

Report and Financial Statements 2004



Year ended 31 December 2004

Contents

Directors and other Information	5
Report of the Directors	6-12
Independent Auditors' Report	13-14
Accounting Policies and Estimates	15-17
Profit and Loss Account	19-20
Balance Sheet	21
Cash Flow Statement	23
Notes to the Financial Statements	24-50



Directors and other Information

Board of Directors

Dr. N. Schraad (Chairman)
R. Krick
L. Steinborn-Reetz
P. Murray
P. Smyth
E. Hanly
N. O'Byrne

Secretary

Wilton Secretarial Limited

Registered Office

P.O. Box 3137
5 George's Dock
IFSC
Dublin 1
Registered Number: 166933

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

Solicitors

William Fry
Fitzwilton House
Wilton Place
Dublin 2

Report of the Directors

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

Statement of Directors' Responsibilities

Irish Company law 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 bank and of the profit or loss of the bank for that period. In preparing the financial statements, the directors are required to: –

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish Statute comprising the Companies Acts, 1963 to 2003 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. The directors are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the bank's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Books of Account

The measures taken by the directors to secure compliance with the bank's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at P.O. Box 3137, Guild Street, IFSC, Dublin 1. Helaba Dublin is moving to new office premises before the end of March 2005. The new address, where the books of account will be kept is P.O. Box 3137, 5 George's Dock, IFSC, Dublin 1.

Principal Activities and Review of the Business

Background of the Bank

Helaba Dublin was founded in November 1990 under the name "Helaba Asset Management". On 1 December 1993, the company received its banking licence from the Central Bank of Ireland and changed its name to Helaba Dublin Landesbank Hessen-Thüringen International ("Helaba Dublin"). It is wholly owned by Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt ("Helaba") which senior, unsecured debt is rated "Aaa"/"AAA"/"AA+" by the leading international rating agencies Moody's Investors Service, FitchRatings and Standard & Poor's respectively. The legal form of Helaba Dublin is that of a private unlimited company. In addition, Helaba submitted a letter of comfort to the Central Bank of Ireland in favour of Helaba Dublin.

In view of its legal status and the assertion by the parent company that Helaba Dublin will always be in a position to meet its liabilities (see “ultimate holding company”), Helaba Dublin was assigned a short term debt rating of “A-1+” and a long-term senior unsecured debt rating of “AA” by Standard & Poor’s Corp.

The guarantees of the owners of Landesbank Hessen-Thüringen Girozentrale (the Savings Banks and Giro Association of Hesse-Thuringia and the Federal States of Hesse and Thuringia) in the form of Anstaltslast (statutory liability) and Gewährträgerhaftung (guarantor obligation) ensure a high credit quality of Helaba. The German authorities and the European Commission agreed, in July 2001 and February 2002, on a restructuring of the guarantee mechanisms of German public banks. Anstaltslast can be maintained in its present form until 18 July 2005. Gewährträgerhaftung will phase out as from 19 July 2005:

- Existing obligations at 18 July 2001 maturing any time will be covered by Gewährträgerhaftung;
- New obligations incurred between 19 July 2001 and 18 July 2005 and maturing by 31 December 2015 will also be covered by Gewährträgerhaftung;
- New obligations incurred between 19 July 2001 and 18 July 2005 and maturing after 31 December 2015 will be guaranteed until 18 July 2005;
- New obligations incurred after 18 July 2005 will not be guaranteed.

Helaba’s senior unsecured unguaranteed obligations (obligations not covered by Gewährträgerhaftung) are rated “Aa2”/“A+”/“A” (long-term) by Moody’s Investors Service, FitchRatings, and Standard & Poor’s respectively. Helaba Dublin’s senior unsecured unguaranteed obligations are rated “A” (long-term) by Standard & Poor’s.

Landesbank Hessen-Thüringen Girozentrale opened a branch
 – Helaba Irish Branch – in Dublin on 2 January 2001.

Performance of the Bank

In its fourteenth year, Helaba Dublin had an decrease in its total balance sheet from € 3,843 million to € 3,799 million (1%). This decrease was mainly due to the decrease in the bank’s holding of loans and advances to banks and in loans and advances to customers, offset by an increase in debt securities and other fixed income securities.

Lending Activity

In the year under review, total loans and advances to corporate customers and public law entities decreased by € 120 million or 5.55% to € 2,051 million, while loans and advances to banks in excess of 1 year reduced by € 20 million or 100% to nil.

Total loans and advances to corporate customers, public law entities and banks (in excess of 1 year) represented 54% of the total balance sheet. They were granted in all major currencies with fixed or variable interest rates.

**Debt Securities and other
Fixed Income Securities**

The Bank's securities portfolio increased by € 136 million or 9% to € 1,634 million. Securities issued by banks and building societies amount to € 1,214 million and by other issuers to € 420 million. The securities held are primarily floating rate notes issued in various currencies with an average remaining maturity of 4.68 years.

**Money Market,
Foreign Exchange and
Derivatives Business**

Money market, foreign exchange and derivative instruments were only utilised to a very limited extent for proprietary trading and principally served as funding and hedging tools for the asset side. Deposits by banks increased by € 30 million to € 332 million. Other customer deposits decreased by € 74 million to € 2,608 million, of which € 1,615 million have a maturity of more than 5 years. The outstandings under a USD 1.5 billion Euro Commercial Paper (ECP) Program, signed on 29 August 1997 as USD 1 billion and increased to USD 1.5 billion on 16 November 1999, amounted to € 655 million (USD 892 million) at year end. This program was assigned a short term rating of "A-1+" by Standard and Poor's Corp.

**Profit and Loss Account,
Dividends and Reserves**

in thousand €

	2004
Profit for the financial year after tax	17,416
Dividend proposed	-21,775
(Loss) retained for the year	-4,359
Balance at beginning of year	14,240
Balance at end of year	<u>9,881</u>

Net interest income increased from € 13.8 million to € 16.9 million, largely due to the receipt of € 4 million upon early termination of a swap connected with a structured finance deal. Excluding the effect of this item, net interest income fell by € 0.9 million, due to decreased lending activity and the flattened yield curve in money capital markets. Fees and commissions earned increased by € 1.9 million to € 5.7 million, largely due to the early recognition of deferred fee income following the early termination of several structured finance deals.

Capital

The Bank's capital is presently € 125 million.

The Tier 1 Capital/Risk Assets ratio remained well above minimum requirements.

Staff

At year-end 32 employees were employed by the company. The Directors would like to take this opportunity to thank the employees for their dedication and loyalty during the year.

