Exchange Contracts			
Forward foreign exchange			
1 year or less	537.3	0.3	(3.2)
1 to 5 years	153.2	2.3	2.8
Equity Options			
1 to 5 years	138.9	2.7	-

28. Risk Management and Control (continued)

Derivative Transactions - Group 2003

	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Non- Trading Book			
Interest rate contracts			
Interest rate swaps-receive fixed			
1 year or less	215.0	0.8	1.3
1 to 5 years	404.7	2.9	9.4
5 to 10 years	234.9	5.9	(1.6)
Over 10 years	63.8	11.0	9.9
Interest rate swaps-pay fixed			
1 year or less	136.3	0.8	(1.1)
1 to 5 years	329.2	2.2	(3.5)
5 to 10 years	95.5	6.6	(6.6)
Interest rate swaps - pay and receive floating			
1 year or less	3,074.2	0.2	0.1
1 to 5 years	1,395.4	4.3	1.4
5 to 10 years			
Interest rate caps, floors & options held	1,030.0	0.3	1.2
1 to 5 years	20.0	4.4	0.4
Foreign Exchange Contracts			
Forward foreign exchange			
1 year or less	10.4	0.2	-
1 to 5 years	144.4	2.2	(0.2)
Equity Options			
1 to 5 years	138.9	3.7	-

28. Risk Management and Control (continued)

Unrecognised Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. Based on market rates prevailing at the close of business on 31 December, the unrecognised net gains/(losses) on instruments used for hedging at 31 December were:

Group 2004	Gains €m	Losses €m	Total €m
Unrecognised gains and losses on hedges at 1 January 2004	26.4	(15.7)	10.7
Gains and losses arising in previous years that were recognised in 2004	(4.5)	2.4	(2.1)
Gains and losses arising before 1 Jan 04 that were not recognised in 2004	21.9	(13.3)	8.6
Gains and losses arising in 2004 that were not recognised in 2004	7.3	(6.4)	0.9
Unrecognised gains and losses on hedges at 31 December 2004	29.2	(19.7)	9.5
Of which:			
Gains and losses expected to be recognised in 2005	1.4	(5.9)	(4.5)
Gains and losses expected to be recognised in 2006 or later	27.8	(13.8)	14.0

Group 2003	Gains €m	Losses €m	Total €m
Unrecognised gains and losses on hedges at 1 January 2003	24.9	(22.1)	2.8
Gains and losses arising in previous years that were recognised in 2003	(15.0)	22.0	7.0
Gains and losses arising before 1 Jan 03 that were not recognised in 2003	9.9	(0.1)	9.8
Gains and losses arising in 2003 that were not recognised in 2003	16.5	(15.6)	0.9
Unrecognised gains and losses on hedges at 31 December 2003	26.4	(15.7)	10.7
Of which:			
Gains and losses expected to be recognised in 2004	2.9	(1.4)	1.5
Gains and losses expected to be recognised in 2005 or later	23.5	(14.3)	9.2

29. Ratios & Loan Commitments

	2004	2003
Group		
Reserve ratio	3.7%	4.3%
Liquidity ratio	26.3%	26.5%
Total capital ratio (The IFSRA minimum total capital ratio is 9.0%)	11.0%	11.8%
Commitments: Loans approved not advanced - €m's	1,017.0	743.0

30. Notes to Consolidated Cash Flow Statement

		Society		Group	
		2004	2003	**2004**	2003
		€m	€m	**€m**	€m
(a)	Returns on investments and servicing of finance				
	Interest paid on subordinated liabilities	(6.7)	(6.5)	(6.7)	(6.5)
		(6.7)	(6.5)	(6.7)	(6.5)
(b)	Capital expenditure				
	Purchase of tangible fixed assets	(8.8)	(17.6)	(9.3)	(19.5)
	Disposal of tangible fixed assets	0.7	21.1	0.7	21.1
	Purchase of long term gilts	(410.2)	(62.0)	(410.2)	(62.0)
	Disposal of long term gilts	220.7	106.8	220.7	106.8
	Net movement on short term securities	(215.5)	32.7	(215.5)	32.7
	Net cashflow from capital expenditure	(413.1)	81.0	(413.6)	79.1
(c)	Analysis of changes in cash and balances at Central Bank of Ireland				
	At 1 January	159.1	124.4	159.1	124.4
	Increase in cash	136.1	34.7	136.1	34.7
	at 31 December	295.2	159.1	295.2	159.1

31. Contingent Liabilities

(a) The 'Secure' and 'Perfect Balance' range of products incorporate a guarantee provided by the society in respect of capital invested, the amount outstanding at 31 December 2004 is €138.9m. (2003: €138.9m) The total guarantee is restricted under the terms of the agreement and the society has in turn received a guarantee from a third party in respect of the guarantee provided.

(b) The society has a contingent liability to certain investors in the Summit Stable Fund in respect of return of capital only. The assets of this fund are restricted to bank deposits and short term Government securities.

32. Segmental Information

All the group's activities are in the financial services sector.
All the group's activities are carried out exclusively in the Republic of Ireland.

33. Related Party Transactions

Details of the principal subsidiary undertakings are shown in Note 11. In accordance with Financial Reporting Standard 8 - 'Related Party Disclosures' (FRS 8) transactions or balances between group entities that have been eliminated on consolidation are not reported.

34. Income and Expenditure Account

All income and expenditure is in respect of continuing activities. A separate statement of historical cost and income and expenditure has not been presented as there are no material differences.

35. Comparative Figures

Comparative figures have been reclassified where necessary on the same basis as those for the current year.

36. Approval of Accounts

The accounts were approved by the Directors on 18 February 2005.

ISO14001
Papers used in this report are produced in line with ISO14001.

Sustainable raw materials
The wood pulp used in the production of the papers used in this report is supplied from sustainably managed forests.

Chlorine free bleaching
Papers used in this report were produced using ECF (elemental chlorine free) processes, which avoid the discharge of harmful chlorine emissions to the environment.

Recyclable
This report is fully recyclable and biodegradable.

EBS
BUILDING SOCIETY

The EBS Building, 2 Burlington Road, Dublin 4.
Tel: 1850 654 321 Fax: (01) 665 8118
e-mail: info@ebs.ie www.ebs.ie