

2007

Report and
Financial
Statements
2007

Report and Financial Statements 2007

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Financial Summary

EUR 000's	2007**	2006	2005	2004	2003
Net Interest Income	23,335	10,236	10,554	13,126	12,587
Fees & Commissions	(404)	(292)	(314)	(278)	(271)
Dealing Profits/(Losses)	–	1,369	2,971	3,098	3,175
Net Trading Income/(expense)	240	–	–	–	–
Gain/(loss) on sale of financial assets	1,214	–	–	–	–
Other Operating Income	–	1,414	289	(940)	1,133
Total Income	24,385	12,727	13,500	15,006	16,624
Administration Expenses & Depreciation	3,772	2,977	2,539	2,267	2,313
Profit after Tax	18,023	8,560	9,915	11,333	13,100
Share Capital	254,250	254,250	127,000	127,000	127,000
Capital Conversion Reserve Fund	823	823	823	823	823
Profit and Loss Account	21,518	13,102	13,048	12,633	13,100
Available for Sale Reserve	(64,799)	–	–	–	–
Shareholders' Funds	211,792	268,175	140,871	140,456	140,923
Total Assets	4,412,071	4,009,666	2,528,200	2,583,890	2,460,022
Costs/Total Income %	15.47	23.39	18.80	15.10	13.91
Return on Share Capital %*	7.00	6.70	7.75	8.86	10.24

*Based on Share Capital at the end of the previous financial year-end

**Accounting period is 14 months. Results for 2007 reflect adoption of FRS 26, prior years have not been restated.

Business Review

Company Profile

Naspa Dublin is a wholly owned subsidiary of Nassauische Sparkasse, Wiesbaden with the legal form of an unlimited company. Naspa Dublin is a fully licensed bank, located in the International Financial Services Centre (IFSC) in Dublin and is regulated by the Financial Regulator.

Naspa Dublin is supported by its parent who has issued a letter of comfort (Patronatserklärung) saying that it will ensure that Naspa Dublin will always be in a position to meet its liabilities entered into during the period in which Nassauische Sparkasse has a shareholding interest in Naspa Dublin. This obligation is limited to the proportion of its shareholding interest in Naspa Dublin at the time when the relevant liabilities of Naspa Dublin are incurred.

Naspa Dublin operates as an integral part of Naspa Group and carries out the Group's international business.

The company commenced trading on 1 December 1992, operating originally as a special purpose investment company. With effect from November 1993, it received a certificate from the Minister of Finance authorising the company to carry on business in its own right. In December 1995 the company obtained a banking licence from the Central Bank of Ireland.

Nassauische Sparkasse, Wiesbaden (the parent) was founded in 1840 and since that time has served both deposit customers and the "Mittelstand" companies in its region. Naspa has circa 2,400 employees and over 157 branches. Its consolidated balance sheet (2006) was € 16.4 billion. It is one of the largest savings banks in Germany and is currently part of a "Verbund" group of 50 savings banks in Hessen and Thüringen which together benefit from a combined rating of A/A+ (Standard & Poor's/Fitch).

Business Strategy

As part of Naspa Group's overall strategy, Naspa Dublin's focus is on creating stable income from a very conservative risk – return profile.

The Bank's strength is based on a conservative capital adequacy ratio and a highly liquid book of assets minimising liquidity risk.

Overriding criteria is to only expose the Bank to credit risk if all parameters impacting the credit quality are understood and if the individual risk fits into the overall risk profile of the entire portfolio of the Bank.

Securities investment has been the dominant part of our business over the past years and is based on a buy and hold strategy with the following parameters:

- Financial institutions with a minimum credit rating of A-/A3
- ABS with a minimum credit rating of AAA
- No investments in emerging markets
- Concentrating on liquid assets, preferably ECB eligible securities

Lending activity (Loans and Schuldscheindarlehen) has been similarly conservative but has consistently declined in importance.

Performance Review

For financial markets, 2007 developed as one of the most difficult years over the past decades, but due to its conservative strategy, the Bank was at all times able to cope with unprecedented challenges seen in the markets.

As a direct consequence of its risk strategy, Naspa Dublin has no exposure, to

- subprime loans or subprime backed securities (ABS or CDO's),
- SIV's or Conduits via direct investment or contingent liabilities and
- Monoline Credit insurers neither directly nor indirectly via credit protection.

The Bank increased the balance sheet during the year to Euro 4.41 bn (Euro 4.01 bn), as the remaining Euro 0.5bn of a portfolio of assets to be transferred from our parent was transacted.

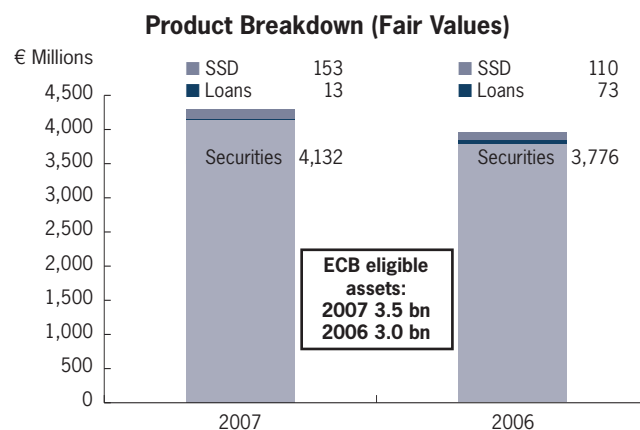
The Bank showed strong results for the financial period with profit of Euro 18.0m net after tax.

The positive interest income performance reflects the increased asset and capital base of the Bank with an annual increase of 95%. The Bank has delivered on its strategy which is to focus on interest income and this has been achieved through management of both the assets and funding, without jeopardising the risk quality of the assets.

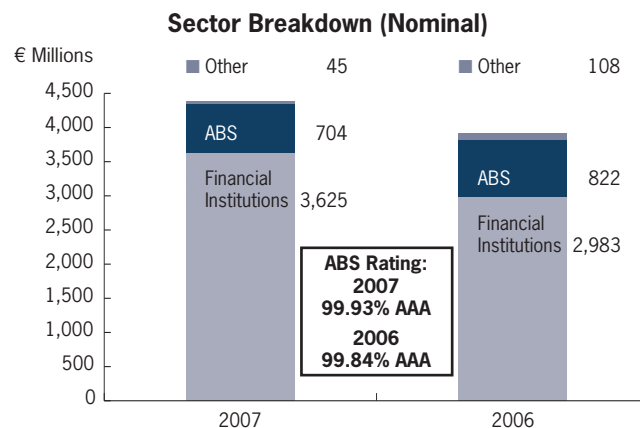
The developments in the financial markets affected the valuation of the portfolio negatively by (€ 64.7m) on securities volume of € 4bn, due to the impact of the turmoil on market prices. The Bank was well placed to deal with the changing market conditions and was not required to take action to divest of assets. A detailed credit review of the portfolio has been carried out and the Bank is satisfied that there is no impairment of any asset. The Bank's strategy has been reviewed and remains appropriate in the opinion of the Board, and its ability to continue to hold the assets has been affirmed.