Events since the Year End	There have been no significant events since the year end.
Safety, Health and Welfare of Employees	It is the policy of the bank to ensure the health and welfare of its employees by maintaining a safe place and system of work. This policy is based on the requirements of employment legislation, including the Safety, Health and Welfare at Work Act, 1989.
Future Developments	During the year 2005 the bank will continue to develop its international customer base for the provision of short and long term, fixed or variable interest rate financing facilities to mainly non-bank customers, continue to broaden its short and long term funding arrangements with banks and non-banks and increase its range of non-lending services for customers.
Directors	<p>The names of the persons who were directors during the year ended 31 December 2004 are set out below. They served as directors for the entire year, except where noted.</p> <p>Dr. N. Schraad (German) R. Krick (German) L. Steinborn-Reetz (German) P. von Gordon (Resigned 13 January 2004) (German) P. Murray P. Smyth E. Hanly N. O'Byrne</p> <p>The directors are not required to retire by rotation under the terms of the bank's Articles of Association.</p>
Ultimate Holding Company	<p>The ultimate holding company of Helaba Dublin Landesbank Hessen-Thüringen International is Landesbank Hessen-Thüringen Girozentrale ("Helaba"), Federal Republic of Germany which has stated that it will ensure that Helaba Dublin Landesbank Hessen-Thüringen International will always be in a position to meet its liabilities for so long as it remains a subsidiary of Helaba.</p> <p>The existing guarantees of the owners of Helaba will be abolished after 18 July 2005 in case of Anstaltslast (statutory liability) respectively will phase out as from 19 July 2005 in case of Gewährträgerhaftung (guarantor obligation) (see "Background of the Bank"). Helaba's senior unsecured unguaranteed obligations (obligations not covered by Gewährträgerhaftung) are rated "Aa2"/"A+"/"A" (long-term) by Moody's Investors Service, FitchRatings, and Standard & Poor's respectively.</p>
Directors' and other Interests	None of the directors in office at 31 December 2004 had any interest in the shares or debentures of the bank, its holding company or other group companies.

Transactions involving Directors

Dr. N. Schraad, Chairman of the Board of Directors received a loan of T € 52 from the bank on the 30 June 2002, at a fixed rate of interest of 6.5%, which is repayable on the 18 December 2023. At the 31 December 2004, after capitalisation of interest in 2004 of T € 3, and repayments in 2004 of T € 2, T € 55 of this loan was outstanding.

There were no transactions involving the other directors during the year as defined by Section 41 of the Companies Act 1990.

Risk Management and Control

The Board of Directors approves the policy, the limits and the process for the monitoring of risk. The policy includes the product groups and markets in which trading may be transacted, the type, scope, legal form and documentation of trading transactions and the counterparties with whom transactions may be concluded. It also sets out the procedures for the measurement, analysis, monitoring and controlling of risks.

Credit Risk

The Bank's credit risk is monitored in accordance with the credit risk procedures of Helaba Group, with a particular focus on the higher quality/lower risk end of the market (minimum investment grade rating or equivalent credit quality). All assets are regularly reviewed by the Board of Directors, with a formal review of all risk weighted assets on a minimum basis of at least once every 12 months.

All assets must comply with sectoral and other regulatory limits as set out in the credit risk procedures.

Liquidity Risk

The Bank's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding and to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, and through wholesale funding facilities, including a USD 1.5 billion ECP program and management control of the growth of the business.

Currency Risk

After hedging, the bank has no substantial net exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates.

Interest Rate Risk

The net interest income of the bank is exposed to movements in interest rates due to the controlled mismatching of the dates on which assets and liabilities mature or are reset to market rates. We refer to the Interest Rate Repricing table in note 30. This table sets out these mismatches on the trading and non-trading book, having taken into account the hedging effect of interest rate swaps as at 31 December 2004.

Trading Book

The trading book positions giving rise to interest rate risk are derivatives with exposures maturing within 24 months, and trading securities with a remaining maturity not exceeding 5 years.

Banking Book

The interest rate risk has been limited by the bank to cash positions up to 12 months and off-balance sheet positions up to 24 months, with the exception of assets funded with the € 125 million share capital. All other fixed rate interest positions maturing after 12 months are hedged using interest rate swaps with 3 or 6 monthly fixings.

A single system is used by the Helaba group for the measurement of the interest rate risk. This system monitors the risk and reviews the limit utilisation on a daily basis. The limits of the bank are allocated to it by the group Board of Directors and these limits are then approved by the Board of Directors of the bank.

Value at Risk is called Money at Risk (MaR) in Helaba. Money at Risk is the potential loss in value of the group's positions which might arise due to movements in markets over a defined time horizon with a specified confidence level.

The bank's MaR, calculated on a variance/covariance basis, uses a ten day time horizon and a 99% confidence level. This means that there is a one in a 100 chance that the ten day losses will exceed the MaR. The effectiveness of MaR is assessed by back-testing, which compares the estimated MaR against the realised losses. This is done for a one day horizon and a 99% confidence level.

The MaR for the bank at 31 December 2004 was € 3,636,641 and the average, highest and lowest during the year to 31 December 2004 were € 3,794,428, € 6,003,069 and € 1,850,893 respectively.

The modelling of the risk characteristics of the bank's positions involves a number of assumptions and estimates. The MaR calculation depends on the following parameters:

- daily business data after system end of day
- daily FX rates
- daily interest rates
- volatilities monthly (calculated on a 250-day basis, and relative changes in interest rates are considered)
- correlations monthly (calculated on a 250-day basis, and relative changes in interest rates are considered).

All parameters, with the exception of the daily business data, are fed into the system centrally in Frankfurt for the whole Helaba group.

The MaR model is being continuously developed and the quality is monitored. Currently, five interest rate curves are used for each currency to model spread risks.

Auditors

The auditors, PricewaterhouseCoopers, offer themselves for re-appointment in accordance with section 160(2) of the Companies Act, 1963.

Dr. N. Schraad, *Chairman of the Board of Directors*

P. Murray, *Managing Director*

P. Smyth, *Managing Director*

Wilton Secretarial Limited, *Company Secretary*

16 March 2005

Independent Auditors' Report

To the Members of Helaba Dublin Landesbank Hessen-Thüringen International

We have audited the financial statements on pages 15 to 50.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance. We have also audited the information on risk management and control on pages 10 and 11.

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 applicable in Ireland. This report, including the opinion, has been prepared for and only for the bank's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by prior consent in writing.

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 Irish Statute comprising the Companies Acts, 1963 to 2003, and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the bank has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the bank to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the bank, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information required by law regarding directors' remuneration and transactions is not disclosed.

Basis of 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 bank's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the bank's affairs at 31 December 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with 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 bank. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 6 to 12 is consistent with the financial statements.

