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EBS Annual Report

Accounts

PHILIP WILLIAMSON
CHAIRMAN

Overview

The challenging economic environment continued in 2009 and as such it was a turbulent year for financial markets worldwide and the Irish economy in particular. The major Eurozone economies all contracted in 2009 while the US economy experienced its worst decline since the 1930s. In Ireland we experienced the same sharp contraction with low levels of consumer confidence and unemployment rising to 12.5%. Understandably, the Government's focus has been on stabilising the Irish economy and the banking system.

EBS Business Performance

Despite all of this the mortgage and savings business delivered a good performance. Whilst the financial outcome at an operating level reflects this performance, with operating profit of €95.6m up from €71.8m in 2008, the impact of heavy impairment charges in relation to previously written loans has resulted in the Group incurring a post tax loss of €78.8m for the year. We recognise that this is a very disappointing result, however, we have responded during the year by focusing on our core businesses, prioritising customer deposits, strengthening our liquidity position and reducing costs. We will continue this focus going forward and will work to stabilise the business so that we can emerge in a better position in the future.

EBS has a strong market position in mortgages and savings. On the mortgage front we now have an overall market share of new business of 17.1%, an increase of 5.6% in the last twelve months. EBS has continued to work with those who need access to mortgage finance, supporting a fund of €150m allocated to Affordable Housing. Our active engagement with First Time Buyers and those wishing to enter the mortgage market was further supported with over 1,000 people attending educational seminars in the last six months. In fact, in response to this support, 1 in 2 First Time Buyers in 2009 chose EBS for their mortgage when they went directly to a high street bank or building society.

We also increased market share in the savings market, as EBS became a choice provider for savings. In 2009, out of every €100 saved by the Irish public, €20 was saved with EBS. This represents a 20% share of new savings inflows and almost 9% of the entire savings market. This was further supported by our nationwide campaign to get Irish consumers saving through National Savings Week – an event which proved to be an outstanding success for the business. So while the external environment has been difficult, the EBS brand has continued to prove its resilience and strength in serving our Members.

NAMA – National Asset Management Agency

In November 2009, legislation governing the National Asset Management Agency (NAMA) was enacted, the primary objective of which was to take impaired Land & Development assets off the balance sheets of the financial institutions. The legislation enables the Minister for Finance to invest in building societies through a special class of share. This was a very important and positive development for EBS as it allows the Minister for Finance to provide capital to the Society.

At EBS over the past few months we have been working closely with the Department of Finance and the National Treasury Management Agency on EBS' participation in NAMA. We have now transferred our first tranche of assets of €144m to NAMA. In total EBS will transfer a maximum of €913m of assets to NAMA.

Capital Support from Government

There have been significant developments in relation to the Society and its capital position. In December 2009, we wrote to you informing you of the Society's need for capital from the Government to secure its future and on 18th December we held a Special General Meeting of the Society to approve the issuance of a Special Investment Share (SIS) to the Minister for Finance in return for a capital injection in the Society. This was approved by you the Members with an overwhelming vote in favour of the issuance of the SIS to the Minister.

Since then, the Financial Regulator has carried out an assessment of the capital requirement for the Society. This included stress testing with regard to loan losses and the impact of NAMA. The Financial Regulator has also increased the minimum regulatory Core Tier 1 ratio from 4% to 8% for all Irish financial institutions. As a result, the Financial Regulator has concluded that the Society would require a further €875m to be in place by year end 2010 to meet a base case target of 8% Core Tier 1. EBS will seek to reduce this capital amount of €875m from Government through a range of programmes and strategies.

The Government will provide EBS with this capital through the issuance of a Special Investment Share and a Promissory Note. This will give the State extensive powers as approved by the Members at the SGM. The State will therefore have control over the future strategic direction of the Society.

EBS is currently exploring the availability of private market capital and has had an expression of interest from a private party. If agreement is reached with that party, the level of capital investment from the State would reduce accordingly.

EBS warmly welcomes the Minister for Finance's commitment and is extremely grateful to the Government for the financial support it will receive. EBS expects to receive this capital shortly.

Communications

EBS further strengthened its communication initiatives throughout 2009. Over the last twelve months we have added new channels for communicating with Members including our online panel. Our existing engagement programme also continued to grow with great success.

- Our annual survey received over 8,000 responses;
- Our 'Ask the CEO' facility on the EBS website, has received over 500 queries to date;
- The Members Forum has been in existence for two years and engages with management of the Society about EBS products and services;
- 'Yes' magazine was published once again and has been a major contributor in improving communication. The 'Yes' magazine was nominated in 2009 for Best Customer Magazine at the Irish Magazine Awards.

As Chairman of the Society, I am very supportive of real interaction and communication, as it is this type of engagement that really makes EBS different in financial services.

Board of Directors

In January of 2009 the Board welcomed Government appointed Directors Ann Riordan and Anthony Spollen to the EBS Board. Following last year's Annual General Meeting they were joined by two new Directors: Linda O'Shea Farren and Martin Donnellan. The membership also elected Fergus Murphy, our Group Chief Executive, and re-elected Barbara Patton to the Board.

The last twelve months have been challenging for the Board as it navigated the business through the difficulties of the external financial environment. I am pleased to say that the Board has worked well together and with management, in meeting the Society's priorities and will continue to do so in the future. In February we announced the appointment of Emer Finnan as Finance Director. Emer has been on the Board since 2007 with responsibility for Strategy, Legal and Company Secretarial Services.

Community

In 2009 many organisations and charities will have found it challenging to find support from businesses and the public to fund their much needed and worthwhile work. EBS has remained committed to supporting such organisations in the communities where our Members live. Since we started working with Members on our Community Fund, over €220,000 has been given back to more than 500 deserving local community groups and organisations. This has been done with the help of Members of EBS who have willingly volunteered to be part of the EBS Community Fund Group.

We continue to work with the National Adult Literacy Agency and the Simon Communities of Ireland to raise awareness with regard to the issues of adult literacy and homelessness. In 2009 we supported the Simon Community with 'Simon Week – 7 days of action on homelessness' helping them to further raise public consciousness of homelessness, which unfortunately many are facing within Ireland. In December we supported Christmas FM, a charity radio station which managed to raise a further €75,000 for this very worthwhile organisation. This year, EBS will once again contribute €1 for every voting form returned by EBS Members as part of the AGM voting process, to national charity One Family as part of its celebrations for International Day of the Family on 15th May 2010.

Employees

The strength of EBS is its people. In 2009, our employees have supported and served our Members exceptionally well during a difficult year for many. 81% of you confirmed this fact in our Survey indicating that you consider the relationship you have with EBS employees as a very valued one.

I, personally, on behalf of the Board and Members of the Society would like to thank the management and employees for all their hard work and the dedication that they have demonstrated over the last twelve months. This appreciation should also be extended to our agents, their employees and our business partners, who play a critical part in delivering superior service to you all.

Outlook

This year will mark EBS' 75th year serving Members and their families all over Ireland. Over those years we have grown the Society and the range of products we are providing. The success and longevity of the Society in the Irish Financial Services landscape is due in part to the loyalty of our stakeholders. 2008 and 2009 were difficult years for financial services. We expect 2010 will bring much of the same as assets are transferred to NAMA which is expected to result in further loan losses being incurred. Further impairment provisions will also be necessary and funding costs will continue to be high due to the costs of retail and wholesale funding and the cost of the new Government Guarantee Scheme. EBS will continue to work closely with the Government and the Department of Finance as the future of the Irish banking industry continues to evolve. Please rest assured that the Board, management and employees will continue to work to protect the interests of the Society.

Finally, I would like to thank you for your continued support throughout 2009.

Philip Williamson
Chairman
23rd April 2010

FERGUS MURPHY,
GROUP CHIEF EXECUTIVE

Group Chief Executive's Review

Overview

The global recession and related change in financial markets worldwide and in Ireland has continued over the past year. Economies, particularly Western economies around the globe continue to struggle and Governments have been working hard to bring levels of stability to their banking systems. Ireland has been no different. As a small open economy we have been in a very vulnerable position and the Government's priority has been on restoring global confidence in both the Irish economy and the banking system by taking action designed to bring our budget deficit back to sustainable levels over a number of years.

Irish Government Support

The Irish Government has played an important role in stabilising the financial sector over the last two years, increasing confidence in the banking system, improving liquidity and facilitating the banks involved in lending to the economy.

Government Guarantee Scheme

In September 2008, the Government put in place a guarantee scheme for deposits and certain liabilities until 29th September 2010. This scheme was extended with the introduction of a new EU approved scheme which will cover deposits and debt securities issued between January 2010 and September 2010 (subject to six monthly reviews).

NAMA

Many stakeholders have worked very hard over the last twelve months on the NAMA initiative, and it is expected that it will be an important mechanism to stabilise the Irish banking system. NAMA has been at the forefront of discussions in financial services and the country in general. EBS together with the other Irish financial institutions has worked with NAMA over the last year.

The first tranche of assets has been transferred by the participating institutions to NAMA including €144m by EBS.

Capital

As a result of changes to legislation which were endorsed at our recent SGM, the Minister for Finance can now provide capital to the Society. This capital is required as EBS crystallises losses on transferring assets to NAMA, and on account of the additional Financial Regulator's capital requirements.

Government will provide EBS with this capital through the issuance of SIS and a Promissory Note. Additionally, EBS will continue to work with Government and explore the availability of private capital to fulfil the requirements of the Financial Regulator's capital assessment by the end of 2010.

Group Financial Results

2009 was another challenging year financially for EBS, resulting in a €78.8m loss after tax for the Group. The primary driver for this is the larger levels of impairments required on NAMA and non-NAMA assets. EBS will now have coverage of 24% on NAMA Land & Development assets, 6% on the commercial assets book and 0.71% (71 basis points) ("bps"- a unit of percentage measure equal to 0.01%) on the residential book.

At an operating level (income before impairment losses and taxation) the business performed well with an increase of 33% over 2008. Key results include:

» Income before impairment losses and taxation up 33% to €95.6m;
» Net Interest Margin has reduced from 77bps to 72bps;
» Total loan impairment losses of €197.4m including €83.4m for NAMA loans with a €114m charge against the rest of the loan book;
» Non interest income (before Government Guarantee Scheme charges), down 36.4% to €9.1m;
» Profit on debt buy backs and sale of financial assets of €34.2m;
» Administrative expenses down 9% to €82.2m as our strategic cost programme continued to drive lower costs;
» Costs-to-mean-assets-ratio down from 0.49% to 0.46%;
» €1.47bn in gross new lending, €1.38bn of which was residential lending across the Group, and €1.07bn of which was Member lending;
» €673m of net new retail savings, representing 20% of market share;
» Over 10,900 EBS Family Savings Accounts opened;
» Loans to deposit ratio of 167.6% (excluding held for sale assets), 175.2% (including held for sale assets);
» Tier 1 capital ratio of 6.7%, total capital ratio of 10.1%;
» Asset quality of our residential book has deteriorated but the pace of deterioration has slowed, with home lending arrears greater than 3 months at 4.9% at end of December 2009.

Objectives

Our main objectives since the financial crisis have been to work to stabilise the Society, secure our future and ensure that we emerge in a better position going forward. We have focused on the following key objectives during 2009:

Operating in our core mortgage and savings markets

Albeit a difficult year, we have continued to support our Members by continuing to lend in the current environment with a retail market share of 21.3% in new advances. We have also been a strong player in the savings market with a 20% share of net new deposits in Ireland.

Strengthening our capital position

In order to ensure that EBS obtains capital from Government, we have worked with Government on important legislative change during 2009.

As stated earlier, we will receive this capital from Government shortly.

Funding our balance sheet

We have worked on further stabilising our funding position throughout the year, reducing reliance on ECB funding, issuing covered bonds, issuing long term wholesale instruments and growing retail deposits. We set up a covered bond bank in 2008, which has provided funding flexibility. We have also been successful in terms of raising funding in the wholesale markets under the Government Guarantee Schemes. Our retail savings franchise has gone from strength to strength with €673m of retail deposits being secured this year and the all important loan to deposit ratio reaching 167.6% (excluding held for sale assets).

Managing credit risk

We continue to actively manage credit risk. We have redirected significant senior resources to the management of credit within the Society. Although our arrears levels have increased throughout the year, we have observed the pace of this increase slowing.

Managing our cost base

We have reduced administrative expenses by 9% this year, which follows a reduction of 8% in 2008. No bonuses were paid to management or staff and no salary increases were awarded to managers during 2009. Staff numbers have been reduced and a strategic cost reduction strategy is in place.

Mortgages and Savings

In 2009, the mortgage and savings business delivered a good performance despite a tough operating environment and showed that the EBS brand is doing very well. We continue to strive to deliver on our purpose of helping our customers get on in life now and in the future by providing them with value through our products and services.

Some of the key business highlights included:

» 21.3% share of retail mortgage advances;

» 44% share in 2009 of retail First-Time Buyer mortgages;

» Market leader in mortgages for Affordable Housing – €213m lent to this sector at a Group level;

» 20% share of net new deposits in Ireland;

» Over 6,400 Children's Savings Accounts have been opened to date and 10,900 new Family Savings Accounts since their launch in January 2009.

Through the increasingly competitive environment in financial services in 2009, we continued to consistently provide attractive interest rates, excellent service and innovative products throughout the year.

Excellent customer service is a key principle of EBS' business along with delivering competitive products which represent real value.

Overall, I believe EBS showed its consistency as a financial institution in Ireland during 2009 with our performance in the mortgages and savings market.

Mortgages

In 2009, we provided €1.07bn in new mortgages to Members and a further €311m through mortgage brokers. Helping new home buyers achieve their dream of buying their first home has been something that EBS has been doing for 75 years and in 2009 we continued creating new generations of family Members of EBS. In 2009, 1 in 2 First Time Buyers chose EBS for their mortgage. As a further demonstration of our commitment to this group of homebuyers, we held our 100th First Time Buyer seminar in 2009. Over 10,000 First Time Buyers have attended seminars since we first started this educational initiative a number of years ago.

We continued to strongly support the Affordable Housing sector. At the beginning of 2009 we announced a fund of €150m for Affordable Housing and at a Group level we exceeded this target reaching €213m for the year.

Taking the entire year into account, EBS performed very well in the mortgage market and the Society's share of new residential mortgage advances increased to 17.1%, a 5.6% increase on 2008. Our share of retail mortgages reached 21.3%, a 7% increase on 2008.

Mortgage pricing has been at an all time low over the last number of years and in 2009 pricing in Ireland was almost half that of other European Countries. EBS has kept its rates at these low and unsustainable levels over the past year as others have started to increase rates. This has impacted on our performance and contributed to the reducing net interest margin. Deposit rates on the other side have remained very competitive. I have been very open about the fact that in order to ensure that Irish Financial Institutions are viable, mortgage rates need to increase over time to get back to levels that enable banks and building societies to remain viable. In this regard, EBS has recently announced an increase of 60bps to its standard variable rate, in line with other financial institutions in the sector.

Savings

The savings element of our business has become increasingly important to the Society. We are becoming a major force as a savings provider in the Irish market and in the last 12 months we continued that trend. We know that as a result of the economic uncertainty in Ireland there are more Irish people saving regularly now than ever before and while some may have less disposable income, they are keen to put money away for the 'rainy day'. This was evidenced in 2009 during 'National Savings Week' which was an EBS initiative to get Irish people into the good habit of saving. Overall, in 2009, we opened over 58,400 savings accounts in the Society.

Members increased their savings balances with us representing in excess of €673m or some 20% of all new inflows in the Irish market. This was a strong result in a very competitive marketplace. Our competitive range of fixed rate term deposits continued to be attractive. I am delighted to say that savings Members that have joined us are staying with us and retention rates for our overall savings business are very strong. The EBS Family Savings Account continued to perform very well and to date we have over 10,900 accounts now opened. Younger Members are joining the Society too and overall we now have 6,400 children's savings accounts with the Society.

In terms of other products, our insurance protection business continued to perform well and our standalone insurance business has increased. Equity based product sales have recovered somewhat, however it still remains a challenging market for these types of products.

Haven Mortgages

Over the last twelve months we completed a strategic review of Haven and relocated the head office to EBS Burlington Road. Haven focuses exclusively on the Mortgage Broker market and we remain committed to that market and will continue to drive strong market share by delivering distinctive products and superior service to the broker community. In 2009 Haven increased its share of the Broker market from 8.4% to 10.2% as our business model continued to make inroads in a difficult environment.

EBS Mortgage Finance

In October 2008 EBS Mortgage Finance was established as a subsidiary of EBS, giving the Society greater access to long term wholesale funding through the covered bond market. In November 2009, EBS successfully raised €1bn of three year funding through a covered bond transaction. This transaction was executed by EBS Mortgage Finance and was over subscribed attracting significant international participation with 71% of orders from outside of Ireland. In total 75 investors participated from 16 different countries. This transaction clearly demonstrated the ability of EBS to raise external funding and the high level of interest and the diversified nature of the investors represent a strong vote of confidence in EBS. We plan to raise further funds from the covered bond market in 2010 and beyond.

Employee and Network Engagement

Our Members have told us that our people are central to their experience of EBS and the results from our surveys indicate a very high level of satisfaction with the service that is provided by our network of offices around the country. The last twelve months have been no exception to this with many EBS Staff helping Members around Ireland manage their finances in a difficult year.

Following on from last year's excellent improvement in scores in the 'Great Place to Work' survey, I am delighted to say that EBS has recently been named as one of the top twenty great places to work in Ireland by the Great Place to Work Institute in 2010. This is a fantastic achievement and a credit to all those who work each and every day serving Members in all parts of our business. There is always room for improvement and we will continue to focus on our staff engagement in 2010 as our people are the ultimate key to the success and performance of the Society.

Community Involvement

EBS has always been committed to the communities and localities that it operates in and 2009 was no exception. Thanks to the support of local EBS offices, local Members putting forward worthy nominations and a hard working Member comprised steering group, the EBS Community Fund has now awarded over €220,000 to more than 500 local causes and organisations.

The Simon Community – another partner in the area of community involvement - has worked hard to raise awareness around the issue of homelessness in Ireland. The Adults Continuing Education Awards (ACE) in partnership with the National Adult Literacy Agency has seen many local communities and literacy tutors benefit as a result of the grants awarded by EBS. And finally, once again, children in primary schools all over Ireland have been participating in the EBS INTO Children's Handwriting Competition that is held annually in conjunction with the INTO. All of the work that is carried out by EBS in communities could not be achieved without partnership and I would like to thank all our community partners for their loyalty, commitment and vision for what they are trying to achieve through their organisations.

Outlook

This time last year we forecasted that 2009 would be a tough year for financial services both internationally and domestically and as already said, stabilising the banking system has been the key priority. There have been significant developments for EBS over the past number of months which the Chairman has already discussed.

Economy

The Irish economy has gone through a very difficult period contracting by 7.1% in 2009. The Irish economy will have contracted by 13.1% over the period 2008-2010. Unemployment has reached 12.5% however the rate of increase slowed considerably in the last quarter of 2009 and is set to peak at 14% this year. It is predicted that it will be 2012 before our economy starts to recover in earnest. 2010 is likely to be another difficult year for the economy.

Housing market

The mortgage market is expected to be around €8bn for 2010 driven by lower levels of completions and weakened demand. It is expected that house prices may fall even further this year and recovery in the mortgage market is unlikely in 2010. Beyond 2010, favourable demographics for Ireland and a well-educated English-speaking workforce are expected to be catalysts for growth in both domestic and international markets.

EBS

For 2010 we will continue to focus our business on our key objectives of providing good quality mortgage, savings, insurance and bancassurance products, managing our capital, funding and credit risks as efficiently as possible and continuing to manage our costs down to meet our new operating environment. 2010 is a special year for EBS as we are now in our 75th year of helping families all over Ireland with their finances.

Thank you all for your business in 2009.

Fergus Murphy
Group Chief Executive
23rd April 2010

EMER FINNAN,
FINANCE DIRECTOR

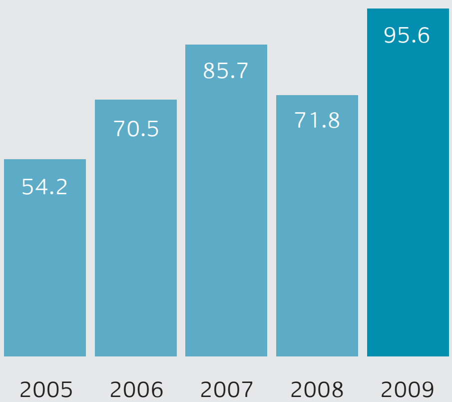
Overall Results

Following my appointment as Finance Director of the Group in February 2010, I look forward to continuing to work with my fellow Directors to deliver the objectives for the Group as outlined in the Chairman's and CEO's reviews. The financial performance of the Society in 2009 was very disappointing, with the Group reporting a loss of €78.8m after loan impairment charges of €197.4m. Approximately €83m of this charge relates to assets transferring to NAMA and €114m relates to our remaining assets. Operationally however, our core business, which is concentrated on residential mortgages and retail savings, performed well in this challenging market. The Society continues to be the market leader in providing loans to First Time Buyers and applicants of the Government Affordable Housing Scheme.