Asset Portfolios

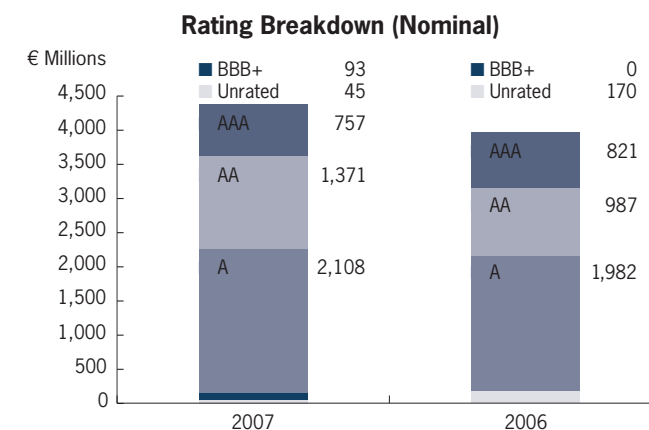
The liquidity and risk profile of the portfolio reflects the Bank's conservative credit strategy.



Exposure to Financial Institutions account for 83% of total, all of which is senior debt, in majority unsecured, and all of senior ranking.



None of the ABS have been downgraded since acquisition and 0.07% refers to AA rated bond which is paying down as expected. A breakdown of ABS securities is presented in note 33 to the financial statements.



The assets are highly rated, with a weighted average rating of high single A.

Unrated exposure represents loans and SSD to corporates and municipalities. The assets have an average maturity of less than 4 years, and the portfolio is well diversified by region, with 18 countries represented.

Assets which are rated BBB+ amounting to 2% of assets at year end are Bank FRN's and have declined to € 20m (less than 0.5%) of assets by the end of February 2008 as a result of both rating upgrades and redemptions.

Capital

The Bank benefits from a strong capital base.

With the implementation of FRS 25 and 26, the impact of fair value movements on Available for Sale securities which make up 98% of the Bank's investment security portfolio, is now recorded as a movement in equity. As a result of developments in the markets in 2007, negative asset valuations resulted in a net negative reserve impact of (€ 64.8m) offset by profit and loss reserves of € 21.5m against the Bank's equity base.

The Bank believes that these valuations are temporary and no losses are envisaged.

Notwithstanding this valuation impact, Naspa Dublin remains more than adequately capitalised with the Bank's core capital ratio including the valuation impact at 13.5%.

Applying the prudential filter for valuations the core capital ratio is 17.7%.

During the financial period, the Bank developed its internal capital assessment process in line with its transition to the implementation of the Capital Requirements Directive. The Bank has established an internal capital model which seeks to ensure the maintenance of a capital buffer capable of absorbing unanticipated market developments.

Funding Strategy

The Bank's funding strategy is to maintain a diversified funding base and to utilise the liquid nature of the assets which it holds.

The Bank participates in repo activity with the European Central Bank, bi-lateral and tri-party counterparties. With the market events in the latter half of 2007, the secured nature of a significant portion of Naspa Dublin's funding portfolio ensured that we experienced no funding difficulties.

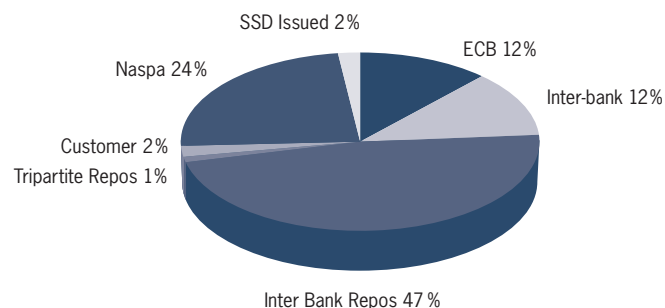
Total funding is broadly diversified with customer deposits (2%), inter-bank money market (12%), ECB repos (12%), bilateral repos (47%), tripartite repos (1%), intercompany (24%) and inter-bank SSD (2%).

Although the Bank holds Euro 3.5bln of ECB eligible assets (85% of total securities), ECB funding was reduced to 12 per cent and parent funding increased to 24 per cent of total funding during the financial period, due to excess liquidity at Group level.

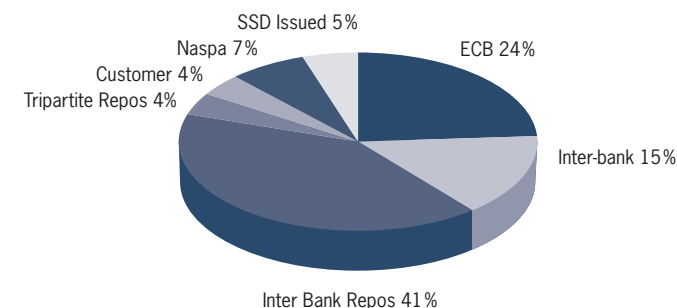
Risk Management and Control

The Board of Directors approves the framework setting out the policy, the limits and the monitoring of risk. The policy includes the business strategy of product groups, the markets in which the Bank operates, the type, scope, legal form and documentation of trading transactions and the counterparties with whom transactions may be carried out. It also sets out the rules for the limitation of the risks associated with dealing which include the procedures for measurement, analysis, and the monitoring of risks.

Funding Breakdown 2007



Funding Breakdown 2006



Credit Risk

The Bank's credit risk is monitored in compliance with both the Bank and the Group Credit Risk Strategy. The portfolio of securities is externally rated (100%) and ratings are closely monitored.

Assets are monitored within a detailed credit monitoring process and all limits are formally reviewed annually. Credit Value at Risk is monitored on a daily basis.

All assets are being served to their contractual obligations in a timely manner and there has been no restructuring of assets in the reporting period.

As a result of the detailed credit monitoring process the Bank is satisfied, that no assets are impaired.

Interest Rate Risk

The Bank's results include returns obtained from the controlled mismatching of maturity dates on EUR, USD and GBP asset and liability holdings.

Interest rate risk has been limited by the Bank to open positions with a maximum maturity of up to one year. In addition a position limit and loss tolerance is set for the entire book. The exception to this being assets which are funded with the Bank's Euro 254.2 million of share capital. All other fixed rate interest positions maturing beyond 12 months are hedged using approved derivatives or matched funding.

The open interest rate position is monitored daily. Value at Risk is used to measure and set limits on the open positions. Value at Risk (VaR) provides an estimate of the potential marked to market loss on a set of exposures over a specified period of time within a defined confidence interval. The time horizon and confidence intervals used are currently set at 10 days and 95% respectively. This implies that the VaR figure provides an estimate of the potential loss over a holding period of ten days, which has no more than a 5% probability of being exceeded.

The Bank's weighted open interest rate position in all currencies at 31 December 2007 was the equivalent of Euro 176.11 million with a VaR of Euro 467,324.

During the year the highest and lowest VaR amounted to Euro 537,700 and Euro 272,600 respectively. The average VaR amounted to Euro 336,922.

The Bank backtests the VaR model on a monthly basis checking the validity of the interest rate risk parameters selected. The results of this backtesting have shown that the parameters chosen supported the reliability of the Bank's VaR.

Currency Risk

Foreign exchange risk arises from mismatches from assets or liabilities in foreign currencies. Foreign exchange exposure is only permissible in certain currencies approved by the Board of Directors and is controlled by way of volume and stop/loss limits.

Exchange rate risk on open positions is also measured using the VaR concept. The exchange rate volatility is the basis used for calculating the VaR on such positions. The VaR calculation is based upon a 10 day holding period with a 95% confidence interval. A historical database of the last 250 trading days is maintained and updated using the rolling windows concept, whereby the oldest volatility rolls off and is replaced by a new volatility on a daily basis.

The Bank's open position at 31 December 2007 was the equivalent of Euro 4,167,843 with a VaR of Euro 118,098. The open currency positions did not exceed Euro 10 million equivalent at any stage during the year.