The net assets of the bank, as stated in the balance sheet on page 21, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2004, 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 bank.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

16 March 2005

Accounting Policies and Estimates

The significant accounting policies adopted by the bank are as follows:

Basis of Preparation

The financial statements are prepared under the historical cost convention and in accordance with the accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2003, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the British Banking Association's Statements of Recommended Practice ("SORPs").

Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation.

Depreciation is calculated in order to write off the cost of tangible assets over their estimated useful lives by equal annual instalments.

The estimated useful lives of tangible assets by reference to which depreciation has been calculated are as follows:

Office furniture	Average approximately	10 years
Computer equipment		3 years
Fixtures and fittings		5 years
Motor Vehicles		4 years

Reporting Currency

The financial statements are prepared in thousand Euro, denoted by the symbol "T€".

Income and Expense Recognition

Interest income and expense are recognised in the profit and loss account on an accruals basis. Fees and commissions received for services provided are recognised when earned.

Foreign Currencies

All monetary assets and liabilities, denominated in currencies other than Euro are translated into Euro at the exchange rate ruling at the balance sheet date or at the hedge rates where appropriate.

Tangible assets are translated at the historical rate.

The monthly revenues and costs arising in currencies other than Euro are translated into Euro at the relevant exchange rate at each month end.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in currencies other than Euro are dealt with through the profit and loss account.

Deferred Taxation

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Debt Securities

Debt securities intended for use on a continuing basis in the bank's activities are classified as investment securities and are stated at cost less provision for any permanent diminution in value. The cost of investment securities in dated stocks is adjusted for the amortisation of premiums or discounts over the period to maturity. The amortisation of premiums or discounts is included in interest income.

Trading securities are stated at fair value. Changes in the fair value of such securities are recognised in the profit and loss account. Profits and losses on disposals are recognised when realised and included in dealing profits.

Capital Instruments

Issue expenses of capital instruments are deducted from the proceeds of issue and, where appropriate, are amortised to profit and loss account so that the finance costs are allocated to accounting periods at a constant rate based on the carrying amount of the instruments.

Derivatives


The bank uses derivative instruments, such as interest rate swaps, financial futures and forward rate agreements, in trading activities and to hedge interest rate exposures. Profits and losses arising from trading activities are taken to the profit and loss account using the mark to market method of accounting. Profits and losses arising from hedging activities are amortised over the lives of the underlying transactions.

The bank uses derivative instruments, such as forward foreign exchange contracts to hedge foreign exchange exposures and in trading activities. Profits and losses arising from these retranslations and from trading activities are included, as appropriate, having regard to the nature of the transactions, in other income or dealing profits.

Pensions

The pension obligations of the bank are met by payments to a pension plan, the annual contributions to which are dealt with in the profit and loss account in the accounting year to which they relate.



Helaba | 

Profit and Loss Account

Year ended 31 December 2004

in thousand €

	Notes	Year ended 2004	Year ended 2003
Interest receivable and similar income			
Interest receivable and similar income arising from debt securities and fixed income securities	2	38,063	32,646
Other interest receivable and similar income	2	195,614	199,750
Interest payable and similar charges		-216,788	-218,610
Net interest income		16,889	13,786
Other income			
Fees and commissions receivable		5,662	3,744
Fees and commissions payable		-653	-1,045
Profit on sale of Schuldscheindarlehen		1,601	-
Profit on dealing	29	1,117	820
Rental income		5,877	6,324
Rental expenses		-5,877	-6,324
Other operating expense		-143	-78
Total other income		7,584	3,441
Other expenses			
Administrative expenses	3	-3,862	-4,113
Depreciation	13	-105	-98
Provision for credit risk	11	-1,157	-104
Total other expenses		-5,124	-4,315
Profit on ordinary activities before tax		19,349	12,912
Tax on profit on ordinary activities	4	-1,933	-1,228
Profit on ordinary activities after tax		17,416	11,684
Dividends	5	-21,775	-10,000
(Loss)/Profit retained for the year		-4,359	1,684
Balance at beginning of year		14,240	12,556
Balance at end of year	6	9,881	14,240

Profit on ordinary activities arose solely from continuing operations. There are no recognised gains or losses other than those included in the profit and loss account. There is no difference between the profit on ordinary activities before taxation and the retained profits for the years stated above, and their respective historical cost equivalents.

Dr. N. Schraad, *Chairman of the Board of Directors*
P. Murray, *Managing Director*
P. Smyth, *Managing Director*
Wilton Secretarial Limited, *Company Secretary*

16 March 2005

The accounting policies on pages 15 to 17 and the notes to the financial statements on pages 24 to 50 form part of these accounts.

Balance Sheet

31 December 2004

in thousand €

	Notes	2004	2003
Assets			
Cash and balances with Central Banks		13,110	15,347
Loans and advances to banks	9	65,442	117,282
Loans and advances to customers	10	2,049,298	2,171,194
Debt securities and other fixed income securities	12	1,634,192	1,498,339
Tangible fixed assets	13	268	225
Deferred tax	14	352	230
Prepayments and accrued income	15	36,181	40,200
Total Assets		3,798,843	3,842,817
Liabilities			
Deposits by banks	16	332,507	302,372
Customer accounts	17	2,607,673	2,681,628
Debt securities in issue	18	654,943	655,695
Other liabilities	19	21,775	10,000
Accruals and deferred income	20	45,860	52,992
Provisions for liabilities and charges	21	1,204	890
		3,663,962	3,703,577
Shareholders' funds			
Called up equity share capital	22	125,000	125,000
Profit and loss account	6	9,881	14,240
	23	134,881	139,240
Total liabilities and shareholders' funds		3,798,843	3,842,817
Memorandum items			
Guarantees and irrevocable letters of credit	33	2,348,848	2,469,952
Commitments	33	97,556	7,264

Dr. N. Schraad, *Chairman of the Board of Directors*P. Murray, *Managing Director*P. Smyth, *Managing Director*Wilton Secretarial Limited, *Company Secretary*

16 March 2005

The accounting policies on pages 15 to 17 and the notes to the financial statements on pages 24 to 50 form part of these accounts.



