

2008

Report and

Financial

Statements

2008

Report and Financial Statements 2008

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Financial Summary

EUR 000's	2008	2007**	2006	2005	2004
Net Interest Income	32,132	23,335	10,236	10,554	13,126
Fees & Commissions	(329)	(404)	(292)	(314)	(278)
Dealing Profits/(Losses)	–	–	1,369	2,971	3,098
Net Trading Income/(Expense)	(85)	240	–	–	–
Gain/(Loss) on sale of financial assets	–	1,214	–	–	–
Other Operating Income	–	–	1,414	289	(940)
Total Income	31,718	24,385	12,727	13,500	15,006
Administration Expenses & Depreciation	3,665	3,772	2,977	2,539	2,267
Operating Income before Impairment	28,053	20,613	9,750	10,961	12,739
Impairment Charge	(44,940)	–	–	–	–
Profit/(Loss) after Tax	(14,774)	18,023	8,560	9,915	11,333
Share Capital	254,250	254,250	254,250	127,000	127,000
Capital Conversion Reserve Fund	823	823	823	823	823
Profit and Loss Account	6,744	21,518	13,102	13,048	12,633
Available for Sale Reserve	(103,256)	(64,799)	–	–	–
Shareholders' Funds	158,561	211,792	268,175	140,871	140,456
Total Assets	4,056,329	4,412,071	4,009,666	2,528,200	2,583,890
Costs/Income excluding Impairment %	11.55	15.47	23.39	18.80	15.10
Operating Profit Return on Share Capital	11.00	7.00	6.70	7.75	8.86
Profit/(Loss) after Tax Return on Share Capital %*	(5.79)	7.00	6.70	7.75	8.86

*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 fully licensed bank, located in the International Financial Services Centre (IFSC) in Dublin and is regulated by the Financial Regulator.

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.

The company with the legal form of an unlimited company, is also supported through a letter of comfort (Patronatserklärung) issued by its parent Nassauische Sparkasse, Wiesbaden (Naspa Wiesbaden). The parental letter of support states that Naspa Dublin's parent will ensure that Naspa Dublin will always be in a position to meet its liabilities entered into during the period in which Naspa Dublin's parent has a shareholding interest in Naspa Dublin. This obligation is limited to the proportion of Naspa Dublin's parent shareholding interest in it at the time when the relevant liabilities of Naspa Dublin are incurred.

Change of Ownership

Naspa Dublin is in the process of being sold from its current parent Naspa Wiesbaden to the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT) due to restructuring at Group level. Naspa Wiesbaden and SGVHT signed an Acquisition Agreement on 19 December 2008 whereby 100% of the issued share capital will be acquired by the new owner. Issued share capital will be redenominated to 1 Euro per share with 254,250,000 shares called up.

The transaction is expected to close end of June 2009 at the latest. Closing of the transaction was subject to approval from the competition authorities of the Republic of Ireland and the Federal Republic of Germany which have been obtained. It is also subject to the approval of the Financial Regulatory authorities in Ireland.

Upon completion of the sale, the SGVHT will renew the Letter of Comfort (Patronatserklärung) to provide identical support. Until that time, the Letter of Comfort from Naspa Wiesbaden will remain in force.

Sparkassen- und Giroverband Hessen-Thüringen

The SGVHT is a public body, formed pursuant to a German state treaty dated 10 March 1992. The SGVHT has fifty (50) members, which are the communal savings banks in the German states of Hesse and Thuringia (each of which are held in turn by forty-seven (47) municipalities). Naspa Wiesbaden is

one of the fifty members. The share capital of the SGVHT is divided between each of the Savings Banks being members according to their respective size.

The SGVHT is an integral part of the Sparkassen-Finanzgruppe Hessen-Thüringen (the fifty savings banks in the German states of Hesse and Thuringia and Helaba – collectively named “Sparkassen-Finanzgruppe Hessen-Thüringen” or “Verbund”). The Verbund currently has a long-term rating of A and A+ as well as a short-term rating of A-1 and F1+ by Standard & Poor's and Fitch respectively.

The SGVHT has considerable financial strength and expertise in owning, supporting and advising credit institutions. Going forward, Naspa Dublin will benefit from ongoing support from fifty credit institutions rather than just one (i.e. Naspa Wiesbaden) as is currently the case.

The SGVHT has a number of objectives pursuant to the state treaty under which it was established. These include: (a) promoting and supporting the common interests of its members (i.e. the communal savings banks, including Naspa Wiesbaden); (b) developing the businesses of its members; and (c) undertaking quasi-regulatory and exclusive auditing functions in relation to its members.

Risk management is a core competency of the Sparkassen-Finanzgruppe Hessen-Thüringen (the Savings Banks' Finance Group of Hesse and Thuringia).

The SGVHT itself owns shareholdings in some companies on behalf of its members. For example, the SGVHT owns 85% of Landesbank Hessen-Thüringen Girozentrale (also known as “Helaba”).

Business 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 credit strategy, high 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 main parameters:

- Financial institutions with a minimum credit rating of A–/A3, no subordinated debt
- ABS with a minimum credit rating of AA, first ranking tranches only
- No investments in emerging markets
- Concentrating on liquid assets, preferably ECB eligible securities

Performance Review

While the financial markets crisis continued in 2008 and into 2009, the Bank due to its conservative strategy, was at all times able to meet the unprecedented challenges seen in 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
- Icelandic or Emerging Market risks.

The Bank’s total assets decreased during the year to Euro 4.1bn (Euro 4.41bn).

Of significant impact during the year was the filing for Chapter 11 protection by Lehman Bros Holding Inc. The Bank holds exposure in Lehman Bros Holdings, unsecured debt in the amount of Euro 50m. As a result of the above action by the company, the investment was deemed impaired and a charge of Euro 45m was taken in the P&L.

Net interest income was strong due mainly to our solid liquidity position. In reaction to the market developments, the Bank reduced its asset base (through maturities) but overall return of operating profit on assets increased.

The Bank showed an operating profit before impairment for the year at Euro 28.1m. However the impairment charge resulted in a net loss after tax of Euro (14.8 m).

Having carried out a detailed analysis, the Bank concluded that the markets in which they transact had become inactive and accordingly, the Bank availed of the amendment to FRS 26 and reclassified its debt security portfolio from Available for Sale to Loans and Receivables as at 1st July 2008.

Despite the changing market conditions the Bank 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 further impairment of any asset.

In light of the ongoing market situation, the Bank’s strategy has been reviewed and was deemed to remain appropriate. In the opinion of the Board, the Bank should continue to hold the existing assets.

Capital

The Bank benefits from a strong capital base.