Income Statement

Income before impairment and taxation up 33%

Income before impairment losses and taxation was €95.6m this year compared to €71.8m in 2008, up 33% year on year. This improved performance was helped by gains from our treasury division as a result of liability management which helped offset reduced margins due to higher funding costs. Administrative expenses were down 9% leading to positive jaws[1] of 21%.



INCOME BEFORE IMPAIRMENT LOSSES AND TAXATION (€m)

Total income up 12%

Net interest income

Net interest income fell by €2m or approximately 1% mainly due to higher funding costs impacted by the liquidity crisis. Funding was a key challenge throughout the year. Overall our net interest margin fell from 77bps to 72bps. EBS did not increase standard variable mortgage rates to customers during the year, however, funding costs increased significantly in a competitive market.

Non interest income and other income

Non interest income, excluding the cost of the Government Guarantee Scheme, decreased by €5.2m to €9.1m as sales of investment related products were weak and sales of insurance products declined in line with the decrease in mortgage activity. The cost of the Goverment Guarantee Scheme of €7.9m is included in non interest income, an increase from €1.8m in 2008 reflecting a full year impact. EBS realised one-off income of €34.2m on account of realised gains on its fixed income bond portfolio as it reduced the size of this portfolio and repositioned it to include more Irish Government bonds. In addition, EBS generated gains through active liability management with repurchases of senior debt and the conduct of a public tender process for the buy back of Emerald 4 bonds.

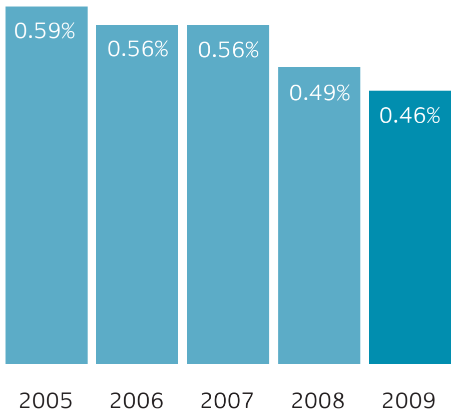
This overall result reflects the strong performance of the core business notwithstanding increased funding costs which affected the entire financial services sector during 2009.

Administrative expenses reduced by 9%

Total administrative expenses were down 9% on 2008 following an 8% decrease on 2007. Our cost-to-income ratio (excluding impairment of property) improved from 58.3% to 47.8%. The cost-to-mean-total-assets ratio, one of the principal efficiency comparators for a building society, improved from 0.49% to 0.46%. A property impairment charge of €5.3m was taken in 2009 to reflect a decrease in the value of properties owned by EBS.

As in 2008, no executive or manager bonuses were awarded for 2009 given the overall financial outcome. We reduced costs by putting in place a cost reduction programme. This included a redundancy programme, establishment of a procurement framework and a renegotiation of all major supplier contracts. Cost adjustment is a high priority and further cost reductions will be implemented in 2010 to support a sustainable business model.

[1] Positive jaws means income grew more quickly than costs (excluding impairment of property) which positively impacts profitability



COST-TO-MEAN-TOTAL-ASSETS RATIO

Loss after taxation

The main cause for the reported loss of €78.8m relates to provision for loan impairments of €197.4m – €83.4m of which relates to assets which will be transferred to NAMA in 2010. These are loan loss provisions and not cash losses at this point in time. With regard to the remaining book, we believe it is appropriate to take additional impairment charges at this stage to ensure robust coverage for potential future losses and to ensure we are in a better position to move forward.

High loan loss charges

We continue to see unemployment in Ireland rise, going from 8.6% at the start of 2009 to over 12.5% now. Over the same period, ECB interest rates have come down from 2% to 1% to ease pressure.

Globally and especially in Ireland, the economic outlook continues to be challenging and the quality of our loan book has undoubtedly been negatively impacted. Against this background, we have increased our loan loss provisions across all of our loan books (Residential, Commercial Term Debt and assets transferring to NAMA) very materially to cover potential loan losses. The level of coverage across these three categories is explained further below.

Residential book

Within EBS, our home loan lending arrears greater than 3 months reached 4.9% at the end of December 2009, up from 2.4% a year earlier. Although the overall quantum has increased the rate of deterioration has slowed over the last quarter. For our Residential book (including all buy to let loans), we have increased the level of loan loss provisions significantly by €86.4m, which equates to coverage of 71bps. We believe that this level of coverage is appropriate given the current operating environment taking into account the fact that we have a lower percentage of buy to let loans than other market participants and were less active in the mortgage market at its height. EBS is also one of the only institutions that has Mortgage Indemnity Insurance in place for the high Loan To Value (LTV) element of its book.

Commercial book

For our Commercial book, (excluding any assets which will transfer to NAMA), we have increased the level of loan loss provisions by €27.6m which equates to coverage of 3.9%. If we include the category of assets to be transferred to NAMA, the total coverage rises to 6%. 96% of this book is performing on an account basis. The significant increase in the charge taken in 2009 not only reflects the severe economic climate but also the considerable fall in asset values in this portfolio.

NAMA assets

Land & Development loans

Our entire Development Finance loan book will transfer to NAMA in 2010. The level of loan loss provisions has increased by €50.9m which equates to coverage of 24.1% on Land & Development assets. The significant increase in the loan loss charge reflects the continued deterioration in this loan portfolio's performance and in particular the continued decline in development land values.

Associated loans

Associated loans will also transfer to NAMA which reflects assets linked to our Land & Development portfolio and exposures to developers where we do not have a Land & Development exposure. The loan loss charge on this book is €32.5m and total provisions coverage amounts to 9.9%.

Total impairment provisions have therefore increased by €197.4m at the end of 2009. We believe this is an appropriate level of provisions with all of the loans being secured, 89% of the book representing residential mortgage loans and with Mortgage Insurance in place. The detailed breakdown of our charges and stock provisions are illustrated below:

CHARGES	2009		2008	
	€m	bps	€m	bps
NAMA	83.4	914	77.0	910
of which				
Land & Development	50.9	1,007	69.1	1,550
Associated	32.5	798	7.9	198
Commercial Term Debt	27.6	275	2.8	25
Residential	86.4	56	15.2	10
Total	**197.4**	**113**	**95.0**	**56**

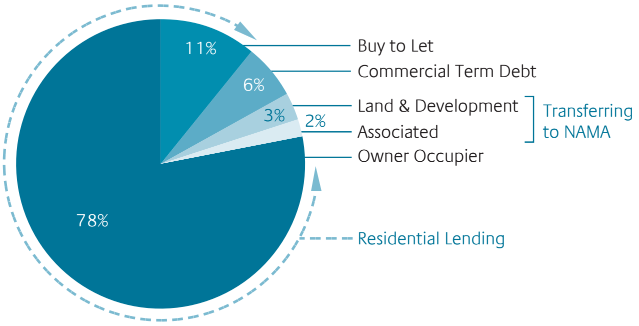
TOTAL PROVISIONS	2009		2008	
	€m	bps	€m	bps
NAMA	162.2	1,777	78.7	931
of which				
Land & Development	121.7	2,407	70.8	1,588
Associated	40.5	994	7.9	198
Commercial Term Debt	39.1	390	11.5	103
Residential	109.5	71	23.6	16
Total	**310.8**	**178**	**113.8**	**67**

Specific/Collective breakdown

TOTAL PROVISIONS	2009 Specific €m	2009 Collective €m	2008 Specific €m	2008 Collective €m
NAMA	142.6	19.6	61.3	17.5
of which				
Land & Development	107.6	14.1	53.5	17.3
Associated	35.0	5.5	7.8	0.2
Commercial Term Debt	20.1	19.0	5.2	6.3
Residential	24.3	85.2	3.5	20.1
Total	**187.0**	**123.8**	**70.0**	**43.8**

Loan Portfolio

All EBS lending is secured with 89% of our portfolio in residential lending and 3% of our portfolio in Land & Development. Post transfer of our book to NAMA, 94% will comprise of residential lending. We adopted a cautious approach to balance sheet growth in 2009 focusing on residential lending and credit criteria were tightened during 2008 and 2009. We stopped commercial lending in April 2008. Total loans and advances to customers decreased from €17.0bn to €16.5bn in 2009. Loans expected to transfer to NAMA of €913m have moved to a 'Held for Sale' category, on the statement of financial position[1].



EBS LOAN PORTFOLIO

Given the low interest rate environment, our product profile moved again towards variable rates. For the year as a whole, 24% of new mortgage business was fixed, with 76% of Members selecting a variable mortgage product. All lending was stress tested for affordability against possible interest rate increases at levels in excess of regulatory requirements. With ECB rates now at 1%, affordability levels have improved immeasurably, however, we do expect ECB rates to increase in early 2011.

Our weighted average LTV for new advances reduced in 2009 to 71% (2008: 76%). The indexed LTV of our Residential book at year end was 81% up from 72% in the previous year, reflecting continued housing price reductions throughout 2009. We continue to put Mortgage Indemnity Insurance in place on higher LTV lending.

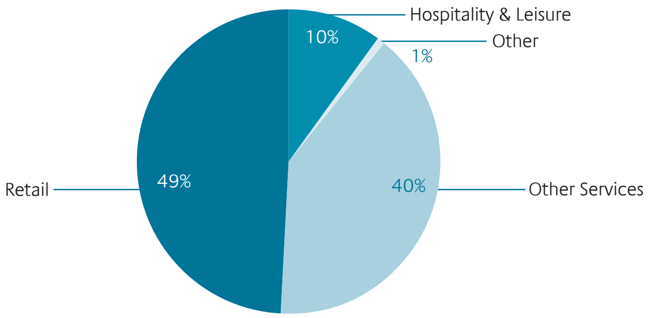
Commercial lending

Commercial term debt gross lending was approximately €33m, down from €200m in 2008. New lending relates to work out plans for existing customers as part of tight credit management. The reduction in lending reflects our decision in April 2008 to stop new commercial lending. The remaining book post NAMA, will comprise dry commercial investment property of c.€1bn which is being actively managed by an experienced credit management team.

Residential mortgages

In a significantly reduced market, our new residential lending amounted to €1.47bn. This was down approximately 48% on 2008, which in turn was down 18% on the previous record year. The size of the market reflected a sharp reduction in house completions, a loss of consumer confidence and the withdrawal from the market of most foreign institutions. As a result, gross lending in the market was down 65% in 2009 to €8.1bn, back to 2001 levels. On a positive note, we increased our overall retail market share to 21.3% throughout the year (28% in the fourth quarter), which emphasises the importance of EBS to the mortgage market and the First Time Buyer segment in particular. EBS was one of three institutions lending in the market in 2009. Our net lending of c.€0.5bn was lower than that of 2008 (€1.1bn) as gross advances were 48% lower than in 2008.

The profile of our lending continues to be weighted towards First Time Buyers, reflecting changes in customer demand, our strong franchise in this segment and our cultural bias towards helping Members buy their own home. We continued to maintain our leadership position in providing loans to Members for Affordable Housing. We also continued, in line with our risk appetite, to be underweight in the buy to let market sector.



COMMERCIAL TERM DEBT SECTORAL BREAKDOWN

Loans and advances held for sale

Assets expected to be transferred to NAMA have been moved to a 'Held for Sale' category. We expect to transfer a maximum of €505m of Development Finance loans to NAMA and a maximum of €408m of associated loans. At 23rd April 2010, €144m has been transferred to NAMA. The total value of loans could be lower as we continue to work with NAMA with regard to finalising the portfolio that will transfer.

[1] Balance sheet is now the Statement of Financial Position.

Asset quality

The quality of both our Residential and Commercial books has continued to weaken as a result of market and economic developments. Nevertheless, with the transfer of the Land & Development book plus associated assets to NAMA expected in 2010, this will alleviate some of the pressure. The key priority is to minimise losses. Management recognises the credit challenges and the need to take appropriate and timely action on arrears. Resources have been significantly increased in the Credit area. Arrears are being actively managed and we are working with customers who find themselves in financial difficulty.

Provisions are calculated for assets which are deemed to be impaired where there is objective evidence of impairment. If an 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). Non-performing loans are defined as loan balances in excess of 90 days in arrears.

Arrears (measured at 90 days default plus) on the Owner Occupied loan book and Residential book at end 2009 stood at 4.9% and 5.3% respectively. Arrears on the Commercial Term Debt book, at an account level at end 2009 stood at 4.3%. Arrears on the Land & Development book transferring to NAMA were 52% and arrears on the associated book transferring to NAMA were 23%.

The following analysis is based on the residential category:

	Society		Group	
	2009	2008	2009	2008
Residential Assets				
Performing loans	93.3%	96.4%	94.7%	97.3%
Non-performing loans	6.7%	3.6%	5.3%	2.7%
	100.0%	100.0%	100.0%	100.0%

The following analysis is based on the commercial category:

	Group and Society	
	2009	2008
Commercial Assets		
Performing loans	95.7%	93.9%
Non-performing loans	4.3%	6.1%
	100.0%	100.0%

The following analysis is based on the loans and advances 'Held for Sale' category:

	Group and Society	
	2009	2008
Loans and Advances 'Held for Sale'		
Performing loans	60.9%	81.9%
Non-performing loans	39.1%	18.1%
	100.0%	100.0%

Further detailed loan performance information is provided in Note 34.

We expect the credit environment to continue to deteriorate, as property remains weak, unemployment is expected to remain at high levels and interest rates are expected to rise.

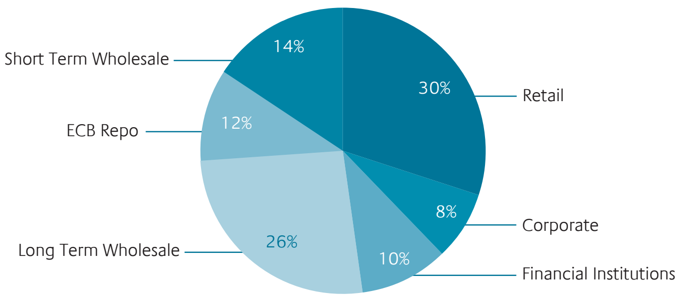
Funding and Capital

Savings and funding - successfully managed in FY 09

In September 2008, the Irish Government introduced legislation to guarantee the liabilities of seven named institutions until 29 September 2010. EBS is one of those institutions. This scheme was extended with the introduction of the Credit Institutions (Eligible Liabilities Guarantee) Scheme in late 2009. Both sets of legislation are very welcome and help improve liquidity and restore customer confidence in the banks and building societies.

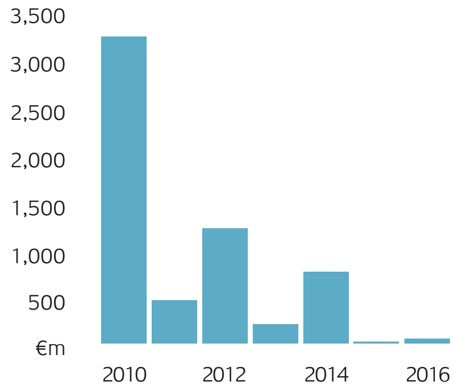
Despite the difficult environment, the Society's funding continues to be satisfactory. Customer accounts make up 48% of total funding at year end in a very challenging and competitive environment. Retail inflows of €673m were achieved in 2009 and retention of existing deposits was extremely strong despite intense price competition. Driving retail deposit growth was a key objective in 2008 and 2009, with competitive products and organisational initiatives such as a Deposit Retention unit. Our performance on the retail side was good in a very competitive environment for retail savings with EBS securing approximately 20% of net retail savings flows over the year. On the retention side, 97% of fixed retail funds maturing in 2009 were retained by the Society, a strong result given market competition and well ahead of expectations. However, corporate deposits fell over the year as international investors adopted a defensive position towards Irish financial institutions. Overall corporate balances fell by approximately 21%. The domestic corporate deposit market remains extremely competitive. Notwithstanding this, our total customer funding has held up well through inflows of retail deposits. An analysis of our customer funding is set out in Note 23.

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. Importantly, EBS reduced its reliance on ECB funding over the course of 2009. ECB funding now stands at 12% of total funding compared to 18% in 2008. We have increased our percentage of long term wholesale funding through raising funding under our EMTN Programme and through our covered bond bank. Note 24 provides some additional information in this regard.

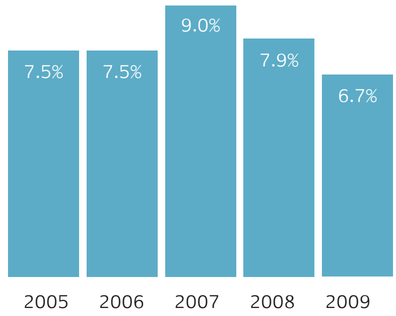


EBS FUNDING PROFILE

Financial Review



LONG TERM FUNDING MATURITY PROFILE



TIER 1 CAPITAL RATIO*

There is c.€3bn of long term funding due to mature in 2010. This largely reflects refinancing due to the termination of the Government Guarantee Scheme in September 2010 and an older issue of wholesale funding which matures in 2010. EBS has already issued €1bn under its guaranteed EMTN Programme in February 2010.

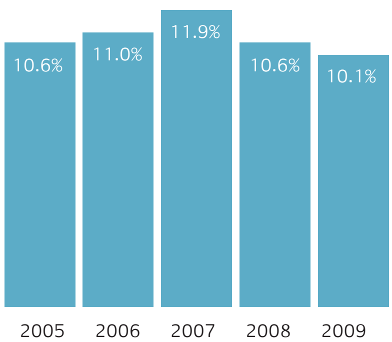
Liquidity

Our liquidity position is strong and in excess of regulatory levels. In addition, through our subsidiary, EBS Mortgage Finance, we successfully raised a €1bn covered bond in November 2009. This issue attracted strong international investor interest.

Satisfactory capital position

The Group manages its capital base through its Internal Capital Adequacy Assessment Process (“ICAAP”). The ICAAP is designed to allow capital requirements to be risk weighted and to truly reflect the risk profile and appetite of the Group. The ICAAP incorporates a detailed process to identify all material risks for the Group and to ascertain whether they are to be addressed through management or mitigation (or a combination of the two) and whether capital is required to be held against each risk. EBS uses the standardised approach under Basel II.

At the end of December 2009 the Total Capital ratio was 10.1% and the Tier 1 ratio was 6.7%. These Pillar 1 levels are in excess of regulatory requirements. The market expects institutions to now hold higher levels of capital as a result of losses to be incurred on NAMA. Additionally, the Financial Regulator recently conducted a Prudential Capital Assessment Review and EBS will be required to hold Core Tier I capital of 8% by end 2010. This results in the need for an additional €875m of capital to be in place by year end.



TOTAL CAPITAL RATIO*

Risk Review

Risk management

The risk management and regulatory environment for financial institutions continues to be enhanced, in terms of the sophistication of methods deployed and the levels of supervision applied. Further developments in local Irish regulatory practice as well as in collective European level supervision will continue. EBS is working closely with the Financial Regulator and other stakeholders to ensure it maintains the highest standards of risk management and compliance. 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 34.

* Before Interim Capital Requirement

Financial Outlook

The current environment and immediate outlook suggests another difficult year ahead financially for the Society. The Irish economy, a depressed property market, a very competitive retail savings environment, challenging wholesale market conditions, the increased cost of the Government Guarantee Scheme and a difficult global economy means that this continues to be a period of substantial adjustment for the country as a whole and for EBS.

In particular, 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, the transfer of assets to NAMA, replenishing the Society's capital position, reducing our loan to deposit ratio and continuing to right size our cost base.

Finally we welcome the expected capital injection from Government which will improve our ratios and put EBS in a stronger position into the future.

Emer Finnan
Finance Director
23rd April 2010

Board of Directors

LIAM MULVIHILL, EMER FINNAN, BARBARA PATTON, JIM RUANE.

ETHNA TINNEY, PHILIP WILLIAMSON, PAT MCCANN.

LIAM MULVIHILL BA, H DIP. (Hons), M ED. HISTORY
Non-Executive Director (Age 63)

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.

