

2010

Report and

Financial

Statements

2010

Report and Financial Statements 2010

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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 Central Bank of Ireland.

The company commenced trading on 1 December 1992, and has a banking licence from the Central Bank of Ireland since December 1995. The company is wholly owned by the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT).

The company which has the legal form of an unlimited company, is also supported through a letter of comfort (Patronatserklärung) issued by its parent Sparkassen- und Giroverband Hessen-Thüringen (SGVHT). 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 it is and remains a subsidiary of the SGVHT. This obligation is limited to the same proportion as the percentage of the shareholding interest of SGVHT in Naspa Dublin bears to the overall issued share capital of Naspa Dublin, at the time when the relevant liabilities of Naspa Dublin are incurred.

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). 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. Naspa Dublin benefits from ongoing support from fifty credit institutions rather than just one.

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”).

Naspa Dublin Rating

Naspa Dublin's rating is unchanged since last year with a long term rating of A and A+, and a short term rating of A-1 and F1+ by Standard & Poor's and Fitch respectively.

Business Strategy

Naspa Dublin continues its business model of creating stable income from a very conservative risk – return profile.

The Bank's financial strength is based on its high capital adequacy ratio and a book of mainly ECB eligible assets, minimising liquidity risk. The Bank's strength is secured by its conservative credit strategy.

The overriding aim 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 is the dominant part of the Bank's business and the Bank's approach is based on a buy and hold strategy with the following main investment parameters:

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

The annual review of the Bank's strategy has been carried out and it was deemed to remain appropriate. The Bank will:

- Continue to hold its assets
- Engage in opportunistic investment only
- Further reduce credit exposure

Performance Review

Financial markets continued to demonstrate volatility in 2010 with an emphasis on sovereign risk. As long as investors continue to reduce peripheral sovereign and bank debt in general in their portfolios, event risk and ultimately systemic risk remains elevated. Despite the heightened credit risks, Naspá Dublin's portfolio is fully performing and it continues to meet the challenges presented by the financial environment.

The Bank's credit portfolio is subject to continuous monitoring and the Bank is satisfied that there is no impairment of any asset. The Bank's exposure to Lehman Bros which was written down in 2008 was sold during the year, resulting in a reversal of previously booked impairment charge amounting to € 6.8 million. The average rating of the portfolio is A (98.2% of the portfolio is externally rated).

Overall the Bank returned a strong result with operating profit for the year of € 21.7million (€ 20 million).

EUR 000's	2010	2009
Profit after Tax	18,966	17,568
Total Assets	2,968,076	3,636,384
Shareholders' Funds	402,695	356,859

Net interest income has reduced from € 23.8 million to € 18.1 million year on year due to the Bank's strategy to reduce risk and the lessening of ECB support in the financial markets.

Capital

The Bank manages its capital adequacy under the requirements of the Capital Requirements Directive as implemented by the Central Bank of Ireland. The Bank's internal capital model seeks to ensure the maintenance of a capital buffer capable of absorbing the impact of unanticipated market developments.

The core capital ratio under the CRD is 37% (2009 equivalent: 31.4%). The Bank's banking licence stipulates a minimum capital ratio of 20%. The Bank's high capital level provides strong risk absorbing capacity.

Funding Strategy

Liquidity provisioning from the Central Banks continued through 2010 (non-standard measures and quantitative easing) as inter-bank markets continued to struggle. Two tier markets were evident with large deposits notably placed at the ECB deposit facility. Sovereign debt concerns, regulatory requirements on capital and liquidity and the tightening of eligible collateral requirements at the ECB also created further pressures on banks' funding capabilities. 2011 should see the liquidity provisioning slowly withdrawn as markets approach normality whilst also allaying Central Bankers' fears of inflationary threats.

