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EBS Annual Report and Accounts 2008

Contents

Chairman's Review

Mark Moran
Chairman

Overview

In 2008, EBS, like all Irish and international financial institutions, experienced extreme turmoil in its markets. The global economic slowdown and the downturn in financial and property markets had an adverse effect on EBS' 2008 results and will also affect the outlook for 2009.

Although EBS' core businesses of savings and homeloans increased market share and performed satisfactorily in the difficult environment of 2008, the overall financial outcome for the Society proved very disappointing. This was primarily due to exceptional impairment provisions required for the Development Finance loan book, reflecting the steep declines in market prices for such property. The Society's decision in 2005 to increase its Development Finance book in a limited way was a response to competition from new entrants in the mortgage market and reflected the Society's desire to generate additional returns for investment in our core Member Business. It has proven to be a costly mistake, for which the Board and management apologise to Members.

I acknowledge the disappointment that Members and employees feel with the 2008 financial results. As a mutual, the Board recognises its responsibility to Members and the need to demonstrate appropriate accountability. Accordingly, having spent two years as Chairman, I will step down from the Board at the upcoming AGM. Alan Merriman, Finance Director, has also stepped down from his executive position. I believe these actions will allow the Society to focus on rebuilding for the future.

Member Engagement

As a Mutual Building Society, EBS is owned by you, the Members. Throughout 2008, the Society set out to improve its engagement with Members. This was accomplished through a wide range of engagement initiatives, including:

- The staging of nine Member Evenings around the country from September through November, at which Members were invited to meet and to put questions to me and to Fergus Murphy, the Group Chief Executive;
- A Members' magazine, entitled 'Yes', was issued twice in 2008 to over a quarter of a million Members;
- A survey was conducted in September 2008 which provided the Society with the opinions of over 21,000 Members on a wide range of EBS issues;
- The launch of the 'Ask the CEO' facility on the EBS website, where Members can pose questions at any time directly to the Group Chief Executive, and,
- The completion of the first full year of the EBS Members' Forum, chaired by Liam Mulvihill, at which 24 Members engaged with senior management and the Board on EBS products, services and business plans.

From my perspective, it was heartening to see the positive response of the EBS membership to these initiatives, and in particular, to hear that 87% of Members are very pleased with their local EBS office.

I am confident that this enhanced engagement with our Members leaves the Society even better placed to meet your needs and to provide you with excellent value and service.

Financial Markets and Business Performance

The turbulence in global markets was particularly acute in the fourth quarter of 2008, which saw falling stock markets, stressed credit markets, rapidly decelerating economic activity, increasing unemployment and deteriorating government finances. In recent months we have seen, on a global scale, unprecedented government intervention in both financial markets and the banking industry.

These developments have extended very rapidly across the globe. Ireland, as one of the most open economies in the world, has suffered not just as a result of international turbulence, but also as a result of local problems. Despite successes on a number of fronts, the overall financial performance of the Society in 2008 was very disappointing. The core businesses of savings and homeloans performed robustly in these difficult markets with the organisation achieving 16% market share of net new deposits and 14.3% of retail mortgage advances. However, this performance was more than offset by the poor performance of our Development Finance loan book. The Society stopped new lending for development in April 2008.

Government Support for Banks and Building Societies

On 29 September 2008 the Government announced the introduction of a Guarantee Scheme for Irish banks and building societies, including EBS. The objective of the Guarantee Scheme is to maintain financial stability for the benefit of depositors and businesses in the best interests of the Irish economy. The Guarantee Scheme was introduced in response to severe turmoil in the international financial markets.

EBS participates in the Guarantee Scheme and continues to work constructively with Government and its agencies to achieve the objectives of the Scheme and to protect the interests of the Society's Members.

Board of Directors

Under the terms of the Guarantee Scheme, Ann Riordan and Anthony Spollen joined the EBS Board of Directors with effect from 1 January 2009. The Board welcomes their arrival and looks forward to their continued contribution.

At last year's Annual General Meeting, the Society's membership elected five Directors (Emer Finnan, Pat McCann, Liam Mulvihill, Jim Ruane, and Philip Williamson) to the Board for the first time. The membership also re-elected Ethna Tinney to the Board for her third term.

These elections, together with the appointment of Fergus Murphy as Group Chief Executive early in 2008, are the culmination of the Board rebuilding process which commenced in 2007. Fergus has had an eventful first year at EBS and his leadership and experience have already proven valuable to the Society.

Our Community and Employees

In 2008, EBS continued to invest in local communities. With the help of EBS Members, the new EBS Community Fund donated to over 154 causes and charitable organisations around Ireland. EBS continued to work with the National Adult Literacy Agency and the Simon Communities of Ireland raising further awareness around the issues of financial literacy and homelessness. For every vote returned for last year's Annual General Meeting, EBS made a donation to the Simon Community. Last year this raised almost €10,000 to help Simon to continue its valuable work. This year, EBS will contribute €1 for every vote returned, so I would encourage you to vote again this time around.

The essence of EBS is its people. This was once again borne out in 2008 by the feedback received from Members on how they value their relationship with the EBS employees with whom they interact. On your behalf, I would like to thank the management and employees of EBS for their continued commitment. The Society also values the contribution of our agents, their workforce, and our other partners who deliver quality products and services to our Members.

Outlook

The financial services industry in Ireland and elsewhere is undergoing enormous change in response to turmoil in international and local markets. The introduction of the Government Guarantee Scheme in September 2008 and the subsequent nationalisation and recapitalisation of Irish banks reflects the scale of the challenges facing the industry. These unprecedented actions will continue to affect the future of the Irish banking industry, including EBS, for some time.

I can assure you that in these challenging times, your Board remains vigilant and will continue to robustly protect the interests of Members.

Finally, I would like to thank you, the Members, for your support throughout 2008.

Mark Moran

Mark Moran
Chairman
9 March 2009

Group Chief Executive's Review

Fergus Murphy
Group Chief Executive

Overview

As I look back on my first twelve months as Group Chief Executive of the Society, I can say it has been a very challenging year for both me and the team at EBS. We grappled with the many new developments facing our organisation against a backdrop of global economic recession, unprecedented disturbance in international credit markets and all that these factors brought to bear on Ireland's economy, Irish financial services in general and in particular, EBS and our financial results for 2008.

Without doubt, in time we will look back on 2008 as the year when everything changed with dramatic consequences for Ireland as a whole. The economy was impacted by the fall-out arising from a prolonged crisis in international credit markets. These conditions began in August 2007 with concerns relating to the US sub-prime mortgage market. This rapidly escalated to a wider liquidity crisis which made it much more difficult for all banks and building societies to obtain funding in the wholesale markets. Wholesale credit market conditions became and remain extremely tight.

The Irish economy entered recession for the first time in 25 years on the back of developments globally and a marked decline in construction and building locally. While the slowdown in the housing sector was evident in the second half of 2007, this accelerated in 2008 alongside a sharp slowdown in virtually every other sector of the economy. Economists will argue for decades to come as to whether Ireland would have had a soft, medium or hard landing after fifteen years of unparalleled growth and wealth generation, but the global crisis has ensured that Ireland, as one of the most open economies in the world, has been severely tested by the global slowdown. The Irish economy was also burdened with a rising exchange rate and increases in interest rates for much of the year which, together with sharp rises in commodity prices, pushed inflation higher and squeezed incomes. All of these factors contributed to a very difficult economic environment with rising unemployment, falling house prices and a loss of confidence.

Conditions were exacerbated after the failure of the American investment bank Lehman Brothers last September. In the immediate aftermath, there was a widespread collapse of confidence in the banking systems of the industrialised world which led to an unprecedented and synchronised downturn in business and consumer confidence. Global equity prices fell more in the month following the collapse of Lehman Brothers than in any but a handful of months in the last century.

While Governments and Central Banks around the world responded decisively with large fiscal injections, cuts in interest rates and the provision of hundreds of billions in capital and funding to support the banking system, the international credit markets remain very fragile.

Like dozens of other Governments around the world, the Irish Government responded, initially by increasing the deposit guarantee to €100,000 per person per institution and subsequently by introducing a Bank Guarantee Scheme, a bank recapitalisation scheme and more latterly by nationalising one of the main Irish banks. The Irish Government continues to work to bring about stability in the banking system in Ireland, as an effective banking system is critical to underpin the prospects of a return to growth in Ireland's economy in 2010/2011.

While 2008 was undoubtedly a period of unprecedented market uncertainty and turmoil, I am pleased to report our core business, based on traditional building society values, performed very well. Regrettably, difficulties in other parts of our business have resulted in an overall picture for the Group which is very disappointing, but should, I hope, represent the low point in the cycle.

EBS comprises our core Member Business and what we call our Investment Businesses. Our Member Business consists primarily of deposit taking and secured mortgage lending activities typical of a traditional building society – it's the part of the business that serves our 440,000 Members. As a mutual, our Member Business is **not** run to maximise profits – instead it generates the profits needed to maintain our financial strength and to invest further in our core Member Business.

Our Investment Businesses comprise a portfolio of businesses in which EBS has invested Members' capital over a number of years. These businesses include EBS Commercial and the Society's wholly-owned subsidiary Haven Mortgages Limited. The purpose of Investment Businesses is to provide income diversification and to generate long-term profitability for re-investment back into our core Membership Business.

Member Business

Business Performance

Our Member Business delivered a very solid performance in a difficult market and proved that the building society model is resilient in a time of market turbulence, providing both security and good value to Members. Some key highlights included:

- 14.3% share of retail mortgage advances
- 40% share of retail first-time buyer mortgages
- Market leader in mortgages for Affordable Housing
- 16% share of net new deposits in Ireland
- Over 3,000 children's savings account opened

Our Member Business continued to consistently provide attractive interest rates, excellent service and innovative products throughout 2008, which taken together displayed EBS' relevance as a committed Irish financial services organisation.

Our competitiveness and customer service continue to be key priorities for the business and is consistent with our strategy to deliver long-term value to Members.

During 2008, we provided 12,500 new mortgages to Members with a value of €1.65bn. Helping Members to buy their own homes is a core function of our Member Business and I am delighted to report that four in ten first-time buyers who bought a mortgage directly from a high street bank or building society in 2008, chose EBS. Equally important, EBS continues to be the market leader for Affordable Housing. We continue to proactively support this important initiative and recently announced a further fund of €150m for Affordable Housing in 2009.

Overall, our Member Business performed very well in the mortgage market last year and the Society's share of new residential mortgage advances increased to 14.3%.

On the savings side of our business, I was particularly pleased that Members increased their savings balances with the Society by in excess of €750m or some 16% of all new inflows in the market. This was a fantastic result by any standard but was all the more pleasing given the intense competition for savings.

Our competitive range of fixed rate term deposits proved particularly attractive while our newly-introduced Children's Savings Accounts had a very successful start with over 3,000 accounts opened between August and December 2008. Earlier this year, we successfully launched our unique Family Savings Account which is already proving to be very popular amongst Members.

In terms of other products, our insurance protection business continued to perform well, however, equity based product sales fell against a backdrop of market volatility. Credit card sales remain robust with 3,000 new cards issuing to Members in 2008.

In assessing our performance, a key measure for us is what our Members themselves think about the products and services we provide to them. I am pleased to record that our 2008 Member Satisfaction survey shows that:

- 72% of Members believe EBS offers good value and, encouragingly;
- 81% of Members value their relationship with EBS.

In the round, our Member Business performed very well in 2008 and I would like to thank Members for their continued support and their business.

Member Engagement

One of my key priorities in my first year with EBS was to improve the level of engagement we have with our Members. This is a critical part of the Member Business philosophy. The Chairman mentioned a number of initiatives, but there are a few I would like to focus on here.

Our Members' Forum met on five occasions and there was interaction between meetings with participants on specific areas. I have found the Forum to be very beneficial as it enables real dialogue on areas of interest and importance to the whole membership. I am very grateful to those Members who willingly give up their time to help improve the Society's understanding of what is important to Members. More Members have joined the Forum in 2009 and I welcome them on board to what I believe is a very important area of interaction between Members and the Society.

In September, we launched the "Ask the CEO" portal on our website. So far, over 300 Members have availed of this service and I would encourage all Members to put forward their questions. For my part, I am committed to responding to every question put to me as quickly and as fully as possible.

In 2008 we asked you, our Members, to play an even greater role within EBS by becoming part of our communications as we launched our nationwide photography challenge – 'what's family to you?'. EBS is about having financial products for everyone in the family and at each stage of the family's development. Through our Members' photography challenge in 2008, over 3000 images were submitted which will form part of our communications in 2009 and beyond. Congratulations to those who participated and I look forward to seeing real EBS Members on all our communications going forward, something which is truly different in this market place.

And finally, over 21,000 Members completed our Member Survey in September. Feedback is critical to every organisation and I want to sincerely thank those Members who participated in the survey.

Group Chief Executive's Review

Investment Businesses

In truth the performance of our Investment Businesses was very mixed with particular problems arising in our Commercial Business.

EBS Commercial

EBS Commercial has a lending book of €2.3bn comprising commercial Term-Debt, professional Buy-To-Let portfolios and Development Finance. The latter amounts to approximately €500m representing 3% of our total lending assets.

As mentioned at the outset, the housing market has been severely negatively impacted in the last eighteen months and this has had large ramifications for Development Finance with 2008 being one of the quietest years in terms of transactional activity due to a complete lack of confidence and falling values.

During 2008, residential values fell, rental values softened considerably and yields increased substantially, thus reducing gross development values overall. This in turn directly affected site values which are down by between 20% and in some cases more than 50% over the last year depending on use and location. Even at substantially reduced levels, unfortunately, there are limited purchasers.

This worsening position is further compounded where sites were acquired around the height of the market in June 2006 and into 2007. This was when construction activity was delivering approximately 24.5% of Gross National Product and employing approximately 13.4% of the Labour Force.

Regrettably, EBS Commercial has found itself wrong-footed by the sharp market correction that has taken place over the past year and in particular the latter part of 2008. While new commercial lending ceased in April 2008, problems started to emerge in respect of business written in the period 2005-2007.

Given the continued deterioration in the economy and housing market, the Group is realistically providing for future losses in its 2008 accounts and expects to make further provisions in the current year.

In hindsight, I and the Board, acknowledge that EBS Commercial's entry into the Development Finance market was a costly mistake for which EBS, like many of our competitors, is making significant provisions. Our commercial business remains closed to new business and is solely focussed on credit management with a view to minimising future losses.

Haven Mortgages Limited

Haven Mortgages Limited opened for business on 17th December 2007. Haven focuses exclusively on the Mortgage Intermediary market which until recently accounted for 50% of all new mortgages in Ireland.

Haven got off to a good start with high market acceptance. I was particularly pleased to see Haven voted 2nd for Service in the Independent Mortgage Advisors' Federation Annual Service Awards. This is testament to the ability of Haven to focus on the mortgage intermediary market coupled with the commitment of its employees and was a great result within its first year of business.

Given the ongoing difficulties in the credit market, we have adopted a controlled and prudent approach to future growth. While Haven continues to write quality business today, volumes are being managed so as not to create pressure on the Group's balance sheet.

EBS Mortgage Finance

EBS Mortgage Finance, our covered bond subsidiary, was launched in December 2008.

The strategic rationale for establishing this subsidiary of the Society is very compelling. In summary, it will give EBS greater access to and diversification of longer term funding and crucially, more attractive pricing.

EBS Mortgage Finance issued its first covered bond of €1.5bn in December and Moody's assigned it a long-term AAA rating.

Group Financial Results

2008 was a very difficult year financially for EBS, resulting in the first reported loss in our history. Increased funding costs caused our income to reduce to levels similar to 2006. This was compounded by the unprecedented impairment losses, primarily resulting from our exposure to Development Finance loans.

Key results include:

- Income before impairment losses and taxation down 16% to €71.8m;
- Total impairment losses of €110m, including €69m for Development Finance loans with a €26m charge against the rest of the loan book and a €15m charge for an exposure to an Icelandic bank;
- Operating loss after tax of €37.8m;
- Non interest income and other operating income down 15% to €17.2m as a result of weak investment sales in very volatile equity markets;
- Costs down 7% to €100.5m with tighter spending control in place, and bonuses foregone;
- Costs-to-mean-assets-ratio down from 0.56% to 0.49%;
- €2.8bn in gross new lending, €2.6bn of which was residential lending across the Group, €1.65bn of which was Member lending;
- €750m of net new retail savings, representing 16% of market share;
- Over 10,000 new regular savings customers;
- Loans to deposit ratio of 167%;
- Core Tier 1 capital ratio of 5.5%, Tier 1 capital ratio 7.9%;
- Asset quality of residential book weakened but still satisfactory, with Home lending arrears over 3 months 2.5% at end of December 2008.

Employee and Network Engagement

In my career I have worked in a number of organisations and in many parts of the world. One year in, I can honestly say that I am impressed by the quality of people working in EBS and throughout our network. Our people are central to our ambition to deliver a quality service to our Members.

During the year, we participated in the 'Great Place to Work' survey and I am pleased to report a 9 point increase in our employee satisfaction score. There are still things that we need to work on. The current environment, however, is taking its toll on all employees in financial services, including EBS. We will continue to work through the market turmoil to ensure we are fit for purpose when markets start to recover. This is a challenging time for our people and I want to acknowledge their commitment and hard work.

Our people in the EBS network of offices meet with Members day-in day-out with whom they have fantastic relationships. I have visited most of our 100 offices across the country and have witnessed their commitment first hand. Most importantly, our recent survey confirms that, you, our Members believe they provide a good service.

Community Involvement

In 2008, EBS continued its commitment to community involvement in Ireland. Through our partnerships with the Simon Communities of Ireland and the National Adult Literacy Agency we continued to raise awareness around the issues of homelessness and literacy. We supported the Simon Community in their first ever week-long national event 'Simon Week – seven days of action on homelessness' which was a huge success for the organisation in raising awareness around the issue. Together with the National Adult Literacy Agency (NALA) we hosted the ACE awards which this year saw research grants being provided locally to projects and those tackling the issue of literacy at a grass roots level. Our own employees contributed by travelling to Thailand to build homes with Habitat for Humanity and we launched the new EBS Community Fund which, working with our Members, has supported 154 local causes, charities and organisations around Ireland to help them realise their goals. Sincere thanks to all the children, teachers and national schools around Ireland who participated in our annual INTO Handwriting competition which again this year generated in excess of 100,000 entries from all over the country.

Outlook

Without doubt, 2009 will be an another challenging year for financial services across the globe with Governments and Central Banks continuing to take steps to stabilise the banking system.

In Ireland, the Government recapitalisation plan will shortly see an injection of capital into our two biggest banks. The Government has already taken our third biggest bank into state ownership. Discussions are in hand with the remaining three Irish financial institutions, including EBS. The optimal solution could involve capital injections, funding support, or indeed, in-market consolidation.

These discussions are taking place against a backdrop of broader economic challenges in the Irish economy with the Government actively trying to agree on a recovery plan with the social partners.

In the short-term, however, Ireland's economic outlook remains weak with unemployment set to increase to approximately 14% or more. The outlook for the housing market is also weak with house completions likely to fall to below 25,000 in 2009. House prices are also likely to be down a further 10% by year end. As a consequence, the mortgage market could fall to approximately €16bn, down from approximately €23bn in 2008 and from the market high of €39bn in 2006. Overall Ireland is going through the second worst downturn in the developed world in the last 40 years, and our economy will contract by about 10% between 2008-2010. It will probably be 2013 before our economy gets back to the size it was in 2007, before the crisis began. However, all is not lost, and Ireland's favourable demographics and well-educated English-speaking workforce will continue to provide us with a significant competitive advantage over the next 20 years as continental Europe ages at a worrying rate. If Ireland can control and reduce its cost base and continue to pursue policies which will attract enterprise and skilled workers we can resume a very respectable average growth rate in the period 2012-2015 of between 3.5% and 4% per annum.

Coming back to the present, the current recession has significant implications for our business and we have already taken steps to recalibrate cost structures to reflect this new reality. This process will be ongoing.

Looking to the year ahead, Member savings, access to funding and increasing capital levels to meet new international hurdles, as opposed to regulatory hurdles, are key priorities for me and the management team. I am fully committed to working through the current market difficulties and to delivering the optimal outcome for our Members.

Again, I want to thank you all for your business in 2008. It was a difficult year for EBS, however, I am confident that our core Member Business is robust and will continue to prosper, with your support, in the future.

Fergus Murphy
Group Chief Executive

Financial Review

Alan Merriman
Finance Director

Overall results

As indicated in the Chairman's and Group Chief Executive's Reviews, the performance of the Society in 2008 was very mixed. Financially it was very poor with the Society reporting, as a result of our Development Finance book, a loss of €37.8m after impairment charges of €110m. However, we believe that by facing up to this loan loss position now, the Society is better placed to accelerate needed change and move forward more decisively. Operationally, our core Member Business, which is concentrated on residential mortgages and retail savings, performed resiliently in this difficult market reaching a market share of 14.3% in mortgages and 16% in savings in the retail financial services market. The Society continues to be the market leader in providing loans to first time buyers and applicants of the Government Affordable Housing Scheme.

Operating profit of €71.8m

Operating profit before impairment charges and taxation of €71.8m was ahead of the budget set by the Board.

This result, whilst down 16% on the previous year, was considered satisfactory by the Board taking into consideration reduced mortgage and other product sales as expected in a much quieter market, increased funding costs to EBS – which the Society absorbed for as long as it reasonably could before passing these onto Members and borrowers in the second half of 2008 – and overall reduced costs, with bonuses foregone across the organisation given the overall financial performance.

The main cause for the reported loss of €37.8m relates to:

» Loan loss charges[1] of €95m to provide against bad debts – €69m of which relates to our Development Finance book of approximately €500m; and

» €15m of an impairment charge to provide against a medium term loan made in 2004 to a then A1 rated Icelandic bank which was nationalised by the Icelandic Government in late 2008.