EMER FINNAN BComm, FCA
Executive Director (Age 41)

Appointed Secretary to the Board in 2005, Executive Director in July 2007 and Finance Director in February 2010. Emer has over 20 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 and Citibank in Corporate Finance in London, again specialising in financial services transactions. Emer trained as a Chartered Accountant with KPMG. She also spent a number of years on the Board of the RTÉ Authority. Emer has executive responsibility for finance, strategy, legal and company secretariat.

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

BARBARA PATTON MBS, FMII
Non-Executive and Senior Independent Director (Age 49)

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 consultant specialising in Executive Coaching and Services Marketing in the SME sector.

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

JIM RUANE PhD, M.Agr.SC, B.Agr.SC, FIB
Non-Executive Director (Age 65)

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.

ETHNA TINNEY BA(Mod), LRAM
Non-Executive Director (Age 55)

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.

PHILIP WILLIAMSON CBE, BA (Econ) Hons, ACIB (FCIB), PMD, Hon Doctorate Business Admin
Non-Executive Chairman (Age 62)

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 58)

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.

CATHAL MAGEE, LINDA O'SHEA FARREN, ANTHONY SPOLLEN.

MARTIN DONNELLAN, FERGUS MURPHY, ANN RIORDAN.

CATHAL MAGEE BA (Mgt), MSc
Non-Executive Director (Age 56)

Appointed Non Executive Director in 2002. Cathal is a former executive Director of Eircom Ltd., and was a member of the executive team in Eircom from 1995. He was appointed Managing Director of Eircom Retail in 2002 and served in that role until February of this year. Prior to joining Eircom he worked for the National Australia Bank Group in the United Kingdom and Ireland.

Principal other directorships:
VHI Healthcare, CMJ Consulting and Management Services, Glencree Centre for Peace and Reconcilation.

LINDA O'SHEA FARREN BCL (Hons.), Solicitor, Attorney-at-Law
Non-Executive Director (Age 49)

Appointed Non-Executive Director in 2009. After qualifying as a Solicitor and Attorney-at-Law in the mid-1980s, Linda worked in the New York and London offices of leading international law firm Debevoise & Plimpton. On her return to Ireland, in the mid-1990s, she worked as an investment banker with KBFSI/Irish Intercontinental Bank until she was appointed Programme Manager & Adviser to the Minister for Justice. Following this government appointment, Linda worked as Director of Legal and Corporate Affairs with the Irish Wheelchair Association until setting up her own solicitor's practice in corporate law. In addition to being a member of the NUI Senate, she is a member of its Finance Committee and Chair of its Audit and Risk Committee.

Principal other directorships:
Senate of the National University of Ireland, Board of KBC Music in Great Irish Houses.

ANTHONY SPOLLEN FCA
Non-Executive Director (Age 64)

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). He is a Director of Enterprise Ireland and a member of the Audit Committee of the Property Registration Authority (previously known as the Land Registry).

Principal other directorships:
Enterprise Ireland.

MARTIN DONNELLAN
Non-Executive Director (Age 62)

Appointed Non-Executive Director in 2009. Martin is a retired Assistant Commissioner of An Garda Síochána where he served for over 40 years. During his career he received numerous commendations for outstanding bravery and professionalism and has worked on fact finding missions with the United Nations.

Principal other directorships:
Manguard Plus Limited.

FERGUS MURPHY BSc (Mgmt), MA, DABS, AMCT, FIBI
Group Chief Executive (Age 46)

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 Chairman of Financial Services Ireland.

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

ANN RIORDAN
Non-Executive Director (Age 62)

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 President of the Institute of Directors in Ireland, Chairman of the Dublin Regional Tourism Authority and the National Standards Authority of Ireland.

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

EBS Group Management Team

Group Management Team

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Directors' Report

The Directors present to the Members of EBS Building Society their report and the audited accounts for the year ended 31 December 2009.

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 2009, an update on the current environment and the outlook for 2010.

Events Since The Year End

Since the year end, the Society and all of its subsidiaries have entered into an agreement to participate in NAMA, pursuant to which the Group's Land & Development exposures together with associated loans will be transferred to NAMA. As at 23rd April 2010, €144m of assets have transferred to NAMA. In February 2010, the Society also acceded to the revised Government Guarantee Scheme - Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009. In March 2010, the Financial Regulator announced that it required all Irish Financial Institutions to move to a minimum regulatory core tier 1 ratio of 8%, up from 4%. Accordingly, the Financial Regulator concluded that EBS would require a further €875m of capital to be in place by year end 2010. The Government has confirmed that they will provide EBS with this capital. EBS is currently exploring the availability of private market capital and has had an expression of interest from a private party. If agreement is reached with that party, the level of capital investment from the Government would reduce accordingly.

Subsidiary Companies

EBS Mortgage Finance (EBSMF) and Haven Mortgages Limited (Haven) are the principal trading subsidiaries of the Society. Both companies are wholly-owned by the Society. EBSMF is a covered bond bank which enables EBS to access liquidity and funding using mortgages as security whilst Haven provides mortgages through the broker intermediary network in Ireland.

Directors

The Board consists of thirteen Directors of whom eleven are Non-Executive Directors and two are full-time executives of the Society. Two new Directors have been appointed since the last publication of the Annual Report and Accounts, namely Martin Donnellan and Linda O'Shea Farren, both of whom were elected at the 2009 AGM. Details of all Board Directors are set out on pages 16 and 17. The Secretary to the Board is Emer Finnan.

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[1]. 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.

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 the 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 2009.

Board Meetings

The Board meets on a scheduled basis and generally once a month, but additional meetings are held at other times as required. The Board met on fifteen occasions in 2009. 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 five 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 June 2009. The Terms of Reference of all committees are also 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. The key responsibilities of each committee are set out on pages 19 and 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).

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, remuneration and terms of engagement of the external auditors. It also makes recommendations regarding the provision of non-audit services by the external auditors. The committee met on six occasions in 2009.

Credit Approval Committee

In 2009, the Credit Approval Committee was responsible for approving large credits which are above the €20m delegated loan approval authority level given to management and below the threshold reserved for the Board. Large credits were evaluated by the committee on four occasions in 2009. In December 2009, the Board Credit Approval Committee was dissolved by the Board, because EBS is no longer engaged in new commercial lending.

[1] The Combined Code on Corporate Governance July 2003 as amended in 2005

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 and submits recommendations on such appointments to the Board for approval. The committee met on nine occasions in 2009.

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 Management Team and for reviewing the Group Chief Executive's and Management Team's performance annually, as well as reviewing senior management succession planning. The committee met on seven occasions in 2009.

Risk Committee

The Board Risk Committee is responsible for identifying, evaluating and monitoring significant 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 2009.

Transactions Committee

The Transactions Committee reviews and approves documentation in relation to major transactions to be entered into by the Society. Such major transactions include the Society's debt programmes such as the Euro Medium Term Note debt securities programme. The committee met on three occasions in 2009.

Haven Board

The Board of Haven monitors the strategy, governance and control of Haven and approves credits for large exposures. The Board comprises five Directors of whom two are Group Executive Directors and one is a Group Non-Executive Director. The Board met on six occasions in 2009.

EBS Mortgage Finance Board

The Board of EBS Mortgage Finance oversees the governance and control of the covered bond bank, monitors the transfer of assets from EBS Building Society to the bank, approves the issuance of covered bonds and ensures that all laws and regulations in relation to the Asset Covered Securities Act 2001 (as amended) are met. The Board comprises eight Directors; two are Group Executive Directors, two are Independent Non-Executive Directors and four are members of Group Management. The Board met on five occasions in 2009.

Performance Evaluation of the Board and Directors

An evaluation of Board performance is undertaken annually, 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 2009, each Director undertook a self assessment in terms of their individual performance which was reviewed by the Chairman. 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, which 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 sub committees, namely the Risk Committee and the Audit & Compliance Committee. The 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 reports to the Chief Executive and has a dotted reporting line to the Chair of the Risk Committee. The 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 Audit & Compliance Committee. The Head of Internal Audit reports directly to the Chair of the Audit & Compliance Committee. The Regulatory Compliance and Risk functions also make regular reports to the Audit & Compliance 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 34 to the Accounts.

Safety of Employees and Customers

The Society's policy is to maintain a safe place and system of work. During 2009 the Society continued to promote a culture of health and safety amongst employees. Key initiatives in 2009 included a review of EBS' preparedness and implementation of measures to protect the organisation against a pandemic influenza outbreak, responding to Health & Safety Inspections undertaken by the HSA of a number of our network offices throughout the year and working with external expert consultants to undertake a high level review of our health and safety obligations and responsibilities. The Health & Safety Committee met on four occasions in 2009 to review the Health & Safety Policy and adherence to that Policy.

BOARD SUB-COMMITTEE MEMBERSHIP AS AT 23RD APRIL 2010

	BACC (Audit & Compliance)	REMCO (Remuneration)	NOMSCOM (Nominations)	BRC (Risk)	TC (Transactions Committee)
Donnellan, Martin				✓	
Finnan, Emer	(attends)			✓	✓
McCann, Pat	✓				Chair ✓
Magee, Cathal				Chair ✓	✓
Mulvihill, Liam			Chair ✓		
Murphy, Fergus	(attends)	(attends)	✓	✓	✓
O'Shea Farren, Linda					✓
Patton, Barbara	✓	Chair ✓			
Riordan, Ann		✓	✓		
Ruane, Jim	Chair ✓				
Spollen, Tony	✓				✓
Tinney, Ethna				✓	
Williamson, Philip		✓	✓	✓	
Secretary	**Helen Dooley**	**Dave Keenan**	**Emer Finnan**	**Robert Bree**	**Helen Dooley**

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

Philip Williamson, Chairman

Barbara Patton, Senior Independent Director

23rd April 2010

Report of the Remuneration Committee

In 2009 the Remuneration Committee was made up of the following Non-Executive Directors: Barbara Patton (Chair), Ann Riordan and Philip Williamson. The Group Chief Executive and the Director – People, Operations, IT and Communications (who is Secretary to the Committee) normally attend, except when their own performance reviews and remuneration are being discussed.

The Committee 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 has a minimum of four scheduled meetings a year and met on seven occasions in 2009. 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 comprehensively reviewed its Executive Team and overall remuneration policy in the light of the Covered Institutions Remuneration Oversight Committee (CIROC) and during 2009 aligned its policies to meet the CIROC recommendations. As a result, the CEO took a voluntary 22% reduction in his base pay effective 1st October 2009. In addition, no performance bonuses were paid to any employees, managers' base pay was frozen and employees increased their employee pension contribution rates: managers from 5% to 15% and staff from 5% to 10%.

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 (no base salary increases were awarded to Executives in 2009)
- A Performance Related Annual Bonus Plan – is linked to the achievement of annual business objectives. The overall level of bonus pool awarded is decided by the Remuneration Committee and 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 (no annual bonuses will be paid to Executives for the duration of the Government Guarantee Scheme);
- Long Term Incentive Plan (LTIP) – encourages the achievement of longer term objectives and aids 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 (no bonuses will be paid or accrued under the LTIP for the duration of the Government Guarantee Scheme);
- A Contributory Defined Benefit Pension Plan – two Executive Directors, who left the Society during the year, participated in the senior management plan. The plan provides for an employee contribution of 5% of pensionable salary and this was increased to a 15% employee contribution rate from April 2009. The maximum accrual is 40/60ths and the normal retirement age is 60. Individual Executive Directors' pension benefits are set out in the table overleaf. The Society makes payments to personal defined contribution schemes 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.

Two Executive Directors left the Society in 2009. External independent legal advice was sought regarding both departures. In one case a contractual termination payment and payment in lieu of notice was made, while in the other a contractual payment in lieu of notice was made.

Executive Director Remuneration 2009

	Salary		Annual Bonus		Benefits		Total Short Term Benefits		Long Term Incentive		Total	
	2009 €000	2008 €000	2009 €000	2008 €000	2009 €000	2008 €000	2009 €000	2008 €000	2009 €000	2008 €000	2009 €000	2008 €000
Fergus Murphy	465.0	476.6	-	-	40.8	45.1	505.8	521.7	-	-	505.8	521.7
Alan Merriman[1]	613.2	430.0	-	-	16.5	49.7	629.7	479.7	-	-	629.7	479.7
Tony Moroney[2]	591.3	275.0	-	-	23.8	33.0	615.1	308.0	-	-	615.1	308.0
Emer Finnan	238.6	244.6	-	-	31.8	38.0	270.4	282.6	-	-	270.4	282.6
Total	**1,908.1**	**1,426.2**	**-**	**-**	**112.9**	**165.8**	**2,021.0**	**1,592.0**	**-**	**-**	**2,021.0**	**1,592.0**

[1] Alan Merriman ceased to be a Director of EBS Building Society on 10 March 2009. On his departure a contractual 12 month notice period payment was made under his service agreement. This is included in his salary details above. A contractual termination payment of €851,400 was also paid. This is not included in the table above.

[2] Tony Moroney retired as a Director of EBS Building Society on 29 May 2009. He remained a Director of a subsidiary (Haven Mortgages Ltd.) until 9 September 2009 and his remuneration until that date is included above. On his departure from the subsidiary he received a contractual 12 month notice period payment in line with his service agreement. This is included in his salary details above. In addition he received a benefits payment under his service contract of €208,600. This is not included in the table above.

Benefits provided to the Executive Directors were the provision of 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.

The two existing Executive Directors have personal defined contribution pension schemes. €98,004 was paid to a defined contribution scheme on behalf of Fergus Murphy, and €69,000 was paid on behalf of Emer Finnan.

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		Increase in Transfer Value Needed	
	(a) 2009 €000	(a) 2008 €000	(b) 2009 €000	(b) 2008 €000	(c) 2009 €000	(c) 2008 €000
Tony Moroney	83.6	51.0	32.6	9.7	347.3	106.9
Alan Merriman	66.8	50.0	16.8	14.0	158.8	120.7
Total	**150.4**	**101.0**	**49.4**	**23.7**	**506.1**	**227.6**

Please note that both Tony Moroney and Alan Merriman left the Society during 2009.

Column (a) represents the pension which the Directors will be entitled to receive on reaching pension age calculated at the date of leaving the Society.

Column (b) is the increase in the amount shown in column (a) over and above the increase that would be payable on account of inflation. The relevant inflation adjustment in 2009 is nil.

Column (c) represents the transfer values of the increases in accrued benefits during 2009. 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 2009* in the event of the Executive Director transferring the value of pension benefits to another pension arrangement.

*As part of the Society's contractual obligations under their service contracts, both Alan Merriman and Tony Moroney received additional service resulting in an increase in their accrued pension at the date of leaving the Society. Mr. Moroney also received 6.3 years of service in respect of a transfer of his pension entitlements from the ICS Building Society Pension Plan – a transfer payment from the ICS scheme is pending.

2009 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 2009 is set out below:

	2009 €000	2008 €000
Mark Moran (Chairman) [1]	45.4	109.0
Cathal Magee	46.5	57.0
Barbara Patton	37.5	46.0
Yvonne Scannell [2]	-	8.2
Ethna Tinney	37.5	31.7
Jim Ruane	52.0	68.0
Philip Williamson	80.5	52.0
Pat McCann	37.5	46.0
Liam Mulvihill	37.5	46.0
Martin Donnellan [3]	15.7	-
Linda O'Shea Farren [3]	15.7	-
Anthony Spollen [4]	37.5	-
Ann Riordan [4]	37.5	-
Total	**480.8**	**463.9**

[1] Mark Moran left the Board on 31st May 2009
[2] Yvonne Scannell left the Board on 7th March 2008
[3] Martin Donnellan and Linda O'Shea Farren joined the Board on 22nd June 2009
[4] Anthony Spollen and Ann Riordan joined the Board on 1st January 2009

Barbara Patton
Chair Remuneration Committee
23rd April 2010

Statement of Directors' Responsibilities

The Building Societies Act 1989 (as amended) 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 Act 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. They are also responsible for safeguarding the assets of the Society and of the Group and 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 2009, which comprise the Group and Society Statements of Income, the Group and Society Statements of Financial Position, the Group and Society Statements of Cash Flows, the Group and Society Statements of Other Comprehensive Income, the Group and Society Statements of Changes in Reserves and the related notes 1 to 43. 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 8 (1) of the Building Societies Act 1989 (as amended). 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 auditor's 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 statement of Directors' responsibilities on page 24 sets out the Directors' responsibilities for preparing the Directors' report and the Group and Society financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU).

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 in accordance with IFRS's adopted by the EU and have been properly prepared in accordance with the Building Societies Act 1989 (as amended). We also report to you, in our opinion, whether proper books of account have been kept by the Society; whether at the balance sheet date, there exists a financial situation requiring the convening of an special general meeting of the Society; 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 Group and Society financial statements are in agreement with the books of account.

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

We read the Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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 financial statements give a true and fair view, in accordance with IFRS's as adopted by the EU, of the state of the Group's and Society's affairs as at 31 December 2009 and of the Group and Society's loss for the year then ended;

» the financial statements have been properly prepared in accordance with the Building Societies Act 1989 (as amended).

Other matters

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

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

KPMG
Chartered Accountants,
Registered Auditor,
1 Harbourmaster Place,
IFSC,
Dublin 1.

23rd April 2010

Accounts

Group & Society Income Statement

For the year ended 31 December 2009

Society 2009 €m	Society 2008 €m		Notes	Group 2009 €m	Group 2008 €m
889.7	1,249.1	Interest income	3	836.6	1,127.5
(784.4)	(1,082.5)	Interest expense	3	(681.7)	(970.6)
105.3	**166.6**	**Net interest income**		**154.9**	**156.9**
13.9	20.6	Fees and commissions receivable	4	13.9	20.6
(12.7)	(8.1)	Fees and commissions payable	4	(12.7)	(8.1)
1.2	**12.5**	**Non interest income**		**1.2**	**12.5**
17.3	-	Profit on sale / repurchase of securities	5	34.2	-
8.6	3.9	Other operating income	6	3.0	2.9
132.4	**183.0**	**Total income**		**193.3**	**172.3**
(76.2)	(84.9)	Administrative expenses		(82.2)	(90.2)
(4.9)	(5.1)	Amortisation of intangible assets	18	(5.6)	(5.5)
(3.3)	(3.5)	Depreciation of property, plant and equipment	17	(4.6)	(4.8)
(5.3)	-	Impairment of property	17	(5.3)	-
(89.7)	**(93.5)**	**Total operating expenses**	7	**(97.7)**	**(100.5)**
42.7	**89.5**	**Income before impairment losses and taxation**		**95.6**	**71.8**
2.5	(15.0)	Provisions for impairment of financial assets	11	2.5	(15.0)
(176.7)	(95.3)	Provisions for impairment of loans and advances	13	(197.4)	(95.0)
(174.2)	**(110.3)**	**Impairment losses**		**(194.9)**	**(110.0)**
(131.5)	**(20.8)**	**Loss before taxation**		**(99.3)**	**(38.2)**
24.0	(0.2)	Taxation credit (charge)	8	20.5	0.4
(107.5)	**(21.0)**	**Loss for the year**		**(78.8)**	**(37.8)**

Philip Williamson, Chairman

Fergus Murphy, Group Chief Executive

Emer Finnan, Finance Director

23 April 2010

The notes on pages 33 to 64 form part of these financial statements.

Group & Society Statement of Other Comprehensive Income

For the year ended 31 December 2009

Society 2009 €m	Society 2008 €m		Notes	Group 2009 €m	Group 2008 €m
(107.5)	**(21.0)**	**Loss for the year**		**(78.8)**	**(37.8)**
		Other comprehensive income, net of taxation			
(8.0)	(34.6)	Cash flow hedges	8	(8.0)	(34.6)
30.9	(40.0)	Available-for-sale reserve	8	49.7	(40.0)
(8.3)	(14.4)	Revaluation reserve	8	(8.3)	(14.4)
17.7	(34.2)	Net actuarial gain (loss) on retirement benefits	8	17.7	(34.2)
32.3	(123.2)	Other comprehensive income (loss) for the year, net of taxation		51.1	(123.2)
(75.2)	**(144.2)**	**Total comprehensive loss for the year**		**(27.7)**	**(161.0)**

Philip Williamson, Chairman

Fergus Murphy, Group Chief Executive

Emer Finnan, Finance Director

23 April 2010

The notes on pages 33 to 64 form part of these financial statements.