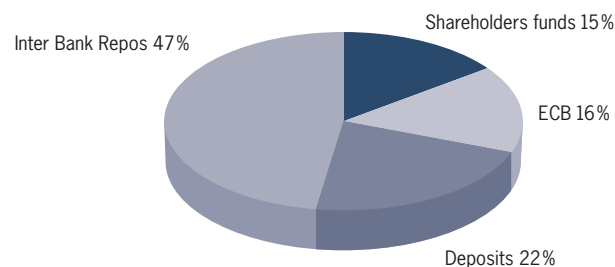
Naspa Dublin operates in the secured and unsecured funding markets - Bilateral repo, ECB repo and cash from the interbank market. Of the Bank's assets 88% are ECB eligible (as at 31st December 2010) which enables ready access to secured funding. In addition the Bank avails of group support for funding backed up by the parental letter of comfort.

ECB funding was reduced through the year (expensive source of funding) but ended the year relatively unchanged as the yield curve normalised. Funding through bilateral repo performed, in the main, well but sovereign debt issues and changing collateral requirements put some strains on this market.

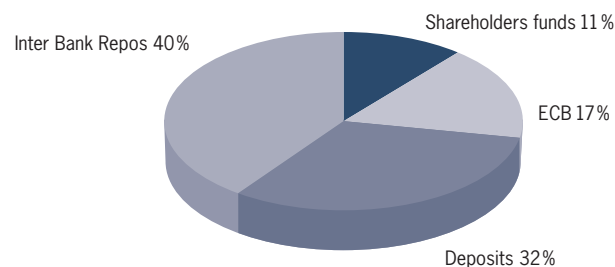
Unsecured funding was attracted from banks within the SGVHT group and other interbank providers. The Bank has increased the diversity of funding throughout the market crisis.

The breakdown of Naspa Dublin's refinancing structure at 31 December 2010 and 2009 was as follows:

Funding Breakdown 2010



Funding Breakdown 2009



Directors and Other Information

Directors

K.W. Klebe – Chairman (German)

E. McCormack (Irish)

G. Junghenn (German)

I. Hirsch (German)

G. Högner (German)

K.-J. Mulfinger (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 2010.

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 2009 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 3 to 5 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 34. Fair value disclosures for the financial instruments are presented in notes 29 and 30.

Dividends and Retentions	EUR
Opening revenue reserves	24,312
Profit for the financial year amounted to	18,966
Closing revenue reserves	43,278
AFS Reserve	(45,657)
	<hr/>
Closing Revenue & AFS reserves	(2,379)

The Bank has not paid a dividend in the current year.

Capital

The Bank's share capital is €254 million (2009: €254 million). Capital was increased through a capital contribution of €150 million on completion of the sale of the Bank in 2009.

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

The Bank plans to continue its existing business model of managing a conservative investment portfolio.

Staff

20 staff were employed at 31 December 2010 (21: 2009).

Directors and Secretary and their interests

The Directors and Secretary of the company at 31 December 2010 were as listed on page 6. The Directors and Secretary who held office at 31 December 2010 had no beneficial interests in the shares of the company or group at 31 December 2009 or 31 December 2010.

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 2010.

Auditors

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

K.W. Klebe
Chairman

E. McCormack
Managing Director

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

Independent Auditors' Report to the Members of Naspa Dublin

We have audited the financial statements on pages 11 to 51. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 11 to 14.

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 in the Statement of Directors' Responsibilities on page 7.

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 2009, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the Report of the Directors 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 of the company; 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 consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors and the 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 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 as at 31 December 2010 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009, 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 Report of the Directors on pages 7 and 8 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 16, 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 2010 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
14 February 2011

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 derivative contracts in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009 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.

Prior Year Comparatives

Classifications of prior year items have been changed to conform to current year presentation.

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.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises balances with the Central Bank and balances on demand with banks.

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.

Accrued interest on financial assets is included in the line item.

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. In 2008, the Bank's Floating Rate Debt Securities were reclassified from Available for Sale to this category, in line with the amended FRS 26.

If the Bank revises its estimates of payments or receipts, it shall adjust the carrying amount of the financial assets or financial liability to reflect actual and revised estimated cash flows. The Bank recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in profit or loss.

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.

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 financial liabilities.

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. 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.

