

Financial Statements 2004

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004

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COMPANY INFORMATION

DIRECTORS

Mr. Stephan Ziegler – Chairman
Mr. Horst Marschall – Deputy Chairman
Mr. Liam Miley – Managing Director
Mr. Tony McPoland
Mr. Hansjörg Müller-Hermann
Mr. Francis Joseph O’Riordan
Dr. Bernhard Walter

SECRETARY

Mr. Tony McPoland

SENIOR MANAGEMENT

Mr. Liam Miley – Managing Director
Mr. John Martin – Treasury
Mr. Tony McPoland – Finance & Operations
Mr. Stephen Dowling – Credit Investment

REGISTERED OFFICE

PO Box 4566,
6 George’s Dock,
International Financial Services Centre,
Dublin 1.

SOLICITORS

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

AUDITORS

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

Chairman's Statement

This year marks the 10th anniversary of the establishment of the Bank and it is with great pleasure that I can report another record year of performance.

The recovery in credit markets gathered pace during 2004, which resulted in significant narrowing of credit spreads across all sectors. The reasons for this included a positive economic environment, particularly in the US, strong credit fundamentals in corporates and financial institutions, low levels of issuance and an unprecedented level of demand for credit product. Spread tightening has been so significant that it places a serious question over the risk / reward dynamic of lending as a hold to maturity investor in some credit sectors.

The Bank's strategy in this market has been to focus on very high quality credit assets that should be less exposed to significant spread widening when the turn in markets inevitably occurs. There is also a focus on taking short maturity positions in sectors that may exhibit more price volatility, such as corporates.

Against this backdrop the Bank has performed strongly. Significant balance sheet growth was achieved with total credit assets increasing by 42% to €5.5bn. This growth was facilitated by the investment of a further €71m of new capital in 2004 by the Bank's parent, BW-Bank AG, together with the leveraging of the capital injection received in late 2003. Capitalisation levels continued to be strong with a Tier 1 ratio of 9.8% and a total capital ratio of 10.9% at year-end. Profits after tax of €27.2m were recorded, representing an increase of 13% on 2003. A cost income ratio of 18.4% was achieved.

The outlook for 2005 is favourable. The macro-economic environment should continue to improve and credit fundamentals are strong. Issuance, however, is expected to remain low while demand for credit product from traditional investors and indeed new buyers, such as hedge funds should remain robust. The Bank is focused on continued growth in its core activities, albeit at a more modest level than in 2004. Growth potential however may be limited by a continuation of the credit spread tightening environment which might negatively impact the risk / reward dynamic in more credit sectors.

I sincerely thank all of the staff of the Bank for their professionalism, initiative and hard work in delivering another record year of achievement.

I also thank my colleagues on the Board for their support and wise counsel. I record my personal thanks and that of my colleagues in BW-Bank AG to Mr. Séamus Páircéir who retired from the Board in November 2004. Mr. Páircéir played an invaluable role in the development of the Bank during its first ten years.

Stephan Ziegler
Chairman

BW Bank Ireland plc

BW Bank Ireland plc is a wholly owned subsidiary of Baden-Württembergische Bank AG (BW-Bank AG), which in turn is majority owned by Landesbank Baden-Württemberg, one of the five largest banking groups in Germany.

The Bank commenced operations in Ireland in January 1995 having been granted a banking licence by the Irish Financial Services Regulatory Authority (IFSRA).

It is supported by a strong capital base resulting in Tier 1 capital ratio of 9.8% at 31 December 2004. A letter of comfort (Patronatserklärung) has been issued by BW-Bank AG to IFSRA which states that "BW-Bank AG will ensure that BW Bank Ireland plc is able to meet its obligations".

BW Bank-AG

BW-Bank AG was founded in 1871 and assumed its current form in 1977 through a merger of three banks in the state of Baden-Württemberg. Its Head Office is located in Stuttgart and it operates primarily through a network of branches in Baden-Württemberg. It is a full service bank providing a comprehensive range of retail, corporate and investment banking services to its clients.

Outside Germany, the bank has branch offices in Hong Kong and Guernsey together with its subsidiaries in Zurich and Dublin, BW Bank Ireland plc. At the end of December 2004 total assets of BW-Bank AG stood at €28bn.

Landesbank Baden-Württemberg (LBBW)

Landesbank Baden-Württemberg was formed in January 1999 through the merger of Südwestdeutsche Landesbank Girozentrale, Landesgirokasse – Öffentliche Bank und Landessparkasse and the commercial business of Landeskreditbank Baden-Württemberg.

LBBW has among its shareholders the State of Baden-Württemberg (39.5%), the Savings Banks Association of Baden-Württemberg (39.5%), and the City of Stuttgart (21.0%).

With total assets in excess of €400bn, about 200 branches in Baden-Württemberg and offices in many centres of trade and commerce worldwide, it is among the five largest German banks and among the 50 largest credit institutions worldwide.

LBBW operates as the central banking institution of the savings banks in Baden-Württemberg, as a savings bank in the territory of the state capital of Stuttgart, and as a universal bank involved in

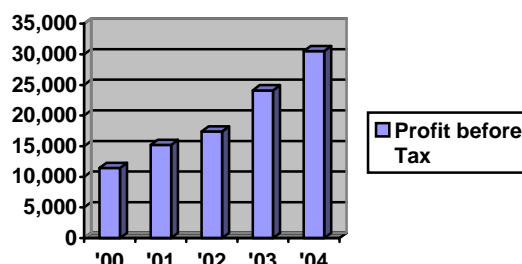
retail, commercial and investment banking activities.

Core Business Activities in Ireland

BW Bank Ireland plc is focused on lending in the international credit markets, funding the credit portfolio and proprietary trading in fixed income and derivatives markets.

Business Review 2004

A strong performance across all activities of the Bank, together with continued attention to cost control, resulted in significant growth in assets and profitability in 2004.