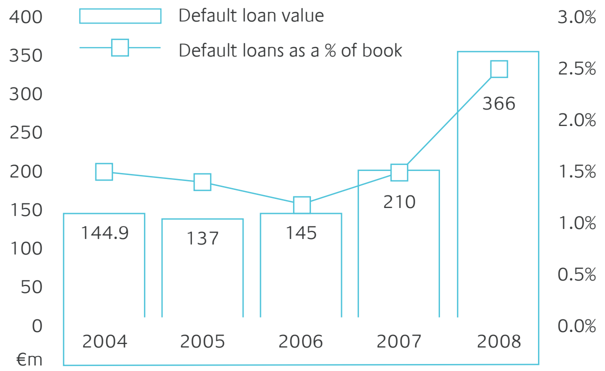
A more detailed explanation of each of these is provided below.

Abnormally high loan loss charges

This time last year we felt that the quality of our lending was very solid with 89% of our business in residential lending, another 8% in relatively low risk commercial lending, and less than 3% of business in higher risk Development Finance. We also felt that whilst the market looked increasingly difficult, the profile and asset quality of our Development Finance book was satisfactory with less than 2.4% of this book in default. We did not nor could not have expected at that time the depth or the speed of the unprecedented global and local economic downturn to follow, which has been particularly evident since Summer time of 2008. We did cease new commercial lending in April 2008, however, by that stage we had a commercial book of €2.4bn built up over the previous 16 years, of which approximately €500m related to Development Finance.

Locally this changed environment has led to the need for Anglo Irish Bank to be nationalised, other much bigger banks recapitalised and, with confidence very low at present, unemployment continues to rise and loan defaults are up markedly.

[1] These are provisions and not cash losses at this point in time.



LOANS IN DEFAULT – 3 MTH + PAYMENTS IN ARREARS

We have seen unemployment in Ireland going from 4.6% at the start of 2008 to over 10.4% now. Over the same period, ECB interest rates have come down from 4.25% to 1.5% to ease pressures and are expected to go lower, and within EBS our home lending arrears greater than three months reached 2.5% at the end of December, up from 1.54% a year earlier.

Globally and especially in Ireland, the economic outlook is very challenging and the quality of our loan book has undoubtedly been negatively impacted. Against this background, we have increased our loan loss provisions very materially to cover bad loans.

In assessing our book, the main concern relates to our €500m of Development Finance lending and €69m of the impairment charge relates to this book. EBS entered into the Development Finance market in 2001 but stepped this up significantly in the period 2005 to 2007 in order to generate higher returns to allow us keep our mortgage and saving rates competitive and to help preserve an independent Mutual in Ireland. We acknowledge that mistakes have been made within EBS and this is very much regretted as explained by the Chairman in his Review.

Today the Development Finance book comprises approximately 70 customers and has been extensively reviewed and assessed by us and independently by others on a number of occasions throughout the second half of 2008 as the market rapidly deteriorated. Whilst uncertainties remain, we believe that the loan loss charge being booked is appropriate at this time. This charge incorporates a near 14% provision against our Development Finance book in 2008 and, together with estimated future charges in 2009, means that the Society will most likely provide for 20%+ of our exposure to developers over a two year period – equating approximately to 45% of a write down against the value of the original purchase price paid by these developers.

The rest of the total charge amounts to some €26m and relates to the remainder of our loan book of €16.4bn, which is well diversified across industries and across the country. Factors such as the lower interest rate environment outlook and the Society having insured against property value reductions on our higher homeloan and buy-to-let lending are supportive of our view that loan losses will be contained on this, our core book. The provision charged for 2008 covering our retail residential lending portfolio, at 7bps, is broadly similar to the levels being guided by the larger plc banks.

Whilst the ultimate amount of loan loss incurred through this cycle is impossible to estimate at this stage with any certainty, in the opinion of the Directors the provisions included in the year end accounts are a realistic estimate of incurred losses at this point. In particular, the provision booked reflects the Board’s working assumption that market recovery will be slow to gather real momentum – being most likely early to mid 2011 before this is visibly evident both in terms of house prices picking up and employment rising again. In the interim, our priority focus is on facing up to the credit challenges and supporting borrowers as appropriate.

Icelandic banking exposure

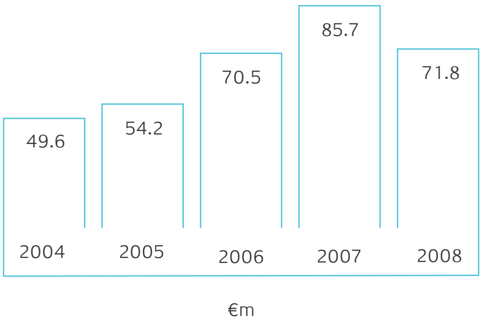
As part of the workings of the banking system, banks lend to each other using a number of different types of instruments – certificates of deposit, bonds, deposits, etc. to facilitate liquidity management and funding, with the durations of these instruments ranging from overnight deposits to even 10, 20 or 30 year instruments.

EBS had approximately €4bn in balances of such assets at the end of 2008. One such exposure related to an Icelandic bank, Kaupthing. This exposure was transacted in 2004 when Kaupthing was strongly rated as an A1 bank and the Icelandic Government was AAA rated, and the note was due to mature in 2010.

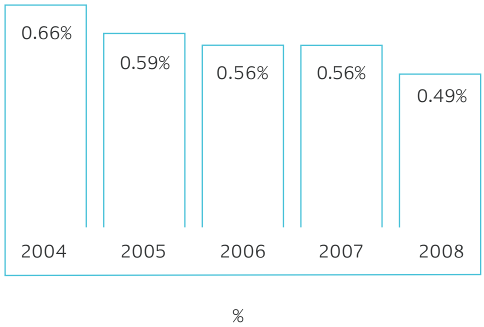
Against the backdrop of the global credit crunch, Kaupthing was nationalised by the Icelandic Government in September 2008. The manner in which this nationalisation was brought about means that it is very unlikely EBS will recover its monies in full and as a consequence a €15m provision against a €16m exposure has been made in the 2008 accounts.

The rest of our banking portfolio is considered to be resilient and no provision is deemed necessary.

Financial Review



INCOME BEFORE IMPAIRMENT LOSSES & TAXATION



COST TO MEAN TOTAL ASSETS RATIO

Income before impairment and taxation down 16%

Income before impairment losses and taxation was €71.8m this year compared to €85.7m in 2007, down 16% year on year. This reduced performance was primarily impacted by total income down 11% year on year as margins contracted due to higher funding costs and new advances were down approximately 22%, whilst total operating costs were down 7% leading to negative jaws[1] of 4%.

Income down 11%

Net interest income fell by €18.5m or approximately 11%. Higher funding costs impacted by the liquidity crisis exceeded income growth from balance sheet growth. Funding was a key challenge throughout the year, and especially so in the second half. Overall our net interest margin fell from 88bps to 77bps.

Other income decreased by €3.0m or 15% to €17.2m with investment sales particularly weak reflecting Member caution against a very volatile equity market backdrop.

Costs reduced by 7%

Total operating costs were down 7% on 2007 or above 10% in real terms when adjusted for inflation. However, the income decline of 11% well exceeded cost savings and as a result our cost-to-income ratio deteriorated to 58.3% from 55.8%. In contrast, the cost-to-mean-total-assets ratio, one of the principal efficiency comparators for a building society, improved to 0.49% from 0.56%. No executive or manager bonuses were awarded for 2008 given the overall financial outcome. Redundancy costs amounted to €4.4m in 2008, compared to €5.3m in 2007.

Cost adjustment is a high priority and further cost reduction is needed in 2009 to support a sustainable business model. As an immediate target, we plan to ensure that ongoing running costs are reduced by a further €5m compared to 2008.

Asset quality – weakened but satisfactory as environment changes dramatically

The quality of both our residential and commercial lending books has weakened as a result of recent market and economic developments and acutely so over the second half year. Nevertheless, with the exception of our €500m of Development Finance exposure, the book as a whole continues to hold up reasonably well. Detailed loan performance information is provided in Note 31.

We expect the credit environment to continue to deteriorate as unemployment increases and property remains weak, however low interest rates will help alleviate some pressures as customers adjust to a new, more challenging environment and the Society continues to insure all its high loan-to-value residential loans.

Funding – successfully managed in FY 08

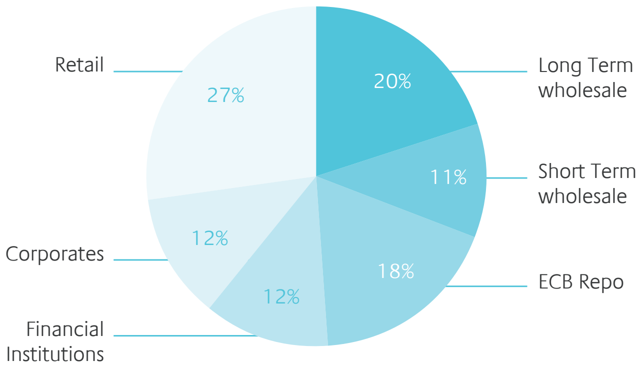
Funding has been very challenging this year and more than expected as a consequence of the failure of Lehman Brothers and contraction in lending between banks.

As a response to the ensuing liquidity crisis and material difficulties for some other institutions, the Irish Government introduced legislation to guarantee the liabilities of seven named institutions until 29 September 2010. EBS is one of these institutions. This initiative, which was very welcome, helped restore stability and customer confidence in the banks and building societies.

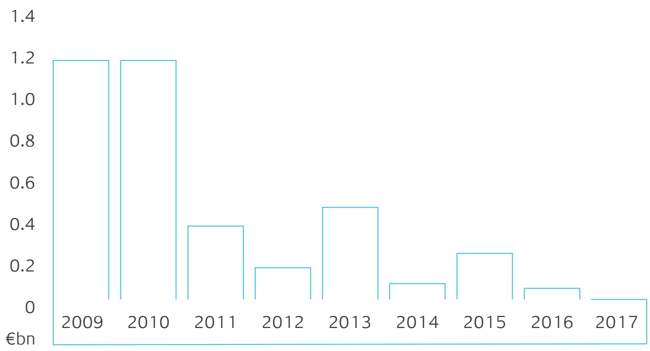
Despite the difficult environment, the Society's funding continues to be satisfactory. Customer accounts make up 50% of total funding at year-end in a very challenging and competitive environment and our balances are up year on year. In particular, our retail funding flows have been very strong, up over 15% in the year. Corporate deposits fell over the course of the year as some overseas investors such as UK local authorities withdrew money in response to the global banking crisis and some concerns relating to the Irish economy. An analysis of our customer funding is set out in Note 20.

[1] Negative jaws means income fell more than costs were reduced, which negatively impacts profitability

Equally, we have been able to access both ECB and third party funding by using our liquid asset portfolio and residential mortgages as collateral and we have successfully put in place a number of initiatives to ensure we have ample collateral to continue to be confident about accessing sufficient funding going forward. Note 19 provides some additional information in this regard.



EBS FUNDING PROFILE 31 DECEMBER 2008



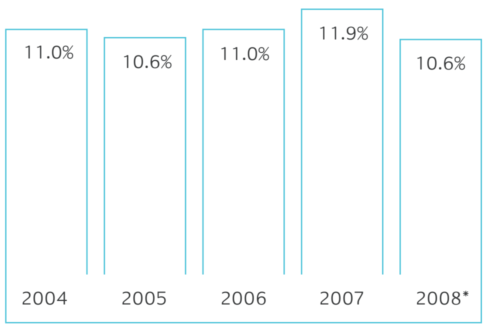
LONG TERM FUNDING MATURITY PROFILE (€BN)

Liquidity

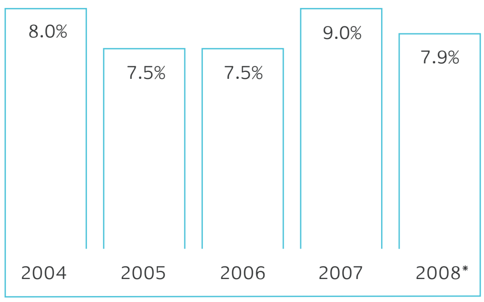
Our liquidity position is strong and well in excess of regulatory levels. In addition, through our new subsidiary, EBS Mortgage Finance, we have created the capability of issuing covered bonds and, if necessary, can use these to access additional funding.

Satisfactory capital position

At the end of December 2008 the total capital ratio was 10.6% and the Tier 1 ratio was 7.9%. Our core Tier 1 ratio was 5.5%. These Pillar 1 levels are well in excess of regulatory requirements.



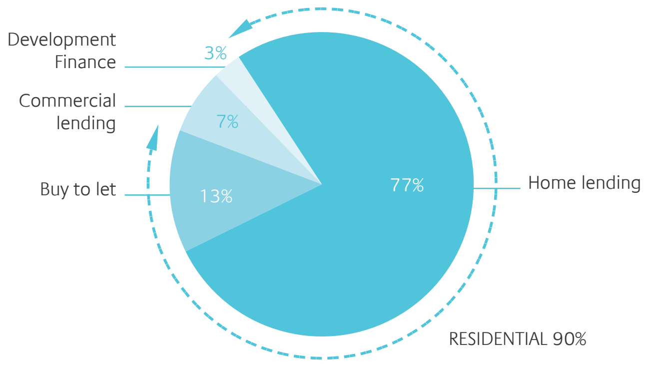
TOTAL CAPITAL RATIO



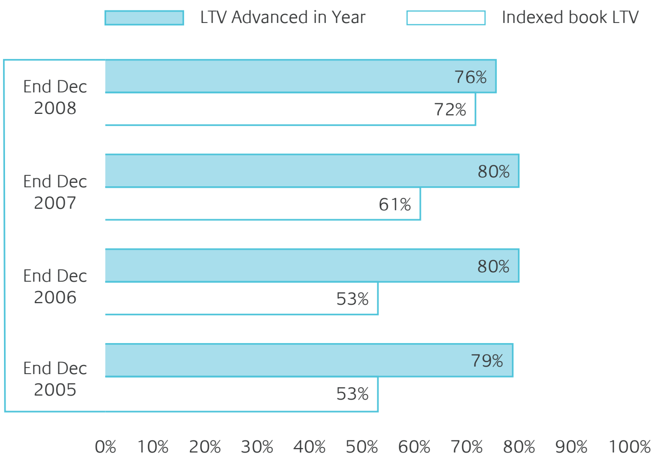
*Excludes interim capital requirement

TIER 1 CAPITAL RATIO

Financial Review



LOAN PORTFOLIO – DECEMBER 2008



ASSET QUALITY – RESIDENTIAL LENDING

Financial Results Review

Residential mortgages

In a challenging property market, our new residential lending amounted to approximately €2.6bn. This was down approximately 15% on 2007, which in turn was down 22% on the previous record year. The size of the market reflected a sharp reduction in house completions and a loss of consumer confidence and, as a result, gross lending in the market was down 32% in 2008 to €23bn. On a positive note, we increased our overall retail market share to approximately 14.3% throughout the year (16.5% in the fourth quarter), which emphasises the importance of EBS to the mortgage market and the first time buyers segment in particular. Our net lending of €1.1bn was higher than that of 2007 (€0.9bn) as redemptions slowed.

The profile of our lending continues to be weighted towards first time buyers, reflecting our strong franchise in this segment and our cultural bias towards helping Members get on the property ladder. We continued to maintain our leadership position in providing loans to Members for affordable housing. We also continued, for risk policy reasons, to be underweight in the buy-to-let market sector.

Following a period of interest rate reductions, and the removal from the market of tracker products, our product profile is shifting again towards standard variable rates. For the year as a whole 31% of new business was fixed rate, with 28% of Members selecting a tracker mortgage and 41% choosing a standard variable rate. All lending was stress tested for affordability against possible interest rate increases. With ECB now at 1.5%, affordability levels have improved measurably.

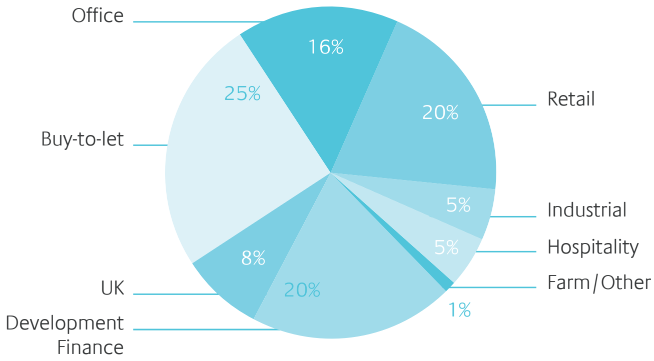
Our weighted average LTV for new business advanced in 2008 was 76% (2007: 80%). The indexed LTV of our residential book at year end was 72% up from 61% compared to the previous year, reflecting continued housing price reductions throughout 2008. Arrears levels continued to deteriorate (see Note 31) over the year albeit asset quality is satisfactory with affordability improving and insurance in place on higher loan to value lending.

Savings & Funding

Overall, customer funding is up year on year. We were very successful in attracting new retail funds during the year. Our performance on the retail side was good in a very competitive environment for retail savings with EBS securing approximately 16% of net retail savings flows over the year.

Our funding profile at year end reflects that over 50% of our funding comes from customers. We have a regulatory requirement to have at least 30% of our funding sourced from Members and at 39% (2007: 43%), we are well placed in this regard.

As our Balance Sheet continues to grow, like all of the Irish financial lenders, we are increasingly utilising wholesale funds. We successfully put in place a covered bond programme during the year and will look to tap the markets in this regard when conditions improve. We have also yet to publicly raise additional term funding under the new Government Guarantee Scheme, having agreed with the National Treasury Management Agency that we would await the other institutions doing so first and at this stage are next in line to do so.



COMMERCIAL LENDING PORTFOLIO BY SEGMENT

Commercial Lending

Commercial property gross lending (which includes buy-to-let property lending greater than €3.0m) was approximately €280m, down from €715m in 2007 and a high of €930m in 2006. This reduction in lending reflects our decision in April 2008 to stop new commercial lending. Our commercial lending book is approximately €2.3bn, marginally lower than last year. Given current market conditions and our experience with Development Finance, our strategy is to reduce the risk on this book over the foreseeable future.

Our commercial business teams have been redeployed into credit portfolio management since Q3 2008 and our credit recovery teams have been increased significantly to prioritise credit management. We have a new head of commercial credit management who was recruited externally and is leading our overall credit portfolio management. Despite market difficulties, we continue to be satisfied with the profile and asset quality of our buy-to-let and commercial investment books – albeit the level of equity remaining in these is now tighter than we would prefer.

Risk Review

Risk Management

A comprehensive overview of risk management governance in EBS is set out in the Directors' Report and a detailed note on risk management processes is set out in Note 31.

Financial Outlook

The current environment and immediate outlook suggests a very challenging year ahead financially for the Society. The Irish economy, a depressed property market, a very competitive retail savings environment, difficult wholesale market conditions and a recessionary global economy means that this is a period of substantial adjustment for the country as a whole and for EBS, with a need for continued strong balance sheet and prudent management.

In particular, the global credit crunch and recessionary environment have deepened over the last year and accessing funding for customers and banks alike continues to be a challenge.

In the medium term, as the global economy recovers, the prospects for the Irish economy and in turn the Society itself will improve. In the immediate term our operational focus will remain on financial stability and prudent management, very active credit management, exiting the Development Finance lending business, replenishing the Society's capital position, reducing our loan to deposit ratio, continuing to right size our cost base and supporting our Members. Our ability to deal appropriately with these issues is enabled in part by the Government Guarantee Scheme, which will allow the Society move progressively forward in a measured and orderly way.

Alan Merriman
Finance Director

Board of Directors

Jim Ruane, Ann Riordan, Fergus Murphy.

Cathal Magee, Ethna Tinney, Mark Moran, Tony Moroney.

JIM RUANE PhD, M.Agr.SC, B.Agr.SC, FIB
Non-Executive Director (Age 64)

Appointed Non-Executive Director in 2007. Jim has over 29 years experience in financial services. He began his working career as an economist and has held senior management positions in a number of financial and accounting services firms and manufacturing companies, including KPMG, Bank of Ireland Group and John Deere & Co. He was appointed by the Government to the Higher Education Authority in 2007.

Principal other directorships:
Royal Victoria Eye & Ear Hospital, nSpire Re Ltd., DIT Foundation, Scottish Re (Dublin) Ltd., Haven Mortgages Ltd.

ANN RIORDAN
Non-Executive Director (Age 61)

Appointed Non-Executive Director in 2009. Ann held senior executive roles in the I.T. sector in the UK and Ireland prior to setting up Microsoft Ireland in 1990. Having built the business and the brand successfully in Ireland she retired from Microsoft in 2001. She has served on the Information Society Steering Committee and the Irish Council for Science, Technology & Innovation. She is currently Chairman of the Dublin Regional Tourism Authority and the National Standards Authority of Ireland. In recognition of Microsoft Ireland's achievements, Ann received the Bill Gates Award for top contributor in Europe in 1996.

Principal other directorships:
Council of the Institute of Directors in Ireland, Tourism Ireland Limited, FIT Ltd.

FERGUS MURPHY BSc (Mgmt), MA, DABS, AMCT
Group Chief Executive (Age 45)

Appointed Group Chief Executive in January 2008. Fergus is a career banker, having spent considerable time in wholesale and international banking. In 2007 he spent a short amount of time with Shelbourne Developments. Before this, he was Chief Executive of ACCBank plc, a company within the Rabobank Group. Fergus joined the Rabobank Group in 1993 and fulfilled a number of positions, including Head of Asia Region of Rabobank International and Managing Director of Rabobank's wholesale bank in Ireland. Fergus commenced his career in Irish Intercontinental Bank and spent five years with Banque Nationale de Paris (BNP) as a derivatives trader. He is past Chairman of the Federation of International Banks in Ireland (FIBI).