Group & Society Statement of Changes in Reserves

At 31 December 2009

Group	Revaluation Reserve €m	Available for Sale Reserve €m	Cashflow Hedge Reserve €m	General Reserve €m	Total €m
At 1 January 2008	**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 for the year	-	-	-	(37.8)	(37.8)
Amortisation of issue costs on non controlling interests	-	-	-	(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**
Net movement on revaluation reserve	(8.3)	-	-	-	(8.3)
Net movement on available-for-sale reserve	-	49.7	-	-	49.7
Net movement on cashflow hedge reserve	-	-	(8.0)	-	(8.0)
Loss for the year	-	-	-	(78.8)	(78.8)
Amortisation of issue costs on non controlling interests	-	-	-	(0.2)	(0.2)
Net actuarial gain on retirement benefits	-	-	-	17.7	17.7
At 31 December 2009	**0.3**	**(3.9)**	**(64.9)**	**463.8**	**395.3**

Society	Revaluation Reserve €m	Available for Sale Reserve €m	Cashflow Hedge Reserve €m	General Reserve €m	Total €m
At 1 January 2008	**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 for the year	-	-	-	(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**
Net movement on revaluation reserve	(8.3)	-	-	-	(8.3)
Net movement on available-for-sale reserve	-	30.9	-	-	30.9
Net movement on cashflow hedge reserve	-	-	(8.0)	-	(8.0)
Loss for the year	-	-	-	(107.5)	(107.5)
Net actuarial gain on retirement benefits	-	-	-	17.7	17.7
At 31 December 2009	**0.3**	**(22.7)**	**(64.9)**	**460.9**	**373.6**

The notes on pages 33 to 64 form part of these financial statements.

Group & Society Statement of Financial Position

At 31 December 2009

Society 2009 €m	Society 2008 €m		Notes	Group 2009 €m	Group 2008 €m
		Assets			
180.6	143.2	Cash and balances with central banks	9	196.5	143.3
93.1	71.8	Derivative financial instruments	33	50.0	51.3
750.6	-	Loans and advances held-for-sale	14	750.6	-
3,972.2	2,368.8	Available-for-sale financial assets	11	2,924.8	2,368.8
3,717.4	3,198.1	Loans and advances to credit institutions	12	957.7	1,287.6
11,659.8	13,597.7	Loans and advances to customers	13	16,473.5	16,978.5
-	1,872.5	Held-to-maturity financial assets	15, 41	-	372.5
4.5	3.7	Current taxation assets	19	4.7	3.5
31.5	21.7	Deferred taxation assets	20	28.9	21.7
58.0	112.9	Other assets	21	55.2	67.6
19.9	21.5	Intangible assets	18	24.8	26.9
267.5	167.5	Shares in group undertakings	16	-	-
37.9	49.7	Property, plant and equipment	17	38.9	56.0
20,793.0	**21,629.1**	**Total assets**		**21,505.6**	**21,377.7**
		Liabilities			
4,683.9	6,353.9	Deposits by credit institutions	22	4,433.9	6,103.9
11,082.8	11,384.5	Customer accounts	23, 41	9,830.2	10,125.2
193.6	249.1	Derivative financial instruments	33	163.9	202.8
11.5	11.4	Current taxation liabilities	25	11.6	11.4
319.7	349.8	Other liabilities	27	293.8	319.1
3,895.5	2,574.4	Debt securities in issue	24	5,889.8	3,682.5
0.2	5.8	Deferred taxation liabilities	26	9.7	13.2
17.0	38.7	Retirement benefit liabilities	28	17.0	38.7
215.2	212.7	Subordinated liabilities	29	215.2	212.7
20,419.4	**21,180.3**	**Total liabilities**		**20,865.1**	**20,709.5**
		Reserves			
0.3	8.6	Revaluation reserve		0.3	8.6
(22.7)	(53.6)	Available-for-sale reserve		(3.9)	(53.6)
(64.9)	(56.9)	Cashflow hedge reserve		(64.9)	(56.9)
460.9	550.7	General reserve		463.8	525.1
373.6	**448.8**	**Reserves**		**395.3**	**423.2**
-	-	Non controlling interests	30	245.2	245.0
20,793.0	**21,629.1**	**Total liabilities and reserves**		**21,505.6**	**21,377.7**

Philip Williamson, Chairman

Fergus Murphy, Group Chief Executive

Emer Finnan, Finance Director

23 April 2010

The notes on pages 33 to 64 form part of these financial statements.

Group & Society Statement of Cashflows

For the year ended 31 December 2009

Society 2009 €m	Society 2008 €m		Notes	Group 2009 €m	Group 2008 €m
		Cash flows from operating activities			
(107.5)	(21.0)	Loss for the year		(78.8)	(37.8)
		Adjustments for:			
3.3	3.5	Depreciation of property, plant & equipment	17	4.6	4.8
4.9	5.1	Amortisation of intangibles	18	5.6	5.5
174.2	110.3	Provisions for impairment of financial assets	11, 13	194.9	110.0
5.3	-	Impairment of property		5.3	-
4.0	3.8	Pension expense		4.0	3.8
(36.7)	30.0	Fair value movement on hedging derivatives	3	(3.8)	4.2
(13.5)	(34.4)	Fair value movement on hedged items		13.9	(34.4)
(24.0)	0.2	Income tax (credit) expense	8	(20.5)	(0.4)
10.0	**97.5**	**Operating income before changes in working capital and provisions**		**125.2**	**55.7**
5.9	(539.0)	Net decrease (increase) in loans and advances to credit institutions		2.8	(425.8)
(0.1)	0.6	Net decrease (increase) in mandatory reserve balance		(0.1)	0.5
1,010.6	2,307.7	Net decrease (increase) in loans and advances to customers		(443.0)	(1,113.4)
54.9	23.4	Net decrease in other assets		12.4	57.5
(1,670.0)	3,446.7	Net (decrease) increase in deposits from credit institutions		(1,670.0)	3,446.7
(301.7)	2,340.8	Net (decrease) increase in amounts due to customers		(295.0)	582.5
(34.9)	(18.7)	Decrease in other liabilities		(31.4)	(15.2)
0.1	(0.6)	Other non cash movements		(0.3)	(0.4)
(6.9)	(10.3)	Effect of exchange translations and other adjustments		(6.8)	(10.3)
(932.1)	7,648.1	Cash (used in) generated from operations		(2,306.2)	2,577.8
0.2	1.3	Income taxes refunded		0.3	1.6
(931.9)	**7,649.4**	**Net cash (used in) generated from operating activities**		**(2,305.9)**	**2,579.4**
		Cash flows from investing activities			
(4.5)	(6.3)	Purchase of property, plant and equipment	17	(4.3)	(6.8)
(3.3)	(8.0)	Purchase of intangible assets	18	(3.5)	(11.2)
-	0.3	Proceeds from disposal of fixed assets		4.0	0.3
(100.0)	(166.5)	Investment in subsidiaries	16	-	-
85.3	(3,807.5)	Net decrease (increase) in held-to-maturity financial assets		85.3	0.7
338.4	(204.5)	Net decrease (increase) in available-for-sale financial assets		(114.2)	(204.5)
315.9	**(4,192.5)**	**Net cash inflow (outflow) from investing activities**		**(32.7)**	**(221.5)**
		Cash flows from financing activities			
2,720.0	989.3	Issuance of debt securities		3,761.3	989.3
(1,389.5)	(2,273.7)	Redemption of debt securities		(1,544.6)	(2,982.7)
-	(38.1)	Redemption of subordinated debt		-	(38.1)
-	-	Non controlling interests		-	(0.3)
1,330.5	**(1,322.5)**	**Net cash inflow (outflow) from financing activities**		**2,216.7**	**(2,031.8)**
714.5	**2,134.4**	**Net increase (decrease) in cash and cash equivalents**		**(121.9)**	**326.1**
2,830.9	696.5	Cash and cash equivalents at 1 January		1,033.4	707.3
3,545.4	**2,830.9**	**Cash and cash equivalents at 31 December**	10	**911.5**	**1,033.4**

Notes to the Financial Statements 31 December 2009

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 (as amended) 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.

EBS Building Society is a covered institution within the meaning of the Government Guarantee Scheme 'the Scheme' and stands specified under the Credit Institutions (Financial Support) (Specification of Institutions) Order 2008 (Statutory Instrument No. 416 of 2008) ('CIFS'). The Scheme was approved by the European Commission as being compatible with EC Treaty State Aid rules. The scheme covers all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction), Interbank deposits, senior unsecured debt, covered bonds (including asset covered securities); and dated subordinated debt (Lower Tier 2), excluding any intra-group borrowing and any debt due to the European Central Bank arising from Eurosystem monetary operations.

The covered liabilities of participating covered institutions for the period 30 September 2008 to 29 September 2010 inclusive are guaranteed under the laws of Ireland by the Minister for Finance. In the event of any default of a covered institution in respect of a covered liability, the Minister will pay to the relevant creditor, on demand, an amount equal to the unpaid covered liabilities. The guarantee is unconditional and irrevocable and ensures timely payment of the covered liabilities of the covered institutions.

The Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG Scheme") is made pursuant to the Credit Institutions (Financial Support) Act 2008 and came into effect on 9 December 2009. The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to 5 years in maturity incurred by participating institutions during the period from the commencement date of the ELG Scheme (9 December 2009) to 29 September 2010 (subject to six month review and approval under EU State Aid rules) on certain terms and conditions. Liabilities covered by the ELG scheme include deposits and debt securities issued by participating institutions during the period from 9 December 2009 up to 29 September 2010. The debt securities include senior unsecured certificates of deposits, senior unsecured commercial paper and other senior unsecured bonds and notes. The Society issued a €1bn guaranteed EMTN in February 2010 under the ELG Scheme.

(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 (as amended) 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.

The Society has operated in a very challenging environment over the past 12 months arising from both the local and global economic crisis. This resulted in unprecedented liquidity constraints and an increase in the risks affecting the business.

To aid financial institutions in Ireland during this difficult period the Government established the government guarantee scheme on 20 October 2008. Further details on this are set out under note 1 (a). Given the prolonged effect of the liquidity crisis the government extended the existing scheme through the introduction of a new guarantee scheme, ELG. This is described under note 1 (a).

The Irish government has also set up the National Asset Management Agency ('NAMA') to secure the stability of the Irish financial system and to improve liquidity in the system. NAMA will buy land & development and associated loans from the participating banks. EBS is a participating institution in NAMA. NAMA will pay the participating institutions for the loans transferred on the basis of valuations carried out by experts and in accordance with pre-defined methodology. The scheme has been approved by the EU Commission and the first tranche of assets of €144m have transferred over to NAMA, with the remainder being transferred during 2010. On transfer of assets to NAMA this will crystallise a loss in the Society. The Society expects to receive an injection of capital from the Government which will increase our capital ratios and provide a buffer to absorb the loss on transfer of assets to NAMA.

The Building Societies Act was amended in 2009 to enable the Minister to provide capital to a building society in the form of Special Investment Shares (SIS). In addition, in December 2009, EBS held a Special General Meeting (SGM) for members to vote on changing the Societys rules to allow the issue of these shares and the members voted emphatically in favour of this proposal. The SIS will constitute Core Tier 1 capital of the Society. When issued, the SIS will convey significant rights to the Minister in recognition of the capital contribution the Government will provide through investing in the shares. The SIS will essentially grant the Minister majority voting rights in the Society.

Since then, the Financial Regulator has carried out an assessment of the capital requirement for the Society. This included stress testing with regard to loan losses and the impact of NAMA. The Financial Regulator has also increased the minimum regulatory core tier 1 ratio from 4% to 8% for all Irish Financial Institutions. As a result, the Financial Regulator has concluded that the Society would require a further €875m to be in place by year end to meet a base case target of 8% Core Tier 1.

The Government will provide EBS with this capital through the issuance of a SIS and a Promissory Note. This will give the State extensive powers as approved by the members at the SGM. The State will therefore have control over the future strategic direction of the Society.

EBS will seek to reduce this capital amount of €875m from Government through a range of programmes and strategies. EBS is currently exploring the availability of private market capital and has had an expression of interest from a private party. If agreement is reached with that party, the level of capital investment from the Government would reduce accordingly.

The Directors have approved the business plan for 2010 which incorporates the Society's funding and capital plan and all other critical assumptions such as the existence of the Government guarantee scheme and the expected capital injection. Based on these projections the Directors are satisfied that the Society has adequate resources, both capital and funding to continue in business for the foreseeable future. The Board have also considered the Government's stated commitment to support EBS. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

(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.

Management reviews the Group's loan portfolios to assess impairment at least quarterly. Impairment loss calculations involve the estimation of future cash flows of loans and advances based on observable data at the reporting date and historical loss experience for assets with similar credit risk characteristics. These calculations are undertaken on either a portfolio basis or separately for individually significant exposures. In applying the portfolio basis the Group makes use of various modelling techniques which are specific to different portfolio types.

The estimation of credit losses is inherently uncertain and depends on many factors such as unemployment, GDP, house price movements, 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 2009 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 28.

(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 effective interest calculation takes into account all fees, including those for early redemption, and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other

(d) Critical accounting judgements and estimates (cont'd)

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. This critical accounting policy is assessed on an annual basis and any changes are charged / credited to the income statement.

(4) Corporation taxes

The Group is subject to corporation taxes in two jurisdictions. Estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain at the reporting 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.

(5) Deferred taxation

IAS 12 provides that a deferred tax asset can be recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. The composition of the deferred tax asset in the Group and Society includes deferred tax on the AFS reserve, cashflow hedge reserve, retirement benefit, revaluation of properties and current year losses. The deferred tax asset on available-for-sale assets and cash flow hedge reserve moves in line with market prices and therefore can fluctuate year on year. The deferred tax asset on retirement benefits fluctuates in line with the movements in the value of the pension fund deficit. An increase in asset values with no movement in liabilities would reduce the deferred tax asset.

In assessing the recoverability of all deferred tax assets, management considers whether the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent on future taxable profits. Management considers projected future taxable income from its business plans in making that assessment. Where there are available profits against which the deferred tax can be utilised, a provision is made.

(6) Determination of fair value of financial instruments

The financial instruments on the statement of financial position subject to fair valuing in the Group and Society include available-for-sale financial assets, derivatives and hedged items in a fair value hedge relationship. The best evidence of fair value is an observable market price in an active market. Management uses active and observable market prices for fair valuing its available-for-sale financial assets.

The absence of quoted prices increases reliance on valuation techniques and requires the use of judgement. The judgement includes determining the cash flows, identifying a risk free discount rate and applying a credit spread. All valuation techniques applied are based on some observable market data and are subject to review and approval.

(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.

Non controlling 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 statement of financial position.

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 statement of financial position 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 at fair value through 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 Society factors own credit risk into the valuation of derivatives only when this is necessary.

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the instrument at the year end. 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, forward 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.

(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; loans and receivables held-for-sale; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

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

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 included in this category 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 or a bank counterparty with no intention of trading the loan.

(iii) Loans and advances held-for-sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held-for-sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. No reclassifications are made in respect of prior periods.

(iv) 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.

(v) 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 other than for foreign exchange 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, Loans and advances held-for-sale and held-to-maturity financial assets are carried at amortised cost using the effective interest method and assessed for impairment as set out in note (n). 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The only operating segment is the Group.

(k) Property, plant and equipment

Buildings are initially recognised at cost and subsequently revalued annually to open market values by independent valuers. Office equipment 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	Not depreciated
Buildings	Depreciated as part of revaluation
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 or credit based on the applicable tax rates enacted or substantively enacted at the year end, 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 year end 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 year end 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 in other comprehensive income are not recognised in the Income Statement.

(n) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each year end 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. 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 asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 a 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

(n) Impairment of financial assets (cont'd)

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 year end 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 statement of financial position 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 year end 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.

Defined contribution pension plans

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 statement of financial position 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) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances with central banks, short-term liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and which have a remaining maturity of three months or less. These include items such as treasury bills and other eligible bills, loans and advances to banks and short-term government securities.

(u) 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 year end 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.

(v) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

(w) Reserves

Revaluation reserve: The revaluation reserve represents unrealised gains on revaluation of property.

Available for Sale Reserve: The available for sale reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised.

Cashflow Hedge Reserve: The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected the income statement.

General Reserve: The general reserve represents the retained profits or losses for the business and any actuarial gains or losses on the pension schemes.

(x) Adoption of new accounting standards

As of 1 January 2009, the Society adopted the amendments to IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, which permit the reclassification of certain financial instruments from held for trading and available-for-sale categories of financial assets, IAS1: Presentation of financial statements and IFRS8: Operating segments.

(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
Financial instruments: recognition and measurement	IAS 39	1–Jan–10
Financial instruments: presentation	IAS 32	1–Jan–10
Business combinations	IFRS 3 (Revised)	1–Jan–10
Extinguishing financial liabilities with equity instruments	IFRIC 19	1–Jul–10
Prepayments of a minimum funding requirement	IFRIC 14 (amendment)	1–Jan–11
Related party disclosures	IAS 24	1–Jan–11
Consolidated and separate financial statements	IAS 27	1–Jan–11
Financial instruments	IFRS 9 (not yet endorsed)	1–Jan–13

The Directors do not anticipate that the adoption of these standards and interpretations (with the exception of IFRS 9 which is yet to be endorsed) will have a material impact on the Group's financial statements in the period of initial application. We will assess the impact of IFRS 9 when it is endorsed.

2. REPORTING BY BUSINESS SEGMENTS AND GEOGRAPHICAL LOCATION

For management and reporting purposes the Group's activities are organised in one reportable segment based on the information provided internally to the chief operating decision maker. The chief operating decision maker is considered to be the Group Board of Directors. The principal activities of the Group involve the provision of mortgage lending, savings, investments and insurance arrangement services to members.

3. NET INTEREST INCOME

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Interest Income				
Loans and advances to credit institutions	77.1	30.6	17.1	20.6
Loans and advances to customers	363.3	898.9	547.0	859.5
Loans and advances held-for-sale	26.6	-	26.6	-
Available-for-sale financial assets	145.0	108.2	98.6	108.2
Held-to-maturity financial assets	32.9	122.8	7.3	14.9
Derivatives interest income	113.5	35.5	52.2	35.5
Gain on derivatives held for risk management	130.3	51.5	85.7	80.5
Other interest receivable	1.0	1.6	2.1	8.3
	889.7	**1,249.1**	**836.6**	**1,127.5**
Interest Expense				
Subordinated liabilities	(6.8)	(13.0)	(6.8)	(13.0)
Non controlling interests	(11.0)	(15.3)	(10.0)	(14.3)
Debt securities in issue	(79.6)	(161.7)	(92.1)	(222.6)
Customer accounts	(286.4)	(347.9)	(179.2)	(184.7)
Deposits by credit institutions	(224.6)	(429.4)	(228.3)	(427.6)
Derivatives interest expense	(79.9)	(32.3)	(80.2)	(21.6)
Loss on derivatives held for risk management	(93.6)	(81.5)	(81.9)	(84.7)
Other	(2.5)	(1.4)	(3.2)	(2.1)
	(784.4)	**(1,082.5)**	**(681.7)**	**(970.6)**

Net losses recognised on cash flow hedges transferred to interest expense in the income statement from equity during 2009 is €0.7m (2008: €1.0m) for Group and €0.7m (2008: €1.0m) for Society.

Net gain on fair value hedging instruments held in a qualifying fair value hedging relationship recognised in interest income is €0.8m (2008: (€3.2m)) for Group and €2.2m (2008: (€3.2m)) for Society.

Net gain recognised on derivatives held at fair value through the income statement is €3.7m (2008: Nil) for Group and €35.2m (2008: (€25.8m)) for Society. The gain in the Society also includes 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 2009 is a total of €8.9m (2008: €19.3m) accrued on individually significant impaired financial assets.

Included within loans and advances to customers under interest income for the year ended 31 December 2009 is a credit of €13.6m for the Group (Society: €10.2m) due to a change in the accounting estimate of the economic useful life of mortgages.

4. NON INTEREST INCOME

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Fees and commissions receivable				
Insurance commission income	10.3	13.8	10.3	13.8
Investment management commission income	3.3	5.8	3.3	5.8
Personal loan and credit card income	0.3	1.0	0.3	1.0
	13.9	**20.6**	**13.9**	**20.6**
Fees and commissions payable				
Insurance commission expense	(3.7)	(4.5)	(3.7)	(4.5)
Investment management commission expense	(1.1)	(1.8)	(1.1)	(1.8)
Government guarantee scheme	(7.9)	(1.8)	(7.9)	(1.8)
	(12.7)	**(8.1)**	**(12.7)**	**(8.1)**

Investment management commission income relates to fees earned by the Group and Society on investment advisory services provided to its members.
The Government guarantee schemes are referred to in the accounting policies in note 1 (a).