Cash Flow Statement

Year ended 31 December 2004

in thousand €

	Notes	Year ended 2004	Year ended 2003
Net cash outflow from operating activities	(A)	-94,323	-86,754
Equity dividends paid		-10,000	-5,000
Taxation paid		-1,741	-1,503
Capital expenditure and financial investment	24	99,735	85,862
Decrease in cash	25	-6,329	-7,395
(A) Reconciliation of operating profit to net cash outflow from operating activities			
Operating profit		19,349	12,912
Decrease in prepayments and accrued income		4,019	6,574
Decrease/(increase) in accruals and deferred income		-7,132	586
Depreciation		105	98
Profit on sale of asset		-8	-
Amortisation of premiums net of discounts on debt securities held as financial fixed assets		-228	-263
Net cash inflow from trading activities		16,105	19,907
Net increase/(decrease) in deposits by banks		29,600	-6,435
Net (decrease)/increase in customer accounts		-73,955	321,812
Net decrease in debt securities in issue		-752	-105,178
Net decrease/(increase) in loans and advances to customers		121,896	-115,432
Net decrease in loans and advances to banks		48,283	50,935
Net increase in debt securities held for trading purposes		-261,165	-326,222
Effect of exchange translation and other adjustments		25,665	73,859
		-110,428	-106,661
Net cash outflow from operating activities		-94,323	-86,754

Notes to the Financial Statements

1. Ultimate Holding Company

The ultimate holding company of Helaba Dublin Landesbank Hessen-Thüringen International is Landesbank Hessen-Thüringen Girozentrale, Federal Republic of Germany which, in a letter of comfort to the Central Bank of Ireland, has stated that it will ensure that Helaba Dublin Landesbank Hessen-Thüringen International will always be in a position to meet its liabilities for so long as it remains a subsidiary of Landesbank Hessen-Thüringen Girozentrale.

Landesbank Hessen-Thüringen Girozentrale is the parent company of the only group for which group financial statements are drawn up and of which the bank is a member. Copies of the financial statements of Landesbank Hessen-Thüringen Girozentrale may be obtained from their registered offices at Neue Mainzer Straße 52-58, D-60311, Frankfurt am Main and Bonifaciusstraße 3, D-99084, Erfurt, Federal Republic of Germany.

2. Interest Receivable

in thousand €

	2004	2003
Included in interest income		
– Income from listed securities	36,919	31,805
– Income from unlisted securities	1,144	841
	38,063	32,646

Other interest receivable and similar income includes € 4 million in relation to the early termination of a swap connected with a structured finance deal.

3. Administrative Expenses

in thousand €

	2004	2003
Staff costs:		
– Salaries	1,539	1,634
– Social security costs	117	121
– Other staff costs	240	276
	1,896	2,031
Other administrative expenses	1,966	2,082
	3,862	4,113
Included in administrative expenses		
– Auditors' remuneration	29	31
– Operating lease rentals: property	516	454

4. Taxation

in thousand €

	2004	2003
(A) Based on profit for the year		
Corporation tax at 10%	2,049	1,248
Corporation tax at 12.5% (2003: 12.5%)	10	7
(Overaccrual) re prior year	-4	-25
	<u>2,055</u>	<u>1,230</u>
(B) Deferred tax		
Capital allowances in excess of depreciation	4	-2
Other timing differences	-126	-
	<u>-122</u>	<u>-2</u>
	<u>1,933</u>	<u>1,228</u>

(A) Helaba Dublin has received a certificate from the Minister for Finance in Ireland confirming that all qualifying income on financial services activities are subject to Corporation Tax at the reduced rate of 10%.

(B) Provision has been made for deferred tax as there are material timing differences between profits as computed for tax purposes and accounting purposes.

The current tax charge for the year is lower than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:

	2004	2003
Profit on ordinary activities before tax	19,349	12,912
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2003: 12.5%)	2,419	1,614
Effects of:		
Disallowable expenses	158	5
Capital allowances in excess of depreciation	-3	5
Double rent deduction	-3	-57
Section 446 TCA 1997 relief	-512	-312
Adjustment to tax charge in respect of previous years	-4	-25
Current tax charge for the year	2,055	1,230

(The ending of the special IFSC 10% tax rate on the 31 December 2005 will increase the bank's effective tax rate in the future years).

5. Dividends

in thousand €

	2004	2003
Proposed – interim ordinary dividend of € 0.1742 (2003: € 0.08) per share	21,775	10,000
	21,775	10,000

**6. Statement of Movement
in Profit & Loss Account**

in thousand €

	2004	2003
Balance at beginning of year	14,240	12,556
Profit for the year	17,416	11,684
Dividend proposed	-21,775	-10,000
Balance at end of year	9,881	14,240

7. Directors' Remuneration

in thousand €

	2004	2003
Emoluments		
– for services as directors	20	20
– for other services	358	522
	378	542

8. Particulars of Staff

	2004	2003
The average number of persons employed by the bank during the year was	32	35

**9. Loans and Advances
to Banks**

in thousand €

	2004	2003
Repayable on demand	1,528	5,085
Repayable in not more than three months	54,192	87,230
Repayable in more than three months but not more than one year	9,722	5,113
Repayable in more than one year but not more than five years	–	19,854
	65,442	117,282
Included in the above are:		
Claims on Group undertakings	6,205	20,116

**10. Loans and Advances
to Customers**

in thousand €

	2004	2003
Repayable in not more than three months	101,921	90,522
Repayable in more than three months but not more than one year	124,955	96,528
Repayable in more than one year but not more than five years	660,795	919,104
Repayable in more than five years	1,161,627	1,065,040
	2,049,298	2,171,194
Included in the above are:		
Claims on Group undertakings	–	–

11. Provision for Credit Risk

in thousand €

	2004	2003
Against loans and advances to customers – General	1,500	1,500
Against loans and advances to customers – Specific	1,261	104
Against debt securities and other fixed income securities – General	1,000	1,000
Against debt securities and other fixed income securities – Specific	2,000	2,000
At end of year	5,761	4,604
Increase during the year:		
Against loans and advances to customers – Specific	1,157	104
	1,157	104

These provisions are netted against the relevant financial statements captions.

12. Debt Securities and other Fixed Income Securities

in thousand €

	2004	2003
Held as financial fixed assets		
Bank and building societies	322,321	369,780
Other debt securities	337,083	414,936
	659,404	784,716
Held for trading purposes		
Bank and building societies	892,099	580,472
Other debt securities	82,689	133,151
	974,788	713,623
Total debt securities	1,634,192	1,498,339

	2004	2003	
Analysed by remaining maturity			
Due within one year	340,280	135,815	
Due one year and over	1,293,912	1,362,524	
	1,634,192	1,498,339	
Analysed by listing status			
Held as financial fixed assets			
Listed on a recognised stock exchange	649,404	774,716	
Unlisted	10,000	10,000	
	659,404	784,716	
Market value of listed securities	643,021	763,323	
Held for trading purposes			
Listed on a recognised stock exchange	918,979	701,601	
Unlisted	55,809	12,022	
	974,788	713,623	
Market value of listed securities	918,979	701,601	
Analysis of movements in debt securities held as financial fixed assets			
	Cost	Amortised Discounts/Premiums	Book Value
At 1 January 2004	783,768	948	784,716
Redemptions	-99,753	-122	-99,875
Amortisation of net discounts and premiums	-	228	228
Exchange translation adjustments	-25,665	-	-25,665
At 31 December 2004	658,350	1,054	659,404
	2004	2003	
Unamortised net discounts/(premiums)	337	512	