Assets are matched funded by currency by either borrowing in that currency or through derivatives including foreign exchange swaps.

Liquidity Risk

The liquidity risk is managed in accordance with the Liquidity Strategy approved by the Board of Directors. The Bank holds a sufficient stock of liquid assets at all times in order to ensure that it can meet its expected liability profile as well as minimum liquidity ratios required by the Financial Regulator.

Directors and Other Information

Directors

G. Werthaler – appointed Chairman 01.09.2007 (German)
E. McCormack
G. Junghenn – appointed 01.04.2007 (German)
N. O'Byrne
H. Müller-Hermann – appointed 01.04.2007 (German)
G. Högner – appointed 01.09.2007 (German)
B.Theilacker – resigned 01.09.2007 (German)
H. Anders – resigned 01.09.2007 (German)

Secretary and Registered Office

Wilton Secretarial Ltd.
Wilton Place
Dublin 2

Registration Number: 177801

Report of the Directors

The Directors submit their report together with the audited financial statements for the 14 months ended 31 December 2007. The Bank has adopted FRS 25 and 26 in the current year. The impact of the transition is set out in the Accounting Policies. The Bank has availed of the option not to restate prior year comparatives.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 comply with the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. The measures taken by the Directors to secure compliance with the Bank's obligations to keep proper books of account are the use of appropriate systems, procedures and employment of competent persons. The books of account are kept at the following address: La Touche House, IFSC, Dublin 1. They 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 maintenance and integrity of the Naspa Dublin website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal Activities and Review of the Business

The Business Review on pages 4 to 7 describes the activities and development of the Bank.

Risk Management and Fair Value Disclosures

Risk management policies and practices of the Bank are described in the Business Review on pages 4 to 7 and note 33. Fair value disclosures for the financial instruments are presented in note 28.

Change of Accounting Year End

The Directors have agreed to change the accounting year end from 31 October to 31 December to align with the parent's year end. This current financial statements report for the 14 month accounting period from 01 November 2006 to 31 December 2007.

Dividends and Retentions	EUR
Opening revenue reserves	13,102,009
Dividend paid	(8,206,000)
FRS 26 Transition adjustments	(1,401,335)
Profit for the financial year amounted to	18,023,439
Closing revenue reserves	21,518,113
AFS Reserve	(64,798,619)
Closing Reserves	(43,280,506)

As a result of the implementation of Financial Reporting Standard (FRS) 21, dividends are now recognised in the accounts in the year in which they are paid, or in the case of a proposed dividend when approved by the shareholders. Accordingly, the proposed dividend of Euro 8,206,000 relating to the prior year was recognised in the current financial period when paid as approved by the shareholders.

Capital

The Bank's share capital is Euro 254 million (2006: Euro 254 million).

G. Wernthaler
Chairman

E. McCormack
Managing Director

Events since year-end

There have been no significant events since the year-end.

Research and Development

The company did not engage in any research and development activities during the year.

Future Developments

In the financial year 2008 the Bank plans to continue to focus on highly rated banks and ABS's.

Staff

21 staff were employed at 31 December 2007.

Directors and Secretary and their interests

The Directors and Secretary of the company at 31 December 2007 were as listed on page 8. The Directors and Secretary who held office at 31 December 2007 had no beneficial interests in the shares of the company or group at 31 December 2007.

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

During the accounting period Holger Anders resigned as Joint Managing Director with effect from 31 March 2007. He was replaced by Gunther Junghenn who was appointed on 1 April 2007.

Transactions involving Directors

There were no contracts of any significance in relation to the business of the company in which the Directors had any interest as defined in the Companies Act, 1990, at any time during the 14 months ended 31 December 2007.

Health and Safety

It is the policy of the company to ensure the health and welfare of 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, 2005.

Auditors

The auditors, PricewaterhouseCoopers, will be reappointed in accordance with Section 160 (2) of the Companies Act, 1963.

Independent Auditors' Report to the Members of Naspa Dublin

We have audited the financial statements on pages 13 to 50. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 13.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out on page 10 in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland). This report, including the opinion, has been prepared for and only for the company'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 our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, and the European Communities (Credit Institution: 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 company 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 company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, 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 specified by law regarding Directors' remuneration or Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the annual report and we consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Summary and Business Review. We consider the

implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs at 31 December 2007 and of its profit for the period then ended;
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006, and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 9 to 10 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 20, 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 2007 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.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

29 February 2008

Accounting Policies

The significant accounting policies adopted by the company are:

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale assets and all derivative contracts in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the British Bankers' Association SORP's. 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.

Change in accounting policy

The financial statements for the 14 months ended 31 December 2007 apply FRS 25 'Financial Instruments-disclosure and presentation' and FRS 26 'Financial Instruments-measurement' for the first time. As permitted by these standards, the Bank has elected not to restate comparative information. The following adjustments would be necessary if the comparative information were to be restated:

- reclassification of certain debt securities and other fixed income securities to the 'Available for Sale' category, with fair value movements being shown in the Available for Sale reserve in the balance sheet
- reclassification of certain debt securities and other fixed income securities to the 'Held to Maturity' category
- fair values of derivatives classified as a derivative asset or liability as appropriate, with fair value movements shown in the profit and loss account for the year

Presented on page 16 is a reconciliation of the balance sheet as at 31 October 2006 to the opening balance sheet as at 1 November 2006 reflecting the transition adjustments arising from the adoption of FRS 26.

As a result of adopting FRS 26, the Bank has adopted FRS 23 'The effects of changes in foreign exchange rates'. FRS 23 had no material effect on the Bank's accounting policies. The functional currency of the Bank has been re-evaluated based on the guidance in the Standard and is still considered appropriate.

Balance Sheet Reconciliation

In thousand €

	Notes	As at 31/10/2006	Re-measurement		As at 01/11/2006
			Reclassification	Financial Instruments	
			(i)	(ii)	
Assets					
Cash and balances with Central Banks		6,508	-	-	6,508
Loans and receivables:					
Loans and advances to banks		91,237	-	-	91,237
Loans and advances to customers		113,481	-	867	114,348
Debt securities and other fixed income securities	(i)	3,775,988	-3,775,988	-	-
Available for Sale securities		-	3,681,174	-	3,681,174
Held to Maturity		-	94,814	-	94,814
Derivative Assets	(ii)	-	-	1,318	1,318
Deferred Tax		-	153	47	200
Tangible Fixed Assets		240	-	-	240
Prepayment and accrued income		22,212	-	-	22,212
Total assets		4,009,666	153	2,232	4,012,051
Liabilities					
Deposits by banks		3,487,214	-	940	3,488,154
Customer accounts		140,950	-	-	140,950
Other liabilities		98,191	-	-	98,191
Derivative liabilities	(ii)	-	-	1,618	1,618
Deferred Tax		-	153	-	153
Accruals and deferred income		15,045	-	-	15,045
Corporation tax		91	-	-	91
		3,741,491	153	2,558	3,744,202
Shareholders' Funds					
Called up share capital		254,250	-	-	254,250
Capital conversion reserve fund		823	-	-	823
Profit and loss account		13,102	-1,075	-326	11,701
Available for sale reserve		-	1,075	-	1,075
		268,175	-	-326	267,849
Total Liabilities and shareholders' funds		4,009,666	153	2,232	4,012,051

Note (i) In accordance with the Bank's accounting policies as set out on pages 13–17, financial assets have been reclassified into the categories required under FRS 26.