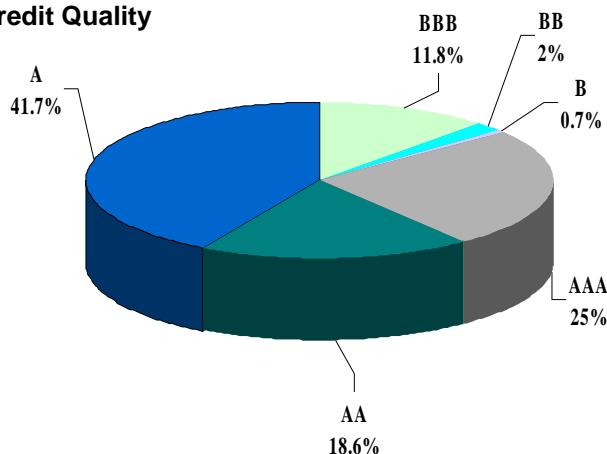


Credit Portfolio

The Credit Investment Division applies a rigorous approach to analysing and monitoring all new and existing credit risks with an overall focus on total return. A high level of importance is placed on capital efficiency, which is achieved through the securitisation of asset pools and use of other structured products.

The overall quality of the portfolio continued to improve reflecting the conservative approach to credit risk.

Credit Quality



Over 97% is rated investment grade, with over 85% rated A- or better

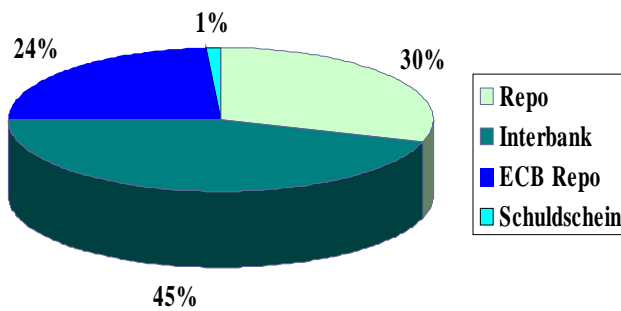
Proprietary trading continued its profitable focus on fixed income arbitrage markets.

Treasury & Trading

The markets division utilise a diversified range of counterparties and markets including interbank deposits, repurchase agreements, and privately placed medium term debt issuance to fund the Bank's activities. Active management of interest rate positions within clearly defined and monitored risk limits again proved profitable in 2004.

Outlook 2005

The Bank will continue to focus on its core competencies and plans for growth in its credit portfolio and trading activity.



DIRECTORS' REPORT
for the year ended 31 December 2004

The directors submit their report and audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Bank is focused on lending in international syndicated credit markets, funding the credit portfolio and market trading.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AS AT 31 DECEMBER 2004

The consolidated profit and loss account and the consolidated balance sheet for the year ended 31 December 2004 are set out on pages 11 and 12. The profit before taxation amounted to €30,517,571.

DIVIDENDS AND RETENTION

The directors recommend the following dividend for the year ended 31 December 2004:

Ordinary shares	€23,000,000
	€23,000,000

The balance available for transfer to Reserves after dividend is €4,162,436.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS AND FUTURE ACTIVITIES

Profit after taxation increased by 12.7% to €27.2m in 2004, and the proposed dividends increased by 15% to €23m. The improvement in profitability was due to an increase in lending, profitable trading and lower loan loss provisions. The company foresees continuing growth and development of its core business activities in 2005.

HEALTH AND SAFETY AT WORK

The welfare of employees is safeguarded through adherence to health and safety standards as laid down in the Safety, Health and Welfare at Work Act, 1989.

DIRECTORS AND SECRETARY

The directors and the company secretary at the date of this report are listed on page 3.

Mr. Séamus Páircéir retired from the Board on 25th November 2004.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and the secretary did not hold any beneficial interest in the share capital of the company or any other body corporate in the same group at the beginning or end of the financial year. The interests of the directors in the ordinary shares of € 2.55 each in the immediate holding company, Baden-Württembergische Bank AG, Stuttgart, were as follows:

	<i>Interests at 31 December 2004</i>	<i>at 31 December 2003</i>
<i>Directors</i>		
Mr. Horst Marschall	150	150

DIRECTORS' REPORT

for the year ended 31 December 2004 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those 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 the going concern basis unless it is inappropriate to presume that the company 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 company and of the group and which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2003 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOOKS OF ACCOUNT

In addition the directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the company. To achieve this, the directors have appointed professionally qualified accountants who report to the Board and Audit Committee to ensure compliance with the requirements of Section 202 of the Companies Act, 1990. Those books and accounting records are maintained at the company's registered office at 6 George's Dock, IFSC, Dublin 1.

AUDITORS

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

STEPHAN ZIEGLER
LIAM MILEY
BERNHARD WALTER
Directors

TONY Mc POLAND
Secretary
28 January 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BW BANK IRELAND PLC

We have audited the group's financial statements for the year ended 31 December 2004, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 34. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; 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 company's balance sheet is 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 transactions with the group is not given and, where practicable, include such information in our report.

We read the Directors' Report and consider the 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 Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BW BANK IRELAND PLC

(Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet is in agreement with the books of account.

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

In our opinion the company balance sheet does not disclose a financial situation, which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Ernst & Young
Registered Auditors
Dublin

28 January 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	<i>Note</i>	<i>2004</i> €000	<i>2003</i> €000
Interest receivable & similar income	2	240,102	176,365
Interest payable & similar charges	3	(204,585)	(142,468)
Fees and commissions receivable		3,617	1,389
Dealing profits		1,940	2,126
		<hr/>	<hr/>
Total operating income		41,074	37,412
Administrative expenses	4	7,084	6,465
Depreciation		473	435
Provisions for bad and doubtful debts	5	3,000	3,700
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	30,517	26,812
Tax on profit on ordinary activities	7	(3,355)	(2,709)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	8	27,162	24,103
Dividends Proposed	9	(23,000)	(20,000)
		<hr/>	<hr/>
Profit Retained		4,162	4,103
Transfer to Other Reserves	22	(4,000)	(4,512)
		<hr/>	<hr/>
Increase/(Decrease) in the year	22	162	(409)
Profit brought forward at beginning of year		1,101	1,510
		<hr/>	<hr/>
Profit carried forward at end of year		1,263	1,101
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses in either year other than the profit attributable to shareholders of the group.