Current Tax

Current tax represents the expected tax payable (or recoverable) on the taxable profit or loss for the year using tax rates enacted, or substantively enacted, at the balance sheet date and taking into account any adjustments arising from prior years. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount payable, the excess is recognised as an asset.

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.

Defined Contribution Pension Scheme

The defined contribution pension charge to operating profit comprises the contribution payable to the scheme for the year.

Operating Leases

Rentals in respect of all operating leases are charged to the profit and loss as incurred.

Profit and Loss Account

		Year ended 31 December 2010	Year ended 31 December 2009
	Notes	EUR 000's	EUR 000's
Interest receivable and similar income			
Interest receivable and similar income arising from			
debt securities and fixed income securities			
		39,776	73,980
Other interest receivable and similar income			
		266	804
Interest payable and similar charges			
		(21,885)	(50,936)
<hr/>			
Net interest income	2	18,157	23,848
Fees and commissions payable		(192)	(284)
Net trading income/(expense)	3	37	66
Gain on sale of financial assets		72	–
Reversal of loan loss provision resulting from disposal		6,813	–
Administration expenses	4	(3,208)	(3,538)
<hr/>			
Profit on ordinary activities before taxation		21,679	20,092
Tax on (profit) on ordinary activities	5	(2,713)	(2,524)
<hr/>			
Profit for the financial year		18,966	17,568

Profit on ordinary activities arose solely from continuing operations.

The accounting policies on pages 11 to 14 and the notes on pages 19 to 51 form part of the accounts.

K. W. Klebe
Chairman

E. McCormack
Managing Director

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

Balance Sheet

			As at 31 December 2010	As at 31 December 2009
	Notes		EUR 000's	EUR 000's
Assets				
		Cash and balances with Central Banks	5,001	4,867
	7	Loans and advances to banks	176,110	154,049
	8	Loans and advances to customers	9,574	4,517
		Investment securities:		
	10	Held-to-maturity securities	269,543	86,476
	9, 10	Loans and receivables securities	2,499,012	3,375,781
	29	Derivative financial instruments	2,131	4
	6	Deferred Tax	6,562	10,441
	11	Tangible fixed assets	43	69
	12	Other assets	100	180
Total Assets			2,968,076	3,636,384
Liabilities				
	13	Deposits by banks	2,525,579	3,253,692
	14	Customer accounts	39,041	19,551
	29	Derivative financial instruments	184	3,095
	15	Other liabilities	560	710
		Corporation tax	17	2,477
			2,565,381	3,279,525
Shareholders' Funds				
	16	Called up share capital	254,250	254,250
	17	Capital conversion reserve fund	823	823
	18	Capital contribution reserve	150,000	150,000
	20, 21	Profit and loss account	43,278	24,312
	19	Available for sale reserve	(45,656)	(72,526)
			402,695	356,859
Total Liabilities			2,968,076	3,636,384

The accounting policies on pages 11 to 14 and the notes on pages 19 to 51 form part of the accounts.

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

Statement of Total Recognised Gains and Losses

		Year ended 31 December 2010	Year ended 31 December 2009
	Notes	EUR 000's	EUR 000's
Profit on ordinary activities after tax		18,966	17,569
Available for sale revaluation movement through equity:	19		
Movement in reserve		30,709	35,120
Deferred Tax		(3,839)	(4,390)
Total recognised gains and losses		45,836	48,299

The accounting policies on pages 11 to 14 and the notes on pages 19 to 51 form part of the accounts.

K. W. Klebe
Chairman

E. McCormack
Managing Director

G. Junghenn
Managing Director

Wilton Secretarial Limited
Co. Secretary

	Notes	Year ended 31 December 2010 EUR 000's	Year ended 31 December 2009 EUR 000's
Net cash (outflow)/inflow from operating activities	22	(743,275)	(620,114)
Taxation		(5,148)	2,133
Capital expenditure and financial investment	23	747,596	439,348
Financing	25	–	150,000
(Decrease)/Increase in cash	24	(827)	(28,633)

The accounting policies on pages 11 to 14 and the notes on pages 19 to 51 form part of the accounts.