From 1 January 2008, the Bank has managed its capital adequacy under the requirements of the Capital Requirements Directive as implemented by the Financial Regulator for supervisory purposes. The Bank's internal capital model seeks to ensure the maintenance of a capital buffer capable of absorbing unanticipated market developments.

The core capital ratio under the CRD, applying the prudential filter for the AFS reserve is 17.99% (2007 equivalent: 17.94%).

Funding Strategy

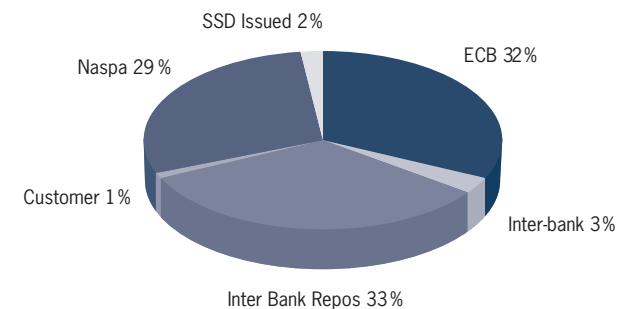
As difficult conditions continue to persist in the Interbank Market, the Bank has sought to maintain its diverse funding strategy which is enabled by the liquid nature of the assets it holds.

The Bank participates in repo activity with the European Central Bank, bi-lateral and tri-party counterparties. As the difficult Interbank Market conditions again worsened in the 4th quarter, the secured nature of this significant portion of Naspa Dublin's funding ensured ample liquidity.

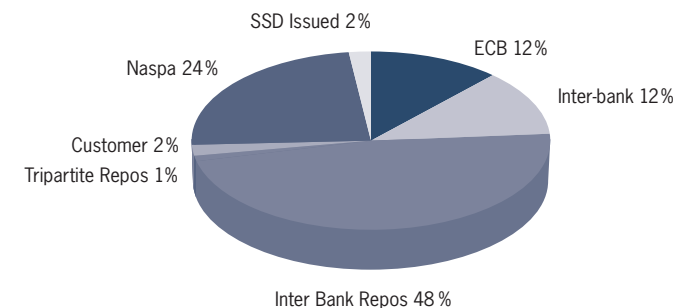
The Bank holds € 3.5bln of ECB eligible assets (88% of total securities). ECB funding has increased to 32% and parent funding increased to 29% of total funding due to tightened Interbank market conditions.

The funding breakdown at 31st December 2008 was as follows:

Funding Breakdown 2008



Funding Breakdown 2007



Directors and Other Information

Directors

G. Werthaler – Chairman (German)
E. McCormack
G. Junghenn (German)
N. O'Byrne
H. Müller-Hermann (German)
G. Högner (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 12 months ended 31 December 2008. The Bank has adopted FRS 29 in the current year.

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 6 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 note 32. Fair value disclosures for the financial instruments are presented in note 28.

Reclassification of Securities

Having carried out a detailed analysis, the Bank concluded that the markets in which they transact had become inactive, and accordingly the Bank availed of the amendment to FRS 26 and reclassified its Available for Sale debt securities to Loans and Receivables as at 1st July 2008. The impact of this reclassification is presented in note 12.

Dividends and Retentions

	EUR
Opening revenue reserves	21,518,113
Loss for the financial year amounted to	(14,774,378)
Closing revenue reserves	6,743,735
AFS Reserve	(103,255,534)
Closing Reserves	(96,511,799)

Capital

The Bank's share capital is Euro 254 million (2007: Euro 254 million).

On 4th February 2009, the Directors subdivided the 50 authorised and issued Ordinary Shares of € 5,080,000 each in the capital of the company into 254,000,000 Ordinary Shares of € 1.00 each and subdivided the single authorised and issued Ordinary Share of € 250,000 into 250,000 Ordinary Shares of € 1.00 each, to facilitate the share transfer on completion of the sale contract.

G. Wernthaler
Chairman

E. McCormack
Managing Director

Events since year-end

There have been no significant events since the year-end other than the redenomination of the share capital as described in the paragraph above.

Research and Development

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

Future Developments

The sale of the Bank to the SGVHT is expected to be completed by end June 2009.

Following the sale, the Bank plans to continue its existing business model of managing a conservative investment portfolio.

Staff

21 staff were employed at 31 December 2008.

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

Directors and Secretary and their interests

The Directors and Secretary of the company at 31 December 2008 were as listed on page 7. The Directors and Secretary who held office at 31 December 2008 had no beneficial interests in the shares of the company or group at 31 December 2008.

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 12 months ended 31 December 2008.

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 Shareholders of Naspá Dublin

We have audited the financial statements on pages 12 to 58. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 12 to 15.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the directors' 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 in the statement of directors' responsibilities on page 8.

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 company's state of affairs as at 31 December 2008 and of its loss for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006, and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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

In our opinion the information given in the directors' report on pages 8 to 9 is consistent with the financial statements.

The net assets of the company as stated in the balance sheet on page 17 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 2008 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
27 March 2009

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. 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.

Standards effective in 2008

The financial statements for the 14 months ended 31 December 2007 were the first to be prepared applying FRS 25 'Financial Instruments – disclosure and presentation' and FRS 26 'Financial Instruments measurement'. In 2008, the Bank has adopted FRS 29 'Financial Instruments: disclosures' which introduces new disclosures relating to financial instruments. The adoption of FRS 29 has had no material effect on these financial statements other than disclosures in the notes.

The FRS 26 'Financial Instruments Recognition and measurement' amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held for trading and available-for-sale categories if specified conditions are met. The related amendment to FRS 29 'Financial Instruments: Disclosures' introduces disclosure requirements with respect to financial assets reclassified out of the held for trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. Having carried out a detailed analysis, the Bank concluded that the markets in which they transact had become inactive and accordingly, the Bank availed of the amendment to FRS 26 and reclassified its debt security portfolio from Available for Sale to Loans and Receivables as at 1st July 2008. See note 12 for the effect of the amendment to the current period.

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 recognised 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. The accrued interest in relation to financial assets is included as part of prepayments and accrued income.

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. During the financial year the Bank's Floating Rate Debt Securities were reclassified from Available for Sale to this category, in line with the amended FRS 26.

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.

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.

Financial assets – reclassification

Where the markets become inactive the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the company has the intention and the ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The fair values of quoted investments in active markets are based on current bid prices. The fair values of quoted investments in inactive markets are calculated using valuation techniques (including the use of cash flow models).