Approved by the Board on 28 January 2005

STEPHAN ZIEGLER
LIAM MILEY
BERNHARD WALTER
Directors

TONY Mc POLAND
Secretary

CONSOLIDATED BALANCE SHEET

as at 31 December 2004

	Note	2004 €000	2003 €000
ASSETS			
Cash and balances at central banks		14,148	12,425
Loans and advances to banks	10	419,796	92,407
Loans and advances to customers	11	570,553	232,674
Debt securities and other fixed income securities	12	5,064,980	3,528,083
Tangible fixed assets	13	1,733	1,953
Prepayments and accrued income		105,765	65,156
		<u>6,176,975</u>	<u>3,932,698</u>
LIABILITIES			
Deposits by banks	15	5,439,913	3,628,017
Customer accounts	16	321,421	0
Other liabilities	17	96,993	64,202
Dividend proposed		23,000	20,000
Provisions for liabilities and charges	18	210	236
		<u>5,881,537</u>	<u>3,712,455</u>
CAPITAL RESOURCES			
Regulatory capital liabilities		58,733	-
Subordinated liabilities		25,000	25,000
	19	<u>83,733</u>	<u>25,000</u>
SHARE CAPITAL & RESERVES			
Called up share capital	20	6,688	6,688
Capital contribution	21	190,129	177,829
Reserves	22	13,625	9,625
Profit and loss account	22	1,263	1,101
		<u>211,705</u>	<u>195,243</u>
Shareholders' funds (including non-equity interests)	22	211,705	195,243
		<u>295,438</u>	<u>220,243</u>
TOTAL CAPITAL RESOURCES		<u>295,438</u>	<u>220,243</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u>6,176,975</u>	<u>3,932,698</u>
MEMORANDUM ITEMS			
Commitments	23	46,990	74,797
		<u>46,990</u>	<u>74,797</u>

Approved by the Board on 28 January 2005

STEPHAN ZIEGLER
LIAM MILEY
BERNHARD WALTER
Directors

TONY Mc POLAND
Secretary

COMPANY BALANCE SHEET
as at 31 December 2004

	<i>Note</i>	<i>2004</i> €000	<i>2003</i> €000
ASSETS			
Cash and balances at central banks		14,148	12,425
Loans and advances to banks	10	419,696	92,307
Loans and advances to customers	11	570,553	232,674
Debt securities and other fixed income securities	12	5,064,980	3,528,083
Tangible fixed assets	13	1,733	1,953
Shares and investments in group undertakings	14	100	100
Prepayments and accrued income		105,765	65,156
		<hr/>	<hr/>
TOTAL ASSETS		6,176,975	3,932,698
		<hr/> <hr/>	<hr/> <hr/>
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		<hr/>	<hr/>
TOTAL LIABILITIES AND CAPITAL RESOURCES		6,176,975	3,932,698
		<hr/> <hr/>	<hr/> <hr/>
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		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board on 28 January 2005

STEPHAN ZIEGLER
LIAM MILEY
BERNHARD WALTER
Directors

TONY Mc POLAND
Secretary

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1. ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been drawn up in accordance with the provisions of the Companies Acts 1963 to 2003 and the European Communities (Credit Institutions: Accounts) Regulations 1992, and with accounting standards generally acceptable in Ireland relating to banking companies. The Bank has adopted the applicable Statements of Recommended Practice except as noted in note 1 (I).

(b) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(c) *Depreciation of tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to reduce the assets to their estimated residual values at the end of their useful lives as follows:

Motor vehicles	5 years
Equipment and furniture	3- 5 years
Computers and software	3- 5 years
Banking System	8 years
Leasehold Premises	13 years

(d) *Operating Leases*

Rentals on operating leases are charged to the profit and loss account in equal instalments over the lease term.

(e) *Income Recognition*

Income on advances and investments in debt securities is accounted for on an accruals basis. Interest is not taken to profit where recovery is doubtful.

(f) *Fees and commissions*

Fees and commissions are recognised over the appropriate period in accordance with the terms of the relevant contract.

(g) *Foreign currencies*

The financial statements are expressed in Euros (€) and displayed in €000.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Euros at the rate of exchange ruling at the balance sheet date. Profit and losses arising are dealt with in the profit and loss account.

(h) *Pension costs*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The annual cost is charged to the profit and loss account in the year in which it is incurred.

(i) *Provisions for bad and doubtful debts*

Specific provisions are made on a case by case basis for loans or debt securities which are recognised to be bad or doubtful as a result of the continuous appraisal of the asset portfolio. A general provision is also made against assets to cover latent loan losses which are known from experience to be present in any portfolio of loans or debt securities, but have yet to be specifically identified. This is based on a methodology that reflects statistical default rates and loss severity, determined by experience and relevant research. The bad debt provisions are deducted from loan balances or debt securities, as appropriate, in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2004 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(j) Basis of Consolidation

The consolidated accounts include the results of all subsidiary companies up to 31 December 2004.

(k) Derivatives

Derivative instruments used for trading purposes include swaps, futures, forwards, forward rate agreements and options contracts in the interest rate and foreign exchange markets. These derivatives are measured at fair value and the resultant profits and losses are included in dealing profits. Unrealised gains and losses are reported on the balance sheet in Prepayments and accrued income or Other liabilities on a gross basis.

Derivatives used for hedging purposes are accounted for on an accruals basis, and are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction. Accrued income is reported in Prepayments and accrued income and accrued expense is reported in Other liabilities on a gross basis. Profits and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and taken to the profit and loss account when the hedged transactions occur.

The criteria required for a derivative instrument to be classified as a designated hedge are:

- (i) Adequate evidence of the intention to hedge must be established at the outset of the transaction.
- (ii) The transaction must match or eliminate a proportion of the risk inherent in the assets, liabilities, positions or cash flows being hedged and which results from potential movements in interest rates, exchange rates or market prices. Changes in the derivative's fair value must be highly correlated with changes in the fair value of the underlying hedged item for the entire life of the contract

Where these criteria are not met, transactions are measured at fair value.

Hedge transactions which are superseded, cease to be effective or lapse early, are measured at fair value. Any profit or loss arising is deferred and reported in balance sheet assets or liabilities as appropriate. This profit or loss is amortised over the remaining life of the asset, liability, position or cash flow previously being hedged.