5. PROFIT ON SALE / REPURCHASE OF SECURITIES

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Gain on repurchase of debt securities in issue	5.9	-	22.8	-
Gain on disposal of securities	11.4	-	11.4	-
	17.3	**-**	**34.2**	**-**

5. PROFIT ON SALE / REPURCHASE OF SECURITIES (cont'd)

Debt securities repurchased during 2009 included medium term notes and securitised bonds previously issued by the Group. The overall gain to the Group amounts to €22.8m (2008: Nil) as the buy back is accounted for under IAS 39 and meets the requirement to be treated as an extinguishment of the original securities issued. The table below sets out the type and nominal value of the debt repurchased.

	Society		Group	
	Gain €m	Nominal €m	Gain €m	Nominal €m
EMTN				
EMTN series 068	-	10.0	-	10.0
EMTN series 070	-	15.0	-	15.0
EMTN series 092	2.0	6.0	2.0	6.0
EMTN series 100	3.9	77.3	3.9	77.3
EMTN series 152	-	4.4	-	4.4
EMTN series 153	-	1.8	-	1.8
Securitised bonds				
Emerald 4	-	87.9	16.9	87.9
	5.9	**202.4**	**22.8**	**202.4**

During 2009 securities held in the available-for-sale and held-to-maturity portfolios were sold giving rise to a gain of €11.4m (2008: Nil). This has resulted in the reclassification of the remaining held-to-maturity financial assets to available-for-sale financial assets.

6. OTHER OPERATING INCOME

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Licence fee income	2.9	2.6	2.9	2.6
Other income	5.7	1.3	0.1	0.3
	8.6	**3.9**	**3.0**	**2.9**

Licence fee income relates to fees received from EBS agents.

7. TOTAL OPERATING EXPENSES

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Staff costs	40.1	43.6	45.0	48.1
Other administrative expenses	36.1	41.3	37.2	42.1
Depreciation of property, plant and equipment (note 17)	3.3	3.5	4.6	4.8
Amortisation of intangibles (note 18)	4.9	5.1	5.6	5.5
Impairment of property (note 17)	5.3	-	5.3	-
	89.7	**93.5**	**97.7**	**100.5**

Auditors' remuneration (including value added tax) in 2009 for audit services is €0.3m (2008: €0.3m) and for non audit services is €0.7m (2008: €0.1m). The Board Audit and Compliance Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors. Fees for non audit services consist primarily of fees in connection with advisory services, review of regulatory returns, letters of comfort and accounting matters.

Full 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 666 (Society: 619) and is analysed into the following categories:

	Society		Group	
	2009	2008	2009	2008
Permanent staff	596	626	643	670
Temporary staff	23	20	23	22
	619	**646**	**666**	**692**
Staff costs comprise:	€m	€m	€m	€m
Wages and salaries	32.9	36.0	37.1	39.8
Social welfare costs	3.6	4.1	3.9	4.5
Defined benefit and defined contribution pension costs (note 28)	3.6	3.5	4.0	3.8
	40.1	**43.6**	**45.0**	**48.1**

8. TAXATION

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
The taxation (credit) charge for the year is as follows:				
Corporation tax credit	(1.9)	(4.5)	(0.2)	(5.1)
Deferred tax (credit) charge	(22.1)	4.7	(20.3)	4.7
	(24.0)	**0.2**	**(20.5)**	**(0.4)**
The deferred taxation (credit) charge arises from:				
Capital allowances in excess of depreciation	(0.4)	(0.2)	(0.5)	(0.2)
Impairment of properties	(0.7)	-	(0.7)	-
Current year tax losses (note 20)	(16.2)	-	(16.2)	-
Release of deferred tax provision on non controlling interests	(4.3)	1.8	(4.3)	1.8
Retirement benefits	0.6	0.5	0.6	0.5
Other temporary differences	(1.1)	2.6	0.8	2.6
	(22.1)	**4.7**	**(20.3)**	**4.7**

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 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Loss before tax at 12.5% (2008: 12.5%)	(16.4)	(2.6)	(12.5)	(4.8)
Effects of:				
Capital allowances in excess of depreciation	0.5	0.3	0.5	0.3
Unutilised current year tax loss	-	-	-	2.0
Over provision in prior years	(1.0)	(1.1)	(1.2)	(1.6)
Current year tax losses	16.2	-	16.2	-
Addbacks and income not taxable at standard rates	0.1	0.3	(1.6)	0.4
Other differences	(1.3)	(1.4)	(0.4)	(1.4)
Recognition of prior years unrecognised tax losses	-	-	(1.2)	-
Corporation tax	(1.9)	(4.5)	(0.2)	(5.1)
Deferred tax	(22.1)	4.7	(20.3)	4.7
Total tax	**(24.0)**	**0.2**	**(20.5)**	**(0.4)**

Income tax recognised in other comprehensive income

	2009 Before tax €m	2009 Tax (expense) benefit €m	2009 Net of tax €m	2008 Before tax €m	2008 Tax (expense) benefit €m	2008 Net of tax €m
Group						
Cash flow hedge reserve	(9.2)	1.2	(8.0)	(39.5)	4.9	(34.6)
Available-for-sale reserve	56.7	(7.0)	49.7	(45.7)	5.7	(40.0)
Revaluation reserve	(9.3)	1.0	(8.3)	(16.4)	2.0	(14.4)
Net actuarial gain (loss) on retirement benefits	20.2	(2.5)	17.7	(39.0)	4.8	(34.2)
	58.4	**(7.3)**	**51.1**	**(140.6)**	**17.4**	**(123.2)**
Society						
Cash flow hedge reserve	(9.2)	1.2	(8.0)	(39.5)	4.9	(34.6)
Available-for-sale reserve	35.3	(4.4)	30.9	(45.7)	5.7	(40.0)
Revaluation reserve	(9.3)	1.0	(8.3)	(16.4)	2.0	(14.4)
Net actuarial gain (loss) on retirement benefits	20.2	(2.5)	17.7	(39.0)	4.8	(34.2)
	37.0	**(4.7)**	**32.3**	**(140.6)**	**17.4**	**(123.2)**

9. CASH AND BALANCES WITH CENTRAL BANKS

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Cash in hand	4.6	4.5	4.6	4.5
Balances with Central Banks other than mandatory reserve deposits	156.5	119.3	172.3	119.3
Included in cash and cash equivalents	161.1	123.8	176.9	123.8
Mandatory reserve deposits with Central Bank	19.5	19.4	19.6	19.5
Total cash and balances with Central Banks	**180.6**	**143.2**	**196.5**	**143.3**

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

10. CASH AND CASH EQUIVALENTS

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
For the purposes of the cash flow statement the cash and cash equivalents comprise the following:				
Cash and balances with Central Banks	161.1	123.8	176.9	123.8
Available-for-sale financial assets (maturing within 3 months)	208.5	56.4	208.5	56.4
Loans and advances to credit institutions (repayable within 3 months)	3,175.8	2,650.7	526.1	853.2
	3,545.4	**2,830.9**	**911.5**	**1,033.4**

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Central Government bills - at fair value	208.3	224.7	208.3	224.7
Debt securities - at fair value	3,763.9	2,144.1	2,716.5	2,144.1
	3,972.2	**2,368.8**	**2,924.8**	**2,368.8**
Maturing within three months	208.5	56.4	208.5	56.4
Maturing between three months and one year	1,967.3	435.7	981.9	435.7
Maturing between one and five years	1,496.8	1,542.4	1,496.8	1,542.4
Maturing between five and ten years	299.6	334.3	237.6	334.3
	3,972.2	**2,368.8**	**2,924.8**	**2,368.8**

At 31 December 2009 an impairment provision write back of €2.5m (2008: impairment charge of €15.0m) was recognised on an available-for-sale financial asset held with an Icelandic bank that was sold in the current year.

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 - 31 December 2009				
Central Government bills	208.3	6.2	(1.6)	4.6
Debt securities	2,716.5	40.5	(49.5)	(9.0)
	2,924.8	**46.7**	**(51.1)**	**(4.4)**
Society - 31 December 2009				
Central Government bills	208.3	6.2	(1.6)	4.6
Debt securities	3,763.9	40.5	(71.0)	(30.5)
	3,972.2	**46.7**	**(72.6)**	**(25.9)**
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)**

12. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Repayable in less than three months	3,207.3	2,685.1	557.6	887.6
Repayable in more than three months but less than one year	510.1	-	400.1	-
Repayable in more than one but less than five years	-	513.0	-	400.0
	3,717.4	**3,198.1**	**957.7**	**1,287.6**

At 31 December 2009 the Society has €31.5m (2008: €34.4m) included in loans and advances to credit institutions which is not available for own use. This amount relates to funds held on behalf of Emerald Mortgages No. 4 plc and EBS Mortgage Finance. The Society collects repayments from borrowers on behalf of Emerald 4 and EBS Mortgage Finance. These funds are transferred to designated accounts associated with these companies over which these entities have a first charge.

At 31 December 2009 loans outstanding between the Society and its subsidiary, EBS Mortgage Finance, amounted to €2,650m (2008: €1,750m).

Included in loans and advances to credit institutions is an inter-bank deposit with a bank covered by the Irish Government guarantee scheme amounting to €650.0m (2008: €400.0m). This is explained further under note 23.

13. LOANS AND ADVANCES TO CUSTOMERS (EXCLUDING LOANS HELD-FOR-SALE)

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Repayable in less than three months	56.5	225.2	37.2	225.2
Repayable in more than three months but less than one year	82.2	235.0	69.3	237.3
Repayable in more than one but less than five years	243.1	474.6	294.9	514.7
Repayable in more than five years	11,345.1	12,711.9	16,142.2	16,037.2
Total loans and advances to customers before provisions	11,726.9	13,646.7	16,543.6	17,014.4
Less provision for loan impairments	(125.9)	(112.7)	(148.6)	(113.8)
Total loans and advances to customers after provisions	11,601.0	13,534.0	16,395.0	16,900.6
Plus deferred acquisition costs	58.8	63.7	78.5	77.9
	11,659.8	**13,597.7**	**16,473.5**	**16,978.5**
LOANS AND ADVANCES TO CUSTOMERS - ANALYSIS BY SECTOR				
Home loans	8,341.0	9,132.4	13,646.6	13,106.9
Retail Buy to let	952.4	1,474.2	1,471.4	1,538.1
Commercial Buy to Let	423.1	608.1	423.1	608.4
Total Residential	9,716.5	11,214.7	15,541.1	15,253.4
Commercial	1,002.5	1,248.9	1,002.5	1,248.9
Development Finance	-	512.1	-	512.1
Loans to subsidiaries	1,007.9	671.0	-	-
Total loans and advances to customers before provisions	11,726.9	13,646.7	16,543.6	17,014.4
Less provision for loan impairments	(125.9)	(112.7)	(148.6)	(113.8)
Total loans and advances to customers after provisions	11,601.0	13,534.0	16,395.0	16,900.6
Plus deferred acquisition costs	58.8	63.7	78.5	77.9
	11,659.8	**13,597.7**	**16,473.5**	**16,978.5**

Loans expected to transfer to NAMA are disclosed in note 14 as Loans and Advances held-for-sale. In addition €4,882.9m (2008: €3,381.3m) of loans and advances to customers are held in the covered bond bank, EBS Mortgage Finance Unlimited, €3,184.4m (2008: €3,397.3m) are held through securitisation vehicles Emerald No.4 and Emerald No.5. and €1,136.6m (2008: €2,216.7m) are pledged as collateral under the mortgage backed promissory note programme (refer to note 37). Loans to directors are disclosed in note 38.

PROVISION FOR LOAN IMPAIRMENTS (EXCLUDING LOANS AND ADVANCES HELD-FOR-SALE)	Society				Group			
		2009 €m		2008 €m		2009 €m		2008 €m
Individual provision for loan impairments								
At 1 January		70.0		19.7		70.0		19.7
Charge for impairment losses								
Loans and advances held-for-sale	81.3		-		81.3		-	
Commercial assets	14.8		66.0		14.9		66.0	
Residential assets	19.5		2.4		21.2		2.4	
Total charge for impairment losses	115.6	115.6	68.4	68.4	117.4	117.4	68.4	68.4
Transfer to Loans and advances held-for-sale (note 14)		(142.6)				(142.6)		
Recoveries / write backs		-		-		-		-
Loans and advances written off		(0.4)		(18.1)		(0.4)		(18.1)
At 31 December		**42.6**		**70.0**		**44.4**		**70.0**
Collective provision for loan impairments								
At 1 January		42.7		17.2		43.8		17.2
Charge for impairment losses								
Loans and advances held-for-sale	2.1		-		2.1		-	
Commercial assets	12.7		19.3		12.7		19.3	
Residential assets	46.3		10.6		65.2		10.3	
Total charge for impairment losses	61.1	61.1	29.9	29.9	80.0	80.0	29.6	29.6
Transfer to Loans and advances held-for-sale (note 14)		(19.6)				(19.6)		
Recoveries / write backs		-		(3.0)		-		(3.0)
Other transfers		(0.9)		(1.4)		-		-
At 31 December		**83.3**		**42.7**		**104.2**		**43.8**
Total provision for loan impairments at 31 December		**125.9**		**112.7**		**148.6**		**113.8**

13. LOANS AND ADVANCES TO CUSTOMERS (EXCLUDING LOANS HELD-FOR-SALE) (cont'd)

CONTINUING INVOLVEMENT IN SECURITISED ASSETS

At 31 December 2009 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. In the Society the non recourse funding, in the form of loan notes, is shown in customer accounts.

The total carrying amount of the original residential property transferred by the Society to Emerald Mortgages No.4 plc ("Emerald 4") and Emerald Mortgages No.5 unlimited ("Emerald 5") as part of the securitisation amounts to €4,000m (2008: €4,000m). The amount of transferred secured loans that the Group continues to recognise at 31 December 2009 is €3,184.4m (2008: €3,397.3m). The carrying amount of the bonds issued by Emerald 4 to third party investors amounts to €953.0m (2008: €1,108.1m) and is also disclosed in note 24. The carrying amount of the loan note in the Society issued to Emerald 4 amounts to €1,025.6 (2008: €1,095.4m) and is also disclosed in note 23.

There are outstanding bonds issued by Emerald 5 but are not shown on the statement of financial position as these bonds were issued by Emerald 5 to the Society as a retained deal. These are netted against each other in 2009 and 2008.

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 Society participates in the securitisation through the provision of administration services and unsecured loan financing of €110.3m (2008: €110.3m), which is subordinated to the interest of the bond holders.

14. LOANS AND ADVANCES HELD-FOR-SALE

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Loans and advances held-for-sale	750.6	-	750.6	-

The Irish government set up an asset relief scheme ('the scheme') in 2009 under the auspices of the National Asset Management Agency in Ireland ('NAMA'). The legislative basis for NAMA is the National Asset Management Agency Act 2009 enacted on 22 November 2009. The scheme was approved by the European Commission on 26 February 2010. EBS is a participating institution in NAMA and we expect to transfer a maximum of €912.8m of loans to NAMA during 2010. Those assets that are to transfer to NAMA are included in a held-for-sale category under IFRS and are set out below. The loans comprise land & development, residential and commercial exposures. NAMA will pay for these loans on the basis of valuations carried out by advisors in accordance with the pre-defined approved methodology. Post the sale, EBS may continue to manage these loans on behalf of NAMA. The actual value of assets that may transfer to NAMA is not known with certainty as we are in discussions with NAMA to finalise which assets will transfer.

	Society		Group	
LOANS AND ADVANCES HELD-FOR-SALE - ANALYSIS BY CONTRACTUAL MATURITY	2009 €m	2008 €m	2009 €m	2008 €m
Repayable in less than three months	246.6	-	246.6	-
Repayable in more than three months but less than one year	200.0	-	200.0	-
Repayable in more than one but less than five years	150.4	-	150.4	-
Repayable in more than five years	315.8	-	315.8	-
Total loans and advances to customers before provisions	912.8	-	912.8	-
Less provision for loan impairments	(162.2)	-	(162.2)	-
	750.6	**-**	**750.6**	**-**
LOANS AND ADVANCES HELD-FOR-SALE - ANALYSIS BY SECTOR				
Home loans	10.6	-	10.6	-
Retail Buy to let	6.3	-	6.3	-
Commercial Buy to Let	199.9	-	199.9	-
Total Residential	216.8	-	216.8	-
Commercial	190.4	-	190.4	-
Development Finance	505.6	-	505.6	-
Total loans and advances to customers before provisions	912.8	-	912.8	-
Less provision for loan impairments	(162.2)	-	(162.2)	-
	750.6	**-**	**750.6**	**-**

Provision for loan impairments of €162.2m include a specific provision of €142.6m and a collective provision of €19.6m.

As at 23 April 2010 €144m of assets have been transferred to NAMA at a discount of 36.8%. The total carrying value of these assets amounts to €130m. The carrying value includes a specific provision of €12m and the collective provision of €2m.

15. HELD-TO-MATURITY FINANCIAL ASSETS

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Central Government Bills and Other Debt Securities - at amortised cost	-	1,872.5	-	372.5
Maturing between one and five years	-	1,848.4	-	348.4
Maturing between five and ten years	-	24.1	-	24.1
	-	**1,872.5**	**-**	**372.5**

The market value of the Group and Society held-to-maturity financial assets at 31 December 2008 was €378.3m and €1,880.4m respectively.

During the year certain held-to-maturity financial assets were disposed of resulting in a restriction on the use of this categorisation for accounting purposes. The remaining assets amounting to €287.2m for the Group (Society: €1,787.5m) were transferred to the available-for-sale financial assets category. The nominal value of these assets is €285.0m. These are now disclosed under note 11.

16. SHARES IN GROUP UNDERTAKINGS

	Society 2009 €m	Society 2008 €m
At 1 January	167.5	1.0
Investment in subsidiary	100.0	166.5
At 31 December	**267.5**	**167.5**

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 held fixtures and fittings 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 2 Burlington Road, Dublin 4.

(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 266,540,000 (2008: 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. EBS Mortgage Finance Unlimited 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 EBS Mortgage Finance Unlimited for an appropriate consideration. The registered address of the company is 2 Burlington Road, Dublin 4.

17. PROPERTY, PLANT AND EQUIPMENT

Group	2009 Land and buildings €m	2009 Fixtures & fittings, equipment and motor vehicles €m	2009 Total €m	2008 Land and buildings €m	2008 Fixtures & fittings, equipment and motor vehicles €m	2008 Total €m
Cost or Valuation						
At 1 January	31.9	48.5	80.4	47.7	48.6	96.3
Additions	-	4.3	4.3	0.6	6.2	6.8
Disposals	(0.2)	(4.7)	(4.9)	-	(6.3)	(6.3)
Impairment deficit charged to reserves	(7.5)	-	(7.5)	(16.4)	-	(16.4)
Impairment deficit charged to income	(5.3)	-	(5.3)	-	-	-
At 31 December	**18.9**	**48.1**	**67.0**	**31.9**	**48.5**	**80.4**
Accumulated Depreciation						
At 1 January	-	24.4	24.4	-	25.2	25.2
Charge for year	-	4.6	4.6	-	4.8	4.8
Disposals	-	(0.9)	(0.9)	-	(5.6)	(5.6)
At 31 December	**-**	**28.1**	**28.1**	**-**	**24.4**	**24.4**
Net book amounts at 31 December	**18.9**	**20.0**	**38.9**	**31.9**	**24.1**	**56.0**

Society	2009 Land and buildings €m	2009 Fixtures & fittings, equipment and motor vehicles €m	2009 Total €m	2008 Land and buildings €m	2008 Fixtures & fittings, equipment and motor vehicles €m	2008 Total €m
Cost or Valuation						
At 1 January	31.9	35.9	67.8	47.7	36.5	84.2
Additions	-	4.5	4.5	0.6	5.7	6.3
Disposals	(0.2)	(0.2)	(0.4)	-	(6.3)	(6.3)
Impairment deficit charged to reserves	(7.5)	-	(7.5)	(16.4)	-	(16.4)
Impairment deficit charged to income	(5.3)	-	(5.3)	-	-	-
At 31 December	**18.9**	**40.2**	**59.1**	**31.9**	**35.9**	**67.8**
Accumulated Depreciation						
At 1 January	-	18.1	18.1	-	20.2	20.2
Charge for year	-	3.3	3.3	-	3.5	3.5
Disposals	-	(0.2)	(0.2)	-	(5.6)	(5.6)
At 31 December	**-**	**21.2**	**21.2**	**-**	**18.1**	**18.1**
Net book amounts at 31 December	**18.9**	**19.0**	**37.9**	**31.9**	**17.8**	**49.7**

Land and buildings to the value of €18.9m (2008:€31.9m) are occupied by the Group (Society: €18.9m) for its own activities. The carrying value of land and buildings comprises Freeholds of €15.0m (2008:€25.4m) and Long Leaseholds of €3.9m (2008:€6.5m). The value of land and buildings under the historical cost basis comprises freeholds €17.6m and long leaseholds €4.1m.