Financial Liabilities

Financial liabilities are recognised initially at fair value net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost. The accrued interest in relation to financial liabilities is included in accruals and deferred income.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') continue to be recorded on the balance sheet and 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. If an active market does not exist, the Bank establishes fair value using valuation techniques (including the use of recent market transactions, and 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 (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 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 re-measurement of available-for-sale investments which are charged or credited directly to equity, and were reclassified to loans and receivables during 2008, 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

		12 months ended 31 December 2008	14 months ended 31 December 2007
	Notes	EUR	EUR 000's
Interest receivable and similar income			
Interest receivable and similar income arising from			
Debt securities and fixed income securities		209,678,848	224,667
Other interest receivable and similar income		3,090,818	3,677
Interest payable and similar charges		(180,637,095)	(205,009)
<hr/>			
Net interest income	2	32,132,571	23,335
Fees and commissions payable		(329,302)	(404)
Net trading (expense)/income	3	(85,468)	240
Gains less losses from investment securities	4	–	1,214
Administration expenses	6	(3,589,117)	(3,680)
Depreciation		(75,696)	(92)
<hr/>			
Operating profit before impairment losses		28,052,988	20,613
Impairment losses	5	(44,940,591)	–
<hr/>			
(Loss)/Profit on ordinary activities before taxation		(16,887,603)	20,613
Tax on loss/(profit) on ordinary activities	7	2,113,225	(2,590)
<hr/>			
(Loss)/Profit for the financial year		(14,774,378)	18,023

Profit on ordinary activities arose solely from continuing operations.

The accounting policies on pages 12 to 15 and the notes on pages 19 to 58 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 2008 EUR	As at 31 December 2007 EUR 000's
Assets			
Cash and balances with Central Banks		4,866,316	5,713
Loans and advances to banks	10	142,315,364	183,236
Loans and advances to customers	11	4,500,000	44,840
Investment securities:			
Available for sale securities	12, 13	–	4,045,446
Held-to-maturity securities	13	91,011,274	86,836
Loans and receivables securities	12, 13, 14	3,760,221,950	–
Derivative financial instruments	27	3,231,537	3,361
Deferred tax	8	14,870,905	9,417
Tangible fixed assets	15	145,423	166
Prepayments and accrued income	16	35,166,153	33,056
		4,056,328,922	4,412,071
Liabilities			
Deposits by banks	17	3,829,279,246	4,079,990
Customer accounts	18	45,325,800	90,584
Derivative financial instruments	27	2,048,552	886
Accruals and deferred income	19	21,114,153	28,384
Corporation tax		–	435
		3,897,767,751	4,200,279
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	6,743,735	21,518
Available for sale reserve	22	(103,255,534)	(64,799)
		158,561,171	211,792
		4,056,328,922	4,412,071

The accounting policies on pages 12 to 15 and the notes on pages 19 to 58 form part of the accounts.

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

Statement of Total Recognised Gains and Losses

		12 months ended 31 December 2008	14 months ended 31 December 2007
	Notes	EUR 000's	EUR 000's
Profit/(loss) on ordinary activities after tax		(14,774)	18,023
FRS 26 transition adjustments through equity	23	–	(1,401)
Available for sale revaluation movement through equity	23	(38,457)	(64,799)
Total recognised gains and losses		(53,231)	(48,177)

The accounting policies on pages 12 to 15 and the notes on pages 19 to 58 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 Naspas Dublin during 2008 was Nassauische Sparkasse, Wiesbaden, Germany, which has stated that it will ensure that Naspas Dublin is always in a position to meet its liabilities entered into by it during the period in which it holds shares in Naspas 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 Naspas Dublin bears to the overall issued share capital of that company, at the time when the relevant liabilities of Naspas Dublin are incurred.

On 19th December 2008, Nassauische Sparkasse, Wiesbaden entered into an agreement for the sale of Naspas Dublin to the Sparkassen- und Giroverband Hessen Thüringen (SGVHT). The sale contract was signed subject to terms and conditions, one of which is approval by the Financial Regulator in Ireland.

The Bank continues to be consolidated within the Group accounts of Nassauische Sparkasse in 2008.

2 Net Interest Income

	2008	14 months 2007
	EUR 000's	EUR 000's
Interest Income		
– Investment securities	209,679	224,667
– Other	3,091	3,677
Total	212,770	228,344
Interest Expense		
Deposits from banks	73,313	61,969
Due to customers	6,219	4,829
Securities subject to sale and repurchase	101,105	138,211
Total	180,637	205,009
Net interest income	32,133	23,335
Interest income on impaired financial assets	1,636	–

3 Net Trading Income	2008	14 month 2007
	EUR 000's	EUR 000's
FRA's	112	(91)
Foreign exchange	(104)	(244)
Interest rate swaps	11	603
Cross-currency swaps	(59)	(20)
Hedge ineffectiveness	(45)	(8)
Total	(85)	240

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.

4 Gains less losses from investment securities	2008	14 month 2007
	EUR 000's	EUR 000's
Gains on disposals of investment securities	–	1,214
	–	1,214

5 Impairment losses	2008	14 month 2007
	EUR 000's	EUR 000's
Impairment charge	(44,941)	–
	(44,941)	–

6 Administration expenses	2008	14 month 2007
	EUR 000's	EUR 000's
Staff costs		
– salaries	1,912	1,914
– social welfare costs	207	207
– other staff costs	301	232
	2,420	2,353
Other administration expenses	1,169	1,327
	3,589	3,680
Included in administration expenses		
Auditors' remuneration (including VAT)	121	76

7 Taxation	2008	14 month 2007
	EUR 000's	EUR 000's
(a) Analysis of reclaim/(charge) in period		
Current year:		
Reclaim in respect of tax paid in 2007	2,153	–
2007:		
Irish corporation tax at 12.5%	–	(2,550)
	2,153	(2,550)
Deferred tax:		
Deferred tax charge for the year	(40)	(40)
	2,113	(2,590)

The effective rate of tax was 12.5% (2007: 12.5%).