When the underlying asset, liability or position is concluded, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured at fair value and any profit or loss arising is recognised in full in dealing profits. The unrealised profit or loss is reported in balance sheet assets or liabilities as appropriate.

(l) Debt securities and fixed income securities

Debt securities intended for use on a continuing basis in the activities of the bank are classified as investment securities. Investment securities are stated at cost (adjusted for the amortisation of premiums or discounts on a straight-line basis over the period to maturity), less provision for any impairment value. The amortisation of premiums or discounts is included in interest income. When sold before maturity the difference between the proceeds and the cost (adjusted for amortisation or premiums and discounts) is taken to the profit and loss account in the year of realisation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

1. ACCOUNTING POLICIES (Continued)

(l) *Debt securities and fixed income securities (continued)*

The company does not disclose the market value of debt securities as recommended by the Statements of Recommended Practice for Banking Institutions as in the opinion of the Directors the level of unquoted securities would make the disclosure misleading.

Debt securities held for short term trading purposes and associated off balance sheet financial instruments are marked to market with the resulting unrealised profit or loss taken to the profit and loss account. Profits and losses on disposal of securities are recognised in fees and commissions receivable in the profit and loss account in the year of sale.

(m) *Deferred taxation*

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Deferred tax is measured on an undiscounted basis using the tax rates that have been enacted or substantively enacted at the balance sheet date as an approximation of the rates expected to apply in the periods in which the timing differences reverse.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

(n) *Sale and repurchase transactions*

Securities which have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the purchase price is treated as a loan. The difference between the sale price and repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

2.	INTEREST RECEIVABLE AND SIMILAR INCOME	2004 €000	2003 €000
	Interest receivable arising from debt securities and other fixed income securities	223,169	158,797
	Other interest receivable and similar income	16,933	17,568
		240,102	176,365
		240,102	176,365

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

3.	INTEREST PAYABLE AND SIMILAR CHARGES	2004 €000	2003 €000
	Interest payable on subordinated liabilities	613	685
	Other interest payable and similar charges	203,972	141,783
		<u>204,585</u>	<u>142,468</u>
4.	ADMINISTRATIVE EXPENSES	2004 €000	2003 €000
	<i>Staff costs</i>		
	Wages and salaries	3,724	3,232
	Social welfare	274	261
	Pension	364	345
		<u>4,362</u>	<u>3,838</u>
	Other administrative expenses	2,722	2,627
		<u>7,084</u>	<u>6,465</u>

The average number of employees during the year was 39 (2003: 35).

5. PROVISION FOR BAD AND DOUBTFUL DEBTS

Loan loss provisions of €3,000,000 were charged to the profit and loss account for 2004 bringing the total loan loss provisions to €9,303,516 as at 31 December 2004, from €10,489,449 at 31 December 2003. Of this €4,867,601 is a general provision. As a further measure to cover potential loan losses €4,000,000 was transferred to the capital reserve to increase the balance on that account to €13,625,000 as at 31 December 2004.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation has been arrived at after charging:

Depreciation	473	435
Auditors' remuneration - <i>In their capacity as auditors</i>	58	54
- <i>In other capacities</i>	53	23
Operating lease rentals	465	486
	<u>465</u>	<u>486</u>

The profit on ordinary activities before taxation is not affected by the results of acquisitions or discontinued operations during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

7.	TAX ON PROFIT ON ORDINARY ACTIVITIES	<i>2004</i>	<i>2003</i>
		€000	€000
	Corporation tax	3,355	2,709
		<u>3,355</u>	<u>2,709</u>
		<i>2004</i>	<i>2003</i>
		€000	€000
	Profit on ordinary activities before tax at the standard rate of corporation tax in Ireland of 12.5% (2003: 12.5%)	3,815	3,351
	Effects of:		
	Relief under Section 446 Taxes Consolidation Act 1997	(804)	(647)
	Expenses not deductible for tax purposes	486	65
	Capital allowances in excess of depreciation	(91)	(86)
	Other deferred tax timing differences	(26)	(35)
	Other	(25)	61
		<u>3,355</u>	<u>2,709</u>

The Company and its operating subsidiary are licensed to trade in the International Financial Services Centre and are chargeable to tax at 10% on income from qualifying activities in accordance with section 446 of the Taxes Consolidation Acts, 1997. This rate has been guaranteed until 31 December 2005.

8. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

€27,162,486 (2003: €24,102,459) of the group profit attributable to ordinary shareholders is dealt with in the accounts of the company. As permitted by Regulation 5(2) of the European Communities (Credit Institutions: Accounts) Regulations, 1992, a separate profit and loss account for the company has not been presented.

9.	DIVIDENDS	<i>2004</i>	<i>2003</i>
		€000	€000
	<i>Equity</i>		
	Proposed dividend payable on ordinary shares of €17.2932 (2003: €15.0376) per share	23,000	20,000
		<u>23,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

10.	LOANS AND ADVANCES TO BANKS	2004	2003
		€000	€000
	Group		
	Repayable on demand	13,018	1,710
	Repayable in less than three months	74,337	5,781
	Repayable in more than three months but less than one year	306,238	26,349
	Repayable in more than one year but less than five years	26,203	58,567
		<u>419,796</u>	<u>92,407</u>

Included in 2004 is nil (2003: €7,169) in respect of loans and advances to group undertakings.

		2004	2003
	Company	€000	€000
	Repayable on demand	12,918	1,610
	Repayable in less than three months	74,337	5,781
	Repayable in more than three months but less than one year	306,238	26,349
	Repayable in more than one year but less than five years	26,203	58,567
		<u>419,696</u>	<u>92,307</u>

Included in 2004 is €0 (2003: €7,169) in respect of loans and advances to group undertakings.