Land and buildings were revalued as at 31 December 2009 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.

18. INTANGIBLE ASSETS

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Computer software (and development costs)				
Cost				
At 1 January	61.4	53.4	67.2	56.0
Additions - Internal development	3.1	7.8	3.3	11.0
Additions - Purchased	0.2	0.2	0.2	0.2
At 31 December	**64.7**	**61.4**	**70.7**	**67.2**
Amortisation				
At 1 January	39.9	34.8	40.3	34.8
Charge for year	4.9	5.1	5.6	5.5
At 31 December	**44.8**	**39.9**	**45.9**	**40.3**
Net book amounts at 31 December	**19.9**	**21.5**	**24.8**	**26.9**

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

19. CURRENT TAXATION ASSETS

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Corporation tax	4.5	3.7	4.7	3.5
	4.5	**3.7**	**4.7**	**3.5**

20. DEFERRED TAXATION ASSET

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
At 1 January	21.7	9.3	21.7	9.3
Current year tax losses (note 8)	16.2	-	16.2	-
Amount charged to income statement	(0.7)	(3.1)	(0.7)	(3.1)
Amount (charged) credited to reserves	(5.7)	15.5	(8.3)	15.5
At 31 December	**31.5**	**21.7**	**28.9**	**21.7**
The amounts provided in relation to deferred tax assets are as follows:				
Retirement benefits	2.1	5.2	2.1	5.2
Available-for-sale financial assets	3.2	7.6	0.6	7.6
Cashflow hedge reserve	9.3	8.1	9.3	8.1
Impairment of properties	0.7	-	0.7	-
Current year tax losses	16.2	-	16.2	-
Other temporary differences	-	0.8	-	0.8
	31.5	**21.7**	**28.9**	**21.7**

Deferred tax relating to unutilised tax losses and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or other temporary differences.

At 31 December 2009, deferred tax assets on tax losses and other temporary differences totalled €28.9m for the Group (2008: €21.7m) and €31.5m for Society (2008: €21.7m). The most significant element of this arises due to tax losses in the Society and their utilisation is dependent on future taxable profits. The directors have considered the assumptions underpinning the five year plan and have determined that future taxable profits will be available to absorb these deferred tax assets after more than 12 months.

21. OTHER ASSETS

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Interest accrued	39.5	57.4	37.6	52.2
Other	18.5	55.5	17.6	15.4
	58.0	**112.9**	**55.2**	**67.6**

22. DEPOSITS BY CREDIT INSTITUTIONS

CONTRACTURAL MATURITY ANALYSIS	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Repayable in less than three months	2,222.4	4,472.4	2,222.4	4,472.4
Repayable in more than three months but less than one year	2,211.5	1,291.5	2,211.5	1,291.5
Repayable in more than one year but less than five years	-	340.0	-	340.0
Repayable in more than five years	250.0	250.0	-	-
	4,683.9	**6,353.9**	**4,433.9**	**6,103.9**
ANALYSIS BY COUNTERPARTY				
ECB repurchase agreements	2,500.0	3,697.0	2,500.0	3,697.0
Bi-lateral repurchase agreements	1,415.8	1,883.0	1,415.8	1,883.0
Other	768.1	773.9	518.1	523.9
	4,683.9	**6,353.9**	**4,433.9**	**6,103.9**

23. CUSTOMER ACCOUNTS

CONTRACTUAL MATURITY ANALYSIS	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Repayable on demand	1,811.2	2,204.1	1,583.1	2,042.6
Repayable in less than three months but not on demand	3,459.1	4,200.2	3,459.1	4,200.2
Repayable in more than three months but less than one year	3,428.4	2,205.1	3,428.4	2,205.1
Repayable in more than one year but less than five years	1,336.0	1,605.0	1,336.0	1,605.0
Repayable in more than five years	1,048.1	1,170.1	23.6	72.3
	11,082.8	**11,384.5**	**9,830.2**	**10,125.2**
ANALYSIS BY SECTOR				
Retail	6,197.3	5,523.8	6,197.3	5,523.8
Corporate	3,859.9	4,765.3	3,632.9	4,601.4
Securitisation	1,025.6	1,095.4	-	-
	11,082.8	**11,384.5**	**9,830.2**	**10,125.2**

At 31 December 2009 customer accounts includes €650m of deposits from a non-bank subsidiary of a bank covered by the Irish government guarantee scheme (2008: €400m). 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 12. Because no right of set-off exists between these deposits and placements, they were recorded in customer accounts within the Corporate category on the Group's statement of financial position in accordance with accounting standards.

The securitisation balances in the Society relate to loan notes issued to Emerald No.4 plc, secured on residential property. These are also referred to in note 13.

24. DEBT SECURITIES IN ISSUE

	Society 2009 €m	Society 2008 €m	Group 2009 €m	Group 2008 €m
Medium term notes	2,914.7	1,486.6	2,914.7	1,486.6
Certificates of deposit	126.1	611.0	126.1	611.0
Schuldschein issued	101.8	193.8	101.8	193.8
Commercial paper	752.9	283.0	752.9	283.0
Securitised bonds	-	-	953.0	1,108.1
Covered bonds	-	-	1,041.3	-
	3,895.5	**2,574.4**	**5,889.8**	**3,682.5**
MATURITY PROFILE - DEBT SECURITIES IN ISSUE:				
Repayable in no more than 1 year	1,096.2	1,267.8	1,096.1	1,267.8
Repayable in more than 1 year but not more than 2 years	2,414.5	773.2	2,414.1	773.2
Repayable in more than 2 years but not more than 5 years	258.8	337.7	1,300.6	337.7
Repayable in more than 5 years	126.0	195.7	1,079.0	1,303.8
	3,895.5	**2,574.4**	**5,889.8**	**3,682.5**
Details of Debt securities in issue by currency are as follows:				
EURO	3,422.1	2,021.9	5,416.4	3,130.0
GBP	215.2	400.7	215.2	400.7
USD	194.0	54.4	194.0	54.4
JPY	7.5	7.9	7.5	7.9
CZK	56.7	55.8	56.7	55.8
CHF	-	33.7	-	33.7
	3,895.5	**2,574.4**	**5,889.8**	**3,682.5**

24. DEBT SECURITIES IN ISSUE (cont'd)

The Society raised €1,843.5m of medium term notes during the year to 31 December 2009 (2008: €68.6m). Details of debt issued in 2009 and 2008 are as follows:

				2009	2008
EMTN Series	Issue Date	Maturity Date	Interest rate	Nominal (€m)	Nominal (€m)
EMTN Series 152	Aug-08	Aug-11	Fixed zero coupon	-	10.8
EMTN Series 153	Aug-08	Aug-12	Fixed zero coupon	-	7.8
EMTN Series 154	Sep-08	Sep-13	Euribor + 52.5 bps	-	50.0
EMTN Series 155	Feb-09	Jan-10	Euribor + 130 bps	200.0	-
EMTN Series 08	Mar-09	Mar-12	Euribor + 2 bps	1.9	-
EMTN Series 156	Apr-09	Sep-10	Fixed 375 bps	1,000.0	-
EMTN Series 3	Jun-09	Sep-10	Euribor + 30 bps	45.0	-
EMTN Series 4	Jul-09	Sep-10	Euribor + 165 bps	200.0	-
EMTN Series 5	Jul-09	Jul-10	Euribor + 70 bps	5.0	-
EMTN Series 6	Aug-09	Aug-10	Euribor + 30 bps	20.0	-
EMTN Series 7	Sep-09	Sep-10	Dollar libor + 50 bps	27.8	-
EMTN Series 127	Sep-09	Sep-12	GBP Libor + 3 bps	2.0	-
EMTN Series 8	Oct-09	Sep-10	Euribor + 80 bps	6.0	-
EMTN Series 9	Oct-09	Sep-10	Euribor + 59 bps	200.0	-
EMTN Series 10	Nov-09	Sep-10	Euribor + 50 bps	134.0	-
EMTN Series 134	Dec-09	Nov-12	Euribor + 100 bps	1.8	-
				1,843.5	**68.6**

During 2009 €1,050.0m covered bonds were issued by EBS Mortgage Finance Unlimited for a term of 3 years at a fixed rate of 3.875%. There have been no defaults or breaches in respect of the debt securities in issue.

25. CURRENT TAX LIABILITIES

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Other taxes	11.5	11.4	11.6	11.4
	11.5	**11.4**	**11.6**	**11.4**

26. DEFERRED TAXATION LIABILITY

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
At 1 January	5.8	6.3	13.2	13.3
Amount (credited) charged to the income statement	(4.6)	1.6	(2.8)	1.6
Amount charged to other assets	-	-	0.3	0.3
Amount charged (credited) to reserves	(1.0)	(2.1)	(1.0)	(2.0)
At 31 December	**0.2**	**5.8**	**9.7**	**13.2**
The amounts provided for deferred tax are as follows:				
Capital allowances in excess of depreciation	0.2	0.5	7.7	7.9
Impairment of properties	-	1.0	-	1.0
Non controlling interests	-	4.3	-	4.3
Other temporary differences	-	-	2.0	-
	0.2	**5.8**	**9.7**	**13.2**

27. OTHER LIABILITIES

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Interest accrued	261.6	284.8	268.9	286.0
Other accruals and deferred income	58.1	65.0	24.9	33.1
	319.7	**349.8**	**293.8**	**319.1**

28. 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 €0.4m (2008: €0.6m) and in the Society is €0.4m (2008: €0.6m). 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 €3.6m (2008: €3.2m) and to the Society is €3.2m (2008: €2.9m), the remainder is charged as an inter-company expense to two wholly owned subsidiaries.

The amounts recognised in the statement of financial position are determined as follows:	2009	2008
	€m	€m
Present value of pension obligations	(111.5)	(111.8)
Fair value of plan assets	94.5	73.1
Liability in the statement of financial position	**(17.0)**	**(38.7)**
Movement in the present value of pension obligations:		
At 1 January	(111.8)	(108.9)
Current service costs	(2.2)	(4.0)
Interest cost	(6.5)	(6.2)
Past service costs	(0.1)	(0.5)
Participants' contributions	(1.6)	(1.2)
Actuarial gains	8.1	6.2
Benefits paid from plan	2.3	2.3
Premia paid	0.3	0.5
At 31 December	**(111.5)**	**(111.8)**
Movement in the fair value of plan assets:		
At 1 January	73.1	106.6
Expected return on plan assets	5.2	7.5
Employer contributions	5.7	5.6
Participants' contributions	1.6	1.2
Actuarial gains (losses)	11.5	(45.0)
Benefits paid from plan	(2.3)	(2.3)
Premia paid	(0.3)	(0.5)
At 31 December	**94.5**	**73.1**
The amounts recognised in the income statement are as follows:		
Defined benefit schemes		
Current service costs	(2.2)	(4.0)
Past service costs	(0.1)	(0.5)
Interest cost	(6.5)	(6.2)
Future expected return on plan assets	5.2	7.5
Total expenses (included in staff costs)	**(3.6)**	**(3.2)**
Pension plan assets		
The fair value of the pension plan assets	94.5	73.1
The actual return on pension plan assets	16.7	(37.5)

Pension Plan Assets at 31 December 2009	2009		2008	
	Percentage of plan assets	Future expected return on plan assets	Percentage of plan assets	Future expected return on plan assets
Asset Category				
Equity securities	74.1%	8.1%	68.0%	8.3%
Debt securities	25.5%	4.0%	18.4%	4.0%
Real estate and other	-	7.3%	6.1%	7.3%
Others	0.4%	2.5%	7.5%	2.5%
Total	**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.

The principal actuarial assumptions used for calculating the pension obligations were as follows:	2009	2008
Rate of inflation	2.00%	2.00%
Discount rate	6.00%	5.70%
Expected long term return on plan assets	6.98%	7.03%
Future salary increases	3.25%	3.75%
Future pension increases	2.00%	2.00%

28. EMPLOYEE BENEFITS (cont'd)

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 and 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 2009 were 85% PMA92 C = 2030 with a one year age offset (2008: 85% PMA92 C = 2030) for active and deferred members and 85% PMA92 C = 2015 with a one year age offset (2008: 85% PMA92 C = 2015) for pensioners.

On this basis the life expectancy for a male pensioner aged 65 at 31 December 2009 was 21.6 years (2008: 20.7 years) and for a female pensioner aged 65 years was 24.7 years (2008: 23.8 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 22.7 years (2008: 21.8 years) and for a female pensioner then aged 65 years will have increased to 25.7 years (2008: 24.8 years).

There are inherent uncertainties around the financial assumptions adopted in calculating the actuarial valuation of the pension schemes. An increase or decrease in the discount rate of 20 basis points would reduce or increase the scheme liabilities by 4.6%.

The contributions to be paid in 2010 are estimated to be €5.9m.

History of experience gains and losses	2009	2008	2007	2006	2005
Difference between the expected and actual return on plan assets:					
(i) Amount (€m)	(11.5)	(45.0)	(16.5)	5.3	9.8
(ii) % of plan assets	(12.0%)	(62.0%)	(15.5%)	5.0%	10.1%
Experience (gains) losses on plan liabilities:					
(i) Amount (€m)	(2.7)	4.0	(2.6)	(8.9)	26.2
(ii) % of present value of plan liabilities	(2.0%)	4.0%	(2.0%)	(7.0%)	22.0%

Defined benefit pension plans	2009	2008	2007	2006	2005
	€m	€m	€m	€m	€m
Present value of obligations	(111.5)	(111.8)	(108.9)	(121.1)	(120.0)
Scheme assets	94.5	73.1	106.6	113.0	96.9
Deficit in schemes	**(17.0)**	**(38.7)**	**(2.3)**	**(8.1)**	**(23.1)**

29. SUBORDINATED LIABILITIES

	Group and Society	
	2009 €m	2008 €m
Repayable in less than five years	60.0	66.0
Repayable in more than five but less than ten years	155.2	146.7
	215.2	**212.7**

Details of subordinated liabilities 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 +105bps	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 €6.8m (2008: €13.0m) during the year. There have been no defaults or breaches in respect of subordinated liabilities.

30. NON CONTROLLING INTERESTS

	Group	
	2009 €m	2008 €m
At 1 January	245.0	245.2
Upfront costs	-	(0.5)
Amortisation of upfront costs through reserves	0.2	0.1
Amortisation of discount through income statement	-	0.2
At 31 December	**245.2**	**245.0**

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. to pay dividends are guaranteed by EBS Building Society only when dividends have been declared by EBS Capital No. 1 S.A.

31. LEASING COMMITMENTS

At 31 December, future minimum payments under non cancellable operating leases relating to land and buildings are as follows:	Group and Society 2009 €m	2008 €m
Payments to be made in:		
Less than one year	7.0	7.6
Between one and five years	26.6	30.0
After five years	69.0	85.7
	102.6	**123.3**

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 2009 was €6.9m (2008: €8.5m).

32. CAPITAL COMMITMENTS

	Group and Society 2009 €m	2008 €m
Capital expenditure authorised but not contracted	2.2	2.9

33. 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 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 all assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of statement of financial position 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, currency swaps 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 at fair value through the income statement".

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. However the Board continues to retain ultimate responsibility for these risks. Membership of the Group Asset and Liability 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 31 December 2009 was (€37.3m) (2008: (€82.3m)).

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 2009 was (€77.6m) (2008: (€66.3m)). The periods in which the future forecasted cashflows are hedged range from 1 month to 10 years.

Group	2009		2008	
Derivatives held at fair value through income statement	Contract/ notional amount €m	Fair values €m	Contract/ notional amount €m	Fair values €m
Assets derivatives				
Interest rate caps	-	-	0.8	-
Equity swaps	34.6	1.5	25.8	1.0
Cross currency interest rate swaps	13.2	0.3	908.1	9.1
Interest rate swaps	2,369.0	9.1	103.1	0.8
Equity Options	-	-	25.2	-
Total asset derivatives held at fair value through income statement	**2,416.8**	**10.9**	**1,063.0**	**10.9**
Liability derivatives				
Cross currency interest rate swaps	233.3	(3.9)	466.6	(11.6)
Interest rate swaps	1,182.4	(4.2)	70.1	(1.3)
Total liability derivatives held at fair value through income statement	**1,415.7**	**(8.1)**	**536.7**	**(12.9)**
Total derivatives held at fair value through income statement	**3,832.5**	**2.8**	**1,599.7**	**(2.0)**
Total embedded derivatives	**34.4**	**(1.8)**	**25.6**	**(0.9)**
Derivatives held for hedging				
Assets derivatives				
Interest rate swaps	2,506.6	28.1	3,089.1	31.4
Cross currency interest rate swaps	251.8	11.0	122.3	9.0
Total asset derivatives held for hedging	**2,758.4**	**39.1**	**3,211.4**	**40.4**

33. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivatives held for hedging (cont'd)

	2009		2008	
	Contract/ notional amount €m	Fair values €m	Contract/ notional amount €m	Fair values €m
Liability derivatives				
Interest rate swaps	9,649.0	(141.4)	3,900.5	(105.5)
Cross currency interest rate swaps	89.5	(12.6)	627.8	(83.5)
Total liability derivatives held for hedging	**9,738.5**	**(154.0)**	**4,528.3**	**(189.0)**
Total derivatives held for hedging	**12,496.9**	**(114.9)**	**7,739.7**	**(148.6)**
Derivatives designated as fair value hedges				
Interest rate swaps	3,345.1	(35.7)	1,169.1	(7.7)
Cross currency interest rate swaps	341.4	(1.6)	750.1	(74.6)
Total derivatives designated as fair value hedges	**3,686.5**	**(37.3)**	**1,919.2**	**(82.3)**
Derivatives designated as cash flow hedges				
Interest rate swaps	8,810.4	(77.6)	5,820.5	(66.3)
Total derivatives designated as cash flow hedges	**8,810.4**	**(77.6)**	**5,820.5**	**(66.3)**
Total derivatives held for hedging	**12,496.9**	**(114.9)**	**7,739.7**	**(148.6)**
Total derivatives	**16,363.8**	**(113.9)**	**9,365.0**	**(151.5)**
Asset derivatives	5,175.2	50.0	4,274.4	51.3
Liability derivatives	11,154.2	(162.1)	5,065.0	(201.9)
Embedded derivatives	34.4	(1.8)	25.6	(0.9)
Total derivatives	**16,363.8**	**(113.9)**	**9,365.0**	**(151.5)**

Asset derivatives for the Society are fair valued at €93.1m (2008: €71.8m). In addition to the asset derivative financial instruments held by the Group of €50.0m (2008: €51.3m), the Society also includes the fair value of interest rate swaps with EBS Mortgage Finance and Emerald Mortgages No.4 plc designated as derivatives held at fair value through the income statement. The notional value of these contracts is €3,773m and the fair value is €43.1m (2008: €20.5m).

Liability and embedded derivatives for the Society are fair valued at €193.6m (2008: €249.1m). In addition to the liability and embedded derivative financial instruments held by the Group of €163.9m (2008: €202.8m), the Society also includes the fair value of interest rate swaps held with EBS Mortgage Finance. These derivatives are designated as derivatives held at fair value through the income statement. The notional value of these contracts is €3,285m (2008: €4,730m) and the fair value is €29.7m (2008: €46.3m).

The weighted average remaining term of the Group's cash flow hedges is 2.5 years. The maximum remaining term of any individual cash flow hedge is 8.6 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 using observable data 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.

In April 2009 a forecast transaction for which a cashflow hedge was previously designated ceased to be effective. This instrument was fair valued through the income statement for the remainder of 2009. The fair value of this instrument at 31 December 2009 was €1.4m. The cumulative amount recognised in other comprehensive income for the period when the hedge was effective is currently being amortised from equity to profit or loss as it is still expected to occur.

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

Derivative Maturity Table - at 31 December 2009

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	861.8	567.5	1,768.3	1,491.0	187.0	4,875.6
Cross currency interest rate swaps	190.4	0.7	15.5	58.4	-	265.0
Equity swaps	-	-	-	34.6	-	34.6
Total assets	**1,052.2**	**568.2**	**1,783.8**	**1,584.0**	**187.0**	**5,175.2**
Interest rate swaps	2,098.4	1,863.0	2,422.4	4,088.8	358.8	10,831.4
Cross currency interest rate swaps	266.1	1.5	5.1	50.1	-	322.8
Total liabilities	**2,364.5**	**1,864.5**	**2,427.5**	**4,138.9**	**358.8**	**11,154.2**
Embedded derivatives	**-**	**-**	**-**	**34.4**	**-**	**34.4**

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**

34. 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 reduction in earnings volatility, 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 in the Group is founded on a clear risk governance structure at Board level and a clear risk management framework. The Board oversees the effectiveness of the system of internal control through review of management information and is supported by the work of two of its sub committees, namely the Board Risk Committee and the Board Audit and Compliance Committee. The Board Risk Committee supports the Board in identifying potential risks to the strategic objectives of the Group 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 and Compliance Committee supports the Board in reviewing existing internal control mechanisms to assess whether they are adequate and whether they are performing effectively. The Head of Internal Audit has a direct reporting line to the Chair of the Board Audit and Compliance Committee.