7 Taxation (Continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is nil. The reconciliation is shown as follows:

	2008 EUR 000's	14 month 2007 EUR 000's
(Loss)/Profit on ordinary activities before tax multiplied by the weighted standard rate of corporation tax in Ireland of 12.5% (2007: 12.5%)	(2,110)	2,577
Effects of:		
Relief under section 446, Taxes Consolidation Act, 1997	-	-
Expenses not deductible for tax purposes	9	13
Capital allowances in excess of depreciation	(12)	-
Other deferred tax timing differences	-	-
Other	(40)	(40)
Losses utilised in respect of prior year reclaim	2,153	-
Current tax charge	-	2,550

8 Deferred Income Tax

	2008 EUR 000's	14 month 2007 EUR 000's
At 1 November 2006	-	-
Transition adjustment	-	47
At 1 January 2008/Restated at 1 November 2006	9,417	47
Income statement charge	(40)	(40)
Fair value measurement on available for sale securities in the period	8,944	9,309
Amortisation available for sale securities reclassified as loans and receivables	(3,450)	-
Disposal of available for sale securities	-	101
At 31 December 2008	14,871	9,417

Deferred income tax assets and liabilities are attributable to the following items:

Deferred tax assets associated with transition adjustments	120	160
Available for sale securities	14,751	9,257
Total	14,871	9,417

9 Dividends	2008	14 month 2007
	EUR 000's	EUR 000's
Dividend paid of EUR 164,000 per share on each EUR 5,080,000 ordinary share	–	8,200
Dividend paid of EUR 6,000 per share on each EUR 250,000 ordinary share	–	6
	–	8,206

10 Loans and advances to banks	2008	2007
	EUR 000's	EUR 000's
Repayable on demand	30,017	25,505
Repayable in not more than three months	–	35,298
Repayable in more than three months but less than one year	12,000	25,000
Repayable in more than one year but not more than five years	70,298	67,433
Repayable in more than five years	30,000	30,000
	142,315	183,236
Included in the above are:		
Due from group undertakings	36	13

11 Loans and advances to customers	2008	2007
	EUR 000's	EUR 000's
Repayable in not more than three months	–	–
Repayable in more than three months but less than one year	–	–
Repayable in more than one year but not more than five years	–	31,000
Repayable in more than five years	4,500	13,840
	4,500	44,840

12 Reclassification of Investment Securities

During the year, the company reclassified financial assets out of the available-for-sale category into the loans and receivables category. The company had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity at the date of reclassification.

(i) The fair values of reclassified financial assets as of the respective dates of reclassification are disclosed below:

	1 July 2008
	EUR 000's
Reclassified from available-for-sale to loans and receivables*	3,881,434

*excludes accrued interest

(ii) As at 31 December 2008, the fair values and carrying values of financial assets reclassified during the year are:

	Carrying Value	Fair Value
	EUR 000's	EUR 000's
Financial assets reclassified from available for sale to loans and receivables during the period*	3,760,222	3,723,793

*excludes accrued interest

12 Reclassification of Investment Securities (Continued)

(iii) The company has recognised the following gains, losses, income and expenses in the income statement in respect of reclassified financial assets:

	2008	2008	2007
	Before reclassification	After reclassification	
Interest Income	99,014	101,401	213,857
Impairment	–	(44,941)	–
Foreign exchange differences	(18,584)	(11,771)	(33,617)

The company has recognised the following gains, losses, income and expenses in reserves in respect of re-classified financial assets:

	2008	2008	2007
	Before reclassification	After reclassification	
Fair value loss	(71,548)	–	(74,056)

(iv) The fair value loss which would have been recognised in the Available for Sale reserve by the company if the financial assets had not been reclassified was EUR'000 24,045

(v) The effective interest rate on financial assets reclassified into loans and receivables investments as at the date of reclassification was 6.5%

13 Investment Securities

In October 2008, the Bank reclassified its available for sale security portfolio to loans and receivables as permitted under the amendments to FRS 26 concerning reclassification of financial assets. The effective date of the reclassification of the portfolio was 1st July 2008.

	2008	2007
	EUR 000's	EUR 000's
Analysed by listing status		
Securities (loans and receivables)		
Debt securities – at amortised cost:		
– Listed	3,753,051	–
– Unlisted	7,171	–
Total securities loans and receivables	3,760,222	–
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	91,011	86,836
– Unlisted	–	–
Total securities held to maturity	91,011	86,836
Total investment securities	3,851,233	4,132,282

13 Investment Securities (Continued)

	2008 EUR 000's	2007 EUR 000's
Analysed by remaining maturity		
Due within one year	326,640	82,032
Due one year and over	3,524,593	4,050,250
	3,851,233	4,132,282
Analysed by industry		
Securities (loans and receivables)		
– Financial institutions	3,181,655	–
– Other debt securities	578,567	–
Total Securities Loans and Receivables	3,760,222	–
Securities (held to maturity)		
– Financial institutions	91,011	86,836
– Other debt securities	–	–
Total Securities Held to Maturity	91,011	86,836
Securities (available for sale)		
– Financial institutions	–	3,354,422
– Other debt securities	–	691,024
Total Securities Available for Sale	–	4,045,446
Total investment securities	3,851,233	4,132,282

Investment securities include securities of € 2.8bn (2007: € 2bn) which have been pledged to third parties in sale and repurchase agreements.

13 Investment Securities (Continued)

Movement in investment securities	Available for sale EUR 000's	Loans and receivables EUR 000's	Held to maturity EUR 000's	Total EUR 000's
At 1 January 2008	4,045,446	–	86,836	4,132,282
Exchange differences to 01/07/08	(18,584)	–	–	(18,584)
Additions	–	–	19,334	19,334
Disposals (sale and redemption)	(74,139)	–	(15,000)	(89,139)
Losses from changes in fair values	(71,548)	–	–	(71,548)
Amortisation of premium/discount	259	–	(159)	100
Impairment losses	–	–	–	–
Reclassified at 01/07/08	(3,881,434)	3,881,434	–	–
Impairment losses	–	(44,941)	–	(44,941)
Release of AFS on impaired bond	–	7,154	–	7,154
Exchange difference to 31/12/08	–	(11,771)	–	(11,771)
Disposals (redemptions)	–	(92,339)	–	(92,339)
Amortisation of premium/discount	–	242	–	242
Amortisation of AFS Reserve	–	20,443	–	20,443
At 31 December 2008	–	3,760,222	91,011	3,851,233

14 Loan Loss Provision

	2008 EUR 000's	2007 EUR 000's
Opening Balance	–	–
Charge during financial year	(44,941)	–
Closing Balance	(44,941)	–

15 Tangible fixed assets

	Office Equipment EUR 000's	Office Furniture EUR 000's	Computer Equipment EUR 000's	Total EUR 000's
Cost				
At 1 January 2008	72	297	712	1,081
Additions	24	1	30	55
Disposals	–	–	–	–
At 31 December 2008	96	298	742	1,136
Accumulated Depreciation				
At 1 January 2008	65	160	690	915
Charge for the year	5	55	16	76
Disposals	–	–	–	–
At 31 December 2008	70	215	706	991
Net Book Value				
At 31 December 2007	7	137	22	166
At 31 December 2008	26	83	36	145

16 Prepayments and accrued income

	2008 EUR 000's	2007 EUR 000's
Interest receivable	32,913	32,994
Amounts due from withholding tax on dividends	12	12
Corporation tax recoverable	2,153	–
Other debtors	88	50
	35,166	33,056