11.	LOANS AND ADVANCES TO CUSTOMERS	2004	2003
		€000	€000
	Group & Company		
	Repayable in less than three months	5,074	609
	Repayable in more than three months but less than one year	308,679	16,605
	Repayable in more than one year but less than five years	121,219	101,306
	Repayable in more than five years	135,581	114,154
		<u>570,553</u>	<u>232,674</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

12.	DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	2004 €000	2003 €000
	Group and Company		
	<i>Held as Investment Securities</i>		
	Repayable in less than three months	39,545	89,113
	Repayable in more than three months but less than one year	171,795	109,764
	Repayable in more than one year but less than five years	2,353,460	1,692,896
	Repayable in more than five years	2,500,180	1,636,310
		<u>5,064,980</u>	<u>3,528,083</u>
		2004 €000	2003 €000
	Group and Company		
	<i>Issued by</i>		
	Public sector	475,615	213,986
	Banks	2,279,780	1,684,627
	Other issuers	2,309,585	1,629,470
		<u>5,064,980</u>	<u>3,528,083</u>
		2004 €000	2003 €000
	Group and Company		
	Listed	2,527,729	1,977,563
	Unlisted	2,537,251	1,550,520
		<u>5,064,980</u>	<u>3,528,083</u>

Debt securities to the value of €2,908,603,529 (2003: €123,906,721) are subject to repurchase agreements.

Debt Securities Movement	Cost €000	Discount/ (Premium) €000	Carrying Value €000
At 1 January 2004	3,510,244	17,839	3,528,083
Exchange adjustments	(100,417)	(330)	(100,747)
Acquisitions	2,347,357	201	2,347,558
Maturities	(379,734)	203	(379,531)
Other Disposals	(326,615)	(2,914)	(329,529)
Amortisation	0	(854)	(854)
	<u>5,050,835</u>	<u>14,145</u>	<u>5,064,980</u>
As at 31 December 2004	<u>5,050,835</u>	<u>14,145</u>	<u>5,064,980</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

13. TANGIBLE FIXED ASSETS

Group and Company	<i>Motor vehicles</i> €000	<i>Computers, Equipment & Furniture</i> €000	<i>Leasehold Premises</i> €000	<i>Banking System</i> €000	<i>Total</i> €000
<i>Cost</i>					
At 1 January 2004	212	2,026	597	1,297	4,132
Additions	0	193	41	19	253
At 31 December 2004	212	2,219	638	1,316	4,385
<i>Depreciation</i>					
At 1 January 2004	53	1,610	160	356	2,179
Charge for year	43	220	46	164	473
At 31 December 2004	96	1,830	206	520	2,652
<i>Net Book Value</i>					
31 December 2004	116	389	432	796	1,733
31 December 2003	159	416	437	941	1,953

14. SHARES IN GROUP UNDERTAKINGS

	<i>2004</i> €000	<i>2003</i> €000
Unlisted ordinary shares in subsidiaries at cost	100	100

	<i>Holding</i>	<i>Principal Activity</i>
The subsidiary companies are as follows:		
BW Ireland International Finance	100%	Investment
BW Ireland Limited	100%	Dormant

Both subsidiaries are incorporated in the Republic of Ireland and both registered offices are at 6 George's Dock, International Financial Services Centre, Dublin 1.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

15.	DEPOSITS BY BANKS		
		<i>2004</i>	<i>2003</i>
		<i>€000</i>	<i>€000</i>
	Group and Company		
	Demand	3	0
	Repayable in less than three months	4,211,934	2,845,516
	Repayable in more than three months but less than one year	1,192,186	746,711
	Repayable in more than one year but less than five years	35,790	35,790
		<u>5,439,913</u>	<u>3,628,017</u>
		<u><u>5,439,913</u></u>	<u><u>3,628,017</u></u>
	Included in the 2004 figures is €491,604,115 (2003: € 498,194,107) in respect of deposits taken from group undertakings. Certain deposits are collateralised by repurchase agreements.		
16.	DEPOSITS BY CUSTOMERS		
		<i>2004</i>	<i>2003</i>
		<i>€000</i>	<i>€000</i>
	Group and Company		
	Repayable in less than three months	21,600	0
	Repayable in more than three months but less than one year	299,821	0
		<u>321,421</u>	<u>0</u>
		<u><u>321,421</u></u>	<u><u>0</u></u>
17.	OTHER LIABILITIES		
		<i>2004</i>	<i>2003</i>
		<i>€000</i>	<i>€000</i>
	Group		
	Corporation tax	1,785	1,560
	Other liabilities	95,208	62,642
		<u>96,993</u>	<u>64,202</u>
		<u><u>96,993</u></u>	<u><u>64,202</u></u>
18.	PROVISIONS FOR LIABILITIES AND CHARGES		
		<i>2004</i>	<i>2003</i>
		<i>€000</i>	<i>€000</i>
	Group & Company – Deferred Tax		
	At 1 January	236	271
	Released to profit & loss	26	35
		<u>210</u>	<u>236</u>
	At 31 December	<u><u>210</u></u>	<u><u>236</u></u>

Deferred tax arises in respect of accelerated capital allowances. The full liability to future tax is provided.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

19. CAPITAL RESOURCES

REGULATORY CAPITAL LIABILITIES

Regulatory capital liabilities consist of US\$80,000,000 received from the Bank's parent, BW-Bank AG. This amount is unsecured and has no fixed repayment date. The prior approval of the Irish Financial Services Regulatory Authority is required to repay it.

SUBORDINATED LIABILITIES

Group and Company

The subordinated loan of €25,000,000 is denominated in Euros and is fully repayable on 15 December 2010. Interest is due and payable quarterly in arrears calculated on a daily basis at three month EURIBOR plus a market-related margin.

The only event of default in relation to the subordinated debt is non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding-up of the company. In a winding-up, no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

20. CALLED UP SHARE CAPITAL

Group and Company

AUTHORISED	Nominal value	Number authorised
<i>Equity</i>		
Ordinary shares	€5.00	10,000,000
	<u> </u>	<u> </u>
<i>Non-equity</i>		
Deferred ordinary shares	€1.25	30,500
	<u> </u>	<u> </u>

<i>ALLOTTED, CALLED UP AND FULLY PAID</i>	<i>Number issued</i>	<i>2004 €000</i>	<i>Number issued</i>	<i>2003 €000</i>
<i>Equity</i>				
Ordinary shares	1,330,000	6,650	1,330,000	6,650
<i>Non-equity</i>				
Deferred ordinary shares	30,500	38	30,500	38
		<u> </u>		<u> </u>
		6,688		6,688
		<u> </u>		<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

The main attributes of the different classes of shares are as follows:

Deferred Ordinary Shares

The holders of deferred ordinary shares are not entitled to any dividend or other distribution of any kind, nor are they entitled to receive notice of or to attend or vote at general meetings of the Bank. On repayment of capital on liquidation the holders of deferred ordinary shares are entitled, after the repayment to the holders of the ordinary shares, to repayment of the amount paid up on deferred ordinary shares but are not entitled to participate in any surplus remaining after such payment.