Principal other directorships:
Haven Mortgages Ltd., EBS Mortgage Finance.

CATHAL MAGEE BA (Mgt), MSc
Non-Executive Director (Age 55)

Appointed Non-Executive Director in 2002. Cathal is currently acting Group Chief Executive of eircom. Prior to joining eircom, Cathal worked for the National Australia Banking Group in the United Kingdom and Ireland.

Principal other directorships:
eircom Ltd., Vhi Healthcare, Tetra Ireland Communications Ltd.

ETHNA TINNEY BA(Mod), LRAM
Non-Executive Director (Age 54)

Appointed Non-Executive Director in 2000 and again in 2008. Ethna is a producer with RTÉ 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.

Principal other directorships: None.

MARK MORAN BE, MBA
Non-Executive Chairman (Age 46)

Appointed Non-Executive Director in 2002 and Chairman in 2007. Mark is a former Chairman and Chief Executive of the Mater Private Hospital. Prior to joining the Mater Private Hospital, Mark worked for a number of international firms, including Smith Kline Corp., Millipore Corp. and Centocor Inc.

Principal other directorships:
Common Purpose (Ireland) Ltd., Irish Blood Transfusion Service.

TONY MORONEY MBA, FMII, FIB
Executive Director (Age 44)

Appointed Executive Director in 2005. Tony has 28 years experience in financial services. Before joining EBS, he was a senior executive with Bank of Ireland Group and an Executive Director of ICS Building Society. Tony was appointed Managing Director of Haven Mortgages Limited, a wholly owned subsidiary of EBS, in November 2007. Prior to that Tony had executive responsibility for the EBS Membership Business. Tony is Vice President, Ireland, for the European Mortgage Federation and a member of the Irish Mortgage Council of which he was Chair in 2006.

Principal other directorships: Haven Mortgages Ltd.

Alan Merriman, Barbara Patton, Philip Williamson.

Pat McCann, Emer Finnan, Anthony Spollen, Liam Mulvihill.

ALAN MERRIMAN BCOMM, FCA
Executive Director (Age 41)

Appointed Executive Director in 2005. Alan joined the Society in July 2005 from PricewaterhouseCoopers, where he was a partner. He has extensive experience in financial services having led PricewaterhouseCoopers Audit and Advisory Banking business and their Financial Services Regulatory Services practice. Alan has executive responsibility for finance, operations and I.T.

Principal other directorships:
Haven Mortgages Ltd., EBS Mortgage Finance

BARBARA PATTON MBS, FMII
Non-Executive and Senior Independent Director (Age 48)

Appointed Non-Executive Director in 2002. Barbara 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.

Principal other directorships:
Social Innovations Ireland, An Post National Lottery Company.

PHILIP WILLIAMSON, CBE BA (Econ) Hons, ACIB (FCIB), PMD, Hon Doctorate Business Admin
Non-Executive Vice-Chairman (Age 61)

Appointed Non-Executive Director in 2007, after retiring from the Board of the UK Building Society, Nationwide, the world's largest Building Society. Philip joined Nationwide in 1991 and went on to become Corporate Development Director, Marketing and Commercial Director and Retail Operations Director, before being appointed CEO in 2002. Prior to Nationwide he held a variety of senior executive roles at Lloyds Bank plc and was a Director of UK Land plc. Philip is currently Chairman of Investors in People (UK). He is a past President of the European Mortgage Federation and also held the position of Chairman of the UK Building Societies Association.

Principal other directorships: None

PAT MCCANN H.N.D Business Studies, FIHI
Non-Executive Director (Age 57)

Appointed Non-Executive Director in 2007. Pat was Chief Executive of Jurys Doyle Hotel Group plc until his retirement from that position in June 2006. He had worked for the Group since 1989 in various roles. He is Chief Executive of Maldron Hotels and is a Non-Executive Director on a number of other Boards.

Principal other directorships:
Maldron Hotels, Greencore Group plc, The Irish Heart Foundation.

EMER FINNAN BCOMM, FCA
Executive Director (Age 40)

Previously appointed Secretary to the Board in 2005 and appointed Executive Director in July 2007. Emer has over 19 years experience in financial services. Prior to joining EBS, Emer worked as a Director with NCB Corporate Finance with responsibility for financial services and advised on a large number of financial services transactions. Prior to that Emer worked with ABN Amro, Citibank and KPMG. Emer has executive responsibility for strategy and legal & regulatory compliance.

Principal other directorships:
RTÉ, Haven Mortgages Ltd.

ANTHONY SPOLLEN FCA
Non-Executive Director (Age 63)

Appointed Non-Executive Director in 2009. Anthony is former Financial Controller of Ireland's largest Merchant Bank (A.I.I.B.) and former Head of Internal Audit at Ireland's largest banking group, AIB. He is an Internal Audit Consultant and an advisor on Corporate Development and is the author of "Corporate Fraud, the danger from within" (Oak Tree Press). Anthony is a Director of Dublin Airport Authority and Chairman of its Audit Committee. He is a Director of Enterprise Ireland and a member of its Audit Committee. He is a member of the Audit Committee of the Property Registration Authority (previously known as the Land Registry).

Principal other directorships:
Dublin Airport Authority, Enterprise Ireland.

LIAM MULVIHILL BA, H DIP. (HONS), M ED. HISTORY
Non-Executive Director (Age 62)

Appointed Non-Executive Director in 2007. Liam was Director General of the GAA from 1979 to 2008. He worked as a primary school teacher and later as a school's inspector before accepting the post of Director General. He also filled various roles with State Bodies throughout his career including the RTÉ Authority, Bord na Gaeilge, the Irish Sports Council and was a member of the Board of the Sports Campus Ireland project at Abbottstown. Liam oversaw the era of live television sponsorship and the commercial mobilisation of the GAA and was a central figure in bringing the new Croke Park concept from genesis to fruition.

Principal other directorships:
Foras na Gaeilge.

EBS Group Management Team

Group Management Team

FERGUS MURPHY
BSc (Mgmt), MA, DABS, AMCT
Group Chief Executive
fergus.murphy@mail.ebs.ie

NORMAN BURNS
DIRECTOR, EBS DISTRIBUTION
norman.burns@mail.ebs.ie

FIDELMA CLARKE
BA (Econ) Hons, M Litt (Econ)
CHIEF RISK OFFICER & COMPANY SECRETARY
fidelma.clarke@mail.ebs.ie

DARA DEERING
BSc (Mgmt), MBA
DIRECTOR, EBS MEMBERSHIP BUSINESS
dara.deering@mail.ebs.ie

EMER FINNAN
BComm, FCA
DIRECTOR, STRATEGY
emer.finnan@mail.ebs.ie

DAVE KEENAN
BA, MBA, FIB, FCIPD
DIRECTOR, PEOPLE,
COMMUNICATIONS & CHANGE
dave.keenan@mail.ebs.ie

ALAN MERRIMAN
BComm, FCA
FINANCE DIRECTOR
alan.merriman@mail.ebs.ie

TONY MORONEY
MBA, FMII, FIB
MANAGING DIRECTOR, HAVEN MORTGAGES LIMITED
tony.moroney@havenmortgages.ie

Senior Executives

ROBERT BREE
BComm, MSc
RISK
robert.bree@mail.ebs.ie

AUDREY COLLINS
ACA
FINANCE
audrey.collins@mail.ebs.ie

HELEN DOOLEY
LLB
LEGAL & REGULATORY COMPLIANCE
helen.dooley@mail.ebs.ie

BERNADETTE HURLEY
BA Hons
MEMBER RELATIONS,
INSIGHTS AND SOLUTIONS
bernadette.hurley@mail.ebs.ie

CIARAN MORGAN
MBS, FCIPD, BEd (Hons)
HUMAN RESOURCES
ciaran.morgan@mail.ebs.ie

GERRY MURRAY
BComm
TREASURY
gerry.murray@mail.ebs.ie

BRIAN NUGENT
BAAF, ACA
OPERATIONS
brian.nugent@mail.ebs.ie

AIDAN POWER
BComm
MARKETING & MEMBER ENGAGEMENT
aidan.power@mail.ebs.ie

OWEN PURCELL
BComm, FIB
RETAIL PRODUCTS
owen.purcell@mail.ebs.ie

DAVID YEATES
MSc, MBA
INFORMATION TECHNOLOGY
david.yeates@mail.ebs.ie

Directors' Report

The Directors present to the Members of EBS Building Society their report and the audited accounts for the year ended 31 December 2008.

Business Review

The Chairman's Review, the Group Chief Executive's Review and the Financial Review are set out on pages 4 to 15 which collectively provide an overview of the business of the Society and its subsidiaries during 2008, an update on the current environment and the outlook for 2009.

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

EBS Mortgage Finance, a Covered Bond Bank subsidiary, was incorporated on 30 October 2008. This enables EBS to access liquidity and funding using mortgages as security. The Society established a principal trading subsidiary, Haven Mortgages Limited, on 17 December 2007. Haven is a wholly owned subsidiary which provides mortgages through the broker intermediary network in Ireland.

Directors

The Board consists of fourteen Directors of whom ten are Non-Executive Directors and four are full-time executives of the Society. Three new Directors have been appointed since the last publication of the Annual Report and Accounts, namely Ethna Tinney – in April 2008 – and Ann Riordan and Anthony Spollen, both of whom were appointed under the terms of the Government Guarantee Scheme[1] in January 2009. Details of all Board Directors are set out on pages 16 to 17. The Secretary to the Board is Fidelma Clarke.

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.

Independence

The Board has determined that each Non-Executive Director is independent within the meaning of the Combined Code on Corporate Governance[2]. Ann Riordan and Jim Ruane have a shared directorship of The Institute of Directors in Ireland, a representative body for senior strategic business professionals in Ireland and a non-commercial limited liability company.

Corporate Governance

The Board's policy is to accord with the highest standards of Corporate Governance as set out in the Combined Code.

Role of the Board

The Board is responsible to the Members and other stakeholders for the overall governance and performance of EBS Building Society. 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 it has set.

Matters Reserved for the Board

The day to day responsibility for the Society's business rests with management, however, strategic issues, governance, risk management and control and material policy changes require a Board decision. The Board also makes decisions in relation to significant capital expenditure, material transactions and credits for large connected exposures. A detailed schedule of Matters Reserved for the Board forms part of the Board Manual, showing clearly what decisions require Board involvement. This was updated throughout 2008.

Board Meetings

The Board meets on a scheduled basis and generally once a month, but additional meetings are held at other times as required. Given unprecedented market conditions, the Board met on 19 occasions in 2008. Written reports, containing a review of business activities, risks and future prospects, are circulated prior to Board meetings. Members of senior management attend, where appropriate, 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 question, seek additional information and raise any issues that are of concern to them to make informed decisions.

Board Committees

The Board Manual also outlines the Terms of Reference of six permanent sub-committees of the Board which were established to consider certain aspects of business, governance and control in detail. The membership of all committees is reviewed from time to time and the last such review took place in January 2009. The Terms of Reference of all committees are regularly reviewed.

Each committee reports to the Board through its Chair at the earliest scheduled Board meeting after the committee meeting. Reports cover any matters that in the opinion of the committee should be brought to the attention of the Board and any recommendations requiring Board approval and/or action. In addition, two committees, i.e., the Board Audit & Compliance Committee and the Board Risk Committee, make a formal annual report to the Board.

The key responsibilities of each committee are set out on page 20. The full Terms of Reference of these committees may be downloaded from the Society's website on www.ebs.ie (follow the link under the Corporate Governance section in **About Us**).

[1] Credit Institutions (Financial Support) Scheme 2008
[2] The Combined Code on Corporate Governance July 2003 as amended in 2005.

Directors' Report

Audit & Compliance Committee

This committee is responsible for monitoring the integrity of the financial statements and internal control systems. 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, the remuneration and the terms of engagement of the external auditors; it also makes recommendations regarding the provision of non-audit services by the external auditors. The committee met on six occasions in 2008.

Credit Approval Committee

The Board Credit Approval Committee approves large credits which are above the delegated loan approval authority level given to management and below the threshold reserved for the Board. Large credits were evaluated by the Committee on forty eight occasions in 2008.

Nominations Committee

The Nominations Committee is responsible for reviewing the size, structure, independence and composition of the Board and for making recommendations to the Board on these matters. When required, the committee acts as the interview board for new Non-Executive Director appointments using consultancy and advertising as appropriate to identify potential candidates. Recommendations on Non-Executive Director appointments are submitted to the Board for approval. The committee also oversees the process for evaluating the performance of the Board and individual Directors. The committee met on two occasions in 2008.

Remuneration Committee

The Remuneration Committee is responsible for approving all material remuneration decisions of the Society including the remuneration of the Executive Directors and other senior management. The committee is also responsible for setting performance objectives for the Group Chief Executive and reviewing the Group Chief Executive's performance annually, as well as reviewing senior management succession planning. The committee met on eight occasions in 2008.

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 in relation to how material risks should be managed, i.e., through prevention, elimination, mitigation, insurance or a combination of these options. It also recommends enhancements to the operation and/or reporting of risk management to the Board where appropriate. The committee assesses the quality, adequacy, resources, scope and nature of the work of the risk function in particular, and the risk management framework in general, of EBS. The committee met on four occasions in 2008.

Transactions Committee

The Transactions Committee reviews documentation with respect to major transactions. Such major transactions include the raising of capital and renewal of programmes such as the Euro Medium Term Note debt securities programme. The committee met on four occasions in 2008.

Haven Board

The Haven Board was set up in early 2008 to monitor the strategy, governance and control of the Haven subsidiary and to approve credits for large exposures. The Board comprises four Group Executive Directors of the Society and one Group Non-Executive Director. The Board met on ten occasions in 2008.

EBS Mortgage Finance Board

An EBS Mortgage Finance Board was established in November 2008 to oversee the governance and control of the covered bond bank, to monitor the transfer of assets from EBS Building Society to the bank, to approve the issuance of covered bonds, and to ensure that all laws and regulations in relation to the Asset Covered Securities Act 2001 are met. The Board comprises eight Directors; two are Group Executive Directors, two are Independent Non-Executive Directors and four are Executive Directors. The Board met on two occasions in 2008.

Performance Evaluation of the Board and Directors

An evaluation of Board effectiveness is undertaken annually and the last such evaluation was completed in November 2008. This review is facilitated by an external, independent, consultant whose findings are presented to the Board for consideration. Arising from this, follow up actions are agreed and monitored. In 2008, each Director undertook a self assessment in terms of their individual performance which was reviewed by the Chairman. The Chairman's self assessment was reviewed by the Senior Independent Director. The Audit & Compliance Committee and the Risk Committee also conduct an annual review of their effectiveness.

Risk Management

The Board of Directors is responsible for the effective management of risks and opportunities and for the system of internal control 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.

The Society 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, it was in place for the full year under review up to the date of approval of the accounts, and it accords with the Combined Code.

Risk management facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations. The Society operates in a dynamic business environment and, as a result, the risks it faces are continually changing. This was particularly the case over the past year. The system of internal control is designed to ensure that there is thorough and regular evaluation of the nature and extent of risks and the ability of the Society to react accordingly, rather than to eliminate risk. This is done through a process of identification, measurement, monitoring and reporting, which provides reasonable, but not absolute, assurance against material misstatement or loss.

The Board reviews the effectiveness of the system of internal control on a continuous basis, and is supported in this by the work of two of its subcommittees, namely the Board Risk Committee and the Board Audit & Compliance Committee. 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 Chief Risk Officer has a dotted reporting line to the Chair of the Board Risk Committee.

The Board Audit & Compliance Committee supports the Board in reviewing, inter alia, existing internal control mechanisms to assess whether they are performing effectively. Internal Audit provides independent assurance in relation to the effectiveness of the system of internal control to the Board through the Board Audit & Compliance Committee. The Head of Internal Audit reports directly to the Chair of the Board Audit & Compliance Committee. The Compliance and Risk functions also make regular reports to the Committee.

It is the role of the Society's management to implement the Board's policies on risk and control. It is also recognised that all employees in the Society and its subsidiaries have responsibility for internal control as part of their accountability for achieving objectives. Employee education and induction programmes are designed to ensure that employees at all levels are clear in relation to their accountabilities in this area and are competent to operate and monitor the system of internal control.

The risk management framework in operation in the Society is set out in detail in Note 31 to the Accounts.

Safety of Employees and Customers

The Society's policy is to maintain a safe place and system of work. During 2008 the Society continued to promote a culture of health and safety amongst employees. Key initiatives in 2008 included improved cash transportation arrangements and office refurbishments following a review by Health and Safety expert consultants. The Health & Safety Committee met on three occasions in 2008 to review the Health & Safety policy and adherence to this policy.

BOARD COMMITTEE MEMBERSHIP AT 27 FEBRUARY 2009

	BCAP (Credit Approval)	BACC (Audit & Compliance)	REMCO (Remuneration)	NOMSCOM (Nominations)	BRC (Risk)	TC (Transactions)
Finnan, Emer	✓					✓
McCann, Pat		✓			✓	✓
Magee, Cathal	✓				✓ Chair	✓
Merriman, Alan	✓	(attends)			✓	✓
Moran, Mark			✓	✓	✓	✓ Chair
Moroney, Tony					✓	
Mulvihill, Liam	✓	✓		✓ Chair		
Murphy, Fergus	✓	(attends)	(attends)	✓	✓	✓
Patton, Barbara	✓	✓	✓ Chair			
Riordan, Ann			✓		✓	
Ruane, Jim	✓ Chair	✓ Chair				✓
Spollen, Anthony		✓				✓
Tinney, Ethna	✓				✓	
Williamson, Philip			✓	✓	✓	
Secretary	**Fidelma Clarke**	**Fidelma Clarke**	**Dave Keenan**	**Fidelma Clarke**	**Fidelma Clarke**	**Fidelma Clarke**

Note: In addition to the membership shown above, Executive Directors and other members of senior management attend Board committee meetings, as required.

On behalf of the Board

Mark Moran, Chairman
Barbara Patton, Senior Independent Director

27 February 2009

Report of the Remuneration Committee

For the year ended 31 December 2008, given the financial performance of the Society, the Remuneration Committee concluded that no bonuses under either the annual or long term schemes should be awarded to any Executive Director or members of the management team.

In 2008 the Remuneration Committee was made up of the following Non-Executive Directors: Barbara Patton (Chair), Philip Williamson and Mark Moran. The Group Chief Executive and the Director – People, Communications and Change (who is Secretary to the Committee) normally attend, except when their own performance reviews and remuneration are being discussed.

The Committee, which has a minimum of four scheduled meetings a year, considers all aspects of remuneration paid to senior executives and makes recommendations to the Board on remuneration policy and succession planning. It also approves, on behalf of the Board, the specific remuneration of all Executive Directors and members of the management team. The committee met on eight occasions in 2008.

It is the policy of the Committee to engage external independent consultants to advise the Committee on appropriate remuneration policy for senior executives.

Remuneration Policy

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

Remuneration Package for Executive Directors

The remuneration package for Executive Directors 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. 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. In any financial year the value of an award shall not exceed 40% of a participant's salary;
- Long Term Incentive Plan (LTIP) – to encourage the achievement of longer term objectives and to aid the retention of key personnel. It is based on achievement of medium term objectives consistent with the Society's approved Strategic Plan. This bonus is awarded annually but is only payable after a three year period. The current long term scheme covers the three year period to December 2010. In any financial year the value of an award shall not exceed 50% of the Group Chief Executive's basic salary or 45% of basic salary for the other participants;
- A Contributory Defined Benefit Pension Plan – a number of the executives participate in the senior management plan which provides for an employee contribution of 5% of pensionable salary. The maximum accrual is 40/60ths and the normal retirement age is 60. Individual Executive Directors' pension benefits are set out in the table below. The Society makes payments to a defined contribution scheme on behalf of Fergus Murphy and Emer Finnan;
- No service contract exists between the Society and any Director which provides for a notice period of greater than one year.

2008 Executive Director Remuneration

The remuneration of the Executive Directors is listed below:

	Salary		Annual Bonus		Long Term Incentive Scheme		Benefits		Total	
	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000
Fergus Murphy[1]	476.6	n/a	-	n/a	-	n/a	45.1	n/a	521.7	n/a
Alan Merriman	430.0	412.1	-	99.4	-	152.2	49.7	46.3	479.7	710.0
Tony Moroney	275.0	250.4	-	61.4	-	94.9	33.0	44.0	308.0	450.7
Emer Finnan[2]	244.6	99.4	-	54.3	-	66.0	38.0	13.1	282.6	232.8
Ted McGovern[3]	n/a	353.4	n/a	n/a	n/a	37.6	n/a	33.9	n/a	424.9
Total	**1,426.2**	**1,115.3**	**-**	**215.1**	**-**	**350.7**	**165.8**	**137.3**	**1,592.0**	**1,818.4**

[1] Fergus Murphy joined the Society on 14 January 2008.
[2] Emer Finnan was appointed Executive Director on 27 July 2007.
[3] Ted McGovern retired on 30 September 2007. He received a compensation payment of €1,869,866 as part of his early retirement arrangements.

Following the transition to a calendar year performance appraisal cycle, the bonus amounts disclosed on the previous page are those relating to that year's performance assessment. The comparatives have been restated consistent with this.

Benefits provided to the Executive Directors were the provision of a car or car allowances, contributions to health insurance, subsidised home loans and club subscriptions. Subsidised home loans to Executive Directors are on the same terms and conditions as loans to other eligible EBS management and staff. Executive Directors do not receive any additional reward for their work as members of the EBS Board of Directors.