13. Tangible Assets in thousand €	Fixtures and fittings	Computer equipment	Office furniture	Motor vehicles	Total
Cost					
At 1 January 2004	122	425	202	89	838
Additions	4	102	–	42	148
Disposals	–2	–23	–	–53	–78
At 31 December 2004	124	504	202	78	908
Accumulated depreciation					
At 1 January 2004	87	349	112	65	613
Charge for year	12	59	16	18	105
Disposals	–2	–23	–	–53	–78
At 31 December 2004	97	385	128	30	640
Net book amount					
At 31 December 2003	35	76	90	24	225
At 31 December 2004	27	119	74	48	268

14. Deferred Tax in thousand €	2004	2003
Deferred taxation assets in the accounts amount to:		
Short term timing differences	376	250
Capital allowances on assets	–24	–20
	352	230
Analysis of movements on deferred taxation		
At 1 January	230	228
Profit and loss account taxation credit	122	2
At 31 December	352	230

**15. Prepayments
and Accrued Income**
in thousand €

	2004	2003
Interest receivable	32,111	32,011
Other debtors	4,070	8,189
	36,181	40,200

16. Deposits by Banks
in thousand €

	2004	2003
Repayable on demand	829	294
Repayable in not more than three months	319,845	288,535
Repayable in more than three months but not more than one year	11,833	13,543
	332,507	302,372
Included in the above are:		
Liabilities to Group undertakings	38,973	294

17. Customer Accounts
in thousand €

	2004	2003
Repayable on demand	33,753	113,238
Repayable in not more than three months	88,267	94,085
Repayable in more than three months but not more than one year	74,750	56,311
Repayable in more than one year but not more than five years	795,837	686,720
Repayable in more than five years	1,615,066	1,731,274
	2,607,673	2,681,628
Included in the above are:		
Liabilities to Group undertakings	4,872	3,471

18. Debt Securities in Issue

in thousand €

	2004	2003
Repayable in not more than three months	654,943	604,428
Repayable in more than three months but not more than one year	–	51,267
	654,943	655,695

These debt securities have been issued under a USD 1.5 billion Euro Commercial Paper Program, which was signed on 29 August 1997 as USD 1 billion, and increased to USD 1.5 billion on 16 November 1999. It is a multi-currency program subject to terms and conditions.

19. Other Liabilities

in thousand €

	2004	2003
Dividend proposed	21,775	10,000
	21,775	10,000

20. Accruals and Deferred Income

in thousand €

	2004	2003
Interest payable	26,780	26,733
Other accruals	19,080	26,259
	45,860	52,992

Other accruals include deferred fee income on loans of T € 14,813 (2003: T € 16,779).

21. Provisions for Liabilities and Charges

in thousand €

	2004	2003
Provision for corporation tax	1,204	890
	1,204	890

The corporation tax provision is net of preliminary tax paid for 2004 of T € 855 (2003: T € 365).

22. Equity Share Capital

in thousand €

	2004	2003
Authorised:		
125,000,000 ordinary shares of € 1 each	<u>125,000</u>	<u>125,000</u>
Issued and fully paid:		
125,000,000 ordinary shares of € 1 each	<u>125,000</u>	<u>125,000</u>

**23. Reconciliation of Movements
in Shareholders' Funds**

in thousand €

	2004	2003
Profit on ordinary activities after tax	17,416	11,684
Dividend proposed	-21,775	-10,000
Net (deduction from)/addition to equity shareholders' funds	-4,359	1,684
Opening equity shareholders' funds	139,240	137,556
Closing equity shareholders' funds	<u>134,881</u>	<u>139,240</u>

**24. Capital Expenditure and
Financial Investment**

in thousand €

	2004	2003
Purchase of tangible fixed assets	-148	-52
Sale of tangible fixed assets	8	-
Sale of financial fixed assets	99,875	89,914
	<u>99,735</u>	<u>89,862</u>

25. Cash and Cash Equivalents

in thousand €

	2004	2003
Balance at beginning of year	20,138	27,533
(Decrease) in cash and cash equivalents	-6,329	-7,395
Balance at end of year	13,809	20,138
Represented by:		
Cash at bank	13,110	15,347
Loans and advances to banks repayable on demand	1,528	5,085
Deposits by banks repayable on demand	-829	-294
	13,809	20,138

For the purposes of the cash flow statement, cash equivalents are short term highly liquid investments, which are readily convertible into known amounts of cash without notice.

26. Pensions

Pensions for employees arise from a defined contribution scheme. These pensions are funded through an external pension scheme for the sole benefit of qualifying employees or their dependants. The pension cost charge for the year was T € 131 (2003: T € 140) and outstanding contributions at the balance sheet date amounted to T € Nil (2003: T € Nil).

27. Segmental Reporting

The bank has only one main class of business, which is that of the provision of financing facilities, which is carried out from its sole office in Ireland.

28. Currency Information

in thousand €

	2004	2003
(i) Total Assets		
Euro	2,693,197	2,758,518
Other	1,105,646	1,084,299
	<u>3,798,843</u>	<u>3,842,817</u>
(ii) Total liabilities		
Euro	2,716,161	2,797,243
Other	1,082,682	1,045,574
	<u>3,798,843</u>	<u>3,842,817</u>

29. Derivative Transactions

General

Transactions are undertaken in derivative financial instruments, which include interest rate swaps, cross-currency swaps, futures and forward rate agreements, for trading and non-trading purposes. Non-trading transactions are undertaken in order to reduce exposure to movements in interest and foreign exchange rates and to generate income. These derivatives involve, to varying degrees, exposure to loss in the event of default by a counterparty and exposure to future changes in interest and exchange rates.

Derivatives classified as non-trading are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange rates and interest rates inherent in the bank's non-trading assets, liabilities and positions. A derivative is designated as non-trading where there is an offset between the effects of potential movements in market rates on the derivative and the non-trading asset, liability or position being hedged. Non-trading derivatives are accounted for on an accruals basis, consistent with the assets, liabilities or positions being hedged.

The bank's objectives and policies in managing the risks that arise in connection with the use of financial instruments are set out on pages 10 to 11 of the Report of the Directors, under the heading of "Risk Management and Control".

The information below gives the nominal principal contract amounts, and risk weighted amounts of off-balance sheet transactions. The nominal principal contract amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Irish Financial Services Regulatory Authority's guidelines implementing the European Union Own Funds and Solvency Directives.