Ordinary Shares

The holders of the ordinary shares are entitled to receive notice of, attend and vote at general meetings. They are entitled to dividends, when declared by the directors, and to participate fully in surplus assets on liquidation.

21. CAPITAL CONTRIBUTION

Group and Company	2004 €000	2003 €000
Balance at 1/1/2004	177,829	122,829
Contribution from BW-Bank AG	<u>12,300</u>	<u>55,000</u>
Balance at 31/12/2004	<u>190,129</u>	<u>177,829</u>

The Banks parent, BW-Bank AG also invested the US\$80,000,000 referred to in note 19 above

22 RECONCILLATION OF MOVEMENT
IN SHAREHOLDERS' FUNDS

	Share Capital €000	Capital Contribution €000	Capital Reserve €000	Profit & Loss €000	Total €000
Balance 1/1/2004	6,688	177,829	9,625	1,101	195,243
Capital contribution received (note 21)	-	12,300	-	-	12,300
Profit for the year	-	-	-	27,162	27,162
Dividends	-	-	-	(23,000)	(23,000)
Transfers	-	-	4,000	(4,000)	-
Balance 31/12/ 2004	<u>6,688</u>	<u>190,129</u>	<u>13,625</u>	<u>1,263</u>	<u>211,705</u>

23. COMMITMENTS

Group and Company

Commitments

	2004 €000	2003 €000
Commitments to lend	46,990	74,797
	<u>46,990</u>	<u>74,797</u>

NOTES TO THE FINANCIAL STATEMENTS**31 December 2004 (Continued)**

24. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES	2004 €000	2003 €000
Group		
Assets denominated in currencies other than €	2,323,699	1,381,751
Liabilities denominated in currencies other than €	2,345,243	1,499,530

As the bank has off-balance sheet items to hedge exposures, the above should not be considered to demonstrate exposure to foreign exchange risk.

25. RISK MANAGEMENT AND CONTROL

The board of directors approves policy with respect to credit risk, market risk, liquidity risk and operational risk and has delegated its day-to-day monitoring and control responsibilities to management, the credit committee, risk committee and audit committee as appropriate.

CREDIT RISK

The bank's policy on banking and treasury credit risk is set out in a detailed credit policy manual, which has been approved by the board of directors and the credit committee. The policy manual, which is regularly updated, is provided to all relevant staff and forms the core of the bank's credit risk ethos. Strict risk parameters, policies and procedures, including discretionary limits for all types of credit exposure, are detailed and all applications for credit risk limits are assessed within these parameters.

MARKET RISK

Market risk is the potential adverse change in income or the value of net worth arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the balance sheet, the execution of interbank business and proprietary trading. The bank recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the bank's corporate objectives.

The bank's exposure to market risk is governed by policy approved by the board of directors and is measured and monitored by the risk committee and the risk management team. The bank is a trading entity for the purposes of the Capital Adequacy Directive since 1st April 2000. The risk committee was established to manage and monitor treasury risks in co-operation with the board, and is to report quarterly on the trading and treasury risks, results and any other item which may impact on the overall profitability of the bank.

The responsibilities of the risk management team have been defined and are exercised in accordance with best practice in the market and the Minimum Requirement for Trading activities (MAH) issued by The German Federal Supervisory Authority. Although not obligatory for foreign subsidiaries, these standards are implemented to be consistent with the global risk management systems and procedures of the BW-Bank Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

25. RISK MANAGEMENT AND CONTROL

TRADING BOOK

The bank's trading book consists of foreign exchange and interest rate risk. The interest rate trading book consists of interest rate swaps, futures, forward rate agreements and options. All positions are marked to market and monitored on a daily basis by the risk management team. The value-at-risk of the trading positions at year-end totalled €220,000 (2003: €44,400) and as such are immaterial and are included in the overall tables.

NON – TRADING BOOK

The bank's non-trading book consists of corporate deposits and the lending portfolio, as well as interbank cash books and investment portfolio. In the non-trading areas foreign exchange and interest rate risk arise primarily from the bank's core banking businesses. The exposure in these books is hedged using interest rate swaps and other conventional hedging instruments. The bank's non-trading book exposure is analysed by maturity profile in each major currency.

LIQUIDITY RISK

It is policy to ensure that the bank is in a position to meet its obligations arising from the reduction or withdrawal of financing facilities and asset expansion. The implementation of this policy is the responsibility of the treasury division.

Limits on potential cashflow mismatches over defined time horizons are the principal basis of liquidity control.

OPERATIONAL RISK

Operational risk represents the risk that deficiencies in information systems or internal controls could result in unexpected losses. The risk is associated with fraud, human error, systems failure, and inadequate controls and procedures.

The bank's approach to managing these risks is by defining stringent rules and procedures which are incorporated into detailed policy handbooks. An internal audit function, in conjunction with BW-Bank Group internal audit, assesses the adequacy of the control systems and confirms compliance. This strategy is further supported by risk transfer mechanisms such as insurance, where appropriate.

DERIVATIVES

A derivative is an off balance sheet agreement which defines certain financial rights and obligations which are contractually linked to interest rates, exchange rates or other market prices. Derivatives are an efficient and cost effective means of hedging market risk and limiting counterparty exposures. As such, they are an indispensable element of market risk management. Further details are disclosed in note 27.

The following table provides examples of certain activities undertaken by the Bank, the related risks associated with such activities and the type of derivatives used in managing such risks. Such risks may also be managed by using on-balance sheet instruments as part of the integrated approach to risk management.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

25. RISK MANAGEMENT AND CONTROL (Continued)

DERIVATIVES

Activity	Risk	Type of Hedge
Fixed rate lending and funding.	Sensitivity to changes in interest rates	Interest rate swaps; options
Foreign currency Assets and liabilities	Sensitivity to changes of Euro against other currencies	Foreign Exchange Swaps; options Foreign Currency Funding; options

The following tables summarise the repricing mismatches as at 31 December 2004.