Assets previously categorised as trading and carried at fair value are not considered to meet the definition of trading as set out in FRS 26 and accordingly have been designated as available for sale.

Note (ii) Financial assets categorised as Available for Sale and derivative financial instruments are carried at fair value.

Reporting currency

The financial statements are presented in euro (EUR), which is the Bank's functional and presentation currency.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Tangible assets are translated at the historical rate.

Interest

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The interest element of all derivatives is included in net interest income.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation has been charged on a straight line basis over the following useful lives:

Office Equipment	5 years
Office Furniture	5/10 years
Computer Equipment	3 years
Software License	3 years

Financial Assets

The Bank classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available for sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity upon initial recognition designates as available for sale.

Held to Maturity

Held to Maturity investments are non derivative financial assets with fixed or determinable payments that the Bank has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Available for Sale

Available for Sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates or market prices. The Bank's Floating Rate Debt Securities are classified under this category. Gains or losses arising from changes in fair value of Available for Sale assets are recognised directly in equity, until the asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in equity should be recognised in the profit or loss. However, interest calculated using the effective interest rate method and foreign

currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. The fair values of quoted investments in active markets are based on current bid prices.

Financial Liabilities

Financial liabilities are recognised initially at fair value net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') continue to be recorded on the balance sheet and classified as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits by banks. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Derivatives

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, (including recent market transactions, and valuation techniques, including discounted cash flows as appropriate). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as the risk management objective and strategy for undertaking various transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items and any hedge ineffectiveness are reflected in 'net trading income'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which to recover the deferred tax asset.

Deferred tax related to fair value remeasurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

Impairment of Financial Assets

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

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss shall be recognised in the income statement.

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

(b) Assets classified as available for sale

If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Profit and Loss Account

		14 months ended 31 December 2007	12 months ended 31 October 2006
	Notes	EUR	EUR 000's
Interest receivable and similar income			
Interest receivable and similar income arising from			
Debt securities and fixed income securities		224,666,697	83,701
Other interest receivable and similar income		3,677,153	7,041
Interest payable and similar charges		(205,009,296)	(80,506)
<hr/>			
Net interest income	2	23,334,554	10,236
Fees and commissions payable		(403,631)	(292)
Net trading income	3	240,400	1,369
Gains less losses from investment securities	4	1,213,491	–
Other operating income	5	–	1,414
Administration expenses	6	(3,679,509)	(2,893)
Depreciation		(92,298)	(84)
<hr/>			
Profit on ordinary activities before taxation		20,613,007	9,750
Tax on profit on ordinary activities	7	(2,589,568)	(1,190)
<hr/>			
Profit for the financial year		18,023,439	8,560

Profit on ordinary activities arose solely from continuing operations.

The accounting policies on pages 13 to 17 and the notes on pages 21 to 50 form part of the accounts.

G. Wernthaler
Chairman

E. McCormack
Managing Director

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

Total Recognised Gains and Losses

	Notes	14 months ended 31 December 2007 EUR 000's	12 months ended 31 October 2006 EUR 000's
Profit on ordinary activities after tax		18,023	8,560
FRS 26 transition adjustments through equity	23	(1,401)	–
Available for sale revaluation movement through equity	23	(64,799)	–
Total recognised gains and losses		(48,177)	8,560

The accounting policies on pages 13 to 17 and the notes on pages 21 to 50 form part of the accounts.

G. Wernthaler
Chairman

E. McCormack
Managing Director

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

Balance Sheet

	Notes	As at 31 December 2007 EUR	As at 31 October 2006 EUR 000's
Assets			
Cash and balances with Central Banks		5,712,871	6,508
Loans and advances to banks	10	183,235,739	91,237
Loans and advances to customers	11	44,840,000	113,481
Investment securities:	12		
Available for sale securities		4,045,446,034	–
Held-to-maturity securities		86,835,607	–
Debt securities and other fixed income securities	13	–	3,775,988
Derivative financial instruments	27	3,360,783	–
Deferred tax	8	9,417,099	–
Tangible fixed assets	14	166,419	240
Prepayments and accrued income	15	33,056,479	22,212
Total Assets		4,412,071,031	4,009,666
Liabilities			
Deposits by banks	16	4,079,990,184	3,487,214
Customer accounts	17	90,584,166	140,950
Derivative financial instruments	27	885,455	–
Other liabilities	18	–	98,191
Accruals and deferred income	19	28,383,924	15,045
Corporation tax		434,838	91
		4,200,278,567	3,741,491
Shareholders' Funds			
Called up share capital	20	254,250,000	254,250
Capital conversion reserve fund	21	822,970	823
Profit and loss account	23	21,518,113	13,102
Available for sale reserve	22	(64,798,619)	–
		211,792,464	268,175
Total Liabilities		4,412,071,031	4,009,666

The accounting policies on pages 13 to 17 and the notes on pages 21 to 50 form part of the accounts.

G. Wernthaler (Chairman), E. McCormack (Managing Director), G. Junghenn (Managing Director), Wilton Secretarial Limited (Co. Secretary)

1 Ultimate Holding Company

The ultimate holding company of Naspa Dublin is Nassauische Sparkasse, Wiesbaden, Germany, which has stated that it will ensure that Naspa Dublin is always in a position to meet its liabilities entered into by it during the period in which it holds shares in Naspa Dublin.

The obligations of Nassauische Sparkasse under the paragraph above shall be limited in the same proportion as the percentage of the shareholding interest of Nassauische Sparkasse in Naspa Dublin bears to the overall issued share capital of that company, at the time when the relevant liabilities of Naspa Dublin are incurred.

2 Net Interest Income	14 months 2007 EUR 000's	12 months 2006 EUR 000's
Interest Income		
– Investment securities	224,667	83,701
– Other	3,677	7,041
Total	228,344	90,742
Interest Expense		
Deposits from banks	61,969	35,089
Due to customers	4,829	4,023
Securities subject to sale and repurchase	138,211	41,394
Total	205,009	80,506
Net interest income	23,335	10,236

3 Net Trading Income	2007	2006
	EUR 000's	EUR 000's
Securities	–	1,421
FRA's	(91)	(34)
Foreign exchange	(244)	(18)
Interest rate swaps	603	–
Cross–currency swaps	(20)	–
Hedge ineffectiveness	(8)	–
	240	1,369

Net trading income includes fair value gains and losses from all interest rate and currency derivatives. Also included is the ineffectiveness arising on any hedge accounting relationships. Interest income and expense on all derivatives is included in net interest income.

On transition to FRS 26, securities were reclassified to the AFS book and any gains or losses on the sale of these is no longer included in trading income. In 2006 dealing profits on securities included the realised profits and losses on the sale of trading instruments amounting to EUR 0.8 million. It also included unrealised profits of EUR 0.9 million and unrealised losses of EUR 0.3 million on the revaluation of trading instruments. It excluded the interest receivable and the related funding cost of holding such instruments, and also excludes the administrative expenses of trading activities.

4 Gains less losses from investment securities	2007
	EUR 000's
Gains on disposals of investment securities	1,213
	1,213

5 Other operating income	2006
	EUR 000's
Gains on disposals of investment securities	1,035
Other	379
	1,414

6 Administration expenses	2007	2006
	EUR 000's	EUR 000's
Staff costs		
– salaries	1,914	1,343
– social welfare costs	207	145
– other staff costs	232	169
	2,353	1,657
Other administration expenses	1,327	1,236
	3,680	2,893
Included in administration expenses		
Auditors' remuneration	76	50

7 Taxation	2007	2006
	EUR 000's	EUR 000's
(a) Analysis of charge in period		
Current tax:		
Irish corporation tax at 12.5% until 31 December 2007, (2006: 12.5%)	2,550	1,190
	2,550	1,190
Deferred Tax:		
Deferred tax charge for the year	40	–
	2,590	1,190

The effective rate of tax was 12.5% (2006: 12.2%).