17 Deposits by banks	2008	2007
	EUR 000's	EUR 000's
Repayable on demand	275,923	426,338
Repayable in not more than three months	3,351,303	3,338,364
Repayable in more than three months but not more than one year	170,155	233,898
Repayable in more than one year but not more than five years	31,898	81,390
	3,829,279	4,079,990
Included in the above are:		
Due to group undertakings	1,119,041	991,150
18 Customer accounts	2008	2007
	EUR 000's	EUR 000's
Repayable in not more than three months	27,826	72,084
Repayable in more than three months but less than one year	17,500	18,500
	45,326	90,584
19 Accruals and deferred income	2008	2007
	EUR 000's	EUR 000's
Interest payable	20,279	27,196
Other accruals	835	1,188
	21,114	28,384

20 Share capital

The 51 ordinary shares issued by the company are owned by Nassauische Sparkasse (50 ordinary shares) and Thomas Esper (1 ordinary share). On 31 August 2007 the shares of Gerhard Schwahlen were transferred to Thomas Esper.

On 4th February 2009, the Directors subdivided the 50 authorised and issued Ordinary Shares of € 5,080,000 each in the capital of the company into 254,000,000 Ordinary Shares of €1.00 each and subdivided the single authorised and issued Ordinary Share of € 250,000 into 250,000 Ordinary Shares of € 1.00 each, to facilitate the share transfer on completion of the sale contract.

	2008	2007
	EUR 000's	EUR 000's
Authorised:		
50 ordinary shares of EUR 5,080,000 each (2007: 50 ordinary shares of EUR 5,080,000)	254,000	254,000
1 ordinary share of EUR 250,000 (2007: 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 (2007: EUR 5,080,000)	254,000	254,000
1 ordinary share of EUR 250,000 (2007: 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	2008	2007
	EUR 000's	EUR 000's
At 1 November 2006	–	–
Transition adjustment (net of deferred tax)	–	1,075
Opening Balance	(64,799)	1,075
Net losses from changes in fair value to 30/6/08	(71,548)	(74,474)
Deferred tax	8,944	9,309
Transfer to profit and loss account of AFS Reserve on impaired assets	7,154	–
Amortisation of AFS Reserve	20,443	–
Release Deferred Tax on amortisation	(3,450)	–
Net gains (net of deferred tax) transferred to profit and loss account	–	(709)
At 31 December 2008	(103,256)	(64,799)

23 Reconciliation of movements in shareholders' funds	2008	2007
	EUR 000's	EUR 000's
Opening shareholders' funds	211,792	268,175
(Loss)/Profit for the financial year	(14,774)	18,023
FRS 26 transition adjustment	–	(1,401)
Dividends paid (see note 9)	–	(8,206)
Available for sale reserve	(38,457)	(64,799)
	(53,231)	(56,383)
Closing shareholders' funds	158,561	211,792

24 Particulars of staff	2008	2007
The average number of persons employed by the Bank during the year was	21	18

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 179,206 (2007: EUR 119,116).

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.

	2008			2007		
	Contract/notional Amount EUR 000's	Fair values		Contract/notional Amount EUR 000's	Fair values	
		Assets EUR 000's	Liabilities EUR 000's		Assets EUR 000's	Liabilities EUR 000's
(a) Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	350,000	1,524	(1,500)	81,516	28	(15)
Cross-currency interest rate swaps	–	–	–	18,680	889	(830)
Forward rate agreements	150,000	580	(549)	167,000	24	(40)
Total interest rate derivatives	500,000	2,104	(2,049)	267,196	941	(885)
Foreign exchange derivatives						
FX swaps	42,937	275	–	114,696	2,030	–
Total foreign exchange derivatives	42,937	275	–	114,696	2,030	–
Total derivative assets/(liabilities) held for Trading	542,937	2,379	(2,049)	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 € 463,000 (2007: € 557,000). The loss on the hedged item attributable to the hedged risk was € 507,000 (2007: € 550,000).

	Contract/notional Amount EUR 000's	2008 Fair values		Contract/notional Amount EUR 000's	2007 Fair values	
		Assets EUR 000's	Liabilities EUR 000's		Assets EUR 000's	Liabilities EUR 000's
(b) Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	16,000	853	–	16,000	390	–
Total derivative assets/(liabilities) held for Hedging	16,000	853	–	16,000	390	–
Total recognised derivative assets/(liabilities)	558,937	3,232	(2,049)	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 12–15.

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 2008 and 31 December 2007. In 2007, market values where available (from Bloomberg and pricing providers) have been used to determine fair values. In 2008, the Bank reclassified its debt security portfolio from Available for Sale to Loans and Receivables as the market for this portfolio is deemed inactive. At 31 December 2008, the fair value of these securities is determined by using model valuations. The model has been certified by an independent source. To the extent practical, models use only observable data, however management estimates are required for liquidity spreads. Changes in assumptions about these factors could affect reported fair value of financial instruments.

		2008	2008	2007	2007
		Carrying value*	Fair Value*	Carrying value*	Fair Value*
		EUR 000's	EUR 000's	EUR 000's	EUR 000's
Assets	Loans and advances to banks (i)	142,315	136,791	183,236	183,236
	Loans and advances to customers (ii)	4,500	4,500	44,840	44,840
	Available for sale securities	–	–	4,045,446	4,045,446
	Held-to-maturity securities (iv)	91,011	91,699	86,836	84,548
	Loans and receivables securities (iii)	3,760,222	3,723,793	–	–
Liabilities	Deposits by banks (v)	3,829,279	3,829,279	4,079,990	4,079,990
	Customer accounts (vi)	45,326	45,326	90,584	90,584

*excluding accrued interest which is shown on a separate line item

(i) Loans and advances to banks – The fair value of floating rate placements and overnight deposits is their carrying amount. The fair value of variable rate Schuldscheindarlehen is determined using model valuations.

(ii) Loans and advances to customers – The fair value of variable rate loans and advances to customers is their carrying amount.

(iii) Loans and receivables securities – The fair value of loans and receivables debt securities is determined using model valuations.

(iv) Held to maturity securities – The fair value of variable rate loans and advances to customers is determined using model valuations.

(v) Deposits by banks – Deposits by banks include inter-bank takings, repurchase agreements and Schuldschein issued. The fair value of floating rate deposits is their carrying amount.

(vi) Customer accounts – Due to customers are non bank takings. The fair value of floating rate deposits is their carrying amount.

29 Directors' remuneration	2008	2007
	EUR 000's	EUR 000's
Fees	19	19
Emoluments	653	588
	672	607

30 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.