In addition, the Head of Compliance, who has a direct reporting line to the Chief Risk Officer, provides ongoing updates on the compliance framework, processes and progress to the Board Audit & Compliance Committee. The Chief Risk Officer reports to the Board on business risks and emerging risk issues and provides a regular update on key risk indicators. There is a clear risk management framework, comprising of five key Group risk committees, and the Group's risk appetite is set out in the material risk policies which are reviewed by the Board generally on an annual basis. These policies are closely managed on a day to day basis throughout the Group, and are monitored by specific business units with oversight by the relevant risk management committees.

Responsibility for the management of risk rests with each operating unit across the Group. The 'first line of defence' in terms of risk management is the management of risk in day to day business operations, new product development and strategy implementation. There are three independent risk control functions within EBS, namely, Compliance, Risk and Audit. Compliance and Risk report to the Chief Risk Officer and form the 'second line of defence' in relation to risk management within the Group. Internal Audit, who report directly to the Board Audit & Compliance Committee, incorporates the work of the Fraud unit, and forms the third, independent, line of defence in terms of risk management.

There are management systems and procedures in place in the Group to identify, measure, manage and report on material risks. The key elements of these are:

(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 against which performance is monitored.

(iii) The risk management framework is overseen by the Management Team (made up of senior management) and supported by its underlying Group Risk Committees comprising the Asset & Liability Committee, the Risk Rating Approval Committee, the Credit Risk 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 Group's risk appetite. Progress is monitored and reported regularly to the Board through the report of the Chief Risk Officer.

Risk Committees and Functions

The Group Asset & Liability Committee was established to monitor the Society's exposure to key market risks, i.e., liquidity risk, funding risk, interest rate risk in the banking book and foreign exchange risk. The Committee is responsible for asset & liability management, monitoring the adequacy of the liquidity framework and buffers, and for recommending the appropriate funding and capital policies and plans to the Board for approval. The Committee also has oversight for interest rate risk in the banking book, liquid asset investment and reserves investment policies and hedging policies of the Group. The Committee monitors capital ratios, including projections and oversees the appropriate implementation of the capital policy.

The Group Credit Risk Committee reviews and recommends appropriate credit risk management policies for the Society and its subsidiaries, in line with the overall credit risk appetite of the Group. These policies comprise lending, debt management and counterparty credit. The Committee is also responsible for monitoring the make up and performance of the loan books, the credit quality of counterparts, the level of mortgage insurance in place and the adequacy of provisions for bad and doubtful debts. The Committee monitors the external macro-economic and other factors and new business credit risk trends and projections which serve as a benchmark against which the credit risk appetite of the organisation is evaluated. The Committee is charged with ensuring that an appropriate level of credit risk insurance is being maintained for loans.

The Group 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, model performance and model output in terms of forecasting. The Committee is responsible for setting the parameters for holistic stress testing across the organisation.

The Group Operations Management Committee reviews and monitors business operation and 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 to the Management team 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 reports to the Operations Management Committee.

The Group Regulatory Compliance Committee ensures that there is an appropriate framework in place to support the objective of the Group to clearly be compliant with conduct of business regulations as well as prudential regulations, including prudential reporting. It is responsible for monitoring adherence to applicable regulations across the Group, and for evaluating the impact of new regulations and ensuring that EBS is prepared for their implementation in the approved timeline.

(iv) There are three independent control functions - Risk, Compliance and Internal Audit - each of which operates separately to, and independently of, the general business operation. A dedicated Fraud team is in place which reports into the Head of Internal Audit.

34. RISK MANAGEMENT AND CONTROL (cont'd)

The Risk function supports the Group in developing and maintaining a robust risk management framework, and by providing independence in terms of risk identification, measurement, monitoring and reporting. The Risk function comprises (i) Risk Analytics, which develops risk models and risk rating systems (ii) Credit Risk, a component of Risk Analytics, which provides independent management information regarding loan book performance and adherence to credit policy, and independent credit review of adherence to procedures, (iii) Treasury Risk (middle office) which provides independent management information regarding adherence to market risk policies and day to day treasury operations, (iv) Operational Risk, which monitors operational risk trends, losses and near misses and which incorporates Information Security which reports independently of Information Technology, and (v) Enterprise Risk, which supports the development and maintenance of a risk management framework to mitigate against unforeseen risk events materialising.

Collectively, the Risk division monitor and report on key risk indicators, developments in risk management protocols, regulations and practices, and other risk developments to the relevant risk committees and to the Board.

The Regulatory Compliance function supports each area of the Group in identifying their responsibilities in relation to prevailing and pending conduct of business and prudential regulations. The function assists each area of the business by reviewing their procedures to ensure compliance with relevant laws and regulations and has created a database for units to self assess ongoing compliance. The function independently evaluates adherence to key regulations and reports same to the Regulatory Compliance Committee. An annual plan is developed and approved by the Board Audit & Compliance Committee which receives regular updates on progress.

The Internal Audit function provides independent assurance in relation to the effectiveness of the system of internal control to the Board through the Board Audit and Compliance Committee. A dedicated Fraud prevention unit is in place which also reports to the Head of Internal Audit and updates are regularly provided to the Board Audit and Compliance Committee.

RISK MANAGEMENT FRAMEWORK

EBS categorises risks under a number of headings namely, strategic, operational, compliance and financial (including credit, liquidity & market) 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 2009.

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, third party relationship 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 Group Operations Management Committee. The core focus of operational risk management is to support the 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, litigation risk management, collateral management, solutions development, systems integrity, business continuity management, third party servicing, outsourcing and customer facing 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 risk
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 regulatory obligations and prudential regulatory requirements. It supports an ongoing review of the framework used to enable each area of the business to clearly determine their 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.

The terms and conditions of the Government Guarantee identify additional levels of oversight and scrutiny for the duration of the scheme. This oversight is concentrated in the following areas; information and monitoring, Board representation and executive management, commercial conduct, corporate social responsibility, and controls on executive remuneration. The Regulatory Compliance function is responsible for supporting and ensuring that the business is in adherence with the requirements of this new regulatory regime and the conditions of the Government Guarantee scheme and any subsequent scheme.

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. Given the deterioration in credit quality throughout 2009 in both the retail and commercial markets, both credit management and credit risk management have been a key area of focus over the past year. Resourcing, structures, policy and processes continue to be reviewed in order to ensure that the Group is best placed to manage asset quality in this severe downturn. The Group Credit Risk Management Committee is responsible for reviewing and recommending appropriate credit risk management structures and policies in line with the credit risk appetite of the group and for monitoring the performance of the book. The Risk Analytics team 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.

The Credit Review team assesses the application of credit policies, processes and procedures across all areas of the Group.

The Group conducts both regular and ad-hoc stress testing to assess on an ongoing basis the ability of the Group to withstand various idiosyncratic and systemic stress scenarios. Credit contingency plans are developed and updated on a continual basis reflecting the results of the stress tests.

Given the economic environment, the Group conducts a quarterly assessment of impairment provisions, assisted by the Risk Analytics and Credit divisions and evaluated by the Group Credit Risk Committee.

The Society insures the Group against risk in the Irish residential property market through mortgage indemnity insurance. This insurance is taken on a loan by loan basis, the amount of coverage being determined by the loan to value percentage at origination. In the event of the Society suffering a loss, a claim can be made up to the value of the insurance cover. The insurance provider is Genworth Financial Mortgage Insurance, rated Baa3 by Moody's (EBS internal grade 10). At 31

December 2009 EBS had €600m worth of mortgage indemnity insurance cover in place.

Liquidity Risk
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.

Group Treasury is responsible for the management of liquidity, i.e., to ensure that resources are available at all times to meet the Groups obligations arising from the withdrawal of customer deposits or interbank lines. The Asset and Liability committee ('ALCO') which meets every two weeks monitors these risks and reports on key developments to the Board on a regular basis via the Chief Risk Officers report.

The Group conducts both regular and ad-hoc stress testing to assess on an ongoing basis the ability of the Group to withstand various idiosyncratic and systemic stress scenarios. Liquidity contingency plans are developed and updated on a continual basis reflecting the results of the stress tests.

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 Group has conducted stress tests in advance of expected changes in the liquidity framework in 2010 and over the coming years.

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. The Asset and Liability committee ('ALCO'), which meets every two weeks, monitors these risks and reports on key developments to the Board on a regular basis via the Chief Risk Officers report.

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. Interest rate risk in the reserve investment portfolio is managed under the Reserve Investment Policy as approved by the Board. In addition, the Group conducts regular stress testing to evaluate the exposure of the banking book portfolio and reserve investment portfolio to a parallel interest rate shift of 100 and 200 basis points and a series of yield curve twists.

FINANCIAL RISKS

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

(i) Credit risk

(ii) Liquidity risk

(iii) Market risks

This note presents information about the Group's exposure to each of the above risks and about the Group's objectives, policies and processes for measuring and managing risk.

(i) Credit risk

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	
	2009 €m	2008 €m	2009 €m	2008 €m
Non-derivative financial assets				
Cash and balances with central banks	180.6	143.2	196.5	143.3
Loans and advances held-for-sale	750.6	-	750.6	-
Available-for-sale financial assets	3,972.2	2,368.8	2,924.8	2,368.8
Loans and advances to credit institutions	3,717.4	3,198.1	957.7	1,287.6
Loans and advances to customers	11,659.8	13,597.7	16,473.5	16,978.5
Held-to-maturity financial assets	-	1,872.5	-	372.5
Interest accrued	39.5	57.4	37.6	52.2
Derivatives				
Interest rate swaps	80.3	52.7	37.2	32.2
Cross currency interest rate swaps	11.3	18.1	11.3	18.1
Equity swaps	1.5	1.0	1.5	1.0
Loan commitments (not unconditionally cancellable)	216.5	222.0	252.2	301.3

Loan commitments disclosed above comprise formal loan offers which EBS have a legal obligation to fulfil at the reporting date. This excludes any offer letters where the Society's legal commitment to fulfil has elapsed. Refer to note 36.

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 €19.4m (2008: €5.5m) 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 and arrears aged analysis migration.

34. RISK MANAGEMENT AND CONTROL (cont'd)

The credit quality of the portfolio of loans & advances to customers is set out below by reference to residential assets, commercial assets and held-for-sale financial assets. Group residential assets amount to €15,516.1m (2008: €15,053.5m), commercial assets amount to €1,002.5m (2008: €1,112.1m) and held-for-sale financial assets to €912.8m (2008: €845.6m).

The assessment of credit quality of loan commitments is the same as for loans and advances to customers.

Credit quality in EBS portfolios is monitored using probability of default grades and loss functions mapping all portfolios into a 9-point grading system. Grading outputs are reported monthly to Group Credit Risk Committee where trends, movements and migrations are analysed to assess changes in the risk profile of the portfolio.

Non-performing loans are determined based on the repayment status of all loans secured on a given property. Non-performing is defined to be 90 days or more in arrears, or where at least three monthly payments or the equivalent have been missed. Performing loans are defined to be neither past due nor impaired and up to 90 days or more in arrears. 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 categorised as watch risk loans.

The analysis below in relation to residential, commercial and Loans and advances held-for-sale is based on gross lending before impairment provisions, uncashed loan cheques and fair value adjustment for loans in a fair value hedge relationship. We have reclassified the prior year comparatives in order to provide more meaningful analysis. In 2008 the asset classes reported upon were (a) retail, (b) commercial and (c) development finance. Retail comprised of home loans and retail buy-to-let and commercial comprised of term debt and commercial buy-to-let. In 2009 these have been reclassified into residential, commercial and loans and advances held-for-sale. Residential comprises homeloans, retail buy-to-let and commercial buy-to-let and commercial comprises term debt assets only.

Residential assets

The EBS residential lending portfolio comprises loans for owner occupation, retail buy to let loans for single properties or small portfolios and commercial buy to let loans for large portfolios. The following analysis is based on the residential category:

	Society		Group	
	2009	2008	2009	2008
Residential assets				
Performing loans	93.3%	96.4%	94.7%	97.3%
Non-performing loans	6.7%	3.6%	5.3%	2.7%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Of the Group Residential assets at 31 December 2009, 4.9% of Homeloans and 7.8% of Buy to Let loans were non-performing (2008:2.4% and 4.6% respectively).

On a risk grade obligor basis, 7.1% (2008: 3.7%) of Society Residential assets and 5.6% (2008: 2.7%) of Group Residential assets are non-performing.

Out of total performing residential loans, 3.6% of Group (2008: 2.3%) and 3.5% of Society loans (2008: 2.0%) are on the watch list.

Commercial assets

The EBS Commercial loan portfolio comprises commercial term debt assets. The following analysis is based on the commercial category:

	Group and Society	
Commercial assets	2009	2008
Performing loans	95.7%	93.9%
Non performing loans	4.3%	6.1%
	100.0%	**100.0%**

On a risk grade obligor basis, 20.8% (2008: 7.2%) of Commercial assets are non-performing. Loans on watch comprise 5.7% of performing loans (2008: 2.3%).

Loans and advances held-for-sale

The Loans and advances held-for-sale comprises development finance loans, commercial term debt and residential loans. These represent the loans that we expect to transfer to NAMA in 2010.

Loans and advances held-for-sale in the prior year consists of retail loans of €192.5m, commercial loans of €207.3m and development finance loans of €445.8m. These were included in the residential, commercial and development finance categories in the prior year.

The following analysis is based on the Loans and advances held-for-sale category:

	Group and Society	
Loans and advances held-for-sale	2009	2008
Performing loans	60.9%	81.9%
Non performing loans	39.1%	18.1%
	100.0%	**100.0%**

Of the loans and advances held-for-sale at 31 December 2009, 52.0% of Land & Development loans and 22.7% of associated loans were non-performing (2008: 25.5% and 9.7% respectively).

On a risk grade obligor basis, 54.2% (2008: 24.2%) of loans and advances held-for-sale are non-performing. Loans on watch comprise 23.2% of performing loans (2008: 11.5%).

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.

In this note, impaired assets are those for which an individual provision has been made.

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 residential assets amount to €15,516.1m (2008: €15,053.5m) and Society residential assets amount to €9,692.0m (2008: €11,012.0m).

	Society		Group	
Residential assets	2009	2008	2009	2008
Not impaired:				
Neither past due nor impaired:	86.3%	91.3%	87.6%	92.3%
Past due :				
Up to 30 days	3.9%	2.8%	4.1%	2.8%
30 to 60 days	1.5%	1.3%	1.6%	1.3%
60 to 90 days	1.0%	0.9%	1.0%	0.8%
90+ days	6.0%	3.4%	4.8%	2.5%
Impaired but not past due	0.6%	-	0.4%	-
Past due and individually significantly impaired:				
Past due up to 90 days	0.1%	0.1%	0.1%	0.1%
Past due 90 to 180 days	-	0.1%	-	0.1%
Past due over 180 days	0.5%	0.1%	0.3%	0.1%
Possessions	0.1%	-	0.1%	-
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Group and Society commercial assets amount to €1,002.5m (2008: €1,112.1m).

	Group and Society	
Commercial assets	2009	2008
Not impaired:		
Neither past due nor impaired:	67.2%	88.8%
Past due :		
Up to 30 days	1.8%	2.6%
30 to 60 days	0.6%	0.3%
60 to 90 days	0.5%	0.6%
90+ days	1.7%	2.4%
Impaired but not past due	25.0%	0.6%
Past due and individually significantly impaired:		
Past due up to 90 days	0.6%	1.0%
Past due 90 to 180 days	0.3%	1.4%
Past due over 180 days	2.2%	2.3%
Possessions	0.1%	-
Total	**100.0%**	**100.0%**

Group and Society Loans and advances held-for-sale amount to €912.8m (2008: €845.6m).

	Group and Society	
Loans and advances held-for-sale	2009	2008
Not impaired:		
Neither past due nor impaired	31.3%	54.9%
Past due :		
Up to 30 days	1.3%	12.0%
30 to 60 days	0.5%	1.2%
60 to 90 days	2.7%	1.1%
90+ days	2.6%	4.2%
Impaired but not past due	19.9%	3.7%
Impaired individually significant:		
Past due up to 90 days	5.2%	9.0%
Past due 90 to 180 days	10.4%	3.2%
Past due over 180 days	25.8%	10.7%
Possessions	0.3%	-
Total	**100.0%**	**100.0%**

34. RISK MANAGEMENT AND CONTROL (cont'd)

The carrying value of loans and advances to customers for the Group and Society that are past due but not impaired at the reporting date is €1,843.1m (2008: €1,182.6m) and €1,255.0m (2008: €981.4m) respectively.

The carrying value of loans and advances to customers for the Group and Society that are impaired at the reporting date is €427.4m (2008: €100.2m) and €416.0m (2008: €100.2m) respectively.

The carrying value of loans and advances held-for-sale for the Group and Society that are past due but not impaired at the reporting date is €65.5m (2008: €156.6m).

The carrying value of loans and advances held-for-sale for the Group and Society that are impaired at the reporting date is €562.6m (2008: €224.6m).

The carrying amount of loans and receivables that would otherwise have been past due or impaired whose terms have been renegotiated to provide a moratorium amount to €2.6m (2008: Nil). EBS provides moratoriums on an exceptional basis only.

All loan assets - analysis by sector

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

Loans and advances	Society		Group	
	2009	2008	2009	2008
Residential loans	83.5%	84.9%	89.0%	88.5%
Commercial loans	8.6%	8.6%	5.8%	6.5%
Loans and advances held-for-sale	7.9%	6.5%	5.2%	5.0%
Total	**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. 98.6% 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, held-to-maturity financial assets and loans and advances to credit institutions excluding operating bank accounts.

The Icelandic exposure which was impaired and provided for as at 31 December 2008 was sold during 2009. On completion of this transaction, a provision write-back of €2.5m was made.

The following tables presents an analysis of Treasury asset counterparties based on EBS's internal ratings mapped to an external rating agency scale. Where the counterparty is government guaranteed we have used the sovereign rating.

	Cash & Balances with central banks	Govt and other eligible bills	AFS financial assets	HTM financial assets	Derivatives	Loans & advances to credit institutions	Commitments and contingent liabilities
Group 2009							
Aaa	100.0%	15.2%	13.2%	-	1.0%	-	78.1%
Aa3 to Aa1	-	72.4%	69.9%	-	22.0%	98.4%	-
A3 to A1	-	12.4%	16.7%	-	67.0%	-	-
Lower than A3	-	-	0.2%	-	10.0%	1.6%	-
Unrated	-	-	-	-	-	-	21.9%
Society 2009							
Aaa	100.0%	15.2%	9.5%	-	0.6%	-	80.6%
Aa3 to Aa1	-	72.4%	76.6%	-	58.6%	99.6%	-
A3 to A1	-	12.4%	12.1%	-	35.5%	-	-
Lower than A3	-	-	1.8%	-	5.3%	0.4%	-
Unrated	-	-	-	-	-	-	19.4%
Group 2008							
Aaa	100.0%	57.3%	17.3%	81.2%	9.0%	0.5%	88.0%
Aa3 to Aa1	-	42.7%	52.2%	18.8%	77.8%	78.8%	-
A3 to A1	-	-	22.6%	-	13.2%	20.7%	-
Lower than A3	-	-	7.9%	-	-	-	-
Unrated	-	-	-	-	-	-	12.0%
Society 2008							
Aaa	100.0%	57.3%	17.3%	16.2%	21.4%	0.2%	84.4%
Aa3 to Aa1	-	42.7%	52.2%	3.7%	45.4%	33.4%	-
A3 to A1	-	-	22.6%	80.1%	33.2%	66.4%	-
Lower than A3	-	-	7.9%	-	-	-	-
Unrated	-	-	-	-	-	-	15.6%

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 resulting in the determination of the amount to be posted as collateral under the CSA and 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 internal rating based ('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.

Commitments and contingent liabilities include the Society's obligations to the Central Bank and Financial Services Authority (CBFSAI) and loan commitments.