Trading Derivatives

Trading positions may be maintained in forward rate agreements and futures. The following table represents the underlying principal amounts, risk weighted amounts and replacement cost classified by class of derivative trading position held at 31 December 2004:

**Interest Rate
Contracts – Trading**
in thousand €

	2004	2003
Underlying principal amount	–	200,000
Risk weighted amount	–	5
Replacement cost	–	–

Notes:

- (i) Under the Basle agreement, a credit conversion factor is applied to the contract amount to obtain the credit equivalent amount, which is then risk weighted according to the counterparty.
- (ii) For interest rate and exchange rate contracts, replacement cost is obtained by marking all contracts with a positive value to market, plus an additional amount which relates to potential future credit exposure.

**Analysis of
Dealing Profits**
in thousand €

	2004	2003
Profit on dealing can be analysed as follows: –		
Forward rate agreements	116	–
Foreign exchange	–3	59
Trading bonds	1,004	761
	1,117	820

Non-Trading Derivatives

As explained in the Report of the Directors on pages 10 to 11, under the heading of “Risk Management and Control”, the bank’s policy is to hedge through interest rate and foreign exchange rate contracts the repricing or maturity characteristics of assets and liabilities in order to achieve liquidity and risk management objectives. The following table provides examples of the main activities undertaken by the bank, the related risks associated with such activities and the types of derivatives used in managing such risks.

Activity	Risk	Type of Hedge
Fixed Rate Lending	Sensitivity to increases in interest rates	Pay fixed interest rate swaps
Fixed Rate Funding	Sensitivity to decreases in interest rates	Receive fixed interest rate swaps
Investment in foreign currency assets	Sensitivity to changes in currency exchange rates	Cross currency swaps Forward foreign exchange contracts
Profits earned in foreign currencies	Sensitivity to changes in currency exchange rates	Forward foreign exchange contracts

The fluctuations in value of non-trading derivatives will be offset by the unrealised appreciation or depreciation of the hedged item.

The table below represents the underlying principal amounts, risk weighted amounts and replacement cost classified by class of derivative position utilised for non-trading at 31 December 2004:

**Exchange Rate Contracts
– Non Trading**
in thousand €

	2004	2003
Underlying principal amount	290,994	413,328
Risk weighted amount	6,877	8,581
Replacement cost	7,327	12,795

**Interest Rate Contracts
– Non Trading**
in thousand €

	2004	2003
Underlying principal amount	1,285,706	1,265,146
Risk weighted amount	29,401	24,443
Replacement cost	128,004	103,535

Notes:

- (i) Under the Basle agreement, a credit conversion factor is applied to the contract amount to obtain the credit equivalent amount, which is then risk weighted according to the counterparty.
- (ii) For interest rate and exchange rate contracts, replacement cost is obtained by marking all contracts with a positive value to market, plus an additional amount which relates to potential future credit exposure.

**Unrecognised Gains
and Losses on
Hedge Derivatives**

Gains and losses on derivatives used for hedging are recognised in line with the underlying items which are being hedged. The tables below summarise the unrecognised gains and losses on hedges at 31 December 2004 and the movements therein during the year, and the deferred gains and losses on hedges carried forward in the balance sheet at 31 December 2004, pending their recognition in the profit and loss account.

**Unrecognised Gains
and Losses on Hedges**
in thousand €
31 December 2004

	Gains	Losses	Net
Unrecognised gains and losses on hedges at 31 December 2003	116,330	-53,540	62,790
Of which recognised in this year	6,979	-1,659	5,320
Gains and losses arising before 31 December 2003 that were not recognised in the year to 31 December 2004	109,351	-51,881	57,470
Gains and losses arising in the year to 31 December 2004 that were not recognised in that year	25,980	5,155	31,135
Unrecognised gains and losses on hedges at 31 December 2004	135,331	-46,726	88,605
Of which expected to be recognised in the year to 31 December 2005	2,847	-3,136	-289

**Unrecognised Gains
and Losses on Hedges**
in thousand €
31 December 2003

	Gains	Losses	Net
Unrecognised gains and losses on hedges at 31 December 2002	127,864	-79,316	48,548
Of which recognised in this year	9,547	-2,908	-6,639
Gains and losses arising before 31 December 2002 that were not recognised in the year to 31 December 2003	118,317	-76,408	41,909
Gains and losses arising in the year to 31 December 2003 that were not recognised in that year	-1,987	22,868	20,881
Unrecognised gains and losses on hedges at 31 December 2003	116,330	-53,540	62,790
Of which expected to be recognised in the year to 31 December 2004	6,979	-1,659	5,320

**Gains and Losses on
Hedges carried forward
in the Balance Sheet**

in thousand €

31 December 2004

	Gains	Losses	Net
Gains and losses carried forward in the balance sheet as at 31 December 2003	12	-163	-151
Of which recognised in this year	12	-159	-147
Gains and losses arising in the year to 31 December 2004 that were not recognised in the year	-	-	-
Gains and losses carried forward in the balance sheet as at 31 December 2004	<u>-</u>	<u>-4</u>	<u>-4</u>
Of which expected to be recognised in the year to 31 December 2005	-	-4	-4

**Gains and Losses on
Hedges carried forward
in the Balance Sheet**

in thousand €

31 December 2003

	Gains	Losses	Net
Gains and losses carried forward in the balance sheet as at 31 December 2002	24	-321	-297
Of which recognised in this year	12	-158	-146
Gains and losses arising in the year to 31 December 2003 that were not recognised in the year	-	-	-
Gains and losses carried forward in the balance sheet as at 31 December 2003	<u>12</u>	<u>-163</u>	<u>-151</u>
Of which expected to be recognised in the year to 31 December 2004	12	-163	-151

To date, no credit derivative transactions have been entered into.

**30. Interest Rate
Repricing Table**

Interest rate sensitivity gap analysis

The tables below summarise the repricing mismatches on the Bank's non-trading book as at 31 December 2004 and 31 December 2003.

Items have been allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date, before taking account of the effect of the related off-balance sheet items. The effect of the latter is disclosed as a single line item in the table.