Other related parties

The Bank enters into transactions for services with a company in which a director is a partner, in the normal course of business. Details of the transactions are presented below:

	2008	2007
	EUR 000's	EUR 000's
Fee paid for legal services	6	5

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

31 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).

32 Risk management

Financial Risk Factors

The Bank's activities expose it to a variety of financial risks, the most significant of which are credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange risk and market price risk). The Board of Directors approves the framework setting out the strategy, the limits, the measurement and the monitoring of risk and has established a risk management policy which includes the business strategy, the markets in which trading may take place, the type 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.

The strategy of Naspa Dublin is to manage a conservative investment portfolio and the risk management framework is designed to support this objective.

Naspa Dublin is a wholly owned subsidiary of Nassauische Sparkasse, Wiesbaden, and its risk strategy is linked to the risk strategy of the Naspa group. The risk strategy is based on group risk policy principles which are approved by the Board of Naspa Dublin. These principles form the basis for a common understanding of the Bank's risk management goals throughout the organisation and are reviewed regularly and adapted if applicable.

The Bank's risk management framework sets out the following general principles:

- The overall objective is to secure the risk-bearing capacity and to maintain an adequate amount of capital at any time. That means that the institution always has to hold a sufficient level of risk coverage capital in order to cover the risks taken.
- The risk management objective is to secure the going concern.
- Considered risks are taken in order to generate profits.
- Risk management has to be organised in such a way as to prevent any conflict of interests.
- The Board of Directors and all employees feel committed to the risk policy principles and make their day-to-day decisions according to these guidelines.
- The compliance with regulatory requirements has to be secured at any time.

32 Risk management (Continued)

Risk management process

The risk management process takes place for every risk defined to be material for Naspa Dublin. It consists of the following steps: identification, measurement, reporting, management and controlling of risk.

- The institution focuses its exposures only on lines of business in which it possesses the expertise necessary to evaluate specific risks.
- The introduction of new business lines or products is generally preceded by a suitable analysis of business-specific risks.
- Credit risk on the overall portfolio is to be actively managed and the overall credit quality of the portfolio has to be maintained.
- In order to control market risk it is the goal to keep portfolio volatility at a low level by investing only in high quality assets.

The internal audit function of Nassauische Sparkasse is mandated to carry out the independent review of risk management and the control environment.

Capital Allocation

To ensure the ability of the Bank to continue as a going concern, the Bank allocates capital against the significant risks that it bears. This is carried out through the ICAAP (Internal Capital Adequacy Assessment Process) as required under the Capital Requirements Directive.

1. Credit Risk

The Bank takes exposure to credit risk, which is the risk that a financial loss is incurred as a result of a counterparty to a financial instrument failing to discharge an obligation under a contract. The Bank's exposure to credit risk arises predominantly through its debt security portfolio which represents 95% of total assets at balance sheet date and loans and advances to banks which make up a further 4% of total assets. Credit risk is the most significant risk for the Bank's business and is monitored in compliance with both the Bank and the Group Credit Risk Strategy.

New business activity is determined by the external rating and is limited to counterparties/transactions with a minimum rating as defined in the Bank's strategy. The overall rating of the Bank's Financial Institutions' portfolio is high single A and the ABS portfolio is AAA.

In the event that a transaction gets downgraded below these levels, a decision is made on a case-by-case basis as to whether the asset should be sold. Any counterparty/transaction below A3/A- is reported at each Board meeting for review/decision.

32 Risk management (Continued)

1. (i) Credit Risk Measurement

The Bank's debt securities and advances to banks are externally rated and the external ratings from Moody's or equivalent are used to manage credit risk exposures.

The quantification of credit risk at portfolio level (Credit Value at Risk) is performed by means of the Gordy-Model, which is a one-factor model also used in the Basel II approach. The Credit Value at Risk model measures the unexpected loss on the portfolio with a confidence interval of 99.9% and a holding period of 250 days.

Credit Value at Risk is updated on a monthly basis.

1. (ii) Credit Risk Management/mitigation

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 monthly basis.

If an asset falls below the Bank's minimum rating criteria, the decision to continue to hold the asset is made on a case by case basis.

With exception to a single exposure referred to in 1 (v) all assets are being served to their contractual obligations in a timely manner. There has been no restructuring of assets in the reporting period.

32 Risk management (Continued)

1. (iii) Credit Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings. The table below presents an analysis of financial assets by rating agency designation on 31 December 2008 based on Standard & Poor's ratings or their equivalent. The assets are shown at their carrying value at 31 December 2008.

	Financial Institutions	ABS	Other	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
AAA	68,517	570,222	–	638,739
AA– to AA+	808,442	8,345	–	816,787
A– to A+	2,299,362	–	–	2,299,362
BBB+ to BBB–	203,345	–	–	203,345
Below BBB–	5,000	–	–	5,000
Non Rated	–	–	4,500	4,500
Total	3,384,666	578,567	4,500	3,967,733

The table below presents an analysis of financial assets by rating agency designation on 31 December 2007 based on Standard & Poor's ratings or their equivalent. The assets are shown at their carrying value at 31 December 2007.

	Financial Institutions	ABS	Other	Total
	EUR 000's	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+	2,067,391	–	–	2,067,391
BBB	90,836	–	–	90,836
Non Rated	–	–	44,840	44,840
Total	3,563,258	691,024	44,840	4,299,122

32 Risk management (Continued)

1. (iv) Maximum Exposure to Credit risk before Collateral Held and other Credit Enhancements

Naspa Dublin's exposures are uncollateralised (apart from collateral within ABS structures) and no other credit enhancements are held, therefore the maximum exposure to credit risk is the net carrying amounts as reported in the balance sheet.

The table below represents the maximum exposure to credit risk for financial assets with material credit risk at 31 December 2008 and 31 December 2007. Exposures are based on the net carrying amounts as reported in the balance sheet.

	2008	2007
	EUR 000's	EUR 000's
Credit exposure relating to assets are as follows:		
Loans and advances to banks	142,315	183,236
Loans and advance to customers	4,500	44,840
Investment securities:		
Available for sale securities	–	4,045,446
Held to maturity securities	91,011	86,836
Loans & receivables securities	3,760,222	–
Derivative financial instruments	3,232	3,361
At 31 December	4,001,280	4,363,719

95% of credit risk exposures have an independent credit rating of at least A–.