K. W. Klebe
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 is the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT), Germany, which has stated that it will ensure that Naspas Dublin is always in a position to meet the liabilities entered into by it during the period in which it is and remains a subsidiary of SGVHT.

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

2 Net Interest Income

	2010	2009
	EUR 000's	EUR 000's
Interest Income		
– Investment securities	39,776	73,980
– Other	266	804
Total	40,042	74,784
Interest Expense		
Deposits from banks	8,825	16,001
Due to customers	364	437
Securities subject to sale and repurchase	12,696	34,498
Total	21,885	50,936
Net interest income	18,157	23,848

3 Net Trading Income	2010	2009
	EUR 000's	EUR 000's
Foreign exchange	49	45
Interest rate swaps	(12)	(24)
Hedge ineffectiveness	–	45
Total	37	66

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.

4 Administration Expenses	2010	2009
	EUR 000's	EUR 000's
Staff costs		
– salaries	1,635	1,805
– social welfare costs	177	194
– pension	162	154
– other staff costs	84	85
Total	2,058	2,238
Operating lease rentals – premises	200	279
Other administration expenses	896	943
Depreciation	54	78
	3,208	3,538

Included in administration expenses

Remuneration paid to the auditors as follows: (excluding VAT)

The audit of individual accounts	62	64
Tax advisory services	12	11
Total	74	75

5 Taxation	2010	2009
	EUR 000's	EUR 000's
(a) Analysis of charge in year		
Current tax:		
Irish corporation tax at 12.5%	(2,673)	(2,484)
	(2,673)	(2,484)
Deferred tax:		
Deferred tax charge for the year	(40)	(40)
Total tax charge	(2,713)	(2,524)

The effective rate of tax was 12.3% (2009: 12.5%)

(b) Factors affecting tax charge for the period

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

The reconciliation is shown as follows:

	2010	2009
	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%	2,710	2,512
Effects of:		
Expenses not deductible for tax purposes	1	1
Depreciation in excess of capital allowances	2	11
Other	(40)	(40)
Current tax charge	2,673	2,484

6 Deferred Income Tax	2010	2009
	EUR 000's	EUR 000's
At 1 January	10,441	14,871
Income statement charge	(40)	(40)
Amortisation of available for sale securities reclassified as loans and receivables	(3,839)	(4,390)
At 31 December	6,562	10,441

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

Deferred tax assets associated with transition adjustments	40	80
Available for sale securities reclassified to loans and receivables	6,522	10,361
Total	6,562	10,441

7 Loans and Advances to Banks	2010	2009
	EUR 000's	EUR 000's
Repayable on demand	432	1,393
Repayable in not more than three months	18,467	437
Repayable in more than three months but less than one year	27,211	7,055
Repayable in more than one year but less than five years	100,000	115,164
Repayable in more than five years	30,000	30,000
	176,110	154,049

8 Loans and Advances to Customers	2010	2009
	EUR 000's	EUR 000's
Repayable in not more than three months	49	17
Repayable in more than three months but less than one year	–	–
Repayable in more than one year but less than five years	5,025	–
Repayable in more than five years	4,500	4,500
	9,574	4,517

9 Reclassification of Investment Securities

No reclassification of financial assets took place in 2010. During 2008, 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 value of reclassified financial assets at 1 July 2008 was EUR'000 3,905,604.

(ii) As at 31 December 2010 and 31 December 2009, the fair values and carrying values of financial assets reclassified in 2008 are:

	2010	2010	2009	2009
	Carrying Value	Fair Value	Carrying Value	Fair Value
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Financial assets reclassified from available for sale to loans and receivables during 2008	2,499,012	2,475,217	3,375,781	3,345,846

(iii) The company has recognised the following gains, losses, income and expenses in the income statement in respect of financial assets reclassified in 2008:

	2010	2009
	EUR 000's	EUR 000's
Interest Income	19,761	66,047
Reversal of loan loss provision	6,813	–
Foreign exchange differences	13,525	8,930

(iv) The fair value movement which would have been recognised in the Available for Sale reserve by the company if the financial assets had not been reclassified was a gain of EUR'000 14,210 (2009: EUR'000 29,935)

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

10 Investment Securities

In 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 1 July 2008.