At 31 December 2004								
Assets		0-3	>3-6	>6-12	>1-5 yrs	>5 yrs	Non-	Total
in thousand €		mths	mths	mths			interest	
							bearing	
Cash and balances with Central Banks	13,110	-	-	-	-	-	-	13,110
Loans and advances to banks	55,720	9,722	-	-	-	-	-	65,442
Loans and advances to customers	233,400	38,223	46,957	569,091	1,161,627	-	-	2,049,298
Debt securities and other fixed income securities	1,631,266	2,926	-	-	-	-	-	1,634,192
Tangible fixed assets	-	-	-	-	-	-	268	268
Deferred tax	-	-	-	-	-	-	352	352
Prepayments and accrued income	-	-	-	-	-	-	36,181	36,181
Total assets	1,933,496	50,871	46,957	569,091	1,161,627	36,801	3,798,843	
Liabilities								
Deposits by banks	320,674	-	11,833	-	-	-	-	332,507
Customer accounts	73,977	34,719	88,074	795,837	1,615,066	-	-	2,607,673
Debt securities in issue	654,943	-	-	-	-	-	-	654,943
Other liabilities	-	-	-	-	-	-	21,775	21,775
Accruals and deferred income	-	-	-	-	-	-	45,860	45,860
Provisions for liabilities and charges	-	-	-	-	-	-	1,204	1,204
Shareholders' funds	-	-	-	-	-	-	134,881	134,881
Total liabilities	1,049,594	34,719	99,907	795,837	1,615,066	203,720	3,798,843	
Off balance sheet items	91,507	-495,439	-206,071	197,941	412,062	-	-	
Assets/(liabilities) overhang (Interest rate sensitivity gap)	975,409	-479,287	-259,021	-28,805	-41,377	-166,919		
Cumulative gap	975,409	496,122	237,101	208,296	166,919			

The cumulative interest rate gap arises mainly from the assets funded with share capital, which are classified as non-interest bearing.

30. Interest Rate Repricing Table (continued)

At 31 December 2003 Assets in thousand €	0-3 mths	>3-6 mths	>6-12 mths	>1-5 yrs	>5 yrs	Non- interest bearing	Total
Cash and balances with Central Banks	15,347	–	–	–	–	–	15,347
Loans and advances to banks	97,427	–	–	19,855	–	–	117,282
Loans and advances to customers	205,402	76,333	12,900	596,198	1,280,361	–	2,171,194
Debt securities and other fixed income securities	1,482,527	15,812	–	–	–	–	1,498,339
Tangible fixed assets	–	–	–	–	–	225	225
Deferred tax	–	–	–	–	–	230	230
Prepayments and accrued income	–	–	–	–	–	40,200	40,200
Total assets	1,800,703	92,145	12,900	616,053	1,280,361	40,655	3,842,817
Liabilities							
Deposits by banks	288,830	–	13,542	–	–	–	302,372
Customer accounts	146,275	32,330	–	693,849	1,809,174	–	2,681,628
Debt securities in issue	604,428	51,267	–	–	–	–	655,695
Other liabilities	–	–	–	–	–	10,000	10,000
Accruals and deferred income	–	–	–	–	–	52,992	52,992
Provisions for liabilities and charges	–	–	–	–	–	890	890
Shareholders' funds	–	–	–	–	–	139,240	139,240
Total liabilities	1,039,533	83,597	13,542	693,849	1,809,174	203,122	3,842,817
Off balance sheet items	243,919	–541,020	–4,216	52,259	249,058	–	
Assets/(liabilities) overhang (Interest rate sensitivity gap)	1,005,089	–532,472	–4,858	–25,537	–279,755	–162,467	
Cumulative gap	1,005,089	472,617	467,759	442,222	162,467		

The cumulative interest rate gap arises mainly from the assets funded with share capital, which are classified as non-interest bearing.

31. Fair Values of Derivatives and other Financial Instruments

(a) General

The tables below compare the book and fair values of some of the bank's financial instruments by category as at 31 December 2004 and 31 December 2003. Where available, market values have been used to determine fair values.

Fair values are the amounts at which an asset or liability could be exchanged at market conditions between informed and willing parties, other than in a forced sale. For derivative contracts the fair values estimated are influenced by the valuation method and reflect underlying assumptions made about the discount rate, volatility, and estimates of the amount and timing of the anticipated cash flows. Changes in these assumptions may significantly affect estimated fair values.

The table excludes certain financial assets and liabilities which are not listed or publicly traded, or for which a liquid and active market does not exist. Thus it excludes loans and advances to banks and customers and deposits by banks and customer accounts whose book and fair values may differ.

At 31 December 2004

in thousand €

Assets

Debt securities and other fixed income securities

	Trading fair value	Trading book value	Non-trading fair value	Non-trading book value
Debt securities and other fixed income securities	974,788	974,788	653,021	659,404

Derivatives

Derivatives	–	–	135,331	15,182
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Liabilities

Debt securities in issue

Debt securities in issue	–	–	654,943	654,943
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Derivatives

Derivatives	–	–	46,726	15,702
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At 31 December 2003

in thousand €

Assets

Debt securities and other fixed income securities

	Trading fair value	Trading book value	Non-trading fair value	Non-trading book value
Debt securities and other fixed income securities	713,623	713,623	773,323	784,716

Derivatives

Derivatives	23	23	116,330	18,442
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Liabilities

Debt securities in issue

Debt securities in issue	–	–	655,695	655,695
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Derivatives

Derivatives	–	–	53,540	14,272
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**(b) Derivatives held
for trading purposes**

At 31 December 2004 and 31 December 2003, the notional principal amounts and fair values of trading instruments entered into with third parties were as follows:

At 31 December 2004

in thousand €

Interest rate derivatives

Forward rate agreements

**Balances arising
from trading derivatives**

	Notional principal amount	Year end positive fair value	Year end negative fair value
--	--	---	---

	-	-	-
--	---	---	---

	-	-	-
--	---	---	---

At 31 December 2003

in thousand €

Interest rate derivatives

Forward rate agreements

**Balances arising
from trading derivatives**

	Notional principal amount	Year end positive fair value	Year end negative fair value
--	--	---	---

	200,000	23	-
--	---------	----	---

	200,000	23	-
--	---------	----	---

(c) Derivatives held for non-trading purposes

At 31 December 2004 and 31 December 2003, the notional principal amounts, fair values and book values of non-trading instruments entered into with third parties were as follows:

At 31 December 2004

in thousand €

Interest rate derivatives

	Notional principal amount	Year end positive fair value	Year end positive book value	Year end negative fair value	Year end negative book value
Swaps	1,285,706	128,004	8,535	23,670	9,551
	1,285,706	128,004	8,535	23,670	9,551
Foreign exchange derivatives					
Forward foreign exchange	232,599	4,724	299	11,917	1,044
Cross currency swaps	58,395	2,603	6,348	11,139	5,107
	290,994	7,327	6,647	23,056	6,151
Total	1,576,700	135,331	15,182	46,726	15,702

At 31 December 2003

in thousand €

Interest rate derivatives

	Notional principal amount	Year end positive fair value	Year end positive book value	Year end negative fair value	Year end negative book value
Swaps	1,265,146	103,535	8,519	33,335	9,245
	1,265,146	103,535	8,519	33,335	9,245
Foreign exchange derivatives					
Forward foreign exchange	350,054	8,014	3,614	4,363	–
Cross currency swaps	63,274	4,781	6,309	15,842	5,027
	413,328	12,795	9,923	20,205	5,027
Total	1,678,474	116,330	18,442	53,540	14,272