32 Risk management (Continued)

1. (v) Assets Past Due or Impaired

(i) The carrying value of assets past due or impaired at 31 December 2008 and 2007 is summarised as follows:

2008	Loans and Advances to Banks EUR 000's	Loans and Advances to Customers EUR 000's	Investment Securities EUR 000's	Total EUR 000's
Impaired	–	–	49,941	49,941
Less provision for impairment	–	–	(44,941)	(44,941)
Net carrying value	–	–	5,000	5,000
Neither past due nor impaired	142,315	4,500	3,846,233	3,993,048
Total	142,315	4,500	3,851,233	3,998,048
2007	Loans and Advances to Banks EUR 000's	Loans and Advances to Customers EUR 000's	Investment Securities EUR 000's	Total EUR 000's
Impaired	–	–	–	–
Less provision for impairment	–	–	–	–
Neither past due nor impaired	183,236	44,840	4,132,282	4,360,358
Total	183,236	44,840	4,132,282	4,360,358

32 Risk management (Continued)

The impaired exposure at 31 December 2008 relates to a single name, Lehman Bros of which the Bank holds a nominal of € 50m which has been written down to € 5m.

The Bank holds no collateral for this exposure.

At 31 December 2007 the Bank had no exposures that were deemed to be impaired and no provision for impairment was made.

(ii) Restructured Financial Assets

No financial assets were restructured during the financial years ended 31 December 2007 and 2008.

(iii) Collateral and Other Credit Enhancements Obtained

During the financial years ended 31 December 2007 and 2008 no assets were obtained by taking possession of collateral or other credit enhancements.

32 Risk management (Continued)

1. (vi) Geographical concentration of exposures

The following table breaks down the Bank's balance sheet exposures at carrying amount by geographical concentration as at 31 December 2008 and 2007.

2008	Western Europe	US	Australia/Canada	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cash and balances with the Central Bank	4,866	–	–	4,866
Loans and advances to banks	127,315	–	15,000	142,315
Loans and advances to customers	4,500	–	–	4,500
Investment securities:				
Held to maturity securities	91,011	–	–	91,011
Loans and receivables securities	2,976,688	440,380	343,154	3,760,222
Derivative financial instruments	3,232	–	–	3,232
2007	Western Europe	US	Australia/Canada	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
Investment securities:				
Available for sale securities	3,169,020	491,976	384,450	4,045,446
Held to maturity securities	86,836	–	–	86,836
Derivative financial instruments	3,361	–	–	3,361

32 Risk management (Continued)

1. (vii) Industry Sectors

The following table breaks down the Bank's credit exposures at carrying amount by industry sector as at 31 December 2008 and 2007.

2008	Financial Institutions	ABS	Municipality	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cash and balances with the Central Bank	4,866	–	–	4,866
Loans and advances to banks	142,315	–	–	142,315
Loans and advances to customers	–	–	4,500	4,500
Held to maturity securities	91,011	–	–	91,011
Loans and receivables securities	3,181,655	578,567	–	3,760,222
Derivative financial instruments	3,232	–	–	3,232
Other assets	45,973	4,154	56	50,183
Total	3,469,052	582,721	4,556	4,056,329

2007	Financial Institutions	ABS	Municipality/ Corporates	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	33,062	8,297	1,280	42,639
Total	3,666,630	699,321	46,120	4,412,071

32 Risk management (Continued)

Asset Backed Security Breakdown

The following table breaks down the Bank's ABS portfolio by product type at 31 December 2008 and 2007:

Product Type	Carrying Value
	2008
	EUR 000's
Residential mortgage backed securities	433,830
Commercial mortgage backed securities	41,808
Consumer asset backed securities	51,403
Collateralised loan obligations	32,830
Lease receivables	18,696
Total	578,567

Product Type	Carrying Value
	2007
	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	24,804
Total	691,024

32 Risk management (Continued)

2. Market Risk

The risk exposure of Naspa Dublin due to market risk arises primarily from interest rate and currency risk.

The Bank utilises a Value-at-Risk (VaR) calculation to measure market risk.

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. Naspa Dublin looks at the VaR from both a capital adequacy and a P&L management perspective.

Capital Adequacy

For the purpose of capital adequacy analysis and reporting, a VaR for the total portfolio is calculated by the parent and sent to Naspa Dublin monthly. The total portfolio VaR is calculated at a confidence level of 99.9% and a holding period of 1 year. This implies that the VaR figure provides an estimate of the potential loss over a holding period of 1 year, which has no more than a 0.1% probability of being exceeded.

The VaR for the market risk of Naspa Dublin is calculated by means of the modern historical simulation which uses information on historical changes in interest rates to calculate the appropriate parameters for the VaR.

In addition sensitivity analysis of individual risk types is performed. For market risk, individual parameters are modified and the impact on the risk values is quantified and evaluated. The sensitivity analysis is outsourced to the parent as it also measures the VaR for market risks for purposes of the risk-bearing capacity system. For the sensitivity analysis of the VaR, the relevant yield curve (PEX-Renditen) is modified when performing the modern historical simulation by adding a risk premium on the yield curve of 25 basis points. The difference between the VaR in light of the normal case yield curve and the VaR in light of the stressed yield curve represents the additional risk due to the stress test.

Naspa Dublin calculates its VaR due to market risk daily for shareholder positions, FX positions and interest rate maturity mismatch positions.

The Bank's Board of Directors approves a limit for VaR and the utilisation of this limit is reported daily to the Board of Directors and to Risk Controlling for the Naspa Group, based in Wiesbaden.

The Bank's weighted open interest rate position in all currencies at 31 December 2008 was the equivalent of Euro 194.3 million with a VaR of Euro 1,162,890. (31 December 2007, Euro 176.11 million with a VaR of Euro 467,324)

32 Risk management (Continued)

Market Risk VaR Summary for 2008 and 2007

12 months to 31/12/08

	Average EUR 000's	High EUR 000's	Low EUR 000's
Interest rate maturity mismatch	829	1,521	327
Shareholders' positions	2,483	3,323	1,611
FX	322	787	116
Overall	3,634	5,343	2,139

14 months to 31/12/07

	Average EUR 000's	High EUR 000's	Low EUR 000's
Interest rate maturity mismatch	392	538	138
Shareholders' positions	1,741	1,749	978
FX	30	118	0.5
Overall	2,163	2,295	1,221

32 Risk management (Continued)

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.