	2010	2009
	EUR 000's	EUR 000's
Analysed by listing status		
Securities (loans and receivables)		
Debt securities – at amortised cost:		
– Listed	2,499,012	3,375,781
Total securities loans and receivables	2,499,012	3,375,781
Securities (held to maturity)		
Debt securities – at amortised cost:		
– Listed	269,543	86,476
Total securities held to maturity	269,543	86,476
Total investment securities	2,768,555	3,462,257
Analysed by remaining maturity		
Due within one year	716,403	612,602
Due one year and over	2,052,152	2,849,655
	2,768,555	3,462,257

10 Investment Securities (Continued)

	2010	2009
	EUR 000's	EUR 000's
Analysed by industry		
Securities (loans and receivables)		
– Financial institutions	2,087,707	2,883,417
– Other debt securities	411,305	492,364
Total securities loans and receivables	2,499,012	3,375,781
Securities (held to maturity)		
– Financial institutions	195,783	86,476
– Other debt securities	73,760	–
Total securities held to maturity	269,543	86,476
Total Investment securities	2,768,555	3,462,257

Investment securities include securities of € 2.2bn (2009: € 2.3bn) which have been transferred to third parties under sale and repurchase agreements.

10 Investment Securities (Continued)

Movement in investment securities	Loans and receivables EUR 000's	Held to maturity EUR 000's	Total EUR 000's
At 1 January 2010	3,375,781	86,476	3,462,257
Exchange differences	13,525	–	13,525
Additions	–	214,491	214,491
Disposals (sale, maturity and redemption)*	(921,303)	(34,000)	(955,303)
Amortisation of premium/discount	337	(3,385)	(3,048)
Amortisation of AFS Reserve	30,709	–	30,709
Accrued interest movement	(37)	5,961	5,924
At 31 December 2010	2,499,012	269,543	2,768,555

* All HTM disposals matured during the year

At 1 January 2009	3,783,716	93,323	3,877,039
Exchange differences	8,930	–	8,930
Additions	–	15,794	15,794
Disposals (sale, maturity and redemption)	(432,644)	(22,500)	(455,144)
Amortisation of premium/discount	469	56	525
Amortisation of AFS Reserve	35,120	–	35,120
Accrued interest movement	(19,810)	(197)	(20,007)
At 31 December 2009	3,375,781	86,476	3,462,257

* All HTM disposals matured during the year

11 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 2010	34	299	590	923
Additions	–	4	24	28
At 31 December 2010	34	303	614	951
Accumulated Depreciation				
At 1 January 2010	16	267	571	854
Charge for the year	6	29	19	54
At 31 December 2010	22	296	590	908
Net Book Value				
At 31 December 2009	18	32	19	69
At 31 December 2010	12	7	24	43

12 Other Assets

	2010 EUR 000's	2009 EUR 000's
Amounts due from withholding tax on dividends	12	12
Other debtors	88	168
Closing Balance	100	180

13 Deposits by Banks

	2010 EUR 000's	2009 EUR 000's
Repayable on demand	63	231,892
Repayable in not more than three months	2,505,450	2,820,745
Repayable in more than three months but not more than one year	20,066	201,055
	2,525,579	3,253,692

14 Customer Accounts	2010	2009
	EUR 000's	EUR 000's
Repayable on demand	4,500	–
Repayable in not more than three months	33,539	1,501
Repayable in more than three months but less than one year	1,002	18,050
	39,041	19,551

15 Other Liabilities	2010	2009
	EUR 000's	EUR 000's
PAYE	37	157
VAT	8	11
Other Income Tax	21	68
Other accruals	494	474
	560	710

Other liabilities including those for tax and social welfare	66	236
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16 Share Capital

254,249,000 of the Bank's ordinary shares are owned by the SGVHT with the remaining 1,000 shares owned by Sparkassen-Förderungsgesellschaft Hessen-Thüringen mbH.