26. INTEREST RATE REPRICING

31 December 2004

Interest Rate Repricing Euro	Not more than 3 Months	Over 3 Months but not more than 6 Months	Over 6 Months but not more than 1 Year	Over 1 Year but not more than 5 Years	Over 5 Years	Non Interest Bearing	Total
	€m	€m	€m	€m	€m	€m	€m
Assets							
Loans and Advances to Banks	81	0	0	-	-	-	81
Loans and Advances to Customers	23	83	17	-	-	-	123
Debt Securities	2,375	548	658	-	-	-	3,581
Other Assets	-	-	-	-	-	-	-
Total Assets	2,479	631	675	-	-	-	3,785
Liabilities							
Deposits by Banks	(3,000)	(393)	(35)	-	-	-	(3,428)
Deposits by Customers	-	-	-	-	-	-	-
Debt Securities in Issue	-	-	-	-	-	-	-
Other Liabilities	(25)	-	-	-	-	(23)	(48)
Shareholders' Funds	-	-	-	-	-	(211)	(211)
Total Liabilities	(3,025)	(393)	(35)	-	-	(234)	(3,687)
Net Amounts Due from/(to) Group Units	-	-	-	-	-	-	-
Off Balance Sheet Items	(186)	88	-	-	-	-	(98)
Interest Rate Repricing Gap	(732)	326	640	-	-	(234)	-
Cumulative Interest Rate Repricing Gap	(732)	(406)	234	234	234	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2004 (Continued)

26. INTEREST RATE REPRICING (Continued)

31 December 2003

Interest Rate Repricing Euro	Not more than 3 Months	Over 3 Months but not more than 6 Months	Over 6 Months but not more than 1 Year	Over 1 Year but not more than 5 Years	Over 5 Years	Non Interest Bearing	Total
	€m	€m	€m	€m	€m	€m	€m
Assets							
Loans and Advances to Banks	7	6	40	-	-	-	53
Loans and Advances to Customers	93	42	0	-	-	-	135
Debt Securities	1,456	380	480	-	-	-	2,316
Other Assets	-	-	-	-	-	-	-
Total Assets	1,556	428	520	-	-	-	2,504
Liabilities							
Deposits by Banks	(1,691)	(400)	(46)	-	-	-	(2,137)
Deposits by Customers	-	-	-	-	-	-	-
Debt Securities in Issue	-	-	-	-	-	-	-
Other Liabilities	(25)	-	-	-	-	(20)	(45)
Shareholders' Funds	-	-	-	-	-	(191)	(191)
Total Liabilities	(1,716)	(400)	(46)	-	-	(211)	(2,373)
Net Amounts Due from/(to) Group Units	-	-	-	-	-	-	-
Off Balance Sheet Items	(121)	(10)	-	-	-	-	(131)
Interest Rate Repricing Gap	(281)	18	474	-	-	(211)	-
Cumulative Interest Rate Repricing Gap	(281)	(263)	211	211	211	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

26. INTEREST RATE REPRICING (continued)

31 December 2004

Interest Rate Repricing USD	Not more than 3 Months	Over 3 Months but not more than 6 Months	Over 6 Months but not more than 1 Year	Over 1 Year but not more than 5 Years	Over 5 Years	Non Interest Bearing	Total
	€m	€m	€m	€m	€m	€m	€m
Assets							
Loans and Advances to Banks	5	-	-	-	-	-	5
Loans and Advances to Customers	26	0	7	-	-	-	33
Debt Securities	761	262	38	-	-	-	1,061
Other Assets	-	-	-	-	-	-	-
Total Assets	792	262	45	-	-	-	1,099
Liabilities							
Deposits by Banks	(815)	(66)	(258)	-	-	-	(1,139)
Deposits by Customers	-	-	-	-	-	-	-
Debt Securities in Issue	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Shareholders' Funds	-	-	-	-	-	(59)	(59)
Total Liabilities	(815)	(66)	(258)	-	-	(59)	(1,198)
Net Amounts Due from/(to) Group Units	-	-	-	-	-	-	-
Off Balance Sheet Items	149	(50)	-	-	-	-	99
Interest Rate Repricing Gap	126	146	(213)	-	-	(59)	-
Cumulative Interest Rate Repricing Gap	126	272	59	59	59	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

26. INTEREST RATE REPRICING (continued)

31 December 2003

Interest Rate Repricing USD	Not more than 3 Months	Over 3 Months but not more than 6 Months	Over 6 Months but not more than 1 Year	Over 1 Year but not more than 5 Years	Over 5 Years	Non Intere st Beari ng	Total
	€m	€m	€m	€m	€m	€m	€m
Assets							
Loans and Advances to Banks	-	-	-	-	-	-	-
Loans and Advances to Customers	22	7	8	-	-	-	37
Debt Securities	730	232	41	-	-	-	1,003
Other Assets	-	-	-	-	-	-	-
Total Assets	752	239	49	-	-	-	1,040
Liabilities							
Deposits by Banks	(938)	(73)	(87)	-	-	-	(1,098)
Deposits by Customers	-	-	-	-	-	-	-
Debt Securities in Issue	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Shareholders' Funds	-	-	-	-	-	-	-
Total Liabilities	(938)	(73)	(87)	-	-	-	(1,098)
Net Amounts Due from/(to) Group Units	-	-	-	-	-	-	-
Off Balance Sheet Items	83	(25)	-	-	-	-	58
Interest Rate Repricing Gap	(103)	141	(38)	-	-	-	-
Cumulative Interest Rate Repricing Gap	(103)	38	-	-	-	-	-

27 DERIVATIVE TRANSACTIONS

DERIVATIVES

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

NOTES TO THE FINANCIAL STATEMENTS**31 December 2004 (Continued)**

27. DERIVATIVE TRANSACTIONS (continued)

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

To achieve its risk management objectives, the bank entered into a number of interest rate and currency swap agreements for the purposes of hedging the effects of fluctuations in interest or exchange rates.