7 Taxation (Continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of tax in Ireland of 12.5%.

The reconciliation is shown as follows:

	2007	2006
	EUR 000's	EUR 000's
Profit on ordinary activities before tax multiplied by the weighted standard rate of corporation tax in Ireland of 12.5% (2006: 12.5%)	2,577	1,219
Effects of:		
Relief under section 446, Taxes Consolidation Act, 1997	–	(40)
Expenses not deductible for tax purposes	13	11
Capital allowances in excess of depreciation	–	–
Other deferred tax timing differences	–	–
Other	(40)	–
Current tax charge	2,550	1,190

8 Deferred Income Tax

	2007	2006
	EUR 000's	EUR 000's
At 1 November 2006	–	–
Transition adjustment	47	–
Restated at 1 November 2006	47	–
Income statement charge	(40)	–
Fair value measurement on available for sale securities	9,309	–
Disposal of available for sale securities	101	–
At 31 December 2007	9,417	–
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets associated with transition adjustments	160	–
Available for sale securities	9,257	–
Total	9,417	–

9 Dividends	2007	2006
	EUR 000's	EUR 000's
Dividend paid of EUR 164,000 per share on each EUR 5,080,000 ordinary share (2006: EUR 8,500,000)	8,200	8,500
Dividend paid of EUR 6,000 per share on each EUR 250,000 ordinary share (2006: EUR 6,000)	6	6
	8,206	8,506

10 Loans and advances to banks	2007	2006
	EUR 000's	EUR 000's
Repayable on demand	25,505	1,804
Repayable in not more than three months	35,298	19,960
Repayable in more than three months but less than one year	25,000	–
Repayable in more than one year but not more than five years	67,433	69,473
Repayable in more than five years	30,000	–
	183,236	91,237
Included in the above are:		
Due from group undertakings	13	47

11 Loans and advances to customers	2007	2006
	EUR 000's	EUR 000's
Repayable in not more than three months	–	36,058
Repayable in more than three months but less than one year	–	17,347
Repayable in more than one year but not more than five years	31,000	50,500
Repayable in more than five years	13,840	9,576
	44,840	113,481

12 Investment Securities**2007****EUR 000's****Analysed by listing status**

Securities available for sale

Debt securities – at fair value:

– Listed 4,028,499

– Unlisted 16,947

Total securities available for sale 4,045,446

Securities held to maturity

Debt securities – at amortised cost:

– Listed 86,836

– Unlisted –

Total securities held to maturity 86,836**Total investment securities 4,132,282****Analysed by remaining maturity**

Due within one year 82,032

Due one year and over 4,050,250

4,132,282**Analysed by industry**

Securities available for sale

– Financial institutions 3,354,422

– Other debt securities 691,024

Total Available for Sale 4,045,446

Securities held to maturity

– Financial institutions 86,836

– Other debt securities –

Total Held to Maturity 86,836**Total investment securities 4,132,282**

Investment securities includes securities of € 2bn (2006: € 2.5bn) which have been pledged to third parties in sale and repurchase agreements.

12 Investment Securities (Continued)

Movement in investment securities	Available for sale EUR 000's	Held to maturity EUR 000's	Total EUR 000's
At 1 November 2006	3,681,174	94,814	3,775,988
Exchange differences	(33,617)	–	(33,617)
Additions	2,261,751	–	2,261,751
Disposals (sale and redemption)	(1,789,890)	(7,500)	(1,797,390)
Losses from changes in fair values	(74,474)	–	(74,474)
Amortisation of premium/discount	502	(478)	24
Impairment losses	–	–	–
At 31 December 2007	4,045,446	86,836	4,132,282

13 Debt securities and other fixed income securities

		2006 EUR 000's
Held for trading purposes		
Issued by other issuers:	• Banks	2,829,975
	• Other	805,111
		3,635,086
Held for investment purposes		
Issued by public bodies:	• Government securities	–
Issued by other issuers:	• Banks	114,505
	• Other	26,397
		140,902
Total		3,775,988

13 Debt securities and other fixed income securities (Continued)	2006
	EUR 000's
Analysed by remaining maturity	
Due within one year	65,517
Due one year and over	3,710,471
	3,775,988
Analysed by listing status	
Trading book	
Listed on a recognised stock exchange	3,610,086
Unlisted	25,000
	3,635,086
Investment book	
Listed on a recognised stock exchange	121,211
Unlisted	19,691
	140,902
	3,775,988
Market value of securities	
Trading book	3,635,086
Investment book	139,759
	3,774,845
Market value of listed investment securities	120,068

13 Debt securities and other fixed income securities (Continued)

Investment Book Assets	Cost	Amortised Discount/ Premiums	Book Value
	EUR 000's	EUR 000's	EUR 000's
At 31 October 2005	336,254	972	337,226
Acquisitions	15,000	355	15,355
Disposals, redemptions & transfers	(210,118)	(105)	(210,223)
Amortisation of net discounts/premiums	–	(408)	(408)
Exchange translation movements	(1,048)	–	(1,048)
At 31 October 2006	140,088	814	140,902

14 Tangible fixed assets

	Office Equipment	Office Furniture	Computer Equipment	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cost				
At 1 November 2006	72	294	697	1,063
Additions	–	3	15	18
Disposals	–	–	–	–
At 31 December 2007	72	297	712	1,081
Accumulated Depreciation				
At 1 November 2006	63	96	664	823
Charge for the year	2	64	26	92
Disposals	–	–	–	–
At 31 December 2007	65	160	690	915
Net Book Value				
At 31 October 2006	9	198	33	240
At 31 December 2007	7	137	22	166

15 Prepayments and accrued income	2007	2006
	EUR 000's	EUR 000's
Interest receivable	32,995	21,754
Amounts due from withholding tax on dividends	12	12
Other debtors	50	446
	33,057	22,212

16 Deposits by banks	2007	2006
	EUR 000's	EUR 000's
Repayable on demand	426,338	227,727
Repayable in not more than three months	3,338,364	2,957,110
Repayable in more than three months but not more than one year	233,898	171,377
Repayable in more than one year but not more than five years	81,390	131,000
	4,079,990	3,487,214

Included in the above are:		
Due to group undertakings	991,150	377,700

17 Customer accounts	2007	2006
	EUR 000's	EUR 000's
Repayable in not more than three months	72,084	126,858
Repayable in more than three months but less than one year	18,500	14,092
	90,584	140,950

18 Other Liabilities	2007	2006
	EUR 000's	EUR 000's
Other – Forward Purchases	–	98,191
	–	98,191

19 Accruals and deferred income	2007	2006
	EUR 000's	EUR 000's
Interest payable	27,196	13,682
Deferred premium/discounts on Schuldscheindarlehen	–	35
Other accruals	1,188	1,328
	28,384	15,045

20 Share capital

In September 2006 the Directors increased the authorised share capital of the company by a further 25 ordinary Shares of EUR 5,080,000 each and 499,999 ordinary shares of EUR 0.50 each. The 25 shares of EUR 5,080,000 were allotted and issued to Nassauische Sparkasse for EUR 127,000,000.