	2010	2009
	EUR 000's	EUR 000's
Authorised and issued:		
254,250,000 ordinary shares of EUR 1	254,250	254,250
	254,250	254,250

17 Capital Conversion Reserve Fund

A shareholders' resolution was passed during 2001 redenominating the share capital to Euro. An amount equal to the aggregate of the reduction in the issued share capital of the company due to renominalisation € 822,970.31 was transferred to a capital conversion reserve fund.

18 Capital Contribution Reserve

On the purchase of its shareholding in Naspa Dublin on 29th May 2009, the SGVHT paid € 150 million into a capital contribution reserve. The capital contribution was received in cash and is distributable.

19 Available for Sale Reserve	2010	2009
	EUR 000's	EUR 000's
As at 1 January	(72,526)	(103,256)
Amortisation of AFS Reserve	30,709	35,120
Release Deferred Tax on amortisation	(3,839)	(4,390)
As at 31 December	(45,656)	(72,526)

20 Reconciliation of Movements in Shareholders' Funds	2010	2009
	EUR 000's	EUR 000's
Shareholders' funds as at 1 January	356,859	158,561
Increase in capital contribution reserve	–	150,000
Profit/(Loss) for the financial year	18,966	17,568
Available for sale reserve	26,870	30,730
As at 31 December	402,695	356,859

21 Profit and Loss Account	2010	2009
	EUR 000's	EUR 000's
Profit and Loss account balance at 1 Jan	24,312	6,744
Movement in financial year	18,966	17,568
As at 31 December	43,278	24,312

22 Reconciliation of Operating Profit to Net Operating Cash Flows	2010	2009
	EUR 000's	EUR 000's
Operating Profits	21,679	20,092
(Increase) in Other Assets	(6,117)	(4,458)
(Decrease) in Other Liabilities	(185)	(144)
Loan loss provision	(6,813)	–
Depreciation and amortisation	3,239	(313)
FX movement	49	45
Other non cash movements	(18,476)	19,641
Net cash flow from trading activities	(6,624)	34,863
Net (increase) in loans and advances to banks and customers	(28,028)	(36,798)
Net (decrease) in deposits by banks and customer accounts	(708,623)	(618,179)
Net cash (outflow) from operating activities	(743,275)	(620,114)

23 Analysis of Capital Expenditure and Financial Investment	2010	2009
	EUR 000's	EUR 000's
Capital expenditure and financial investment		
Purchase of investment securities	(214,491)	(15,794)
Sale and maturity of investment securities	962,115	455,144
Purchase of tangible fixed assets	(28)	(2)
	<hr/>	<hr/>
	747,596	439,348

24 Analysis of the Balances of Cash as shown in the Balance Sheet	2010	2009
	EUR 000's	EUR 000's
Cash and balances with CBOI	5,001	4,867
Loans and advances to other banks repayable on demand	432	1,393
	<hr/>	<hr/>
	5,433	6,260

25 Analysis of the Changes in Financing during the year	2010	2009
	EUR 000's	EUR 000's
Capital Contribution	–	150,000
	<hr/>	<hr/>
	–	150,000

26 Particulars of Staff	2010	2009
The average number of persons employed by the Bank during the year was	20	21

27 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 € 161,853 (2009: € 154,417).

28 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.

29 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.

There are no derivative financial instruments qualifying for hedge accounting treatment under FRS 26.

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 which do not meet hedge accounting criteria under FRS 26.

	Contract/Notional Amount EUR 000's	2010 Fair values		Contract/Notional Amount EUR 000's	2009 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	5,000	–	(12)	–	–	–
Total interest rate derivatives	5,000	–	(12)	–	–	–
Foreign exchange derivatives						
FX swaps	189,206	2,131	(172)	111,819	4	(3,095)
Total derivative Assets/Liabilities held for Trading	194,206	2,131	(184)	118,819	4	(3,095)

30 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 2010 and 31 December 2009. In 2008, the Bank reclassified its debt security portfolio from Available for Sale to Loans and Receivables as the market for this portfolio was deemed inactive. At 31 December 2008 and 2009, the fair value of these securities was determined by using model valuations. At 31 December 2010 the Bank's view is that the market for this portfolio remains inactive and the fair value of these securities has been determined 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.