Two Executive Directors are members of the EBS Pension Plan for senior managers with a retirement age of 60. An employee contribution rate of 5% of pensionable salary applies to this plan. Normal contributions made by the Society in respect of the Executive Directors totalled €319,979 in 2008 (€374,000 in 2007). Two Executive Directors have defined contribution schemes. €394,579 was paid to a defined contribution scheme on behalf of Fergus Murphy, of which €300,000 related to a one off special payment agreed as part of his recruitment as Group Chief Executive, and €72,000 was paid on behalf of Emer Finnan.

Column (a) below 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) below 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) below represents the transfer values of the increases in accrued benefits during 2008. 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 2008, in the event of the Executive Director leaving the Society.

2008 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 in 2008 is set out below:

	2008 €000	2007 €000
Mark Moran (Chairman)	109.0	105.0
Cathal Magee	57.0	55.0
Barbara Patton	46.0	44.0
Yvonne Scannell [2]	8.2	44.0
Ethna Tinney [1 2]	31.7	14.0
Michael Moroney [1]	n/a	14.0
Jim Ruane	68.0	56.9
Philip Williamson	52.0	26.2
Pat McCann	46.0	13.4
Liam Mulvihill	46.0	7.3
Total	**463.9**	**379.8**

[1] Details of changes which occurred in 2007 are as follows :
Left the Board:
Michael Moroney – 16 April 2007
Ethna Tinney – 16 April 2007

[2] Details of changes which occurred in 2008 are as follows :
Left the Board: Yvonne Scannell – 7 March 2008
Joined the Board: Ethna Tinney – 1 May 2008

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) 2008 €000	(a) 2007 €000	(b) 2008 €000	(b) 2007 €000	(c) 2008 €000	(c) 2007 €000
Alan Merriman	50.0	34.6	14.0	13.8	120.7	110.2
Tony Moroney	51.0	39.7	9.7	10.4	106.9	105.6
Ted McGovern[1]	n/a	201.3	n/a	15.4	n/a	374.7
Total	**101.0**	**275.6**	**23.7**	**39.6**	**227.6**	**590.5**

[1] Ted McGovern retired on 30 September 2007.

Barbara Patton
Chairman of the Remuneration Committee

Statement of Directors' Responsibilities

The Building Societies Act, 1989 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and the Group and of the income and expenditure and cash flow statement of the Society and the Group for that period. The Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations endorsed by the European Union and with those parts of the Buildings Societies Acts, 1989-2006 applicable to organisations reporting under IFRS. 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; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society and the Group 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 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 Group and Society financial statements (the "financial statements") of EBS Building Society for the year ended 31 December 2008 which comprise the Group's and Society's Income Statements, Balance Sheets, Cash Flow Statements and Statements of Recognised Income and Expense and the related Notes 1 to 37. These financial statements have been prepared under 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 Building 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 the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Building Societies Act, 1989. We also report to you our opinion as to, whether proper books of accounts have been kept by the Society, 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 Society's financial statements are in agreement with the books of accounts and returns.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Group Chief Executive's Review, the Chairman's Review, the Financial Review and the Report of the Remuneration Committee. 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 International Standards on Auditing (UK and Ireland) 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 Group's and 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 Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of affairs of the Group as at 31 December 2008 and of its loss for the year then ended;

» The Society financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, as applied in accordance with the Building Societies Act, 1989, of the state of affairs of the Society as at 31 December 2008 and of its loss for the year then ended, and

» The financial statements have been properly prepared in accordance with the Building Societies Act, 1989.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Society and proper returns adequate for the purposes of our audit have been received from branches and agents of the Society not visited by us. The Society financial statements are in agreement with the books of account and returns.

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

Ernst & Young
Chartered Accountants and Registered Auditors

Dublin

9 March 2009

Accounts

Group & Society Income Statement

For the year ended 31 December 2008

Society 2008 €m	Society 2007 €m		Notes	Group 2008 €m	Group 2007 €m
1,181.5	953.2	Interest income	3	1,042.3	950.3
(1,016.7)	(780.4)	Interest expense	3	(887.2)	(776.7)
164.8	**172.8**	**Net interest income**		**155.1**	**173.6**
20.6	23.8	Fees and commissions receivable	4	20.6	23.8
(6.3)	(7.8)	Fees and commissions payable	4	(6.3)	(7.7)
14.3	**16.0**	**Non interest income**		**14.3**	**16.1**
3.9	20.1	Other operating income	5	2.9	4.1
183.0	**208.9**	**Total income**		**172.3**	**193.8**
(93.5)	(106.1)	Total operating expenses	6	(100.5)	(108.1)
89.5	**102.8**	**Income before impairment losses and taxation**		**71.8**	**85.7**
(15.0)	-	Impairment losses on financial assets	9(a)	(15.0)	-
(95.3)	(19.1)	Impairment losses on loans and advances	11(b)	(95.0)	(19.1)
(110.3)	**(19.1)**	**Impairment losses**		**(110.0)**	**(19.1)**
(20.8)	**83.7**	**(Loss) Income before taxation**		**(38.2)**	**66.6**
(0.2)	(10.1)	Taxation	7	0.4	(10.7)
(21.0)	**73.6**	**(Loss) Income after taxation**		**(37.8)**	**55.9**

Mark Moran,
Chairman

Fergus Murphy,
Group Chief Executive

Alan Merriman,
Finance Director

27 February 2009

The notes on pages 30 to 56 form part of these financial statements.

Group & Society Balance Sheet

At 31 December 2008

Society 2008 €m	Society 2007 €m		Notes	Group 2008 €m	Group 2007 €m
		Assets			
143.2	281.0	Cash and balances with central banks	8(a)	143.3	281.0
71.8	57.5	Derivative financial instruments	30	51.3	57.5
2,368.8	2,301.5	Available-for-sale financial assets	9(a)	2,368.8	2,301.5
3,198.1	265.4	Loans and advances to credit institutions	10	1,287.6	276.2
13,534.0	15,937.0	Loans and advances to customers	11(a)	16,900.6	15,882.2
4,180.7	373.2	Held-to-maturity financial assets	12	372.5	373.2
167.5	1.0	Shares in group undertakings	13	-	-
49.7	64.0	Property, plant and equipment	15	56.0	71.1
21.5	18.6	Intangible assets	16	26.9	21.2
21.7	9.3	Deferred taxation asset	17	21.7	9.3
176.6	199.6	Other assets	18	145.5	202.6
23,933.6	**19,508.1**	**Total assets**		**21,374.2**	**19,475.8**
		Liabilities			
6,353.9	2,907.2	Deposits by credit institutions	19	6,103.9	2,657.2
13,693.6	11,352.8	Customer accounts	20	10,126.1	9,543.6
248.2	153.2	Derivative financial instruments	30	201.9	153.2
2,574.4	3,859.4	Debt securities in issue	21	3,682.5	5,676.5
7.7	9.0	Current taxation liabilities	22	7.9	9.5
5.8	6.3	Deferred taxation liabilities	23	13.2	13.3
349.8	364.4	Other liabilities	24	319.1	330.2
38.7	2.3	Retirement benefit liabilities	25	38.7	2.3
212.7	260.5	Subordinated liabilities	26	212.7	260.5
23,484.8	**18,915.1**	**Total liabilities**		**20,706.0**	**18,646.3**
		Reserves			
-	-	Minority interest	27	245.0	245.2
8.6	23.0	Revaluation reserve		8.6	23.0
(53.6)	(13.6)	Available-for-sale reserve		(53.6)	(13.6)
(56.9)	(22.3)	Cashflow hedge reserve		(56.9)	(22.3)
550.7	605.9	General reserve		525.1	597.2
448.8	**593.0**	**Total reserves**		**668.2**	**829.5**
23,933.6	**19,508.1**	**Total liabilities and reserves**		**21,374.2**	**19,475.8**

Mark Moran,
Chairman

Fergus Murphy,
Group Chief Executive

Alan Merriman,
Finance Director

27 February 2009

The notes on pages 30 to 56 form part of these financial statements.

Statement of Recognised Income and Expense

For the year ended 31 December 2008

Group	Revaluation reserve €m	Available for sale reserve €m	Cashflow hedge reserve €m	General reserve €m	Total €m
At 1 January 2007	**24.3**	**(1.3)**	**(22.3)**	**536.2**	**536.9**
Net movement on revaluation reserve	(1.3)	-	-	1.8	0.5
Net movement on available for sale reserve	-	(12.3)	-	-	(12.3)
Income after taxation	-	-	-	55.9	55.9
Amortisation of issue costs on capital securities	-	-	-	(0.2)	(0.2)
Net actuarial gain on retirement benefits	-	-	-	3.5	3.5
At 31 December 2007	**23.0**	**(13.6)**	**(22.3)**	**597.2**	**584.3**
Net movement on revaluation reserve	(14.4)	-	-	-	(14.4)
Net movement on available for sale reserve	-	(40.0)	-	-	(40.0)
Net movement on cashflow hedge reserve	-	-	(34.6)	-	(34.6)
Loss after taxation	-	-	-	(37.8)	(37.8)
Amortisation of issue costs on capital securities	-	-	-	(0.1)	(0.1)
Net actuarial loss on retirement benefits	-	-	-	(34.2)	(34.2)
At 31 December 2008	**8.6**	**(53.6)**	**(56.9)**	**525.1**	**423.2**

Society	Revaluation reserve €m	Available for sale reserve €m	Cashflow hedge reserve €m	General reserve €m	Total €m
At 1 January 2007	**24.3**	**(1.3)**	**(22.3)**	**527.0**	**527.7**
Net movement on revaluation reserve	(1.3)	-	-	1.8	0.5
Net movement on available for sale reserve	-	(12.3)	-	-	(12.3)
Income after taxation	-	-	-	73.6	73.6
Net actuarial gain on retirement benefits	-	-	-	3.5	3.5
At 31 December 2007	**23.0**	**(13.6)**	**(22.3)**	**605.9**	**593.0**
Net movement on revaluation reserve	(14.4)	-	-	-	(14.4)
Net movement on available for sale reserve	-	(40.0)	-	-	(40.0)
Net movement on cashflow hedge reserve	-	-	(34.6)	-	(34.6)
Loss after taxation	-	-	-	(21.0)	(21.0)
Net actuarial loss on retirement benefits	-	-	-	(34.2)	(34.2)
At 31 December 2008	**8.6**	**(53.6)**	**(56.9)**	**550.7**	**448.8**

The notes on pages 30 to 56 form part of these financial statements.

Group & Society Cash Flow Statement

For the year ended 31 December 2008

Society 2008 €m	Society 2007 €m		Notes	Group 2008 €m	Group 2007 €m
		Cash flows from operating activities			
(21.0)	73.6	(Loss) Income after taxation		(37.8)	55.9
		Adjustments for:			
3.5	2.9	Depreciation	15	4.8	5.7
5.1	4.4	Amortisation of intangibles	16	5.5	4.4
110.3	19.1	Impairment of financial assets	9(a),11(b)	110.0	19.1
-	0.1	Write off of property impairment losses		-	0.1
30.0	(0.1)	Fair value movement on hedging derivatives	3	4.2	(0.1)
0.2	10.1	Income tax (credit) expense	7	(0.4)	10.7
128.1	**110.1**	**Operating income before changes in working capital and provisions**		**86.3**	**95.8**
(504.6)	(0.5)	Net increase in loans and advances to credit institutions		(391.4)	(0.4)
0.6	(2.5)	Net decrease (increase) in mandatory reserve balance		0.5	(2.5)
2,313.0	(1,268.2)	Net (increase) decrease in loans and advances to customers		(1,108.1)	(1,268.2)
23.4	(39.5)	Net decrease (increase) in other assets		57.5	(14.5)
3,441.5	1,674.0	Net increase in deposits from credit institutions		3,441.5	1,549.0
2,361.8	(864.6)	Net increase (decrease) in amounts due to customers		603.5	(508.1)
(14.9)	53.2	(Decrease) Increase in other liabilities		(11.4)	52.6
(0.6)	(0.5)	Other non cash movements		(0.4)	(0.3)
7,748.3	(338.5)	Cash generated from (used in) operations		2,678.0	(96.6)
1.3	(8.7)	Income taxes refunded (paid)		1.6	(9.5)
7,749.6	**(347.2)**	**Net cash from (used in) operating activities**		**2,679.6**	**(106.1)**
		Cash flows from investing activites			
(6.3)	(5.9)	Purchase of property, plant and equipment	15	(6.8)	(8.0)
(8.0)	(6.3)	Purchase of intangible assets	16	(11.2)	(8.9)
0.3	4.9	Proceeds from disposal of fixed assets		0.3	4.9
(166.5)	(0.5)	Investment in subsidiaries		-	-
(3,807.5)	(115.0)	Net decrease (increase) in held-to-maturity financial assets		0.7	(115.0)
(212.0)	118.5	Net (increase) decrease in available-for-sale financial assets		(212.0)	118.5
(4,200.0)	**(4.3)**	**Net cash outflow from investing activities**		**(229.0)**	**(8.5)**
		Cash flows from financing activities			
(1,328.8)	(728.1)	Net decrease in debt securities in issue		(2,037.8)	(1,087.9)
(52.0)	(5.4)	Decrease in subordinated debt		(52.0)	(5.4)
-	-	Minority interests		(0.3)	122.2
(1,380.8)	**(733.5)**	**Net cash outflow from financing activities**		**(2,090.1)**	**(971.1)**
2,168.8	**(1,085.0)**	**Net increase (decrease) in cash and cash equivalents**		**360.5**	**(1,085.7)**
696.5	1,781.5	Cash and cash equivalents at 1 January		707.3	1,793.0
2,865.3	**696.5**	**Cash and cash equivalents at 31 December**	8(b)	**1,067.8**	**707.3**

The notes on pages 30 to 56 form part of these financial statements.

1. ACCOUNTING POLICIES

(a) Corporate information

The Group consists of EBS Building Society (the 'Society') a building society registered and domiciled in the Republic of Ireland and its subsidiaries. The principal activities of the Group are described in Note 2. The financial statements have been drawn up in accordance with the Building Societies Acts, 1989 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 as amended by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005 which implemented the EU Directive on annual accounts of financial institutions.

Following the onset of the global credit crisis, the Irish Government introduced a Guarantee Scheme for all Irish credit institutions. On 24 October 2008 the Society executed the necessary documentation to participate in this scheme. Under the scheme the Irish Government has guaranteed all deposits and other specified liabilities of certain credit institutions operating in Ireland until 29 September 2010. The Government guarantee covers all relevant liabilities of the Society as set out in Note 31.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board and adopted by the European Union. The financial statements also comply with those parts of the Building Societies Acts 1989 to 2006 applicable to organisations reporting under IFRS.

(c) Basis of preparation

The financial statements have been prepared on an historical cost basis, except for freehold properties, available-for-sale financial assets, other financial assets and financial liabilities held at fair value through the income statement and derivative contracts all of which are measured at fair value. The carrying value of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. The financial statements are prepared in euro ('€') and all values are rounded to the nearest one hundred thousand (€0.1m) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and estimates set out below in note 1(d) have been applied consistently to all periods presented in these consolidated financial statements. These have also been applied consistently by Group entities.

(d) Critical accounting judgements and estimates

The Group's financial statements have been prepared in accordance with IFRS. In preparing these accounts, management is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. Full details of the significant accounting policies are set out below.

The Group believes that of its significant accounting policies and estimation techniques, the following may involve a higher degree of judgement and complexity.

(1) Impairment losses on loans and advances

The Group lends money by means of secured residential and commercial lending. Where there is a risk that the Group will not receive full repayment of the amount advanced, provisions are made in the financial statements to reduce the carrying value of loans and advances to the amount expected to be recovered.

The estimation of credit losses is inherently uncertain and depends on many factors such as general economic conditions, collateral values, cash flows, structural changes within industries and other external factors. These assessments are made using a combination of specific reviews, statistical techniques based on previous loan loss experience and management's judgement. Certain aspects of this process may require estimation, such as the amounts and timing of future cash flows and the assessment of the realisable value of collateral held.

The Group considers that the provisions for loan impairments at 31 December 2008 were adequate based on information available at that time. However, actual losses may differ as a result of changes in collateral values, the timing and amounts of cash flows or other economic events.

(2) Employee benefits

The Group operates a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial value of the assets and liabilities of the scheme are calculated. This involves modelling their future growth and requires management, with the advice of an external actuary, to make assumptions as to price inflation, dividend growth, salary and pension increases, return on investments and employee mortality. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. Further details are contained in Note 25.

(3) Effective interest rate

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. The expected life of a residential mortgage loan is 5 to 6 years, depending on the channel, a commercial mortgage loan is 5 years and development finance loan is 2 years. The effective interest calculation takes into account all fees, including those for early redemption, and commission paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. All costs associated with mortgage incentive schemes are included in the effective interest calculation. Fees and commissions payable to third parties in connection with lending arrangements, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

(4) Corporation taxes

The Group is subject to corporation taxes in two jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the balance sheet date.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period.

In the opinion of the directors, the judgements made are appropriate and the level of provision is adequate to cover the likely liability.

(e) Basis of consolidation

The Group financial statements comprise the accounts of EBS Building Society and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent and using the same accounting policies.

(i) Subsidiaries and special purpose entities

Subsidiaries are entities controlled by the Society. Control exists when the Society has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are accounted for at lower of cost or net realisable value.

Minority interests represent the portion of profit or loss and net assets not owned directly or indirectly by the Group and are presented separately in the consolidated balance sheet.

The financial statements of special purpose entities are also included in the consolidated financial statements when the substance of the relationship between the entity and the Group indicates that the entity is controlled by the Group. In accordance with Standing Interpretations Committee (SIC) 12, the Group continues to recognise the securitised assets as loans and advances to customers on the balance sheet and income from securitised assets continues to be recognised as group income.

(ii) Transactions eliminated on consolidation

All intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(f) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IFRS are accounted for as trading instruments and recognised immediately in the income statement.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship.

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the instrument at the balance sheet date. Interest rate swaps are valued by calculating the net present value of the cashflows over the life of the swap, cross currency interest rate swaps are calculated using the same method with an additional foreign exchange element which is the difference between current and contract exchange rates. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through the income statement, the embedded derivative is treated as a separate derivative, and reported at fair value with gains and losses being recognised in the income statement.

(g) Hedging

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. A hedge is regarded as highly effective if the changes in fair value or cashflows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

(g) Hedging (continued)

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affect the income statement (i.e. when interest income or expense is recognised). For other cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(h) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through the income statement; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through the income statement

This category has two sub-categories: financial assets held for trading, and those designated at fair value through the income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they meet the requirements to be designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides loans directly to a customer with no intention of trading the loan.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition of financial assets

Purchases and sales of financial assets at fair value through the income statement, held-to-maturity and available-for-sale are recognised on trade date – this is the date on which the Group purchases or sells the asset. Loans are recognised when cash is advanced to borrowers. Financial assets are initially recognised at cost being the fair value of the consideration given plus transaction costs for all financial assets not carried at fair value through the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Measurement of financial assets

Available-for-sale financial assets and financial assets designated at fair value through the income statement are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets designated at fair value through the income statement' category are recognised in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity in the available for sale reserve, until the financial asset is derecognised, collected or otherwise disposed of or until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Interest calculated using the effective interest method is recognised in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired as well as through the amortisation process.

(i) Financial liabilities

Financial liabilities are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The portion of a financial liability that is designated as a hedged item within a fair value hedge is accounted for at fair value and movements go through the income statement. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(j) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group's only geographical segment is considered to be the Republic of Ireland.

(k) Property, plant and equipment

Land and buildings are intially recognised at cost and subsequently revalued annually to open market values by independent valuers. Office equipments and motor vehicles are stated at cost and deemed cost less accumulated depreciation and any impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2005, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less the residual value over the estimated useful lives of the assets as follows:

Land and buildings	Not depreciated
Fixtures and fittings, equipment and motor vehicles	10% - 33% per annum

Asset useful lives and residual values are reviewed annually. Assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised in the income statement whenever the carrying amount exceeds its recoverable amount.

Gains and losses on disposal, being the difference between proceeds and the carrying amount, are included in the income statement within other income or operating expenses in the year the asset is derecognised.

(l) Leases

Group as lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. All payments under operating lease contracts are charged to operating expenses in the year in which the expenditure is incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group earns rental income on properties leased as operating leases.

(m) Taxation

(i) Current tax

Current tax on profits is recognised as an expense based on the applicable tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the liability method on taxable temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. The following temporary differences are not recognised: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to items recognised directly in equity are not recognised in the income statement.

(n) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment costs are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor; or

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider; or

(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) adverse changes in the payment status of Group's borrowers; or

(vii) national or local economic conditions that correlate with defaults on the assets of the Group.

The Group first assesses whether objective evidence of impairments exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

(n) Impairment of financial assets (continued)

The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity financial assets has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for group of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through the income statement.

(ii) Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(o) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) are retained on the balance sheet and only reclassified as pledged assets when the transferee has the right by contract or custom to sell or pledge the collateral; the counterparty liability is included in deposits by credit institutions or customer accounts, as appropriate.

(p) Employee benefits

Defined benefit pension plans

The Group operates three defined benefit plans, all of which require contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit actuarial valuation method.

Actuarial gains and losses arising from changes in actuarial assumptions or from experience adjustments are charged or credited to the income statement over the employees' expected average remaining working lives.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The Group also operates defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund and has no legal or constructive obligations to pay any further contributions. The contributions payable to a defined contribution plan are in proportion to the services rendered by the employees and are recorded under operating expenses.

(q) Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(r) Revenue recognition

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments measured at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period.

(ii) Fees and commission income

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

(iii) Rental income

Rental income from properties is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of their total rental income.

(s) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include costs of materials and services used or consumed in generating the intangible asset and costs of employee benefits arising from the generation of the intangible asset.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, between 3 and 10 years. The amortisation expense is recognised in the income statement in operating expenses.

In addition to the capitalisation of internally generated computer software, purchased software that does not form an integral part of the related hardware is also capitalised and amortised using the straight-line method over their useful lives, between 3 and 10 years. Computer software that does form an integral part of the related hardware is capitalised as office equipment in other tangible fixed assets.

The computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

(t) Available for sale financial assets

An asset is classified as available for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale transaction must be highly probable and the asset available for immediate sale in its present condition.

(u) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

(v) Foreign currency transactions

The functional and presentation currency of the Group and its subsidiaries is euro.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

(w) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(x) Adoption of new accounting standards

As of 1 January 2008, the Society adopted the amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which permit the reclassification of certain financial instruments from held for trading and available for sale categories for financial assets. The Group has chosen not to have any reclassifications.

(y) New standards and interpretations not applied

During the year, the IASB and IFRIC have issued a number of new accounting standards and interpretations with an effective date after the date of these financial statements including

International Accounting Standards (IAS / IFRSs)		Effective date
Presentation of financial statements	IAS 1	1-Jan-09
Employee benefits	IAS 19	1-Jan-09
Borrowing costs	IAS 23	1-Jan-09
Impairment of assets	IAS 36	1-Jan-09
Intangible assets	IAS 38	1-Jan-09
Financial Instruments: recognition and measurement	IAS 39	1-Jan-09
Non current assets held for sale and discontinued operations	IFRS 5	1-Jan-09
Operating segments	IFRS 8	1-Jan-09

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

These will be adopted in future years and are not expected to have a material impact on the Group's results.

2. REPORTING BY BUSINESS SEGMENTS AND GEOGRAPHICAL LOCATION

All the Group's activities are carried out exclusively in the financial services sector in the Republic of Ireland. The principal activities of the Group involve the provision of mortgage lending, savings, investments and insurance arrangement services to members and customers.

3. NET INTEREST INCOME

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Interest Income				
Loans and advances to credit institutions	30.6	39.1	20.6	39.1
Loans and advances to customers	898.8	767.9	884.7	768.1
Available-for-sale financial assets	113.5	128.6	113.7	128.6
Held-to-maturity financial assets	122.8	17.6	14.9	12.0
Other interest receivable	15.8	-	8.4	2.5
	1,181.5	**953.2**	**1,042.3**	**950.3**
Interest Expense				
Subordinated liabilities	(13.0)	(15.8)	(13.0)	(15.8)
Capital securities	(17.6)	(10.4)	(16.6)	(9.9)
Debt securities in issue	(161.7)	(190.1)	(222.6)	(275.4)
Customer accounts	(184.6)	(140.3)	(184.6)	(140.3)
Deposits by credit institutions	(428.3)	(329.6)	(428.3)	(329.6)
Other interest payable	(181.5)	(94.1)	(17.9)	(5.6)
Net loss on derivatives held for risk management	(30.0)	(0.1)	(4.2)	(0.1)
	(1,016.7)	**(780.4)**	**(887.2)**	**(776.7)**

Net losses recognised on cash flow hedges transferred to interest expense in the income statement from equity during 2008 is €1.0m (2007: €0.1m) for Group and €1.0m (2007: €0.1m) for Society.

Net losses on fair value hedging instruments held in a qualifying fair value hedging relationship recognised in interest expense is €3.2m (2007: Nil) for Group and €3.2m (2007: Nil) for Society.

Net losses recognised on derivatives held-for-trading in interest expense is Nil (2007: Nil) for Group and €25.8m (2007: Nil) for Society. The losses in the Society also include the fair value of derivatives held with EBS Mortgage Finance Unlimited, Emerald 4 plc and Emerald 5 Limited.

Included within various captions under interest income for the year ended 31 December 2008 is a total of €19.3m (2007: €3.4m) accrued on individually significant impaired financial assets.

4. NON INTEREST INCOME

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Fees and commissions receivable				
Insurance commission income	13.8	13.8	13.8	13.8
Investment management commission income	5.8	9.4	5.8	9.4
Credit card income	0.8	0.3	0.8	0.3
Personal loan income	0.2	0.3	0.2	0.3
	20.6	**23.8**	**20.6**	**23.8**
Fees and commissions payable				
Insurance commission expense	(4.5)	(4.9)	(4.5)	(4.9)
Investment management commission expense	(1.8)	(2.8)	(1.8)	(2.8)
Other	-	(0.1)	-	-
	(6.3)	**(7.8)**	**(6.3)**	**(7.7)**

Investment management commission income relates to fees earned by the Group and Society on investment advisory services provided to its members.

5. OTHER OPERATING INCOME

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Rental income	2.6	2.5	2.6	2.5
Dividend income – intragroup	-	15.9	-	-
Profit on disposal of land and buildings	-	1.0	-	1.0
Other income	1.3	0.7	0.3	0.6
	3.9	**20.1**	**2.9**	**4.1**

6. TOTAL OPERATING EXPENSES

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Employee costs	43.6	50.5	48.1	50.6
Other administrative expenses	41.3	48.3	42.1	47.4
Depreciation and amortisation of intangibles	8.6	7.3	10.3	10.1
	93.5	**106.1**	**100.5**	**108.1**

Auditors' remuneration (including value added tax) in 2008: €0.3m (2007: €0.3m).

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 22.

The average number of full time equivalents employed by the Group in the financial year was 692 (Society: 646) and is analysed into the following categories:

	Society 2008	Society 2007	Group 2008	Group 2007
Permanent employees	626	629	670	629
Temporary employees	20	26	22	26
	646	**655**	**692**	**655**

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Staff costs comprise:				
Wages and salaries	36.0	42.2	39.8	42.3
Social welfare costs	4.1	4.1	4.5	4.1
Defined benefit and defined contribution pension costs (Note 25)	3.5	4.2	3.8	4.2
	43.6	**50.5**	**48.1**	**50.6**

7. TAXATION

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
The taxation (credit) charge for the year is as follows:				
Corporation tax (credit) charge	(4.5)	6.9	(5.1)	7.5
Deferred tax	4.7	3.2	4.7	3.2
	0.2	**10.1**	**(0.4)**	**10.7**
The deferred taxation charge arises from:				
Capital allowances in excess of depreciation	(0.2)	0.2	(0.2)	0.2
Release of deferred tax provision	1.8	-	1.8	-
Other timing differences	3.1	3.0	3.1	3.0
	4.7	**3.2**	**4.7**	**3.2**

The reconciliation of total tax on income at the standard Irish corporation tax rate to the Group's and Society's actual tax charge is analysed as follows:

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
(Loss) Income before tax at 12.5% (2007: 12.5%)	(2.6)	10.5	(4.8)	8.3
Effects of:				
Corporation tax on chargeable gains	-	0.1	-	0.1
Capital allowances in excess of depreciation	0.3	(0.1)	0.3	0.2
Unutilised current year tax loss	-	-	2.0	-
Over provision in prior years	(1.1)	(0.7)	(1.6)	(0.7)
Intragroup dividend income not taxable	-	(2.0)	-	-
Addbacks and income not taxable at standard rates	0.3	(0.5)	0.4	-
Other timing differences	(1.4)	(0.4)	(1.4)	(0.4)
Corporation tax	(4.5)	6.9	(5.1)	7.5
Deferred tax	4.7	3.2	4.7	3.2
Total tax	**0.2**	**10.1**	**(0.4)**	**10.7**

8(a). CASH AND BALANCES WITH CENTRAL BANKS

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Cash in hand	4.5	4.1	4.5	4.1
Balances with Central Banks other than mandatory reserve deposits	119.3	256.9	119.3	256.9
Included in cash and cash equivalents	123.8	261.0	123.8	261.0
Mandatory reserve deposits with Central Bank	19.4	20.0	19.5	20.0
Total cash and balances with Central Banks	**143.2**	**281.0**	**143.3**	**281.0**

Mandatory reserve deposits are not available for use in the Group's day-to-day operations.

8(b). CASH AND CASH EQUIVALENTS

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
For the purposes of the cashflow statement the cash and cash equivalents comprise the following:				
Cash and balances with Central Banks	123.8	261.0	123.8	261.0
Available for sale financial assets (maturing within 3 months)	56.4	178.6	56.4	178.6
Loans and advances to credit institutions (repayable within 3 months)	2,685.1	256.9	887.6	267.7
	2,865.3	**696.5**	**1,067.8**	**707.3**

9(a). AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Society	2008 €m	2007 €m
Central Government bills - at fair value	224.7	138.9
Debt securities - at fair value	2,144.1	2,162.6
	2,368.8	**2,301.5**
Maturing within three months	56.4	178.6
Maturing between three months and one year	435.7	345.9
Maturing between one and five years	1,542.4	1,409.1
Maturing between five and ten years	334.3	367.9
	2,368.8	**2,301.5**

At 31 December an impairment charge of €15.0m (2007: Nil) was made on an available-for-sale asset held with an Icelandic bank.

9(b). UNREALISED GAINS/LOSSES NOT RECOGNISED IN INCOME STATEMENT ON AVAILABLE FOR SALE ASSETS

	Fair value €m	Gross gains €m	Gross losses €m	Net €m
Group and Society – 31 December 2008				
Central Government bills	224.7	4.2	(0.1)	4.1
Debt securities	2,144.1	6.9	(71.8)	(64.9)
	2,368.8	**11.1**	**(71.9)**	**(60.8)**
Group and Society – 31 December 2007				
Central Government bills	138.9	-	(3.1)	(3.1)
Debt securities	2,162.6	-	(12.5)	(12.5)
	2,301.5	**-**	**(15.6)**	**(15.6)**

The amount of loss on available-for-sale financial assets removed from equity and recognised in the income statement for the year ended 31 December 2008 is €15.0m (2007: Nil).

10. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Repayable in less than three months	2,685.1	256.9	887.6	267.7
Repayable in more than three months but less than one year	-	8.5	-	8.5
Repayable in more than one but less than five years	513.0	-	400.0	-
	3,198.1	**265.4**	**1,287.6**	**276.2**

10. LOANS AND ADVANCES TO CREDIT INSTITUTIONS (Continued)

At 31 December 2008 the Group has €34.4m (2007: €81.1m) included in loans and advances to credit institutions which is not available for use. This amount relates to funds held on behalf of Emerald Mortgages No. 4 plc, Emerald Mortgages No. 5 Limited and EBS Mortgage Finance Unlimited.

At 31 December 2008 loans outstanding between the Society and its subsidiary, EBS Mortgage Finance Unlimited, amounted to €1,746m (2007: Nil).

Included in loans and advances to credit institutions (repayable in more than one but less than five years) is an inter-bank deposit with a bank covered by the Irish Government guarantee scheme. This is explained further under Note 20.

11(a). LOANS AND ADVANCES TO CUSTOMERS

		Society		Group	
		2008 €m	2007 €m	2008 €m	2007 €m
Repayable in less than three months		225.2	130.4	225.2	130.4
Repayable in more than three months but less than one year		235.0	287.6	237.3	287.6
Repayable in more than one but less than five years		474.6	492.8	514.7	492.8
Repayable in more than five years		12,711.9	15,063.1	16,037.2	15,008.3
Total loans and advances to customers before provisions		**13,646.7**	**15,973.9**	**17,014.4**	**15,919.1**
Less provision for loan impairments	(Note 11 (b))	(112.7)	(36.9)	(113.8)	(36.9)
		13,534.0	**15,937.0**	**16,900.6**	**15,882.2**
Loans and advances to customers – Analysis by sector					
Home loans		9,132.4	12,031.7	13,106.9	12,031.7
Retail Buy to Let		1,474.2	1,501.4	1,538.1	1,501.4
Commercial Buy to Let		608.1	664.4	608.4	664.4
		11,214.7	**14,197.5**	**15,253.4**	**14,197.5**
Commercial		1,248.9	1,287.3	1,248.9	1,287.3
Development Finance		512.1	434.3	512.1	434.3
Loans to subsidiaries		671.0	54.8	-	-
Total loans and advances to customers before provisions		**13,646.7**	**15,973.9**	**17,014.4**	**15,919.1**
Less provision for loan impairments	(Note 11 (b))	(112.7)	(36.9)	(113.8)	(36.9)
		13,534.0	**15,937.0**	**16,900.6**	**15,882.2**

Loans to directors are disclosed in Note 34.

11(b). PROVISION FOR LOAN IMPAIRMENTS

		Society				Group			
			2008 €m		2007 €m		2008 €m		2007 €m
Individual provision for loan impairments									
At 1 January			19.7		2.7		19.7		2.7
Charge for impairment losses	Commercial	66.0		17.2		66.0		17.2	
	Retail	2.4	68.4	-	17.2	2.4	68.4	-	17.2
Loans and advances written off			(18.1)		(0.2)		(18.1)		(0.2)
At 31 December			**70.0**		**19.7**		**70.0**		**19.7**
Collective provision for loan impairments									
At 1 January			17.2		15.3		17.2		15.3
Charge for impairment losses	Commercial	19.3		1.5		19.3		1.5	
	Retail	10.6	29.9	0.5	2.0	10.3	29.6	0.5	2.0
Recoveries/write backs			(3.0)		(0.1)		(3.0)		(0.1)
Transfers			(1.4)		-		-		-
At 31 December			**42.7**		**17.2**		**43.8**		**17.2**
Total provision for loan impairments at 31 December			**112.7**		**36.9**		**113.8**		**36.9**

11(c). CONTINUING INVOLVEMENT IN ASSETS THAT HAVE BEEN TRANSFERRED

At 31 December 2008 the Group and Society had advances secured on residential property subject to non-recourse funding. These loans, which have not been de-recognised, are shown within loans and advances to customers and the non-recourse funding is shown within debt securities in issue within the Group. The loan notes in the Society are included in Customer accounts.

Loan notes for Emerald Mortgages No's.1, 2 and 3 were repaid by the Society in April 2008 in accordance with the refinance notices and the Emerald 1, 2 and 3 bonds were redeemed in April 2008 which resulted in all principal and interest being repaid to the bondholders and other liabilities being paid off. Emerald Mortgages No. 5 Limited commenced to trade on 20 March 2008 when it issued €2.5bn in floating rate bonds. These bonds were purchased by EBS Building Society.

The total carrying amount of the original secured loans transferred by the Society to Emerald Mortgages No.4 plc and Emerald Mortgages No.5 Limited amount to €4,000m (2007: €3,270m for Emerald Mortgages No's.1, 2, 3 and 4). The amount of transferred secured loans that the Society continues to recognise at 31 December 2008 is €3,397.3m (2007: €1,798.0m for Emerald Mortgages No's.1, 2, 3 and 4) with the carrying amount of the associated liability amounting to €3,403.6m (2007: €1,809.3m for Emerald Mortgages No's.1, 2, 3 and 4). These companies issued bonds to finance the purchase of the loans in the securitised pools.

Under the terms of the securitisation, the rights of the providers of the related funds are limited to the loans in the securitised portfolios and any related income generated by the portfolios, without recourse to EBS.

The Group participates in the securitisation through the provision of administration services and unsecured loan financing of €110.3m (2007: €34.2m), which is subordinated to the interest of the bond holders.

12. HELD-TO-MATURITY FINANCIAL ASSETS

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Central Government Bills and other Debt Securities – at amortised cost	**4,180.7**	**373.2**	**372.5**	**373.2**
Maturing between one and five years	1,848.4	232.2	348.4	232.2
Maturing between five and ten years	24.1	141.0	24.1	141.0
Maturing after ten years	2,308.2	-	-	-
	4,180.7	**373.2**	**372.5**	**373.2**

The market value of the Group and Society held-to-maturity financial assets at 31 December 2008 is €378.3m (2007 €365.0m) and €4,188.6m (2007 €365.0m) respectively.

13. SHARES IN GROUP UNDERTAKINGS

Society	2008 €m	2007 €m
At 1 January	1.0	0.5
Investment in subsidiary	166.5	0.5
At 31 December	**167.5**	**1.0**

Principal subsidiary undertakings:

All subsidiaries are 100% wholly owned unless otherwise stated.

(i) The Society indirectly holds 100% of the ordinary share capital in Hinsona Limited, incorporated in the Republic of Ireland. The company leases a property on behalf of the Group. The registered address of the company is 2 Burlington Road, Dublin 4.

(ii) The Society indirectly holds 100% of the ordinary share capital in Breezewalk Limited, incorporated in the Republic of Ireland. The company leases a property on behalf of the Group. The registered address of the company is 2 Burlington Road, Dublin 4.

(iii) The Society holds 1 €1 ordinary share (100%) in Haven Mortgages Limited, incorporated in the Republic of Ireland. The company trades as a mortgage lender. The registered address of the company is 110 Amiens Street, Dublin 1.

(iv) The Society holds 750,000 €1.25 Class A shares in EBS Capital No.1 SA, a 75% owned subsidiary incorporated in Luxembourg. The company raised external capital for the Society in 2005 and in 2007. The registered address of the company is 2 Avenue Charles De Gaulle, L 1653, Luxembourg.

(v) The Society holds 166,540,000 €1 ordinary shares (100%) in EBS Mortgage Finance Unlimited, incorporated in the Republic of Ireland on 30th October 2008 and regulated as a designated credit institution. The company does not sell mortgage loans directly to the public. Instead it has an origination agreement with the Society whereby the Society continues to sell mortgage loans directly to the public and subsequently pass these loans over to the bank for an appropriate consideration. The registered address of the company is 2 Burlington Road, Dublin 4.

14. PLEDGED COLLATERAL

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Government bonds	392.0	176.0	392.0	176.0
Debt securities	1,921.0	1,059.0	1,921.0	1,059.0
Mortgage backed promissory notes (gross value)	2,216.7	1,563.0	2,216.7	1,563 .0
Asset backed securities (own issue)	1,872.0	-	-	-
	6,401.7	**2,798.0**	**4,529.7**	**2,798 .0**

Pledged collateral sets out the total financial assets that have been pledged as collateral for liabilities at the balance sheet date.

Pledged collateral can be collateral pledged to the ECB or to market counterparties. ECB pledged collateral is comprised of financial assets that are pledged to the ECB as part of sale & repurchase (repo) agreements. These financial assets are ECB eligible assets in the form of (a) government bonds, (b) debt securities issued by monetary financial institutions, (c) mortgage backed promissory notes, (d) asset backed securities (own issue) in the form of Emerald Mortgages No.5 Limited and covered bonds issued by EBS Mortgage Finance Unlimited. Market counterpart pledged collateral are financial assets pledged as collateral as part of a sale & repurchase agreement (repo) with other credit institutions as market counterparts. These financial assets are in the form of (a) government bonds, (b) debt securities issued by monetary financial institutions and (c) asset backed securities (own issue) in the form of Emerald Mortgages No.5 Limited. All of these repos are covered by repo master agreements and are subject to daily repo margin processes.

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities, as well as requirements determined by exchanges where the Society acts as an intermediary.

The transferree has a right by contract or custom to sell or re-pledge the collateral under certain circumstances. These circumstances would arise if the Society breaches the standard securities lending and borrowing agreements.

15. PROPERTY, PLANT AND EQUIPMENT

Group	2008			2007		
	Land and buildings €m	Fixtures & fittings, equipment and motor vehicles €m	Total €m	Land and buildings €m	Fixtures & fittings, equipment and motor vehicles €m	Total €m
Cost or Valuation						
At 1 January	47.7	48.6	96.3	46.9	42.2	89.1
Additions	0.6	6.2	6.8	-	8.0	8.0
Disposals	-	(6.3)	(6.3)	-	(1.6)	(1.6)
Revaluation (deficit) surplus	(16.4)	-	(16.4)	0.8	-	0.8
At 31 December	**31.9**	**48.5**	**80.4**	**47.7**	**48.6**	**96.3**
Accumulated Depreciation						
At 1 January	-	25.2	25.2	-	20.9	20.9
Charge for year	-	4.8	4.8	-	5.7	5.7
Disposals	-	(5.6)	(5.6)	-	(1.4)	(1.4)
At 31 December	-	**24.4**	**24.4**	-	**25.2**	**25.2**
Net book amounts at 31 December	**31.9**	**24.1**	**56.0**	**47.7**	**23.4**	**71.1**

Society	2008			2007		
	Land and buildings €m	Fixtures & fittings, equipment and motor vehicles €m	Total €m	Land and buildings €m	Fixtures & fittings, equipment and motor vehicles €m	Total €m
Cost or Valuation						
At 1 January	47.7	36.5	84.2	46.9	32.2	79.1
Additions	0.6	5.7	6.3	-	5.9	5.9
Disposals	-	(6.3)	(6.3)	-	(1.6)	(1.6)
Revaluation (deficit) surplus	(16.4)	-	(16.4)	0.8	-	0.8
At 31 December	**31.9**	**35.9**	**67.8**	**47.7**	**36.5**	**84.2**
Accumulated Depreciation						
At 1 January	-	20.2	20.2	-	18.7	18.7
Charge for year	-	3.5	3.5	-	2.9	2.9
Disposals	-	(5.6)	(5.6)	-	(1.4)	(1.4)
At 31 December	**-**	**18.1**	**18.1**	**-**	**20.2**	**20.2**
Net book amounts at 31 December	**31.9**	**17.8**	**49.7**	**47.7**	**16.3**	**64.0**

Land and buildings to the value of €31.9m (2007: €47.7m) are occupied by the Group and Society for its own activities. The carrying value of land and buildings comprises freeholds of €25.4m (2007: €38.5m) and long leaseholds of €6.5m (2007: €9.2m). The value of land and buildings under the historical cost basis comprises freeholds €17.7m and long leaseholds €4.1m.

Land and buildings were revalued as at 31 December 2008 by Quinn Agnew, as independent valuers. These assets were valued on the basis of market value in accordance with the provisions of the RICS / SCS Appraisal and Valuation Standards.