The 499,999 ordinary shares of EUR 0.50 were allotted and issued to Gerhard Schwahlen for EUR 249,999.50. On the same date the 500,000 ordinary shares of EUR 0.50 were cancelled and replaced by 1 ordinary share of EUR 250,000. On 31 August 2007 the shares of Gerhard Schwahlen were transferred to Thomas Esper.

	2007	2006
	EUR 000's	EUR 000's
Authorised:		
50 ordinary shares of EUR 5,080,000 each (2006: 50 ordinary shares of EUR 5,080,000)	254,000	254,000
1 ordinary share of EUR 250,000 (2006: 1 ordinary share of EUR 250,000)	250	250
	254,250	254,250
Share Capital		
Issued and fully paid:		
50 ordinary shares of EUR 5,080,000 each (2006: EUR 5,080,000)	254,000	254,000
1 ordinary share of EUR 250,000 (2006: EUR 250,000)	250	250
	254,250	254,250

21 Capital conversion reserve fund

A shareholders' resolution was passed during 2001 redenominating the share capital to Euro. The nominal share value of each of the 25 ordinary shares was decreased from EUR 5,112,918.81 to EUR 5,080,000 and of the 1 ordinary share of EUR 0.5112918 to EUR 0.50. An amount equal to the aggregate of the reduction in the issued share capital of the company due to renominatisation EUR 822,970.31 was transferred to a capital conversion reserve fund.

22 Available for Sale Reserve

	2007
	EUR 000's
At 1 November 2006	–
Transition adjustment (net of deferred tax)	1,075
Restated at 1 November 2006	1,075
Net losses from changes in fair value	(74,474)
Deferred tax	9,309
	<hr/>
Net movement in available for sale reserve	(64,090)
Net gains (net of deferred tax) transferred to profit and loss account	(709)
At 31 December 2007	(64,799)

23 Reconciliation of movements in shareholders' funds	2007	2006
	EUR 000's	EUR 000's
Profit for the financial year	18,023	8,560
FRS 26 transition adjustment	(1,401)	–
Dividends paid (see note 9)	(8,206)	(8,506)
Available for sale reserve	(64,799)	–
	(56,383)	54
Opening shareholders' funds	268,175	140,871
Share capital issued during the year	–	127,250
Closing shareholders' funds	211,792	268,175

The composition of the transition adjustment is explained in the Accounting Policies.

24 Particulars of staff	2007	2006
The average number of persons employed by the Bank during the year was	18	16

25 Pension

The company established a defined contribution pension scheme on 1 January 1998. The contributions payable to the scheme in respect of the accounting period are charged to the profit and loss account as they arise and amounted to EUR 119,116 (2006: EUR 90,437).

26 Segmental Reporting

The Bank has only one main class of business, which is that of banking activities within the EU, and is carried out from its sole office in Ireland.

27 Derivative transactions

Transactions are undertaken in derivative financial instruments including interest rate swaps, cross currency swaps, fx swaps and forward rate agreements 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 a default by a counterparty and exposure to future changes in interest and exchange rates.

Derivative Financial Instruments

(i) Trading Derivatives

The Bank's trading derivatives include derivative financial instruments held for trading as well as derivative financial instruments which are economic hedges but with the adoption of FRS 26 do not meet hedge accounting criteria.

	Contract/notional Amount EUR 000's	Fair values	
		Assets EUR 000's	Liabilities EUR 000's
(a) Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	81,516	28	(15)
Cross-currency interest rate swaps	18,680	889	(830)
Forward rate agreements	167,000	24	(40)
Total interest rate derivatives	267,196	941	(885)
Foreign exchange derivatives FX swaps	114,696	2,030	–
Total foreign exchange derivatives	114,696	2,030	–
Total derivative assets/liabilities held for Trading	381,892	2,971	(885)

27 Derivative transactions (Continued)

(ii) Hedging Derivatives

The Bank hedges part of its interest rate risk on liabilities issued by fair value hedges using interest rate swaps. The net value of hedging swaps is displayed in the table below. The gain on the hedging instruments was € 550,000. The loss on the hedged item attributable to the hedged risk was € 557,000.

	Contract/notional Amount EUR 000's	Fair values	
		Assets EUR 000's	Liabilities EUR 000's
(b) Derivatives held for hedging			
Derivatives designated as fair value hedges	–	–	–
Interest rate swaps	16,000	390	–
Total derivative assets/liabilities held for Hedging	16,000	390	–
Total recognised derivative assets/(liabilities)	397,892	3,361	(885)

The Bank's hedging policy and accounting treatment are set out in the accounting policies section of these financial statements on page 16.

2006 Comparatives

The information below gives the nominal principal contract amounts, credit equivalent amounts and risk weighted amounts of interest rate and exchange contracts. The nominal principal contract amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Financial Regulator guidelines implementing the Basel agreement on capital adequacy. The nominal principal amounts are used to express volume but the amount subject to credit risk is much smaller as represented by the replacement cost. Replacement cost is obtained by marking all contracts with a positive replacement cost to market.

27 Derivative transactions (Continued)

Trading Instruments

Trading positions are maintained in interest rate swaps, cross-currency swaps, forward rate agreements and foreign exchange. The following table represents the underlying principal amounts classified by class of derivative trading position held as at 31 October 2006.

	2006
	EUR 000's
Interest rate contracts:	
Forward rate agreements	
One year or less	200,000
Positive Fair Value	
Positive	24
Negative	(17)
Replacement Value	24
Interest Rate Swaps	
One year or less	39,382
Positive Fair Value	
Positive	–
Negative	–
Replacement Value	–

27 Derivative transactions (Continued)

Non Trading Derivatives 2006

The Bank's policy is to modify 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 and the type of derivatives used in managing those risks.

Activity	Risk	Type of hedge
Fixed rate lending	Sensitivity to increases in interest rates	Interest rate swaps
Fixed rate funding	Sensitivity to decreases in interest rates	Interest rate swaps
Investment in foreign currency assets	Sensitivity to strengthening currencies	Cross currency swaps Forward foreign exchange contracts

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

Unrecognised Gains and Losses on Derivative Hedges (2006 only)

Prior to the application of FRS 26, the accounting treatment was to recognise gains and losses on derivatives used for hedging in line with the underlying items which were being hedged. This treatment applies to comparative figures only. The table below summarises the unrecognised gains and losses on hedges at 31 October 2005 and the movements therein during the year.

Unrecognised Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items, which are being hedged.

Unrecognised gains and losses on hedges

	Total net Gains/Losses 2006 EUR 000's
Unrecognised gains and (losses) on hedges at 1 November	(3,035)
Recognised in the year to 31 October	(2,301)
Gains and (losses) arising before 1 November that were not recognised in the year	(734)
Gains and (losses) arising in the year to 31 October that were not recognised	668
Unrecognised gains and (losses) on hedges at 31 October	(66)
Of which expected to be recognised in the following year	(891)

27 Derivative transactions (Continued)

Interest rate repricing

The table below sets out the interest rate mismatches on the balance sheet as at 31 December 2007. The Bank keeps an open Euro position with minimal positions in USD and GBP.

Note: Items are allocated to time bands by reference to the earlier of next interest repricing date or maturity date.