Interest rate repricing

The table below sets out the interest rate mismatches on the balance sheet as at 31 December 2008. 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	4,866	–	–	–	–	–	4,866
Loans & advances to banks	30,017	12,000	–	70,000	30,000	298	142,315
Loans & advances to customers	4,500	–	–	–	–	–	4,500
Held to maturity securities	12,500	–	10,000	69,000	–	(489)	91,011
Loans & receivables securities	3,755,222	–	–	–	5,000	–	3,760,222
Derivative Financial Instruments	–	–	–	–	–	3,232	3,232
Deferred Tax	–	–	–	–	–	14,871	14,871
Tangible fixed assets	–	–	–	–	–	145	145
Prepayments & accrued interest	–	–	–	–	–	35,167	35,167
Total Assets	3,807,105	12,000	10,000	139,000	35,000	53,224	4,056,329

32 Risk management (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	3,642,227	170,105	50	16,000	–	897	3,829,279
Customer accounts	27,826	17,500	–	–	–	–	45,326
Derivative Financial instruments	–	–	–	–	–	2,049	2,049
Accruals & deferred income	–	–	–	–	–	21,114	21,114
Shareholders' funds	–	–	–	–	–	158,561	158,561
Total Liabilities	3,670,053	187,605	50	16,000	–	182,621	4,056,329
Net positions	137,052	(175,605)	9,950	123,000	35,000	(129,397)	
Off balance sheet items	(116,000)	75,000	25,000	16,000	–	–	
Interest rate sensitivity gap	21,052	(100,605)	34,950	139,000	35,000	(129,397)	
Cumulative gap*	21,052	(79,553)	(44,603)	94,397	129,397	–	

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

32 Risk management (Continued)

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

32 Risk management (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
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.

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 at 31 December 2008 and 2007.

32 Risk management (Continued)

As at 31 December 2008	EUR EUR 000's	USD EUR 000's	GBP EUR 000's	Other EUR 000's	Total EUR 000's
Assets					
Cash and balances with Central Banks	4,866	–	–	–	4,866
Loans and advances to banks	141,873	94	189	159	142,315
Loans and advances to customers	4,500	–	–	–	4,500
Held-to-maturity securities	91,011	–	–	–	91,011
Loans and receivables securities	3,530,839	107,001	110,330	12,052	3,760,222
Derivative financial instruments	3,232	–	–	–	3,232
Other assets	48,843	804	505	31	50,183
Total financial assets	3,825,164	107,899	111,024	12,242	4,056,329
Liabilities					
Deposits by banks	3,634,285	111,562	70,942	12,490	3,829,279
Customer accounts	45,326	–	–	–	45,326
Derivative financial instruments	2,049	–	–	–	2,049
Other liabilities	20,838	144	114	18	21,114
Shareholders' funds	158,561	–	–	–	158,561
Total financial liabilities	3,861,059	111,706	71,056	12,508	4,056,329
<hr/>					
Net financial position	(35,895)	(3,807)	39,968	(266)	–
FX Swaps	42,937	–	(42,876)	(61)	–
Net position	7,042	(3,807)	(2,908)	(327)	–

32 Risk management (Continued)

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	–
FX Swaps	113,313	(46,272)	(67,041)	–	–
Net position	3,511	(2,932)	(988)	409	–

32 Risk management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due. The Bank has established a Liquidity Strategy to safeguard its ability to meet its payment obligations.

Liquidity Risk Management

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 market access is actively managed.

The Bank's investment strategy concentrates on eligible liquid assets which can be used for funding purposes by way of repurchase agreements. At 31 December 2008 the Bank held Euro 3.5bn ECB eligible assets (88% of total securities) (31 December 2007 Euro 3.5bn (85% of total securities)).

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.

Naspa Dublin has adopted a maturity mismatch approach to measure liquidity risk (as required by the Financial Regulator). The Financial Regulator's limits have been adopted by the Bank and monitoring levels have been set at more conservative levels. The internal limits are monitored by risk-controlling on a daily basis with reporting lines to the Asset and Liability Committee and the Board of Directors.

The table below summarises the cash outflows of the bank by remaining undiscounted contractual maturity as at 31 December 2008 and 2007.

Call deposits from the parent are included at contractual maturity (overnight), although it is unlikely that repayment of the total amount will be requested at the earliest possible date.

32 Risk management (Continued)

At 31 December 2008

	Sight to 8 days	Over 8 days to 1 month EUR 000's	Over 1 month to 3 months EUR 000's	Over 3 months to 6 months EUR 000's	Over 6 months to 1 year EUR 000's	1 to 2 years EUR 000's	Over 2 years EUR 000's	Total EUR 000's
Deposits by Banks	1,348,963	1,271,838	1,006,425	170,105	50	–	31,898	3,829,279
Customer Accounts	500	27,326	–	17,500	–	–	–	45,326
Accruals & Deferred Income	4,234	11,037	10,742	3,403	414	1,912	1,324	33,066
Sub-Total	1,353,697	1,310,201	1,017,167	191,008	464	1,912	33,222	3,907,671
Derivative Financial Instruments:								
Net Settled Derivatives	57	(84)	806	400	3,326	–	–	4,505
Gross Settled Derivatives:								
Inflows	–	(42,876)	(60)	–	–	–	–	(42,936)
Outflows	–	42,608	59	–	–	–	–	42,667
Sub-Total	57	(352)	805	400	3,326	–	–	4,236
Total	1,353,754	1,309,849	1,017,972	191,408	3,790	1,912	33,222	3,911,907

32 Risk management (Continued)

At 31 December 2007

	Sight to 8 days	Over 8 days to 1 month EUR 000's	Over 1 month to 3 months EUR 000's	Over 3 months to 6 months EUR 000's	Over 6 months to 1 year EUR 000's	1 to 2 years EUR 000's	Over 2 years EUR 000's	Total EUR 000's
Deposits by Banks	1,249,617	1,424,915	1,126,104	198,054	–	50,000	31,300	4,079,990
Customer Accounts	13,367	26,329	32,388	18,500	–	–	–	90,584
Accruals & Deferred Income	5,521	14,623	18,883	7,024	2,195	3,082	3,237	54,565
Provision for Liabilities and Charges	–	–	–	435	–	–	–	435
Sub-Total	1,268,505	1,465,867	1,177,375	224,013	2,195	53,082	34,537	4,225,574
Derivative Financial Instruments:								
Net Settled Derivatives	(57)	(117)	1,249	39	–	–	–	1,114
Gross Settled Derivatives:								
Inflows	(68,424)	(46,273)	–	–	(949)	(1,894)	(5,686)	(123,224)
Outflows	66,689	45,989	–	–	942	1,878	5,639	121,136
Total	1,266,713	1,465,466	1,178,624	224,052	2,188	53,066	34,490	4,224,600

33 Events since Year-End

The Bank's share capital is Euro 254 million (2007: Euro 254 million). On 4th February 2009, the Directors subdivided the 50 authorised and issued Ordinary Shares of € 5,080,000 each in the capital of the company into 254,000,000 Ordinary Shares of € 1.00 each and subdivided the single authorised and issued Ordinary Share of € 250,000 into 250,000 Ordinary Shares of € 1.00 each, to facilitate the share transfer on completion of the sale contract.

34 Approval of the financial statements

The financial statements were approved by the Directors on 27th March 2009.

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