16. INTANGIBLE ASSETS

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Computer software (and development costs)				
Cost				
At 1 January	53.4	47.1	56.0	47.1
Additions - Internal development	7.8	6.0	11.0	8.6
Additions - Purchased	0.2	0.3	0.2	0.3
At 31 December	**61.4**	**53.4**	**67.2**	**56.0**
Amortisation				
At 1 January	34.8	30.4	34.8	30.4
Charge for year	5.1	4.4	5.5	4.4
At 31 December	**39.9**	**34.8**	**40.3**	**34.8**
Net book amounts at 31 December	**21.5**	**18.6**	**26.9**	**21.2**

Computer software costs are amortised on a straight line basis over a period not exceeding ten years.

17. DEFERRED TAXATION ASSET

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
At 1 January	9.3	9.9	9.3	9.9
Amount charged to income statement	(3.1)	(1.8)	(3.1)	(1.8)
Amount credited to reserves	15.5	1.2	15.5	1.2
At 31 December	**21.7**	**9.3**	**21.7**	**9.3**
The amounts provided in relation to deferred tax assets are as follows:				
Impairment provision	-	1.8	-	1.8
Retirement benefits	5.2	0.8	5.2	0.8
Available-for-sale financial assets	7.6	2.0	7.6	2.0
Cashflow hedge reserve	8.1	3.2	8.1	3.2
Other timing differences	0.8	1.5	0.8	1.5
	21.7	**9.3**	**21.7**	**9.3**

18. OTHER ASSETS

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Deferred loan acquisition costs	63.7	76.8	77.9	76.8
Interest accrued	57.4	76.2	52.2	80.5
Other	55.5	46.6	15.4	45.3
	176.6	**199.6**	**145.5**	**202.6**

19. DEPOSITS BY CREDIT INSTITUTIONS – MATURITY ANALYSIS

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Repayable in less than three months	4,472.4	2,535.1	4,472.4	2,535.1
Repayable in more than three months but less than one year	1,291.5	72.1	1,291.5	72.1
Repayable in more than one year but less than five years	340.0	50.0	340.0	50.0
Repayable in more than five years	250.0	250.0	-	-
	6,353.9	**2,907.2**	**6,103.9**	**2,657.2**
Deposits by credit institutions – analysis by counterparty				
ECB repurchase agreements	3,697.0	2,231.5	3,697.0	2,231.5
Bi-lateral repurchase agreements	1,883.0	-	1,883.0	-
Other	773.9	675.7	523.9	425.7
	6,353.9	**2,907.2**	**6,103.9**	**2,657.2**

20. CUSTOMER ACCOUNTS

	Society 2008 €m	Society 2007 €m	Group 2008 €m	Group 2007 €m
Repayable on demand	2,204.1	2,706.9	2,042.6	2,706.9
Repayable in less than three months	4,200.2	4,188.4	4,200.2	4,188.4
Repayable in more than three months but less than one year	2,206.0	1,167.1	2,206.0	1,167.3
Repayable in more than one year but less than five years	1,605.0	1,321.1	1,605.0	1,321.1
Repayable in more than five years	3,478.3	1,969.3	72.3	159.9
	13,693.6	**11,352.8**	**10,126.1**	**9,543.6**
Customer accounts – analysis by sector				
Retail	5,524.7	4,775.1	5,524.7	4,775.1
Corporate	4,765.3	4,768.4	4,601.4	4,768.5
Securitisation	3,403.6	1,809.3	-	-
	13,693.6	**11,352.8**	**10,126.1**	**9,543.6**

20. CUSTOMER ACCOUNTS (Continued)

At 31 December 2008 customer accounts (replayable in more than one year, but less than five years) includes €400m of deposits from a non-bank subsidiary of a bank covered by the Irish government guarantee scheme (2007: Nil). These funds were in turn placed back with the covered institution as an inter-bank deposit on the same terms and are included in Loans and advances to credit institutions under Note 10. Because no right of set-off existed between these deposits and placements, they were recorded in customer accounts within Corporate on the Group's balance sheet in accordance with accounting standards.

Also included in Customer accounts in the Group and Society are embedded derivatives with a nominal value of €25.6m (2007: €26.0m) and a fair value of (€0.9m) (2007: (€6.8m)).

The securitisation balances in the Society relate to loan notes issued to Emerald No.4 plc and Emerald No.5 Limited, secured on residential property. These are also referred to in Note 11(c).

21. DEBT SECURITIES IN ISSUE

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Medium term notes	1,486.6	2,461.4	1,486.6	2,461.4
Certificates of deposit	611.0	950.4	611.0	950.4
Schuldschein Issued	193.8	166.9	193.8	166.9
Commercial Paper	283.0	280.7	283.0	280.7
Emerald Mortgages No. 1 plc	-	-	-	144.3
Emerald Mortgages No. 2 plc	-	-	-	114.1
Emerald Mortgages No. 3 plc	-	-	-	332.8
Emerald Mortgages No. 4 plc	-	-	1,108.1	1,225.9
	2,574.4	**3,859.4**	**3,682.5**	**5,676.5**
Details of Debt Securities in Issue by currency are as follows:				
EURO	2,021.9	2,448.8	3,130.0	4,265.9
GBP	400.7	899.1	400.7	899.1
USD	54.4	123.8	54.4	123.8
JPY	7.9	266.3	7.9	266.3
CZK	55.8	56.3	55.8	56.3
SFR	33.7	65.1	33.7	65.1
	2,574.4	**3,859.4**	**3,682.5**	**5,676.5**

There have been no defaults or breaches in respect of the debt securities in issue.

22. CURRENT TAX LIABILITIES

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Corporation tax	(3.7)	(0.5)	(3.5)	-
Other taxes	11.4	9.5	11.4	9.5
	7.7	**9.0**	**7.9**	**9.5**

23. DEFERRED TAXATION LIABILITY

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
At 1 January	6.3	5.2	13.3	11.9
Transfer to current taxation	-	(0.4)	-	(0.4)
Amount charged to the income statement	1.6	1.4	1.6	1.4
Amount charged to other assets	-	-	0.3	0.3
Amount (credited) charged to reserves	(2.1)	0.1	(2.0)	0.1
At 31 December	**5.8**	**6.3**	**13.2**	**13.3**
The amounts provided for deferred tax are as follows:				
Capital allowances in excess of depreciation	0.5	0.9	7.9	7.9
Revaluation of properties	1.0	2.9	1.0	2.9
Other timing differences	4.3	2.5	4.3	2.5
	5.8	**6.3**	**13.2**	**13.3**

24. OTHER LIABILITIES

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Interest accrued	284.8	276.6	286.0	279.3
Other accruals and deferred income	65.0	87.8	33.1	50.9
	349.8	**364.4**	**319.1**	**330.2**

25. EMPLOYEE BENEFITS

Group and Society

Defined contribution schemes:

The assets of the schemes are held separately from those of the Group. The total cost charged to the income statement in staff costs in the Group is €0.6m (2007: €0.2m) and the Society is €0.6m (2007: €0.2m). These represent contributions payable to these plans by the Group and Society.

Defined benefit schemes:

The Group operates a number of defined benefit pension schemes. The assets of the schemes are held separately from those of the Group and all schemes are funded. The charge to the Group is €3.2m (2007: €4.0m) and to the Society is €2.9m (2007: €4.0m), the remainder is charged as an inter-company expense to a wholly owned subsidiary.

	2008 €m	2007 €m
The amounts recognised in the balance sheet are determined as follows:		
Present value of pension obligations	(111.8)	(108.9)
Fair value of plan assets	73.1	106.6
Liability in the balance sheet	**(38.7)**	**(2.3)**
Movement in the present value of pension obligations:		
At 1 January	(108.9)	(121.1)
Current service costs	(4.0)	(5.8)
Interest cost	(6.2)	(5.9)
Past service costs	(0.5)	0.2
Participants' contributions	(1.2)	(1.1)
Actuarial gains	6.2	20.4
Benefits paid from plan	2.3	3.6
Premiums paid	0.5	0.8
At 31 December	**(111.8)**	**(108.9)**
Movement in the fair value of plan assets:		
At 1 January	106.6	113.0
Expected return on plan assets	7.5	7.9
Employer contributions	5.6	5.6
Participants' contributions	1.2	1.1
Actuarial losses	(45.0)	(16.6)
Benefits paid from plan	(2.3)	(3.6)
Premiums paid	(0.5)	(0.8)
At 31 December	**73.1**	**106.6**
The amounts recognised in the income statement are as follows:		
Defined benefit schemes		
Current service costs	(4.0)	(5.8)
Past service costs	(0.5)	(0.2)
Interest cost	(6.2)	(5.9)
Future expected return on plan assets	7.5	7.9
Total expenses (included in staff costs)	**(3.2)**	**(4.0)**
Pension plan assets		
The fair value of the pension plan assets	73.1	106.6
The actual return on pension plan assets	(37.5)	(8.6)

	2008		2007	
Pension Plan Assets	Percentage of plan assets	Future expected return on plan assets	Percentage of plan assets	Future expected return on plan assets
Asset Category				
Equity securities	68.0%	8.3%	77.1%	7.7%
Debt securities	18.4%	4.0%	13.0%	4.3%
Real estate and other	6.1%	7.3%	9.9%	10.0%
Others	7.5%	2.5%	-	-
	100.0%	**7.0%**	**100.0%**	**7.0%**

The expected rates of return on individual asset classes are estimated using current and projected economic and market factors.

25. EMPLOYEE BENEFITS (Continued)

Group and Society

	2008	2007
The principal actuarial assumptions used for calculating the pension obligations were as follows:		
Rate of inflation	2.00%	2.25%
Discount rate	5.70%	5.50%
Expected long term return on plan assets	7.03%	6.91%
Future salary increases	3.75%	3.75%
Future pension increases	2.00%	2.50%

Contributions are determined in accordance with the advice of Mercer, using the projected unit credit method. The most recent valuations were carried out as of 1 January 2008 and showed that the actuarial value of the schemes' assets represented 90% of the benefits that had accrued to members after allowing for expected future increases in earnings. The actuarial reports are available for inspection by members of the scheme but are not available for public inspection.

None of the pension plans assets are invested in the Society's or Group's own financial instruments.

The main post retirement mortality assumptions used at 31 December 2008 were 85% PMA92 C = 2030 (2007: 115% PMA92 (C = 2025)) for active and deferred members and 85% PMA92 C = 2015 (2007: 115% PMA92 (C = 2010)) for pensioners.

On this basis the life expectancy for a male pensioner aged 65 at 31 December 2008 was 20.73 years (2007: 17.99 years) and for a female pensioner aged 65 years was 23.79 years (2007: 20.83 years). Based on the assumed mortality improvements in 15 years time the life expectancy for a male pensioner aged 65 years will have increased to 21.79 years (2007: 19.20 years) and for a female pensioner then aged 65 years will have increased to 24.83 years (2007: 22.03 years).

The expected employer contributions for 2009 are €4.7m.

History of experience gains and losses

	2008	2007	2006	2005
Difference between the expected and actual return on plan assets:				
(i) Amount (€m)	(45.0)	(16.5)	5.3	9.8
(ii) % of plan assets	(62.0%)	(15.5%)	5.0%	10.1%
Experience (gains) losses on plan liabilities:				
(i) Amount (€m)	4.0	(2.6)	(8.9)	26.2
(ii) % of present value of plan liabilities	4.0%	(2.0%)	(7.0%)	22.0%

Defined benefit pension plans

	2008 €m	2007 €m	2006 €m	2005 €m
Present value of obligations	(111.8)	(108.9)	(121.1)	(120.0)
Scheme assets	73.1	106.6	113.0	96.9
Deficit in schemes	**(38.7)**	**(2.3)**	**(8.1)**	**(23.1)**

26. SUBORDINATED LIABILITIES

Group and Society

	2008 €m	2007 €m
Repayable in less than five years	66.0	2.1
Repayable in more than five but less than ten years	146.7	258.4
	212.7	**260.5**

Details of bonds issued are as follows:

Issue date	Maturity Date	Interest Rate		Call dates	Amount
26 November 1999	Nov-19	Fixed rate	7.00%	Nov-14	GBP £14.6m
19 December 2002	Nov-19	Fixed rate	6.44%	Dec-14	GBP £30.0m
14 December 2004	Dec-14	Variable	euribor +55bps	Dec-09	€60.0m
28 November 2006	Nov-16	Variable	euribor +35bps	Dec-11	€100.0m

The interest expense on the subordinated bonds amounted to €13.3m (2007: €14.5m) during the year. There have been no defaults or breaches in respect of subordinated liabilities.

27.MINORITY INTEREST

Group

	2008 €m	2007 €m
At 1 January	245.2	122.8
Capital securities issued in subsidiary undertakings	-	122.1
Upfront costs	(0.5)	-
Amortisation of upfront costs through reserves	0.1	0.2
Amortisation of discount through income statement	0.2	0.1
At 31 December	**245.0**	**245.2**

The Society holds 750,000 €1.25 Class A shares in EBS Capital No.1 S.A., a 75% owned subsidiary incorporated in Luxembourg. EBS issued €125m of permanent interest bearing shares to EBS Capital No.1 S.A. in 2005 and again in 2007.

In 2005 EBS Capital No. 1 S.A. issued 125,000 Class B shares in the form of non-cumulative step-up perpetual capital securities ('Capital Securities') and in 2007 it issued 125,000 Class B shares in the form of non-cumulative capital securities. The issuance of capital securities in 2005 are classified for regulatory purposes as Innovative Tier 1 capital and the issuance of securities in 2007 are classified as non-innovative Tier 1 capital. The obligations of EBS Capital No. 1 S.A. under the Capital Securities are guaranteed on a subordinated basis by the Society.

28. LEASING COMMITMENTS

Group and Society	2008 €m	2007 €m
At 31 December, future minimum payments under non cancellable operating leases relating to land and buildings are as follows:		
Repayments made in:		
Less than one year	7.6	7.4
Between one and five years	30.0	28.8
After five years	85.7	92.0
	123.3	**128.2**

These leases have average lives of between 25 and 35 years with renewal options included in the contracts.

The actual amount incurred on operating lease charges in 2008 was €8.5m (2007: €7.4m).

29. CAPITAL COMMITMENTS

Group and Society	2008 €m	2007 €m
Capital expenditure contracted but not provided	-	0.4
Capital expenditure authorised but not contracted	2.9	16.0

30. DERIVATIVE FINANCIAL INSTRUMENTS

Group

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 hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate swaps, interest rate caps, currency swaps, equity index options and equity index swaps. The Group only engages in derivative activity for hedging purposes, although all swaps are considered to be effective hedges in economic terms, due to the nature of some it is not possible to establish a "Fair Value" or "Cash Flow" hedging relationships under IAS 39, such swaps are classified as "Held-for-trading".

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 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.

Fair value hedges

The Group hedges part of its existing interest rate and foreign currency risk resulting from any potential movement in the fair value of fixed rate assets or liabilities and movement in fair value of assets and liabilities denominated in foreign currencies using interest rate and cross-currency interest rate swaps. The net fair value of these swaps at 31st December 2008 was (€82.3m) (2007: (€47.2m)).

Cash flow hedges

The Group also hedges part of its existing interest rate risk from any potential movement in variable cashflows using interest rate swaps. The net fair value of these swaps at 31 December 2008 was (€66.3m) (2007: (€26.0m)). The periods in which the future forecasted cashflows are hedged range from 1 month to 10 years.

The effective portion of changes in fair value recognised in equity relating to cash flow hedges for the year ended 31 December 2008 is €65.0m (2007: €22.4m).

Group	2008		2007	
	Contract/ notional amount €m	Fair values €m	Contract/ notional amount €m	Fair values €m
Derivatives held for trading				
Assets derivatives				
Interest rate caps	0.8	-	7.0	0.1
Equity swaps	25.8	1.0	26.3	6.9
Cross currency interest rate swaps	908.1	9.1	87.2	2.7
Interest rate swaps	103.1	0.8	230.4	0.2
Equity Options	25.2	-	49.4	-
Total asset derivatives held for trading	**1,063.0**	**10.9**	**400.3**	**9.9**
Liability derivatives				
Cross currency interest rate swaps	466.6	(11.6)	1,443.2	(31.9)
Interest rate swaps	70.1	(1.3)	289.1	(0.5)
Total liability derivatives held for trading	**536.7**	**(12.9)**	**1,732.3**	**(32.4)**
Total derivatives held for trading	**1,599.7**	**(2.0)**	**2,132.6**	**(22.5)**
Total embedded derivatives	**25.6**	**(0.9)**	**26.0**	**(6.8)**

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Group	2008		2007	
	Contract/ notional amount €m	Fair values €m	Contract/ notional amount €m	Fair values €m
Derivatives held for hedging				
Assets derivatives				
Interest rate swaps	3,089.1	31.4	2,391.8	45.4
Cross currency interest rate swaps	122.3	9.0	184.1	2.2
Total asset derivatives held for hedging	**3,211.4**	**40.4**	**2,575.9**	**47.6**
Liability derivatives				
Interest rate swaps	3,900.5	(105.5)	5,349.9	(53.8)
Cross currency interest rate swaps	627.8	(83.5)	1,472.4	(67.0)
Total liability derivatives held for hedging	**4,528.3**	**(189.0)**	**6,822.3**	**(120.8)**
Total derivative held for hedging	**7,739.7**	**(148.6)**	**9,398.2**	**(73.2)**
Derivatives designated as fair value hedges				
Interest rate swaps	1,169.1	(7.7)	1,108.5	17.5
Cross currency interest rate swaps	750.1	(74.6)	1,656.5	(64.7)
Total derivatives designated as fair value hedges	**1,919.2**	**(82.3)**	**2,765.0**	**(47.2)**
Derivatives designated as cash flow hedges				
Interest rate swaps	5,820.5	(66.3)	6,633.2	(26.0)
Total derivatives designated as cash flow hedges	5,820.5	(66.3)	6,633.2	(26.0)
Total derivative held for hedging	**7,739.7**	**(148.6)**	**9,398.2**	**(73.2)**
Total derivatives	**9,365.0**	**(151.5)**	**11,556.8**	**(102.5)**
Asset derivatives	4,274.4	51.3	2,976.2	57.5
Liability derivatives	5,065.0	(201.9)	8,554.6	(153.2)
Embedded derivatives	25.6	(0.9)	26.0	(6.8)
Total derivatives	**9,365.0**	**(151.5)**	**11,556.8**	**(102.5)**

Asset derivatives for the Society are fair valued at €71.8m (2007: €57.5m). In addition to the asset derivative financial instruments held by the Group, this also includes the fair value of an interest rate swap with EBS Mortgage Finance Unlimited designated as a derivative held for trading. The notional value of this contract is €2,098m and the fair value is €20.5m (2007: Nil).

Liability derivatives for the Society are fair valued at €248.2m (2007: €153.2m). In addition to the liability derivative financial instruments held by the Group, this also includes a fair value of interest rate swaps held with Emerald Mortgages No.4 plc, Emerald Mortgages No.5 Limited and EBS Mortgage Finance Unlimited. These derivatives are designated as derivatives held for trading. The notional value of these contracts is €4,730m (2007: €1,817m) and the fair value is €46.3m (2007: €14.3m).

The weighted average remaining term of the Group's cash flow hedges is 3.7 years. The maximum remaining term of any individual cash flow hedge is 9.6 years.

Fair value is based upon quoted market prices where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments and adjusted for differences between the quoted instrument and the instrument being valued. In certain cases, including some loans and advances to customers, where there are no ready markets, various techniques have been used to estimate the fair value of the instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore can not be determined with precision. Readers of these financial statements are advised to use caution when using the data to evaluate the Group's financial position or to make comparisons with other institutions.

There were no forecast transactions for which a cashflow hedge previously designated has ceased or been discontinued in 2007 or 2008.

The derivative maturity table below analyses the asset, liability and embedded derivatives notional amounts by maturity bucket.

Derivative Maturity Table at 31 December 2008

Group	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	Total €m
Interest rate swaps	905.5	391.2	704.5	971.4	219.6	3,192.2
Cross currency interest rate swaps	968.9	2.4	-	59.1	-	1,030.4
Interest rate caps	-	0.8	-	-	-	0.8
Equity swaps	-	-	-	25.8	-	25.8
Equity options	8.6	10.9	5.7	-	-	25.2
Total assets	**1,883.0**	**405.3**	**710.2**	**1,056.3**	**219.6**	**4,274.4**
Interest rate swaps	62.8	12.4	645.4	2,712.7	537.3	3,970.6
Cross currency interest rate swaps	788.4	51.3	196.2	58.5	-	1,094.4
Total liabilities	**851.2**	**63.7**	**841.6**	**2,771.2**	**537.3**	**5,065.0**
Embedded derivatives	**-**	**-**	**-**	**25.6**	**-**	**25.6**

Derivative Maturity Table at 31 December 2007

Group	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	Total €m
Interest rate swaps	190.2	129.2	192.9	1,685.1	424.8	2,622.2
Cross currency interest rate swaps	210.9	7.6	-	52.8	-	271.3
Interest rate caps	-	-	6.2	0.8	-	7.0
Equity swaps	-	-	-	25.3	1.0	26.3
Equity options	4.6	14.0	5.7	25.1	-	49.4
Total assets	**405.7**	**150.8**	**204.8**	**1,789.1**	**425.8**	**2,976.2**
Interest rate swaps	2,554.0	601.5	464.2	1,671.1	348.2	5,639.0
Cross currency interest rate swaps	2,427.6	163.6	216.4	108.0	-	2,915.6
Total liabilities	**4,981.6**	**765.1**	**680.6**	**1,779.1**	**348.2**	**8,554.6**
Embedded derivatives	**-**	**-**	**-**	**25.0**	**1.0**	**26.0**

31. RISK MANAGEMENT AND CONTROL

The Group defines risk as a failure to maximise opportunities or a failure to foresee or manage events which could result in unnecessary material financial loss, interruption in business operations or damage to the Society'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.

RISK MANAGEMENT FRAMEWORK

There are management systems and procedures in place in the Society to identify, measure, manage and report on material risks. Key elements of these include:

(i) There is a clearly defined organisation structure which is regularly updated.