The following table sets out details of all derivatives used in the bank's activities as at 31 December 2004.

	Underlying Principal Amount	Weighted Average Maturity in Years	Fair Value
	€m		€m
Interest Rate Contracts			
Interest Rate Swaps			
- Receive Fixed			
1 Year or Less	885.7	0.5	(1.0)
1 to 5 Years	137.9	1.3	1.2
Greater than 5 Years	32.8	8.4	(1.1)
Interest Rate Swaps			
- Pay Fixed			
1 Year or Less	216.2	.6	(2.7)
1 to 5 Years	788.4	2.7	(21.7)
Greater than 5 Years	1,301.3	8.7	(31.8)
Interest Rate Option Contract Purchased	3,541.7	0.0	0.0
Interest Rate Option Contract Sold	3,541.7	0.0	0.0
Financial Future Sold	5.0	0.0	0.0
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	307.2	0.5	3.8

NOTES TO THE FINANCIAL STATEMENTS**31 December 2004 (Continued)**

27. DERIVATIVE TRANSACTIONS (continued)

The following table sets out details of all derivatives used in the bank's activities as at 31 December 2003.

	Underlying Principal Amount	Weighted Average Maturity in Years	Fair Value
	€m		€m
Interest Rate Contracts			
Interest Rate Swaps			
- Receive Fixed			
1 Year or Less	391.6	0.5	0.1
1 to 5 Years	79.3	1.7	2.1
Greater than 5 Years	40.8	8.9	0.8
Interest Rate Swaps			
- Pay Fixed			
1 Year or Less	177.0	0.8	(4.6)
1 to 5 Years	666.6	3.3	(27.2)
Greater than 5 Years	833.5	7.9	(27.4)
Interest Rate Option Contract Sold	25.0	0.0	0.0
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	264.9	0.5	3.5
Currency Option Purchased	7.5	0.0	0.2

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

28. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The bank has estimated fair values wherever possible using market prices. In certain cases, however, including advances to customers, unlisted securities and certain listed securities, there are no ready markets.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in most cases the bank's approach is to hold assets until maturity and therefore records these items at amortised cost.

The following table represents the carrying amount and the fair values of the bank's financial assets and liabilities where appropriate as at 31 December 2004

Financial Instruments	Carrying Amount	Fair Values
	€m	€m
Financial Assets		
Loans and Advances to Banks	419.8	419.8
Loans and Advances to Customers	570.5	570.5
Debt Securities	5,065.0	5,065.0
Financial Liabilities		
Deposits by Banks	5,439.9	5,439.9
Deposits by Customers	321.4	321.4
Subordinated Liabilities	25.0	25.0
Derivative Financial Instruments Utilised for Activities		
Interest Rate Contracts		(57.1)
Foreign Exchange Contracts		3.8

The following table represents the carrying amount and the fair values of the bank's financial assets and liabilities where appropriate as at 31 December 2003.

Financial Instruments	Carrying Amount	Fair Values
	€m	€m
Financial Assets		
Loans and Advances to Banks	92.4	92.4
Loans and Advances to Customers	232.7	232.7
Debt Securities	3,510.3	3,510.3
Financial Liabilities		
Deposits by Banks	3,628.0	3,628.0
Subordinated Liabilities	25.0	25.0
Derivative Financial Instruments Utilised for Activities		
Interest Rate Contracts		(56.2)
Foreign Exchange Contracts		3.7

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004 (Continued)

29. RELATED PARTY TRANSACTIONS

The parties controlling the bank are outlined in note 34 "Parent Undertaking". As permitted by FRS 8, any transactions involving these parties are not disclosed as related party transactions because in excess of 90% of the voting rights of the bank are controlled by these parties.

30. DIRECTORS EMOLUMENTS

Total directors emoluments in 2004 were € 778,628 (2003: € 801,123) of which €92,776 (2003: € 94,000) was paid as fees.

31. PENSIONS

Group and company

The bank operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the bank in an independently administered fund.

There were no significant pension accruals or prepayments at 31 December 2004.

32. OPERATING LEASE COMMITMENT

Group and Company

At 31 December 2004, the annual commitment under an operating lease relating to office premises was € 464,846. The lease expires within eight years of the balance sheet date and is subject to a five yearly rent review.

33. SEGMENTAL INFORMATION

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

34. PARENT UNDERTAKING

The bank is a wholly owned subsidiary of Baden-Württembergische Bank AG, the immediate controlling party, a company incorporated in Germany. The registered office of the immediate holding company is at Kleiner Schlossplatz, D-70173, Stuttgart, Germany. Copies of the financial statements of the group are available at this address or on their website at www.bw-bank.com. As such, the company has availed of the exemption under FRS 1 and is not presenting a cash flow statement.

The ultimate holding company and controlling party is Landesbank Baden-Württemberg (LBBW), a company incorporated in Germany. The registered office of the ultimate holding company is at Am Hauptbahnhof 2, D-70173 Stuttgart, Germany. Copies of the financial statements of the LBBW group are available at this address or on their website at www.lbbw.de.

Financial Highlights of BW Bank Ireland plc

Balance Sheet	2004	€ Millions				
		2003	2002	2001	2000	1999
Total Assets	6,177	3,933	3,241	2,778	2,908	2,522
Loans and Advances to Banks	420	92	147	104	178	298
Loans and Advances to Customers	570	233	337	447	611	672
Debt Securities	5,065	3,528	2,650	2,136	1,995	1,502
Deposits by Banks	5,440	3,628	2,700	2,249	2,324	1,971
Deposits by Customers	321	-	34	33	86	82
Debt Securities in Issue	-	-	253	253	253	253
Shareholders' Funds	270	195	136	136	136	95
<i>Profit and Loss Account</i>						
Interest Income	35.52	33.90	31.93	21.91	17.21	12.20
Other Income	5.56	3.51	0.86	4.05	2.16	2.22
Administration Expenses	7.56	6.90	6.56	6.23	4.84	3.60
Provision for Risks	3.00	3.70	6.80	2.85	1.80	1.84
Profit before Tax	30.52	26.81	19.43	16.88	12.73	8.98
Profit After Tax	27.16	24.10	17.38	15.20	11.44	8.06