	Not more than 3 months EUR 000's	> 3 months and ≤ 6 months EUR 000's	> 6 months and ≤ 12 months EUR 000's	> 1 year and ≤ 5 years EUR 000's	More than 5 years EUR 000's	Non- interest bearing EUR 000's	Total EUR 000's
Assets:							
Cash & balances with CBOI	5,713	–	–	–	–	–	5,713
Loans & advances to banks	60,804	–	25,000	67,000	30,000	432	183,236
Loans & advances to customers	20,500	–	9,340	15,000	–	–	44,840
Investment Securities:							
Available for sale securities	4,045,446	–	–	–	–	–	4,045,446
Held to maturity Securities	15,000	–	–	71,500	–	336	86,836
Derivative Financial Instruments	–	–	–	–	–	3,361	3,361
Deferred Tax	–	–	–	–	–	9,417	9,417
Tangible fixed assets	–	–	–	–	–	166	166
Prepayments & accrued interest	–	–	–	–	–	33,056	33,056
Total Assets	4,147,463	–	34,340	153,500	30,000	46,768	4,412,071
Liabilities:							
Deposits by banks	3,814,702	238,898	10,000	16,000	–	390	4,079,990
Customer accounts	72,084	18,500	–	–	–	–	90,584
Derivative Financial instruments	–	–	–	–	–	885	885
Accruals & deferred income	–	–	–	–	–	28,385	28,385
Corporation tax	–	–	–	–	–	435	435
Shareholders' funds	–	–	–	–	–	211,792	211,792
Total Liabilities	3,886,786	257,398	10,000	16,000	–	241,887	4,412,071

27 Derivative transactions (Continued)

	Not more than 3 months EUR 000's	> 3 months and ≤ 6 months EUR 000's	> 6 months and ≤ 12 months EUR 000's	> 1 year and ≤ 5 years EUR 000's	More than 5 years EUR 000's	Non- interest bearing EUR 000's	Total EUR 000's
Net positions	260,677	(257,398)	24,340	137,500	30,000	(195,119)	
Off balance sheet items	(15,586)	15,586	(16,000)	16,000	–	–	
Interest rate sensitivity gap	245,091	(241,812)	8,340	153,500	30,000	(195,119)	
Cumulative gap*	245,091	3,279	11,619	165,119	195,119	–	

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

Interest rate repricing

The table below sets out the interest rate mismatches on the balance sheet as at 31 October 2006. The Bank keeps an open Euro position with minimal positions in USD, CHF and GBP.

Note: Items are allocated to time bands by reference to the earlier of next interest repricing date or maturity date.

	Not more than 3 months EUR 000's	> 3 months and ≤ 6 months EUR 000's	> 6 months and ≤ 12 months EUR 000's	> 1 year and ≤ 5 years EUR 000's	More than 5 years EUR 000's	Non- interest bearing EUR 000's	Total EUR 000's
Assets:							
Cash & balances with CBOI	6,508	–	–	–	–	–	6,508
Loans & advances to banks	21,765	–	–	69,472	–	–	91,237
Loans & advances to customers	94,224	–	4,257	15,000	–	–	113,481
Debt securities & other fixed income securities	3,576,550	103,190	7,500	76,500	10,000	2,248	3,775,988
Tangible fixed assets	–	–	–	–	–	240	240
Prepayments & accrued interest	–	–	–	–	–	22,212	22,212
Total Assets	3,699,047	103,190	11,757	160,972	10,000	24,700	4,009,666

27 Derivative transactions (Continued)

	Not more than 3 months EUR 000's	> 3 months and ≤ 6 months EUR 000's	> 6 months and ≤ 12 months EUR 000's	> 1 year and ≤ 5 years EUR 000's	More than 5 years EUR 000's	Non- interest bearing EUR 000's	Total EUR 000's
Liabilities:							
Deposits by banks	3,299,838	140,377	31,000	16,000	–	–	3,487,215
Customer accounts	126,858	14,092	–	–	–	–	140,950
Other liabilities	–	–	–	–	–	98,190	98,190
Accruals & deferred income	–	–	–	–	–	15,045	15,045
Corporation tax	–	–	–	–	–	91	91
Shareholders' funds	–	–	–	–	–	268,175	268,175
Total Liabilities	3,426,696	154,469	31,000	16,000	–	381,501	4,009,666
Net positions	272,351	(51,279)	(19,243)	144,972	10,000	(356,801)	
Off balance sheet items	(27,117)	4,258	25,742	(2,883)	–	–	
Interest rate sensitivity gap	245,234	(47,021)	6,499	142,089	10,000	(356,801)	
Cumulative gap*	245,234	198,213	204,712	346,801	356,801	–	

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

27 Derivative transactions (Continued)

Maturity of notional principal amounts

At 31 October 2006 the notional principal amounts, by residual maturity, of the Bank's non-trading derivatives were as follows:

Derivatives held for non-trading purposes

31 October 2006	One year or less	Over one year but not more than five years	Over five years	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Foreign exchange derivatives:				
– Foreign exchange swaps	20,297	–	–	20,297
Interest rate derivatives:				
– Interest rate swaps	444,577	34,883	–	479,460
– Interest rate and currency swaps	13,956	–	19,539	33,495
– Forward rate agreements	–	–	–	–
Total	478,830	34,883	19,539	533,252

27 Derivative transactions (Continued)

Maturity and counterparty analyses of net replacement cost

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date net of accrued interest as at the balance sheet date. Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost.

At 31 October 2006 the net replacement costs, by residual maturity and counterparty, of the Bank's non-trading OTC derivatives were as follows:

31 October 2006	One year or less	Over one year but not more than five years	Over five years	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Foreign exchange swaps	162	–	–	162
Interest rate swaps	97	918	–	1,015
Interest rate and currency swaps	112	–	–	112
	371	918	–	1,289
Net replacement cost by counterparty				
Banks and other financial institutions	371	918	–	1,289

28 Fair values of financial assets and financial liabilities

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 Bank uses the discounted cash flow method from Bloomberg to fair value derivatives.

The table below compares the book and fair values of the Bank's financial instruments as at 31 December 2007. Where available, market values have been used to determine fair values.

		Carrying Value	Fair Value
		2007	2007
		EUR 000's	EUR 000's
Assets	Loans and advance to banks (i)	183,236	183,236
	Loans and advance to customers (ii)	44,840	44,840
	Available for sale securities	4,045,446	4,045,446
	Held to maturity securities (iii)	86,836	84,548
Liabilities	Deposits by Banks (iv)	4,079,990	4,079,990
	Customer accounts (v)	90,584	90,584

(i) Loans and advances to banks

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount.

(ii) Loans and advances to customers

The estimated fair value of variable rate loans and advances represents the carrying amount less any provision for impairment.

(iii) Held to maturity securities

The fair value of held to maturity securities is priced using quoted prices.

(iv) Deposits by banks

Deposits by banks includes inter-bank takings, repurchase agreements and schuldschein issued.

The fair value of floating rate deposits is their carrying amount.

(v) Customer accounts

Due to customers are non bank takings. The fair value of floating rate deposits is their carrying amount.

28 Fair values of financial assets and financial liabilities (Continued)

At 31 October 2006

The following table discloses the book and fair values of some of the Group's financial instruments as at 31 October 2006. Those financial assets and liabilities for which, in the opinion of the Directors, a liquid and active market does not exist, those which are not listed or publicly traded, have been excluded from the tables. The fair value is calculated using market values.