(ii) Strategies, goals, objectives, authority limits and reporting mechanisms are clearly defined and performance is monitored.

(iii) The Society's risk appetite is evaluated and risk exposure is monitored by the Board, supported by a comprehensive risk governance structure at board level incorporating the workings of Board Risk Committee and the Board Audit and Compliance Committee. At Management level effective risk management is supported by the workings of key risk committees including the Asset & Liability Committee, the Credit Risk Committee, the Risk Rating Approval Committee, the Operations Management Committee and the Regulatory Compliance Committee. Each of these committees is responsible for identifying actions to support robust risk management in line with the organisation's risk appetite and monitoring their progress.

Risk Committees and Functions

(iv) The Asset & Liability Committee was established to evaluate the Society's exposure to market risk, namely, interest rate risk, liquidity risk, funding risk and foreign exchange risk. It is responsible for recommending the appropriate capital policy for EBS including agreement on the appropriate level and composition of capital which should be held, monitoring capital ratios, including projections, and agreeing the appropriate management implementation of the capital policy. It is also responsible for approving the allocation of the cost of capital across each key business line and the appropriate return on capital, given the Society's risk appetite.

(v) The Credit Risk Committee reviews and recommends appropriate credit risk management structures and policies in line with the credit risk appetite of the organisation. It is also responsible for monitoring the performance of the loan book, external economic and other developments and new business credit risk trends. The committee is charged with ensuring that an appropriate level of credit risk insurance is being maintained and is responsible for reviewing and approving provision levels for bad and doubtful debts. A subcommittee of the Credit Risk Committee, namely the Counterparty Credit Committee, supports robust monitoring of counterparty credit policy, procedures and exposures.

(vi) The Risk Rating Approval Committee is responsible for reviewing and recommending to the Board policies on risk model development, validation and use. It is also responsible for the ongoing validation and monitoring of risk rating systems and model performance.

(vii) The Operations Management Committee reviews and monitors business operations, process risks and improvement initiatives across the organisation. It is also responsible for reviewing loss and near miss events and making recommendations for changes in operational processes where appropriate. The committee is responsible for evaluating the organisation's appetite for operational risk and ensuring that it is well communicated and understood. The Health & Safety Committee is a sub committee of the the Operations Management Committee.

(viii)The Regulatory Compliance Committee ensures that there is an appropriate framework in place for ensuring that EBS is compliant with regulations across all areas of the business. It is also responsible for evaluating any compliance reviews and assessments undertaken by the Compliance function, external audit or other third parties, and for ensuring appropriate action plans are put in place where compliance risk gaps are identified.

(ix) There are three independent review functions - Risk, Compliance and Internal Audit - each of which operates separately to, and independently of, the general business operation.

(x) The Risk function supports the Group in identifying, measuring, managing and monitoring key risks. It comprises risk analytics, a credit review unit, an operational risk unit and an information security unit and has oversight responsibility for treasury risk. It monitors and reports on key risk management developments and risk indicators to the Board. It updates the Board on progress across EBS to mitigate material risks through the Management Action Log.

(xi) The Legal & Reglatory Compliance function supports each area of the Group in identifying their responsibilities in relation to prevailing and pending laws and regulations. Key compliance risks and developments are monitored by the Regulatory Compliance Committee and the unit reports to the Board Audit & Compliance Committee on its plans and progress.

(xii) Internal Audit provides independent assurance in relation to the effectiveness of the system of internal control to the Board through the Board Audit & Compliance Committee.

31.RISK MANAGEMENT AND CONTROL (Continued)

RISK UNIVERSE

EBS categorises risks under a number of headings namely, strategic, operational, compliance and financial risks. Together, these form the EBS Risk Universe. This helps the Society to assess and manage risk on an enterprise wide, holistic basis. The Risk Universe is continuously reviewed and updated reflecting the changing risk environment and was reviewed by the Board during 2008.

Strategic risks

Strategic risk management comprises the Group's values and beliefs, organisational structure and alignment, change readiness, strategic plan management, performance incentives, crisis management, brand management, leadership and communication. Strategic risk also encompasses 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 to the Board directly and to its subcommittees on a regular basis.

Operational risks

Operational risk is the current or prospective risk of loss arising from inadequate or failed internal processes or systems, human error or external events.

Group Operational Risk is responsible for supporting and monitoring operational risk management throughout the organisation and for recommending changes to the operational risk policy as appropriate to the Operations Management Committee. The core focus of operational risk management is delivery of optimal products and services to members and customers, operational efficiency, fraud prevention, clear lines of authority, employee development, health, safety and personal security of all employees and customers, solutions development, systems integrity, business continuity management, and third party partnership management. Group Operational Risk supports the business in conducting regular self-assessments of the risks in individual functions, in key processes and in significant projects.

The self-assessment process helps identify key risks, the materiality of the risks (based on the probability of their occurrence and the impact if they did occur), an evaluation of the management activities to control and/or mitigate the risks and the level of residual risk. This supports the business in identifying actions to improve the Group's risk management capabilities. Further actions are identified from the evaluation of losses and near misses which are recorded in each part of the organisation and monitored by the Operational Risk function. These, and other actions arising from internal audit reviews or risk committee prompts, are monitored on an ongoing basis and progress against actions is reported on a regular basis to the Management Team and the Board.

Regulatory compliance risks

Regulatory compliance risk is the risk that the Society fails to meet the standards and requirements of the Regulator in relation to the provision of financial services to consumers.

The Regulatory Compliance function is responsible for advising and facilitating the business in identifying, managing and monitoring its legal and regulatory obligations. It supports an ongoing review of the framework used to enable each area of 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 is in place and that feedback is monitored and reported. Regulatory Compliance reports to the Board Audit and Compliance Committee on key compliance issues and trends on a semi-annual basis.

Recent government intervention in global financial markets is expected to significantly increase the level of regulation by national and international regulatory bodies, increasing compliance and regulatory risks for all banks and building societies.

On 30 September 2008, the Minister for Finance announced that the Irish Government would provide a State guarantee supporting (a) all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in the State or other jurisdictions); (b) inter-bank deposits; (c) senior unsecured debt; (d) asset covered securities; and (e) dated subordinated debt (lower Tier 2) of all 'covered institutions'. This guarantee covers all relevant liabilities for a two-year period from 30 September 2008 until 29 September 2010.

In line with the subsequent Credit Institution (Financial Support) Act 2008, the Group executed a 'Guarantee Acceptance Deed' on 24 October 2008 to become a covered institution. This Government guarantee covers all relevant liabilities of the Society.

The terms and conditions of the Government guarantee identify additional levels of oversight and scrutiny for the duration of the scheme in the following areas; increased information and monitoring, Board representation and executive management, commercial conduct, corporate social responsibility and controls on executive remuneration.

Financial risks

The Group has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group's loans and advances to customers and credit institutions, held to maturity financial assets, available for sale financial assets and derivatives. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Credit risk management in EBS is supported by an appropriate governance structure with separation of function between the sourcing and approval of business, the issuing of funds, loan management and independent review and monitoring. The Credit Risk Control Unit is responsible for the development and ongoing validation of credit risk rating models which are used to assess credit applications and to support a robust capital adequacy assessment process, and for independently monitoring the quality of the Group's loan assets. Credit Review assesses the application of credit policies, processes and procedures across all areas of the Society. The Retail and Commercial credit functions approve credits and manage credit control in line with EBS credit risk policies.

The Society insures itself against risk in the Irish residential property market through mortgage indemnity insurance. Credit impairment provisions are put in place in line with International Financial Reporting Standards.

Maximum exposure to credit risk

The following table shows the Group's credit exposure, which is the maximum potential exposure including committed facilities:

	Society		Group	
	2008 €m	2007 €m	2008 €m	2007 €m
Non-derivative financial assets				
Cash and balances with central banks	143.2	281.0	143.3	281.0
Available-for-sale financial assets	2,368.8	2,301.5	2,368.8	2,301.5
Loans and advances to credit institutions	3,198.1	265.4	1,287.6	276.2
Loans and advances to customers	13,534.0	15,882.2	16,900.6	15,882.2
Held-to-maturity financial assets	4,180.7	373.2	372.5	373.2
Interest accrued	57.4	76.2	52.2	80.5
Derivatives				
Interest rate swaps	52.8	45.6	32.3	45.6
Cross currency interest rate swaps	18.1	4.9	18.1	4.9
Interest rate caps	-	0.1	-	0.1
Equity swaps	0.9	6.9	0.9	6.9
Loan commitments (not unconditionally cancellable)	222.0	664.1	301.3	664.1

Loan commitments disclosed above comprise formal loan offers which EBS have a legal obligation to fulfil at the balance sheet date. This excludes any offer letters where the Group's legal commitment to fulfil has elapsed.

Holding of collateral

EBS holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. For residential property, these values are updated using the PTSB/ESRI index. Processes to monitor the collateral underpinning Commercial lending are in place as part of the annual review of each Commercial connected exposure ('Obligor'). Otherwise, values are updated when a loan is individually assessed as impaired at which time the fair value of the collateral held is factored into the estimate of the impairment provision required. Collateral generally is not held over loans and advances to credit institutions, nor over debt securities or government and other eligible bills.

Against possession cases, collateral with a fair value of €5.5m (2007: €2.8m) is held. In addition the Society has put in place a number of Credit Support Annexes (CSAs) covering in excess of 75% of outstanding derivatives.

Credit quality

EBS lending credit risk is measured both at transaction level and at portfolio level.

At origination, individual loan transactions are assessed for credit risk using a combination of factors. These include the risk rating attached to the credit (application score or obligor grade or external rating of a counterparty), the security exposure and an assessment of the member's, customer's or obligor's ability to repay the debt.

Over time, portfolio risk is measured by reference to risk rating migration, the volume and value of loans in default, arrears aged analysis migration, the volume of legal recovery activity and repossessions, movements in credit impairment provisions and the level of write-offs.

The credit quality of the portfolio of loans & advances to customers is set out below by reference to retail assets, commercial assets and development finance assets. Group Retail assets amount to €14,624.6m (2007: €13,534.8m), commercial assets amount to €1,834.0m (2007: €1,913.1m) and development finance assets amount to €442.0m (2007: €434.3m).

The analysis below in relation to retail, commercial and development finance assets is based on gross lending before impairment provisions and uncashed loan cheques.

Retail assets

The EBS Retail lending portfolio comprises loans for owner occupation and buy to let loans for single properties or small portfolios.

The primary tool in use for monitoring the credit quality of retail assets is a probability of default (PD) and loss given default (LGD) matrix. The matrix is based on PD and LGD bands, calculated during the monthly regulatory capital calculation cycle. It is reported monthly to the Credit Risk Committee where trends, movements and migrations are analysed to assess changes in the risk profile of the portfolio.

The retail book risk is assessed on the basis of two categories : performing loans and non-performing loans. Within the performing loans pool, loans with a PD in excess of 30% and loans with an LGD of greater than 25% where the PD exceeds 5% are categoried as 'watch risk' loans. Non-performing loans are defined using the standard Basel 2 definition of default.

The following analysis is based on the above groupings:

	Society		Group	
	2008	2007	2008	2007
Retail Assets				
Performing loans	96.7%	98.6%	97.6%	98.6%
Non-performing loans	3.3%	1.4%	2.4%	1.4%
	100.0%	100.0%	100.0%	100.0%

Out of total performing retail loans, 2.3% of Group and 2.0% of Society loans are on the watch list (2007: 0.5% (Group and Society)).

Commercial assets and development finance assets

The EBS Commercial loan portfolio comprises commercial assets and development finance assets. Commercial assets include loans to individuals and companies to purchase income earning real estate (i.e. commercial investment property) and loans for properties for owner-managed enterprises and commercial buy-to-let assets. Development finance assets includes loans for land and commercial and residential development.

Obligors are graded for default risk under a 10 point grading system. This grading system, used for all credit assessments, is a central feature of all loan reviews and informs the credit risk appetite in relation to large exposures. Obligor review frequency is risk-based, higher risk obligors being reviewed more frequently, and the outcome of a review is either a confirmation of the existing grade or a change to the grade.

Apart from day-to-day use in credit and pricing decisions the credit risk grades are used to analyse the quality of exposures at book level on an ongoing basis. Credit risk rating migrations are reported independently of the Commercial business unit to the Credit Risk Committee and the Board on a monthly basis.

31.RISK MANAGEMENT AND CONTROL (Continued)

The commercial book is categorised into two groups: Performing loans (including loans on 'watch') and Non-performing loans. Non-performing loans are defined using the standard definition of default under the Basel II capital regime. Loans on watch are those where there are indications of a possible future difficulty and which require individual and sustained review.

The following analysis is based on the above groupings:

Group and Society	2008	2007
Commercial assets		
Performing loans (of which loans on watch: 3.3% (2007: 0.9%))	92.8%	96.3%
Non performing loans	7.2%	3.7%
	100.0%	**100.0%**
Development finance assets		
Performing loans (of which loans on watch: 13.8% (2007: 7.7%))	64.0%	97.3%
Non performing loans	36.0%	2.7%
	100.0%	**100.0%**

Definition of impaired

Provisions are calculated for assets which are deemed to be impaired where there is objective evidence of impairment. If the asset is deemed to be significant, then it is reviewed on an individual basis. Where the asset is impaired, but not significant, it is reviewed on a pooled or collective basis. Provisions are also calculated for assets where there is no objective evidence of impairment yet, but where impairment may have been incurred, i.e., incurred but not reported (IBNR). In this way, all loan assets are reviewed for impairment assessment purposes.

Definition of past due

For the majority of loans, interest is charged on a calendar month basis. Loans are deemed to be past due when there is any part of a monthly payment missed.

Group retail assets amount to €14,624.6m (2007: €13,534.8m) and Society retail assets amount to €11,258.0 (2007: €13,589.6).

RETAIL ASSETS

	Society		Group	
	2008	2007	2008	2007
Not impaired:				
Neither past due nor impaired	91.7%	93.0%	92.6%	93.0%
Past due :				
Up to 30 days	2.8%	4.3%	2.9%	4.3%
30 to 60 days	1.2%	0.9%	1.2%	0.9%
60 to 90 days	0.9%	0.5%	0.8%	0.5%
90+ days	3.3%	1.3%	2.4%	1.3%
Impaired individually significant:				
Past due 90 to 180 days	-	-	-	-
Past due over 180 days	0.1%	-	0.1%	-
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Group and Society commercial assets amount to €1,834.0m, (2007: €1,913.1m).

COMMERCIAL ASSETS

Group and Society	2008	2007
Not impaired:		
Neither past due nor impaired	86.0%	84.9%
Past due :		
Up to 30 days	3.1%	9.9%
30 to 60 days	1.2%	0.9%
60 to 90 days	0.8%	2.0%
90+ days	1.7%	0.9%
Impaired individually significant:		
Past due 90 to 180 days	5.1%	0.6%
Past due over 180 days	2.1%	0.8%
Total	**100.0%**	**100.0%**

Group and Society development finance assets amount to €442.0m (2007: €434.3m).

DEVELOPMENT FINANCE ASSETS

Group and Society	2008	2007
Not impaired:		
Neither past due nor impaired	40.2%	77.1%
Past due :		
Up to 30 days	15.7%	18.3%
30 to 60 days	0.6%	2.1%
60 to 90 days	0.7%	0.1%
90+ days	8.3%	1.2%
Impaired individually significant:		
Past due 90 to 180 days	17.8%	-
Past due over 180 days	16.7%	1.2%
Total	**100.0%**	**100.0%**

The value of loans and advances to customers for the Group and Society that are past due but not impaired at the balance sheet date is €1,328m (2007: €1,305m) and €1,126m (2007: €1,305m) respectively.

The value of loans and advances to customers for the Group and Society that are impaired at the balance sheet date is €322.5m (2007: €37.2m).

All loan assets – analysis by sector

The Group monitors concentrations of credit risk by sector: an analysis is shown below.

	Society		Group	
	2008	2007	2008	2007
Loans and advances				
Home loans	70.0%	75.3%	76.7%	75.3%
Retail buy to let	11.8%	9.7%	9.4%	9.7%
Commercial buy to let	4.7%	4.1%	3.6%	4.1%
Commercial	9.5%	8.1%	7.3%	8.1%
Development finance	4.0%	2.8%	3.0%	2.8%
	100.0%	**100.0%**	**100.0%**	**100.0%**

The Group's activities are exclusively in the financial services sector, and almost exclusively in the Republic of Ireland. 98.5% of the loan book is secured against property assets in the Republic of Ireland.

Treasury assets and derivatives

Treasury assets consist of cash and balances with central banks, central government bills and other eligible bills, derivative financial instruments, available-for-sale and held-to-maturity financial assets, and loans and advances to credit institutions excluding operating bank accounts.

As at 31 December 2008 one Treasury asset was impaired and a provision of €15.0m was made (2007: Nil).

The following tables presents an analysis of Treasury asset counterparties based on EBS's internal ratings mapped to an external rating agency scale.

Group 2008	Cash & balances with central banks	Govt and other eligible bills	AFS financial assets	HTM financial assets	Derivatives	Loans & advances to credit institutions
Aaa	100.0%	57.3%	17.3%	81.2%	4.3%	0.5%
Aa3 to Aa1	-	42.7%	52.2%	18.8%	85.3%	78.8%
A3 to A1	-	-	22.6%	-	10.4%	20.7%
Lower than A3	-	-	7.9%	-	-	-

Society 2008	Cash & balances with central banks	Govt and other eligible bills	AFS financial assets	HTM financial assets	Derivatives	Loans & advances to credit institutions
Aaa	100.0%	57.3%	17.3%	7.2%	9.3%	0.2%
Aa3 to Aa1	-	42.7%	52.2%	1.7%	48.8%	33.4%
A3 to A1	-	-	22.6%	91.1%	41.9%	66.4%
Lower than A3	-	-	7.9%	-	-	-

Group and Society 2007	Cash & balances with central banks	Govt and other eligible bills	AFS financial assets	HTM financial assets	Derivatives	Loans & advances to credit institutions
Aaa	100.0%	100.0%	5.7%	80.0%	29.0%	2.3%
Aa3 to Aa1	-	-	54.1%	20.0%	57.9%	50.6%
A3 to A1	-	-	32.5%	-	7.9%	40.7%
Lower than A3	-	-	-	-	-	-
Unrated	-	-	7.7%	-	5.2%	6.4%

31.RISK MANAGEMENT AND CONTROL (Continued)

The Society has put in place a number of Credit Support Annexes (CSAs) covering in excess of 75% of outstanding derivatives. Derivatives covered by these agreements are marked to market on an ongoing basis thereby removing the counterparty credit risk. The counterparty credit risk relating to the remaining 25% of derivatives not covered by CSAs is mitigated by the fact that under our counterparty credit risk policy we can only transact derivatives with counterparties who warrant a minimum rating of 4 based on the EBS IRB system if a CSA agreement is not in place.

EBS has established and enforces operating limits and other practices that maintain exposures within levels consistent with their internal policies. EBS adheres to the principles of sound practices for managing interest rate risk and complies with any regulatory requirements as a minimum.

EBS transacts derivatives for the purpose of reducing or eliminating Interest Rate Risk in the Banking Book (IRRBB). EBS uses Interest rate, cross currency and foreign exchange swaps for this purpose.

(ii) Liquidity risk

Group Treasury is 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 Asset and Liability committee ('ALCO') monitors these risks and reports on key developments to the Board on a regular basis.

Liquidity risk relates to the ability of the Group to meet its on and off balance sheet obligations in a timely manner as they fall due, without incurring excessive cost, whilst continuing to fund its assets and growth therein.

The Group applies the maturity mismatch approach to the management of liquidity following the adoption of this method by the Financial Regulator in July 2007.

The overall purpose of a maturity mismatch approach is to ensure that the Group will have, at any given time, a pool of highly liquid assets capable of being converted into cash within four business days, sufficient to cover a certain percentage of foreseeable cash outflows for future periods of time ('time bands').

The maturity mismatch approach requires cash flows to be analysed under various headings and assigned to predetermined time bands depending on when the cash is received or paid out. Assumptions are made about the retention rates of certain retail and corporate flows, which are based on historical behaviour together with additional prudential reductions (haircuts). Maturity mismatches are assessed on a net cumulative basis, with statutory limits imposed on the first (up to eight days) and second (over eight days to one month) time bands. The Group applies internal limits in excess of the regulatory requirements for these two time bands.

Key measures used by the Group for managing liquidity risk are the liquidity ratios, calculated and reported on a daily basis to the Group Treasurer, on a weekly basis to the Financial Regulator and on a monthly basis to ALCO and the Board. Any breaches of limits are escalated immediately per the escalation procedure.