(d) Maturity of notional principal amounts

At 31 December 2004 and 31 December 2003, the notional principal amounts, by residual maturity, of trading and non-trading derivatives were as follows:

At 31 December 2004

in thousand €

Interest rate derivatives

	Total	One year or less	Over one year but not more than five years	Over five years
Swaps	1,285,706	143,403	227,754	914,549
	1,285,706	143,403	227,754	914,549
Foreign exchange derivatives				
Forward foreign exchange	232,599	178,570	25,594	28,435
Cross currency swaps	58,395	4,366	25,594	28,435
	290,994	182,936	51,188	56,870
Total	1,576,700	326,339	278,942	971,419

At 31 December 2003

in thousand €

Interest rate derivatives

	Total	One year or less	Over one year but not more than five years	Over five years
Forward rate agreements	200,000	200,000	–	–
Swaps	1,265,146	18,785	475,191	771,170
	1,465,146	218,785	475,191	771,170
Foreign exchange derivatives				
Forward foreign exchange	350,054	304,171	23,848	22,035
Cross currency swaps	63,274	17,391	23,848	22,035
	413,328	321,562	47,696	44,070
Total	1,878,474	540,347	522,887	815,240

(e) Maturity and counterparty analysis of replacement cost of trading and non-trading derivatives

At 31 December 2004

in thousand €

Maturity analysis of replacement cost

	Total	One year or less	Over one year but not more than five years	Over five years
Foreign exchange derivatives	7,327	2,121	5,206	–
Interest rate derivatives	128,004	726	16,551	110,727
	135,331	2,847	21,757	110,727

Counterparty analysis of replacement cost

	Total
Banks and other financial institutions	135,331
Other corporate and public bodies	–
	135,331

At 31 December 2003

in thousand €

Maturity analysis of replacement cost

	Total	One year or less	Over one year but not more than five years	Over five years
Foreign exchange derivatives	12,795	7,145	3,608	2,042
Interest rate derivatives	103,558	73	21,501	81,984
	116,353	7,218	25,109	84,026

Counterparty analysis of replacement cost

	Total
Banks and other financial institutions	116,353
Other corporate and public bodies	–
	116,353

32. Currency Exposures

As at 31 December 2004, after taking into account the effects of forward exchange contracts, the currency exposures of the bank are not material.

33. Memorandum Items

The information below gives the nominal principal contract amounts, and risk weighted amounts of off-balance sheet transactions. The nominal principal contract amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Irish Financial Services Regulatory Authority's guidelines implementing the European Union Own Funds and Solvency Directives.

Contingent Liabilities

in thousand €

	2004	2003
Contract Amount		
Guarantees and irrevocable letters of credit	2,348,848	2,469,952
Risk Weighted Amount		
Guarantees and irrevocable letters of credit	18	18
Total	18	18

Commitments

in thousand €

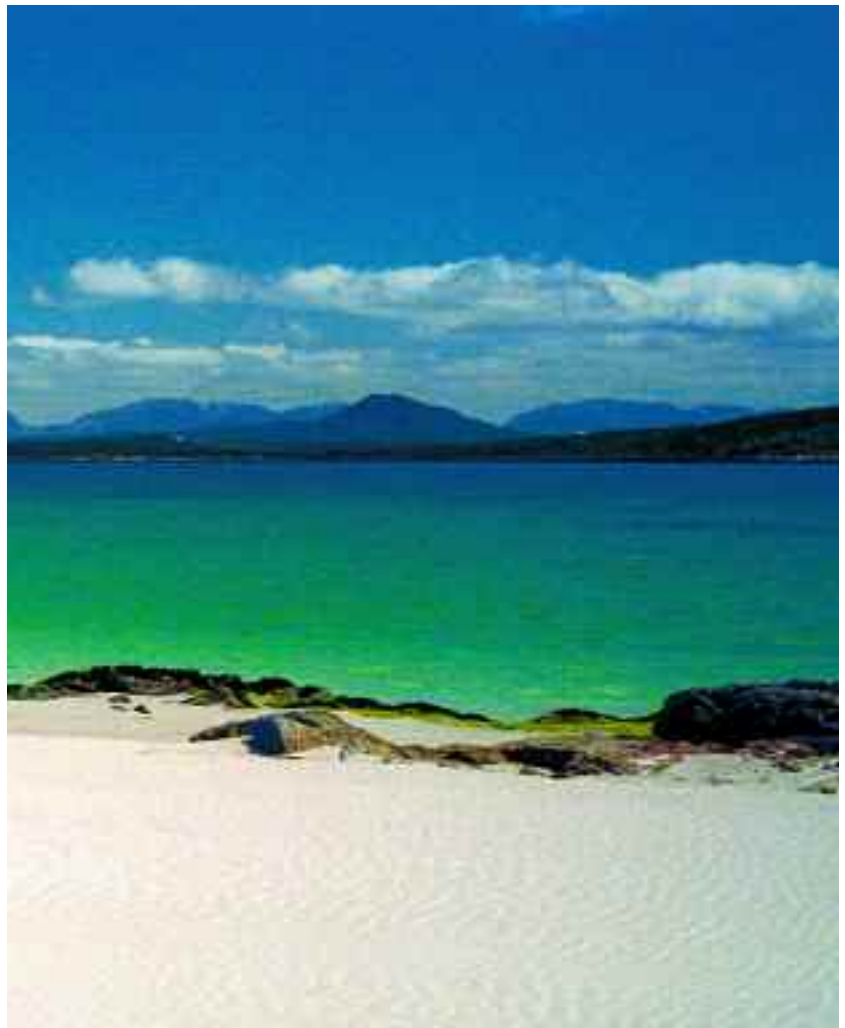
	2004	2003
Contract Amount		
<i>Undrawn formal standby facilities, credit lines and other commitments to lend</i>		
- 1 year and over	314	7,264
- less than 1 year	97,242	-
Total	97,556	7,264
Risk Weighted Amount		
<i>Undrawn formal standby facilities, credit lines and other commitments to lend</i>		
- 1 year and over	157	3,632
- less than 1 year	-	-
Total	157	3,632

34. Related Party Transactions

Advantage has been taken of the exemption in Financial Reporting Standard No. 8 'Related Party Disclosures', which permits wholly-owned subsidiary undertakings not to disclose transactions and balances between Group undertakings which are eliminated on consolidation.

**35. Approval of the
Financial Statements**

The financial statements were approved by the directors on 16 March 2005.



An unspoiled beach of white coral sand on Inishlacken Island in Bertraghboy Bay, near Roundstone, County Galway.

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