	Carrying Value	Fair Value
	2006	2006
	EUR 000's	EUR 000's
Financial instruments for trading		
Debt securities & other fixed income securities	3,635,086	3,635,086
Non-trading financial instruments		
Debt securities and other fixed income securities	140,902	139,759
Derivative financial instruments held for trading purposes		
Forward rate agreements	7	7
Interest rate swaps	–	–
Derivative financial instruments held for non-trading purposes		
Interest rate swaps	–	366
Forward rate agreements	–	–
Forward foreign exchange contracts	–	129
Cross currency interest rate swaps	–	(561)

28 Fair values of financial assets and financial liabilities (Continued)

Derivatives held for non-trading purposes 31 October 2006	Notional principal amount EUR 000's	Year-end positive fair value EUR 000's	Year-end negative fair value EUR 000's
Foreign exchange derivatives:			
– Foreign exchange swaps	20,297	162	(33)
Interest rate derivatives:			
– Interest rate swaps	479,460	1,015	(649)
– Forward rate agreements	–	–	–
– Interest rate and currency swaps	33,495	112	(673)
Total	533,252	1,289	(1,355)

29 Effective Interest rate

The effective interest rate of the Bank's investment security portfolio is as follows:

	Available for sale	Held to maturity
Effective interest rate	4.94 %	3.96 %

30 Directors' remuneration

	2007 EUR 000's	2006 EUR 000's
Fees	19	4
Emoluments	588	747
	607	751

31 Related party transactions

The company, incorporated in Ireland, is a wholly owned subsidiary of Nassauische Sparkasse which is incorporated in Germany and which prepares Group financial statements which are published in Germany. Copies of the financial statements may be obtained from Naspa Dublin.

Transactions with the Nassauische Sparkasse Group are not disclosed as the company has availed of the exemption under Financial Reporting Standard 8 – “Related Party Disclosure”, on the basis that the consolidated financial statements of Nassauische Sparkasse in which the company is included are publicly available as referred to above.

Transactions with Directors are discussed in note 30. Other than remuneration disclosed in note 30, there are no loans or transactions with directors.

32 Cash flow

A cash flow statement has not been prepared as the company, being a wholly owned subsidiary of Nassauische Sparkasse, which prepares consolidated financial statements including the company, is exempted from so doing by Financial Reporting Standard No. 1 (revised).

33 Risk Management and Control

The Board of Directors approves the framework setting out the policy, the limits and the monitoring of risk. The policy includes the business strategy of product groups, the markets in which trading may take place, the type, scope, legal form and documentation of trading transactions and the counterparties with whom transactions may be carried out. It also sets out the rules for the limitation of the risks associated with dealing which include the procedures for measurement, analysis, and the monitoring of risks.

Credit Risk

The Bank’s credit risk is monitored in compliance with both the Bank and the Group Credit Risk Strategy. The portfolio of securities is externally rated and ratings are closely monitored. Assets are monitored within a detailed credit monitoring process and all limits are formally reviewed annually. Credit Value at Risk is monitored on a daily basis. All assets are being served to their contractual obligations in a timely manner and there has been no restructuring of assets in the reporting period.

33 Risk Management and Control (Continued)

Concentration of Risks of Financial Assets with Credit Risk Exposure

Industry Sectors	Financial Institutions	ABS	Other	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cash and balances with the Central Bank	5,713	–	–	5,713
Loans and advances to banks	183,236	–	–	183,236
Loans and advances to customers	–	–	44,840	44,840
Available for sale securities	3,354,422	691,024	–	4,045,446
Held to maturity securities	86,836	–	–	86,836
Derivative financial instruments	3,361	–	–	3,361
Other assets	23,996	8,297	1,280	33,573

Rating Categories

The table below presents an analysis of debt securities by rating agency designation on 31 December 2007 based on Standard & Poor's ratings or their equivalent

	Financial Institutions	ABS	Total
	EUR 000's	EUR 000's	EUR 000's
AAA	54,249	690,524	744,773
AA– to AA+	1,350,782	500	1,351,282
A– to A+	1,945,391	–	1,945,391
BBB+	90,835	–	90,835
Non Rated	–	–	–
Total	3,441,257	691,024	4,132,281

33 Risk Management and Control (Continued)

Asset Backed Security Breakdown

The Bank's ABS portfolio is broken down into the following product types:

Product Type	Fair Value EUR 000's
Residential mortgage backed securities	531,394
Commercial mortgage backed securities	45,787
Consumer asset backed securities	53,045
Collateralised loan obligations	35,994
Lease receivables	24,803
Total	691,023

Interest Rate Risk

The Bank's results include returns obtained from the controlled mismatching of maturity dates on EUR, USD, and GBP asset and liability holdings. Interest rate risk has been limited by the Bank to open positions with a maximum maturity of up to one year. In addition a position limit and loss tolerance is set for the entire book. The exception to this being assets which are funded with the Bank's Euro 254.2 million of share capital. All other fixed rate interest positions maturing beyond 12 months are hedged using approved derivatives or matched funding.

See note 27 interest rate repricing table which sets out the mismatches on the balance sheet as at 31 December 2007.

33 Risk Management and Control (Continued)

Currency Risk

Foreign exchange risk arises from mismatches from assets or liabilities in foreign currencies. Foreign exchange exposure is only permissible in certain currencies approved by the Board of Directors and is controlled by way of volume and stop/loss limits. Assets are matched funded by currency by either borrowing in that currency or through derivatives including foreign exchange swaps.

The table below presents the assets and liabilities of the Bank denominated in currency:

As at 31 December 2007	EUR	USD	GBP	Other	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Assets					
Cash and balances with Central Banks	5,713	–	–	–	5,713
Loans and advances to banks	182,585	14	63	574	183,236
Loans and advances to customers	44,840	–	–	–	44,840
Available for sale securities	3,762,268	111,639	152,347	19,192	4,045,446
Held-to-maturity securities	86,836	–	–	–	86,836
Derivative financial instruments	1,302	320	1,729	10	3,361
Other assets	38,752	2,888	934	65	42,639
Total financial assets	4,122,296	114,861	155,073	19,841	4,412,071
Liabilities					
Deposits by banks	3,903,147	69,808	88,535	18,500	4,079,990
Customer accounts	90,584	–	–	–	90,584
Derivative financial instruments	40	16	–	830	886
Other liabilities	26,535	1,697	485	102	28,819
Shareholders' funds	211,792	–	–	–	211,792
Total financial liabilities	4,232,098	71,521	89,020	19,432	4,412,071
Net financial position	(109,802)	43,340	66,053	409	–
At 31 October 2006	(34,569)	30,581	221	3,767	–

33 Risk Management and Control (Continued)

Liquidity Risk

The Bank's liquidity risk is managed in accordance with the Liquidity Strategy approved by the Board of Directors. The liquidity strategy requires that the Bank has sufficient access to funding from a range of sources in the financial market and that it:

1. Manages market access
2. Establishes and maintains relationships with funding providers
3. Stress tests funding availability
4. Monitors funding concentrations

The Bank's investment strategy concentrates on highly liquid assets, with Euro 3.5 bln of ECB eligible assets (85 % of total securities).

Total funding is broadly diversified as follows:

Funding source	% of Total Funding
Bilateral Repo	47%
Inter-bank money market	12%
ECB repo	12%
Intercompany	24%
Customer deposits	2%
Inter-bank SSD	2%
Tripartite repo	1%
Total	100%

Given the high proportion of ECB eligible assets that the Bank holds and the ability of the Bank to access the excess liquidity position of our parent, the Bank is satisfied that it has adequate available funding sources in place.

34 Approval of the financial statements

The financial statements were approved by the Directors on 29th February 2008.

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