Exposure to liquidity risk

The table below analyses gross contractual maturities of financial liabilities held by the Group:

Group	Up to 1 month €m	Over 1 month to 3 months €m	Over 3 months to 6 months €m	Over 6 months to 1 year €m	1 to 2 years €m	Over 2 years €m	Total €m
31 December 2008							
Financial liabilities							
Deposits by credit institutions	2,830.7	1,657.4	751.6	550.0	340.0	-	6,129.7
Customer accounts	4,872.0	1,473.0	902.9	1,346.2	777.7	981.7	10,353.5
Derivative financial instruments	-	41.3	4.7	37.2	102.8	15.9	201.9
Debt securities issued	932.3	328.9	33.2	55.1	778.6	1,590.0	3,718.1
Minority interest	-	1.4	-	6.3	-	250.0	257.7
Subordinated liabilities	-	1.6	-	63.1	-	147.2	211.9
Unrecognised loan commitments	124.7	138.8	32.5	5.3	-	-	301.3
Total financial liabilities	**8,759.7**	**3,642.4**	**1,724.9**	**2,063.2**	**1,999.1**	**2,984.8**	**21,174.1**
31 December 2007							
Financial liabilities							
Deposits by credit institutions	1,033.3	1,528.9	30.4	45.0	-	50.0	2,687.6
Customer accounts	5,621.7	1,305.4	634.2	586.0	570.1	1,041.2	9,758.6
Derivative financial instruments	-	65.9	(3.2)	34.8	38.2	17.5	153.2
Debt securities issued	726.7	728.5	369.9	382.2	439.6	3,102.1	5,749.0
Minority interest	-	1.9	-	6.3	-	250.0	258.2
Subordinated liabilities	-	2.1	-	44.4	60.0	161.4	267.9
Loan commitments	232.6	311.3	71.7	48.5	-	-	664.1
Total financial liabilities	**7,614.3**	**3,944.0**	**1,103.0**	**1,147.2**	**1,107.9**	**4,622.2**	**19,538.6**

The table below analyses gross contractual maturities of financial liabilities held by the Society:

Society	Up to 1 month €m	Over 1 month to 3 months €m	Over 3 months to 6 months €m	Over 6 months to 1 year €m	1 to 2 years €m	Over 2 years €m	Total €m
31 December 2008							
Financial liabilities							
Deposits by credit institutions	2,830.7	1,658.8	751.6	556.3	340.0	250.0	6,387.4
Customer accounts	4,872.0	1,473.0	902.9	1,346.2	777.7	4,386.2	13,758.0
Derivative financial instruments	-	41.3	4.7	37.2	102.8	62.2	248.2
Debt securities issued	932.3	328.9	33.2	55.1	778.6	480.5	2,608.6
Subordinated liabilities	-	1.6	-	63.1	-	147.2	211.9
Unrecognised loan commitments	88.1	103.0	25.6	5.3	-	-	222.0
Total financial liabilities	**8,723.1**	**3,606.6**	**1,718.0**	**2,063.2**	**1,999.1**	**5,326.1**	**23,436.1**

31.RISK MANAGEMENT AND CONTROL (Continued)

Society	Up to 1 month €m	Over 1 month to 3 months €m	Over 3 months to 6 months €m	Over 6 months to 1 year €m	1 to 2 years €m	Over 2 years €m	Total €m
31 December 2007							
Financial liabilities							
Deposits by credit institutions	1,033.3	1,530.8	30.4	51.3	-	300.0	2,945.8
Customer accounts	5,621.7	1,305.4	634.2	586.0	570.1	2,858.3	11,575.7
Derivative financial instruments	-	65.9	(3.2)	34.8	38.2	17.5	153.2
Debt securities issued	726.7	728.5	369.9	382.2	439.6	1,285.0	3,931.9
Subordinated liabilities	-	2.1	-	44.4	60.0	161.4	267.9
Loan commitments	232.6	311.3	71.7	48.5	-	-	664.1
Total financial liabilities	**7,614.3**	**3,944.0**	**1,103.0**	**1,147.2**	**1,107.9**	**4,622.2**	**19,538.6**

The previous tables show the undiscounted cash flows on each of the Group and Society's financial liabilities and unrecognised loan commitments on the basis of contractual maturity. Liabilities and unrecognised loan commitments, which include offers and undrawn credit facilities, are included according to the earliest possible date of obligation. The disclosure for derivatives shows a net amount as the derivatives are all net settled. The Group's expected cash flows on these instruments may vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (funding risk) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Group Treasury manages these risks using gap and sensitivity analysis. Derivatives such as interest rate and foreign currency swap agreements and equity index options are used to hedge these market risks.

Interest rate risk in the banking book portfolio is the Group's primary source of interest rate risk and is managed principally through monitoring interest rate gaps and by having various limits, processes and procedures. In addition, the Group conducts regular stress testing to evaluate the exposure of the banking book portfolio to a 100 basis point upward or downward shift.

Interest rate risk in the reserve investment portfolio is managed under the Reserve Investment Policy as approved by the Board.

Interest rate sensitivity gap analysis

The tables below give an indication of the interest rate repricing mismatch in the Group's balance sheet. A cumulative net liability position in a time band indicates an exposure to a rise in interest rates.

Interest rate sensitivity gap analysis 2008

Group Non - trading book	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
Assets							
Cash and balances with central banks	143.3	-	-	-	-	-	143.3
Derivative financial instruments	-	-	-	-	-	51.3	51.3
Available-for-sale financial assets	56.5	200.2	235.4	1,542.4	334.3	-	2,368.8
Held to maturity financial assets	-	-	-	348.4	24.1	-	372.5
Loans and advances to credit institutions	887.6	-	-	400.0	-	-	1,287.6
Loans and advances to customers	13,105.2	156.0	444.1	3,032.0	239.4	(76.1)	16,900.6
Other assets	-	-	-	-	-	250.1	250.1
Total assets	**14,192.6**	**356.2**	**679.5**	**5,322.8**	**597.8**	**225.3**	**21,374.2**
Liabilities							
Deposits by credit institutions	5,387.4	641.5	-	75.0	-	-	6,103.9
Customer accounts	6,242.7	889.2	1,316.9	1,605.0	72.3	-	10,126.1
Derivative financial instruments	-	-	-	-	-	201.9	201.9
Debt securities in issue	3,368.8	42.7	66.9	179.1	25.0	-	3,682.5
Other liabilities	-	-	-	-	-	378.9	378.9
Subordinated liabilities	59.6	-	-	-	146.7	6.4	212.7
Minority interest	122.2	-	-	-	122.8	-	245.0
Total liabilities	**15,180.7**	**1,573.4**	**1,383.8**	**1,859.1**	**366.8**	**587.2**	**20,951.0**
Derivatives	647.4	1,033.7	393.3	(1,857.5)	(216.9)	-	-
Interest rate sensitivity gap	**(340.7)**	**(183.5)**	**(311.0)**	**1,606.2**	**14.1**	**(361.9)**	**423.2**
Cumulative gap	**(340.7)**	**(524.2)**	**(835.2)**	**771.0**	**785.1**	**423.2**	**423.2**

31.RISK MANAGEMENT AND CONTROL (Continued)

Interest rate sensitivity gap analysis 2007

Group Non - trading book	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
Assets							
Cash and balances with central banks	281.0	-	-	-	-	-	281.0
Central government bills and other eligible bills	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	57.5	57.5
Available-for-sale financial assets	178.6	160.6	185.3	1,409.1	367.9	-	2,301.5
Held to maturity financial assets	-	-	-	224.4	140.6	8.2	373.2
Loans and advances to credit institutions	267.7	8.5	-	-	-	-	276.2
Loans and advances to customers	12,587.0	103.9	268.7	2,720.3	202.3	-	15,882.2
Other assets	-	-	-	-	-	304.2	304.2
Total assets	**13,314.3**	**273.0**	**454.0**	**4,353.8**	**710.8**	**369.9**	**19,475.8**
Liabilities							
Deposits by credit institutions	2,585.1	29.1	43.0	-	-	-	2,657.2
Customer accounts	6,895.7	607.5	559.6	1,321.0	159.8	-	9,543.6
Derivative financial instruments	-	-	-	-	-	153.2	153.2
Debt securities in issue	4,436.7	522.1	159.8	532.9	25.0	-	5,676.5
Other liabilities	-	-	-	-	-	355.3	355.3
Subordinated liabilities	161.5	-	38.1	-	60.9	-	260.5
Minority interest	122.4	-	-	-	122.8	-	245.2
Total liabilities	**14,201.4**	**1,158.7**	**800.5**	**1,853.9**	**368.5**	**508.5**	**18,891.5**
Derivatives	(336.9)	1,167.5	445.2	(1,194.5)	(81.3)	-	-
Interest rate sensitivity gap	**(1,224.0)**	**281.8**	**98.7**	**1,305.4**	**261.0**	**(138.6)**	**584.3**
Cumulative gap	**(1,224.0)**	**(942.2)**	**(843.5)**	**461.9**	**722.9**	**584.3**	**584.3**

In the tables above, the assets and liabilities are allocated to time buckets, based on the next repricing date of the individual assets and liabilities underlying the categories above.

The financial assets exposed to fair value interest rate risk are €6,956.3m (2007: €5,791.6m), exposed to cash flow interest rate risk are €14,192.6m (2007: €13,314.3m) and not exposed to interest rate risk are €225.3m (2007: €369.9m).

The financial liabilites exposed to fair value interest rate risk are €5,183.1m (2007: €4,181.6m), exposed to cash flow interest rate risk are €15,180.7m (2007: €14,201.4m) and not exposed to interest rate risk are €587.2m (2007: €508.5m).

There are some limitations associated with the above analysis, mainly due to market effects, over aggregation, run-offs and cashflows arising from off balance sheet activities. However, measures have been taken to minimise the effect of these limitations in line with industry practice and we are satisfied that the sensitivity analysis is an appropriate tool for measuring interest rate risk.

Interest rate stress testing

The Group conducts daily stress testing on the Banking Book Portfolio, evaluating the exposure of the Group and Society to a parallel interest rate shift of 100 bp and a series of yield curve twist tests. The results of this stress testing is presented to ALCO on a monthly basis. The Group conducts at least monthly interest rate stress testing on the Reserve Investment Portfolio, evaluating the exposure of the Group and Society to a parallel interest rate shift of 100 bp and a series of yield curve twist tests, the results of which are also presented to ALCO on a monthly basis.

The tables below provide an analysis of the Group's sensitivity to an increase or decrease in market rates:

100 bps parallel shift (increase/decrease)

		2008 €'000		2007 €'000
Banking book portfolio				
Average for the period	-/+	6,939	-/+	10,455
Maximum for the period	-/+	11,123	-/+	13,551
Minimum for the period	-/+	548	-/+	5,435
Reserve investment portfolio			-/+	
Average for the period	-/+	18,087	-/+	17,866
Maximum for the period	-/+	18,984	-/+	19,903
Minimum for the period	-/+	16,916	-/+	15,052

The above table shows the present value effect that would be realised on an accruals basis on the banking book and reserve investment book over the life of the assets and liabilities contained therein.

Overall interest rate risk positions are managed by Group Treasury. The use of derivatives to manage interest rate risk is described in Note 30.

There have been no changes in methods or assumptions used from the prior year for managing interest rate risk.

Exposure to other market risks

Foreign exchange risk

The Group and Society take the euro as their base currency. However, through the normal course of business operations, the Society naturally accumulates foreign currency positions. The Group is therefore exposed to movements in foreign exchanges rates that may have an adverse effect on the economic value of the Group and Society. The size of the foreign currency open positions are kept within small operational limits.

Group and Society	2008 €m	2007 €m
Assets denominated in currency other than euro:		
Sterling	1,733.2	2,974.8
US Dollars	797.2	369.4
Swiss Franc	33.8	65.3
Japanese Yen	7.9	267.1
Czeck Krona	57.0	57.6
Total	**2,629.1**	**3,734.2**
Liabilities denominated in currency other than euro:		
Sterling	1,732.5	2,972.8
US Dollars	796.0	368.4
Swiss Franc	33.8	65.3
Japanese Yen	7.9	267.1
Czeck Krona	57.0	57.6
Total	**2,627.2**	**3,731.2**

The main methods used for mitigating foreign exchange risk include prohibiting the running of a trading book in any foreign currency, monitoring and centrally managing foreign exchange risk and hedging open currency positions through the use of derivatives. The Group and Society have no substantial net exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates.

Funding risk – credit spreads

Funding risk (not relating to changes in the obligor / issuer's credit standing) is closely managed by Group Treasury and is monitored on an ongoing basis by ALCO.

Fair value risk

The following table represents the fair value of financial instruments, including those not reflected in the financial statements at fair value. It is accompanied by a discussion of the methods used to determine fair value for financial instruments.

Group	2008			2007		
	Carrying value €m	Fair value €m	Unrecognised gain €m	Carrying value €m	Fair value €m	Unrecognised gain (loss) €m
ASSETS						
Cash and balances with central banks	143.3	143.3	-	281.0	281.0	-
Derivative financial instruments	51.3	51.3	-	57.5	57.5	-
Available-for-sale financial assets	2,368.8	2,368.8	-	2,301.5	2,301.5	-
Held-to-maturity financial assets	372.5	378.3	5.8	373.2	365.0	(8.2)
Loans and advances to credit institutions	1,287.6	1,348.0	60.4	276.2	248.1	(28.1)
Loans and advances to customers	16,900.6	17,051.3	150.7	15,882.2	15,917.1	34.9
LIABILITIES						
Deposits by credit institutions	6,103.9	6,103.9	-	2,657.2	2,657.2	-
Customer accounts	10,126.1	10,139.6	13.5	9,543.6	9,541.3	(2.3)
Derivative financial instruments	201.9	201.9	-	153.2	153.2	-
Debt securities in issue	3,682.5	3,734.5	52.0	5,676.5	5,679.6	3.1
Subordinated liabilities	212.7	212.7	-	260.5	260.5	-

Society	2008			2007		
	Carrying value €m	Fair value €m	Unrecognised gain €m	Carrying value €m	Fair value €m	Unrecognised gain (loss) €m
ASSETS						
Cash and balances with central banks	143.2	143.2	-	281.0	281.0	-
Derivative financial instruments	71.8	71.8	-	57.5	57.5	-
Available-for-sale financial assets	2,368.8	2,368.8	-	2,301.5	2,301.5	-
Held-to-maturity financial assets	4,180.7	4,188.6	7.9	373.2	365.0	(8.2)
Loans and advances to credit institutions	3,198.1	3,258.5	60.4	265.4	248.1	(17.3)
Loans and advances to customers	13,534.0	13,636.6	102.6	15,937.0	15,917.1	(19.9)
LIABILITIES						
Deposits by credit institutions	6,353.9	6,353.9	-	2,907.2	2,907.2	-
Customer accounts	13,693.6	13,707.1	13.5	11,352.8	11,350.5	(2.3)
Derivative financial instruments	248.2	248.2	-	153.2	153.2	-
Debt securities in issue	2,574.4	2,626.4	52.0	3,859.4	3,862.5	3.1
Subordinated liabilities	212.7	212.7	-	260.5	260.5	-

31.RISK MANAGEMENT AND CONTROL (Continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (for example a recognised stock exchange), which is the best evidence of the fair value of the financial instrument. For all financial assets held at fair value the Group has applied fair value based upon quoted market prices where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments and adjusted for differences between the quoted instrument and the instrument being valued. In certain cases, including some loans and advances to customers, where there are no ready markets, various techniques have been used to estimate the fair value of the instruments.

Market prices are not available for all financial assets and liabilities held or issued by the Group. Where no market price is available, fair values are estimated using valuation techniques. These are generally applied to over-the-counter (OTC) derivatives, unlisted trading assets and unlisted financial investments. The most frequently applied pricing models and valuation techniques include present value of future cash flows and option models. The valuations arrived at by applying these techniques are significantly affected by the choice of valuation model used and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates and volatility.

The following methods and significant assumptions have been applied in determining the fair value of financial instruments presented in the previous table, both for financial instruments carried at fair value, and those carried at cost (for which fair values are provided as a comparison):

(i) trading and available-for-sale assets are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of recognised valuation techniques.

(ii) the carrying value of liquid assets and other assets maturing within 12 months is assumed to be their fair value.

(iii) the fair value of variable rate financial instruments is assumed to be equal to their carrying value, as the instruments continually reset to the market rate.

(iv) the fair value of fixed rate financial instruments carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates on similar loans

The fair value of the Group's fixed rate instruments is predominantly hedged by derivative financial instruments, mainly interest rate swaps as explained in the accounting policies (note 1 (f)). Derivative financial instruments used for hedging are carried on the balance sheet at fair values, those with a positive replacement value are classified as assets and those with a negative value are classified as liabilities.

32. UNMATURED FORWARD TRANSACTION

The Group has entered into various unmatured forward transactions used to hedge specific exposures, which are detailed in the table below.

Group and Society

Instrument Type:	Hedged exposure to:
Interest rate swap	Euro and non-euro assets/liabilities
Cross currency interest rate swap	Non-euro denominated assets/liabilities
Equity put option	Secure and Perfect Balance investment products
Equity swap	Capital Plus Bond products
Interest rate caps	Interest rate capped lending

33. COMMITMENTS AND CONTINGENT LIABILITIES

Group and Society

(i) 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 2008 is €25.2m (2007: €49.4m). 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, which will meet the potential liability of the Society, provided that the Society has fulfilled its obligation under the terms and conditions of the products and there is no counterparty default.

(ii) Included in Deposits by credit institutions at 31 December 2008 is €1,631.7m (2007:€2,232m) relating to the Society's obligations to the Central Bank and Financial Services Authority ("CBFSAI") under the terms of the Mortgage Backed Promissory Note (MBPN) programme. MBPN has been an ECB eligible asset since 1 January 2007. There is no limit to the size of this facility provided the mortgages submitted meet the selection criteria set down. Other than with the prior written consent of the CBFSAI, the Society has pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets.

(iii) At 31 December 2008, Group and Society loan approvals not advanced, as calculated under the Basel II definition, amount to €301.3m (2007: €664.1m) and €222.0m (2007: €664.1m) respectively.

34. RELATED PARTY TRANSACTIONS

Group

Details of the principal subsidiary undertakings are shown in Note 13. In accordance with IAS 24 - related party disclosures, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

Society

A number of transactions are entered into with related parties (i.e. subsidiaries and special purpose vehicles) in the normal course of business by the Society. These include deposits, loans and rental agreements.

	2008 €m	2007 €m
Loans to related parties		
At 1 January	96.0	86.2
Net movement in loans during the year	2,441.5	9.8
At 31 December	**2,537.5**	**96.0**
Deposits from related parties		
At 1 January	1,890.4	2,244.3
Net movement in deposits during the year	1,714.0	(353.9)
At 31 December	**3,604.4**	**1,890.4**
Permanent interest bearing shares		
At 1 January	250.0	125.0
Issued in the year	-	125.0
At 31 December	**250.0**	**250.0**
Included in the income statement:		
Interest income on loans	9.6	7.7
Interest expense on loans	163.3	97.0
Interest expense on permanent interest bearing shares	15.3	10.5
Other income	63.4	10.0
Rental expense on leased assets	4.9	4.9

The above transactions arose in the ordinary course of business. Loans to related parties include subsidiaries and securitisation vehicles and deposits from related parties include non-recourse funding from securitisation vehicles. The interest charged to related parties is at normal commercial rates appropriate to the transaction. Outstanding balances at year end are secured and there is a guarantee provided by the Society for operating bank accounts of Haven Mortgages Limited. There is no provision for doubtful debts relating to amounts owed by subsidiaries.

Transactions with Key management personnel:

For the purpose of IAS 24 related party disclosures, "key management personnel" comprises executive and non executive directors.

Loans to key management personnel are made in the ordinary course of business. All loans outstanding at year end are to executive directors and the maximum exposure to any individual director is €1.9m (2007: €1.6m). Subsidised home loans to executive directors are on the same terms and conditions as loans to other eligible EBS management and employees. All other loans outstanding at year end are made on ordinary commercial terms. The following amounts represent the transactions and outstanding balances with the Group:

	2008 €m	2007 €m
At 31 December:		
Loans	5.6	4.4
Transactions during the period:		
Loan advances	1.3	4.0
Loan repayments	0.3	0.1
Interest on loans	0.2	0.1

These loans were held by 4 directors in 2008 (2007:3).

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.

Compensation of Key management personnel:

Non executive directors are compensated by way of fees. Details of the compensation of both executive and non executive directors are set out in the Directors' report on remuneration on page 22.

35. CAPITAL MANAGEMENT

Regulatory capital

EBS Group policy sets and monitors capital policy in line with regulatory and legislative requirements. Capital adequacy is monitored by the Asset and Liability Committee.

The Group's regulatory capital comprises;

» Tier 1 capital, which includes general reserve capital, innovative and non innovative Tier 1 securities which are classified as minority interests, deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

» Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and other regulatory adjustments.

Within these tiers, limits are set for different components of capital. The amount of innovative Tier 1 securities cannot exceed 15 percent of total Tier 1 capital, qualifying Tier 2 capital cannot exceed Tier 1 capital, and qualifying term subordinated loan capital may not exceed 50 percent of Tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of the first loss deductible in relation to the securitisation vehicles.

Banking operations are categorised as either banking book or reserve investments, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The Group has complied with all capital requirements throughout the period and has transitioned fully to the Basel II framework with effect from 1 January 2008. The ratios disclosed do not include the effect of the Financial Regulator's Interim Capital Requirement.

There have been no material changes in the Group's capital policy during the period.

The Group's regulatory capital position at 31 December was as follows:

Tier 1 capital	2008 €m	2007 €m
General reserve	525.1	597.2
Minority interests	245.0	245.2
Intangible assets	(26.9)	(21.2)
Other regulatory adjustments	30.7	(9.9)
Total	**773.9**	**811.3**
Tier 2 capital		
Qualifying subordinated liabilities	206.3	260.5
Collective allowances for impairment	43.8	17.2
Revaluation reserves	8.6	23.0
Other regulatory adjustments	6.7	(35.3)
Total	**265.4**	**265.4**
Total regulatory capital	**1,039.3**	**1,076.7**
Risk-weighted assets		
Banking book	9,781	9,049
Total risk-weighted assets	9,781	9,049

Capital ratios	2008 %	2007 %
Total capital ratio	10.6%	11.9%
Tier 1 capital ratio	7.9%	9.0%

Capital allocation

The allocation of capital between different business lines is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The allocation of capital to specific business lines and activities is approved by the Group's Management team and is monitored by the Asset and Liability Committee.

Although risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

36. OTHER INFORMATION

At 31 December 2008 the group reserve ratio is 3.1% (2007: 4.3%) and the liquidity ratio is 18.9% (2007: 16.0%). These are required to be disclosed under certain covenants entered into by EBS Building Society.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 27 February 2009.

Chief Office:
The EBS Building,
2 Burlington Road,
Dublin 4.

Registered No.139