(ii) Liquidity risk

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 2009							
Financial liabilities							
Deposits by credit institutions	1,431.4	802.5	1,105.2	1,122.3	-	-	4,461.4
Customer accounts	3,269.9	1,672.5	1,076.2	2,381.6	972.8	595.2	9,968.2
Derivative financial instruments	4.6	2.1	5.0	13.9	40.6	97.7	163.9
Debt securities in issue	622.9	790.6	97.6	2,052.6	185.7	2,247.5	5,996.9
Non controlling interests	-	0.9	-	6.3	-	250.0	257.2
Subordinated liabilities	-	0.5	-	3.4	100.0	110.7	214.6
Loan commitments	117.8	125.5	8.0	0.9	-	-	252.2
Total financial liabilities	**5,446.6**	**3,394.6**	**2,292.0**	**5,581.0**	**1,299.1**	**3,301.1**	**21,314.4**
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 in issue	932.3	328.9	33.2	55.1	778.6	1,590.0	3,718.1
Non controlling interests	-	1.4	-	6.3	-	250.0	257.7
Subordinated liabilities	-	1.6	-	63.1	-	147.2	211.9
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**

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 2009							
Financial liabilities							
Deposits by credit institutions	1,431.4	803.4	1,105.2	1,128.7	-	250.0	4,718.7
Customer accounts	3,495.1	1,672.5	1,076.2	2,381.6	972.8	1,633.8	11,232.0
Derivative financial instruments	4.6	2.1	5.0	13.9	40.6	127.4	193.6
Debt securities in issue	622.9	790.6	96.6	2,013.8	185.7	244.5	3,954.1
Subordinated liabilities	-	0.5	-	3.4	100.0	110.7	214.6
Loan commitments	97.5	110.1	8.0	0.9	-	-	216.5
Total financial liabilities	**5,651.5**	**3,379.2**	**2,291.0**	**5,542.3**	**1,299.1**	**2,366.4**	**20,529.5**
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	2,091.1	11,462.9
Derivative financial instruments	-	41.3	4.7	37.2	102.8	62.2	248.2
Debt securities in issue	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
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**	**3,031.0**	**21,141.0**

The previous tables show the undiscounted cash flows (other than for derivatives) on each of the Group and Society's financial liabilities and unrecognised loan

34. RISK MANAGEMENT AND CONTROL (cont'd)

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 (other than derivatives) 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

Interest rate sensitivity gap analysis

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

Interest rate sensitivity gap analysis 2009

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	Non Interest Bearing €m	Total €m
Non - trading book							
ASSETS							
Cash and balances with central banks	196.5	-	-	-	-	-	196.5
Loans and advances held-for-sale	895.1	-	7.8	8.9	1.0	(162.2)	750.6
Available-for-sale financial assets	208.5	244.7	737.2	1,496.8	237.6	-	2,924.8
Loans and advances to credit institutions	307.6	-	650.1	-	-	-	957.7
Loans and advances to customers	13,201.4	429.5	445.0	2,178.9	135.9	82.8	16,473.5
Other assets	-	-	-	-	-	202.5	202.5
Total assets	**14,809.1**	**674.2**	**1,840.1**	**3,684.6**	**374.5**	**123.1**	**21,505.6**
LIABILITIES							
Deposits by credit institutions	2,437.4	94.5	1,902.0	-	-	-	4,433.9
Customer accounts	5,119.0	1,042.0	2,322.5	1,323.1	23.6	-	9,830.2
Debt securities in issue	4,611.9	87.1	1,074.7	91.1	25.0	-	5,889.8
Other liabilities	-	-	-	-	-	496.0	496.0
Subordinated liabilities	60.0	-	-	150.1	-	5.1	215.2
Non controlling interests	125.0	-	-	-	125.0	(4.8)	245.2
Total liabilities	**12,353.3**	**1,223.6**	**5,299.2**	**1,564.3**	**173.6**	**496.3**	**21,110.3**
Derivatives	(4,713.8)	3,162.8	2,064.5	(322.7)	(190.8)	-	-
Interest rate sensitivity gap	**(2,258.0)**	**2,613.4**	**(1,394.6)**	**1,797.6**	**10.1**	**(373.2)**	**395.3**
Cumulative gap	**(2,258.0)**	**355.4**	**(1,039.2)**	**758.4**	**768.5**	**395.3**	**395.3**

Interest rate sensitivity gap analysis 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	Non Interest Bearing €m	Total €m
Non - trading book							
ASSETS							
Cash and balances with central banks	143.3	-	-	-	-	-	143.3
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	1.8	16,978.5
Other assets	-	-	-	-	-	227.0	227.0
Total assets	**14,192.6**	**356.2**	**679.5**	**5,322.8**	**597.8**	**228.8**	**21,377.7**
LIABILITIES							
Deposits by credit institutions	5,387.4	641.5	-	75.0	-	-	6,103.9
Customer accounts	6,242.7	888.3	1,316.9	1,605.0	72.3	-	10,125.2
Debt securities in issue	3,368.8	42.7	66.9	179.1	25.0	-	3,682.5
Other liabilities	-	-	-	-	-	585.2	585.2
Subordinated liabilities	59.6	-	-	-	146.7	6.4	212.7
Non controlling interests	122.2	-	-	-	122.8	-	245.0
Total liabilities	**15,180.7**	**1,572.5**	**1,383.8**	**1,859.1**	**366.8**	**591.6**	**20,954.5**
Derivatives	647.4	1,033.7	393.3	(1,857.5)	(216.9)	-	-
Interest rate sensitivity gap	**(340.7)**	**(182.6)**	**(311.0)**	**1,606.2**	**14.1**	**(362.8)**	**423.2**
Cumulative gap	**(340.7)**	**(523.3)**	**(834.3)**	**771.9**	**786.0**	**423.2**	**423.2**

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 €6,573.4m (2008: €6,956.3m), exposed to cash flow interest rate risk are €14,809.1m (2008: €14,192.6m) and not exposed to interest rate risk are €123.1m (2008: €228.8m).

The financial liabilities exposed to fair value interest rate risk are €8,260.7m (2008: €5,182.2m), exposed to cash flow interest rate risk are €12,353.3m (2008: €15,180.7m) and not exposed to interest rate risk are €496.3m (2008: €591.6m).

There are some limitations associated with the above analysis, mainly due to market effects, over aggregation and run-offs. 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 bps 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 bps and a series of yield curve twist tests. The results of this stress testing is 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)			
		2009 €'000		2008 €'000
Banking book portfolio				
Average for the period	-/+	3,947	-/+	6,939
Maximum for the period	-/+	8,365	-/+	11,123
Minimum for the period	-/+	172	-/+	548
Reserve investment portfolio				
Average for the period	-/+	15,249	-/+	18,087
Maximum for the period	-/+	17,837	-/+	18,984
Minimum for the period	-/+	12,393	-/+	16,916

The above table shows the present value effect that would be realised in the Income Statement 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 33.

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, EBS naturally accumulates foreign currency positions. The Group is therefore exposed to movements in foreign exchange 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	
Assets (including derivatives) denominated in currency other than Euro:	2009 €m	2008 €m
Sterling	393.6	1,733.2
US Dollars	263.5	797.2
Swiss Franc	-	33.8
Japanese Yen	7.5	7.9
Czeck Krona	57.9	57.0
Total	**722.5**	**2,629.1**
Liabilities (including derivatives) denominated in currency other than Euro:		
Sterling	392.5	1,732.5
US Dollars	263.7	796.0
Swiss Franc	-	33.8
Japanese Yen	7.5	7.9
Czeck Krona	57.9	57.0
Total	**721.6**	**2,627.2**

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.

34. RISK MANAGEMENT AND CONTROL (cont'd)

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. In addition we have also set out the accounting classifications of each of the assets and liabilities. Where assets or liabilities are in a fair value hedge relationship the underlying asset or liability is also marked to market.

		2009			2008		
Group	Accounting classifications	Carrying value €m	Fair value €m	Unrecognised gain / (loss) €m	Carrying value €m	Fair value €m	Unrecognised gain / (loss) €m
ASSETS							
Cash and balances with central banks	Amortised cost	196.5	196.5	-	143.3	143.3	-
Derivative financial instruments	Fair value	50.0	50.0	-	51.3	51.3	-
Loans and advances held-for-sale	Loans and receivables	750.6	639.0	(111.6)	-	-	-
Available-for-sale financial assets	Available-for-sale	2,924.8	2,924.8	-	2,368.8	2,368.8	-
Loans and advances to credit institutions	Loans and receivables	957.7	957.4	(0.3)	1,287.6	1,298.3	10.7
Loans and advances to customers	Loans and receivables	16,473.5	15,922.2	(551.3)	16,978.5	17,114.4	135.9
Held-to-maturity financial assets	Held-to-maturity	-	-	-	372.5	378.3	5.8
LIABILITIES							
Deposits by credit institutions	Amortised cost	4,433.9	4,433.9	-	6,103.9	6,103.9	-
Customer accounts	Amortised cost	9,830.2	9,781.8	(48.4)	10,125.2	10,070.3	(54.9)
Derivative financial instruments	Fair value	163.9	163.9	-	202.8	202.8	-
Debt securities in issue	Amortised cost	5,889.8	5,756.2	(133.6)	3,682.5	3,575.8	(106.7)
Subordinated liabilities	Amortised cost	215.2	185.3	(29.9)	212.7	170.2	(42.5)

		2009			2008		
Society	Accounting classifications	Carrying value €m	Fair value €m	Unrecognised gain / (loss) €m	Carrying value €m	Fair value €m	Unrecognised gain / (loss) €m
ASSETS							
Cash and balances with central banks	Amortised cost	180.6	180.6	-	143.2	143.2	-
Derivative financial instruments	Fair value	93.1	93.1	-	71.8	71.8	-
Loans and advances held-for-sale	Loans and receivables	750.6	639.0	(111.6)	-	-	-
Available-for-sale financial assets	Available-for-sale	3,972.2	3,972.2	-	2,368.8	2,368.8	-
Loans and advances to credit institutions	Loans and receivables	3,717.4	3,717.1	(0.3)	3,198.1	3,208.8	10.7
Loans and advances to customers	Loans and receivables	11,659.8	11,309.6	(350.2)	13,597.7	13,867.5	269.8
Held-to-maturity financial assets	Held-to-maturity	-	-	-	1,872.5	1,880.4	7.9
LIABILITIES							
Deposits by credit institutions	Amortised cost	4,683.9	4,683.9	-	6,353.9	6,353.9	-
Customer accounts	Amortised cost	11,082.8	11,034.4	(48.4)	11,384.5	11,344.0	(40.5)
Derivative financial instruments	Fair value	193.6	193.6	-	249.1	249.1	-
Debt securities in issue	Amortised cost	3,895.5	3,761.0	(134.5)	2,574.4	2,472.4	(102.0)
Subordinated liabilities	Amortised cost	215.2	185.3	(29.9)	212.7	170.2	(42.5)

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) 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 statement of financial position at fair values, those with a positive replacement value are classified as assets and those with a negative value are classified as liabilities.

Fair value measurements are recognised in the statement of financial position for available-for-sale financial assets and derivative financial instruments.

	Society		Group	
Fair value measurements	Available-for-sale financial assets	Derivative financial instruments	Available-for-sale financial assets	Derivative financial instruments
Group and Society 2009				
Level 1	73%	-	99%	-
Level 2	27%	100%	1%	100%
Level 3	-	-	-	-
Group and Society 2008				
Level 1	100%	-	100%	-
Level 2	-	100%	-	100%
Level 3	-	-	-	-

The fair value hierarchy set out above reflects the significance of the inputs used in making the fair value measurements. Level 1 relates to quoted prices in active markets. Level 2 relates to inputs other than quoted prices in level 1 that are observable either directly or indirectly. As required, the level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level of input. There are no transfers between levels in Group or Society.

35. UNMATURED FORWARD TRANSACTIONS

Group and Society

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

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 swap	Capital Plus Bond products

36. COMMITMENTS AND CONTINGENT LIABILITIES

Group and Society

(i) Included in Deposits by credit institutions at 31 December 2009 is €900m (2008:€1,631.7m) 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.

(ii) At 31 December 2009 Group and Society loan approvals not advanced, as calculated under the Basel II definition, amount to €252.2m (2008: €301.3m) and €216.5m (2008: €222.0m) respectively.

37. PLEDGED COLLATERAL

	Society		Group	
	2009 €m	2008 €m	2009 €m	2008 €m
Government bonds	349.6	392.0	349.6	392.0
Debt securities	1,395.7	1,921.0	1,395.7	1,921.0
Mortgage backed promissory notes (gross value)	1,136.6	2,216.7	1,136.6	2,216.7
Asset backed securities (own issue)	1,640.4	1,872.0	-	-
Total	**4,522.3**	**6,401.7**	**2,881.9**	**4,529.7**

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 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) securities issued by monetary financial institutions and (c) asset backed securities (own issue) in the form of Emerald Mortgages No.5. 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.

38. RELATED PARTY TRANSACTIONS

Group

Details of the principal subsidiary undertakings are shown in Note 16. 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.

	2009	2008
Loans to related parties	€m	€m
At 1 January	2,537.5	96.0
Net movement in loans during the year	1,234.7	2,441.5
At 31 December	**3,772.2**	**2,537.5**
Deposits from related parties		
At 1 January	3,604.4	1,890.4
Net movement in deposits during the year	(157.7)	1,714.0
At 31 December	**3,446.7**	**3,604.4**
Permanent interest bearing shares		
At 1 January	250.0	250.0
Issued in the year	-	-
At 31 December	**250.0**	**250.0**
Included in the Income Statement:		
Interest income on loans	11.8	9.6
Interest expense on loans	107.1	163.3
Interest expense on permanent interest bearing shares	11.0	15.3
Other income	33.5	63.4
Rental expense on leased assets	-	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. There is no provision for doubtful debts relating to amounts owed by subsidiaries.

EBS Building Society and its subsidiary EBS Mortgage Finance Unlimited are participating institutions under the Government's Credit Institutions (Finance Support) Scheme 2008 (the "scheme") which guarantees covered liabilities raised by covered institutions up to September 2010. Covered liabilities are those liabilities in respect of retail and corporate deposits (to the extent not covered by existing deposit protection scheme in Ireland or any other jurisdiction), interbank deposits, senior unsecured debt, covered bonds and dated subordinated debt (Lower Tier 2) excluding any intra group borrowing and any debt due to the European Central Bank arising from Eurosystem monetary operations. Under the terms of the scheme the Financial Regulator in consultation with the Minister may regulate the commercial conduct of covered institutions strictly in order to achieve the objectives of this scheme.

The total amount of guaranteed deposits, senior unsecured debt, covered bonds and dated subordinated debt raised by the Society and EBS Mortgage Finance Unlimited as covered institutions of the scheme at 31 December 2009 amounted to €11,837.5m (2008: €10,341.4m). The charge to the income statement in respect of the Government guarantee for the year ended 31 December 2009 was €7.9m (3 month period ended 31 December 2008: €1.8m).

EBS Building Society is also a participating covered institution under the Government's Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG scheme") which guarantees certain eligible liabilities (including deposits) of up to five years in maturity. Subsequent to the year end, the Society issued a €1 billion guaranteed EMTN under the ELG scheme.

As a result of the Group's participation in the schemes described above, the Government is recognised as a related party as defined by IFRS. Transactions that the Group has entered into with the Government include deposits, senior debt, commercial paper and dated subordinated debt.

In the normal course of business the Group has various transactions with the Government, state departments and semi-state bodies including the holding of securities issued by the Government and semi-state bodies of €208.3m (2008: €224.7m).

Deposits by banks include deposits of €377.3m (2008: €413.9m) placed by the National Treasury Management Agency (NTMA).

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 €1.6m (2008: €1.9m). All loans outstanding at year end are made on ordinary commercial terms. The following amounts represent the transactions and outstanding balances with the Group

	2009	2008
At 31 December :	€m	€m
Emer Finnan (maximum liability in 2009: €1.6m (2008: €1.6m))	1.6	1.6
Fergus Murphy (maximum liability in 2009: €0.7m (2008: €0.6m))	0.7	0.6
Alan Merriman (maximum liability in 2009: €1.9m (2008: €1.9m))	-	1.9
Tony Moroney (maximum liability in 2009: €1.5m (2008: €1.5m))	-	1.5
Total Loans	**2.3**	**5.6**
Transactions during the period:		
Loan advances	0.2	1.3
Loan repayments	0.2	0.3
Interest on loans	0.1	0.2

Alan Merriman and Tony Moroney ceased to be directors of the Group during 2009. There is no unpaid interest or impairment provisions for any of the director loans for 2009 (2008: Nil). 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.

The savings balances for key management personnel amounts to €0.5m (2008: €0.4m).

Compensation of key management personnel:
Total compensation to key management personnel is as follows:

	2009	2008
	€'000	€'000
Fees	480.9	463.9
Salary and other benefits	1,183.8	1,592.0
Contractual termination payments		
Payment in lieu of notice	837.2	-
Termination payments	1,060.0	-
Pension	133.0	-
Pension benefits	167.0	320.0
Total	**3,861.9**	**2,375.9**

Details of executive and non-executive remuneration are included in the remuneration committee report on page 22.

39. CAPITAL MANAGEMENT

Regulatory capital
From 1 January 2008 the minimum regulatory capital requirement of the Group's banking operations has been calculated in accordance with the provisions of Basel II as implemented by the European Capital Requirements Directive and the Irish Financial Regulator. The objective of Basel II is to more closely align bank regulatory capital with the economic capital required to support the risks being undertaken. The capital required to cover credit, operational and market risks is required to be explicitly measured under the Basel II methodology. In implementing Basel II, the Group has adopted the standardised approach to credit risk.

EBS Group 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 non controlling 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 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. In this regard we expect to receive an injection of Core Tier 1 capital from the Irish government which will increase our capital ratios and provide an adequate buffer to absorb losses on the transfer of assets to NAMA during 2010.

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

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

	2009	2008
	€m	€m
Tier 1 capital		
General reserve	463.8	525.1
Non controlling interests	245.2	245.0
Intangible assets	(24.8)	(26.9)
Other regulatory adjustments	(5.1)	30.7
Total	**679.1**	**773.9**
Tier 2 capital		
Qualifying subordinated liabilities	198.1	206.3
Collective allowances for impairment	123.8	43.8
Revaluation reserves	0.3	8.6
Other regulatory adjustments	21.5	6.7
Total	**343.7**	**265.4**
Total regulatory capital	**1,022.8**	**1,039.3**

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.

40. OTHER INFORMATION

At 31 December 2009 the Group reserve ratio is 3.3% (2008: 3.6%) and the liquidity ratio is 20.1% (2008: 18.9%). These are required to be disclosed under certain covenants entered into by EBS Building Society.

In accordance with section 40(1) of the Asset Covered Securities Act 2001 (as amended), the Society, as parent entity to the designated mortgage credit institution EBS Mortgage Finance, is reporting the following information as at 31 December 2009:

(i) The total amount of principal outstanding in respect of the mortgage covered securities issued by EBS Mortgage Finance as at 31 December 2009 is €2,050m, of which €1,050m was held by third parties and €1,000m by the Society.

(ii) The total amounts of principal outstanding in respect of the mortgage credit assets and substitution assets comprised in the cover assets pool relating to the mortgaged covered securities as at 31 December 2009 in issue is €3,431m.

41. RECLASSIFICATIONS

Reclassifications in respect of 2008 for Society comparatives are as follows:

	2008
Assets	€m
Held-to-maturity financial assets	(2,308.2)
Liabilities	
Customer accounts	(2,308.2)

On the Society statement of financial position, amounts reported for the prior year have been reclassified to net down the bonds held by EBS in Emerald 5 with the related loan note issued by EBS Building Society as this was a retained deal. This affects the statement of financial position only.

42. EVENTS SINCE THE REPORTING DATE

Since the year end, the Society and all of its subsidiaries have entered into an agreement to participate in NAMA, pursuant to which the Group's Land & Development exposures together with associated loans will be transferred to NAMA. As at 23 April 2010, €144m of assets have transferred to NAMA. In February 2010, the Society also acceded to the revised Government Guarantee Scheme- Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009. In March 2010, the Financial Regulator announced that it required all Irish Financial Institutions to move to a minimum regulatory core tier 1 ratio of 8%, up from 4%. Accordingly, the Financial Regulator concluded that EBS would require a further €875m of capital to be in place by year end 2010. The Government has confirmed that they will provide EBS with this capital. EBS is currently exploring the availability of private market capital and has had an expression of interest from a private party. If agreement is reached with that party, the level of capital investment from the Government would reduce accordingly.

There have been no other material events since the reporting date which require disclosure or adjustment to the 31 December 2009 financial statements.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 23 April 2010.

Notes

Notes