		2010	2010	2009	2009
		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)	176,110	162,557	154,049	147,813
	Loans and advances to customers (ii)	9,574	9,314	4,517	4,517
	Held to maturity securities (iv)	269,543	270,263	86,476	88,408
	Loans and Receivables securities (iii)	2,499,012	2,475,217	3,375,781	3,345,846
Liabilities	Deposits by banks (v)	2,525,579	2,525,579	3,253,692	3,253,692
	Customer accounts (vi)	39,041	39,041	19,551	19,551

- (i) Loans and advances to banks – The fair value of floating rate placements and overnight deposits is estimated to materially equate to 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 estimated to materially equate to their carrying amount. The fair value of variable rate *Schuldscheindarlehen* is determined using model valuations.
- (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 held to maturity securities is determined using model valuations.
- (v) Deposits by banks – Deposits by banks include inter-bank takings and repurchase agreements. The fair value of floating rate deposits is estimated to materially equate to their carrying amount.
- (vi) Customer accounts – Due to customers are non bank takings. The fair value of floating rate deposits is estimated to materially equate to their carrying amount.

31 Directors' Remuneration	2010	2009
	EUR 000's	EUR 000's
Fees	18	15
Emoluments	562	645
	580	660

32 Related Party Transactions

The company, incorporated in Ireland, is a wholly owned subsidiary of Sparkassen- und Giroverband Hessen-Thüringen (SGVHT) which is incorporated in Germany.

The SGVHT holds 85% of the shareholding in Landesbank Hessen-Thüringen Girozentrale (Helaba), and as a result Helaba and its subsidiaries are related parties to Naspa Dublin.

Naspa Dublin carries out transactions with the SGVHT and its subsidiary Hessisch-Thüringische Sparkassen-Dienstleistungsgesellschaft mbH as well as Helaba and its subsidiary Frankfurter Bankgesellschaft (formerly LB Swiss) in the normal course of its funding business. These include loans, deposits and foreign currency transactions.

The volumes of related-party transactions, outstanding balances at the year-end, related expense and income and fees paid for the year are as follows:

(i) Deposits by Banks	2010	2009
	EUR 000's	EUR 000's
Deposits outstanding at 1 January	246,970	98,603
Deposits taken during the year	4,235,640	3,217,897
Deposits repaid during the year	(4,199,958)	(3,069,530)
Deposits outstanding at 31 December	282,652	246,970
Interest Expense	1,368	2,073

32 Related Party Transactions (Continued)

(ii) Customer Accounts	2010	2009
	EUR 000's	EUR 000's
Deposits outstanding at 1 January	–	–
Deposits taken during the year	9,300	–
Deposits repaid during the year	(7,800)	–
Deposits outstanding at 31 December	1,500	–
Interest Expense	11	–
 (iii) Loans and advances to Banks		
Loans and advances outstanding at 1 January	–	–
Loans issued during the year	703,800	56,500
Loans repaid during the year	(703,800)	(56,500)
Loans and advances outstanding at 31 December	–	–
Interest Income	16	1
Fee paid	3	2

Other than remuneration disclosed in note 32, there are no loans or transactions with directors.

Other related parties

In 2009 the Bank entered into transactions for services with a company in which a former director was a partner, in the normal course of business.

Since the sale of the Bank in May 2009 the party is no longer a director. Details of the transactions to 29 May 2009 are presented below:

	2010	2009
	EUR 000's	EUR 000's
Fee paid for legal services	–	1

33 Commitments under Operating Leases

	2010	2009
	EUR 000's	EUR 000's
The Bank has the following commitments under operating leases		
< 1yr	–	–
1–5 yrs	200	200
> 5yrs	–	–

34 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 a limited amount of market risk (including interest rate risk and foreign exchange 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.

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 continuation of the Bank as a 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 all times.

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 independent review of risk management and the control environment is carried out by internal audit.

34 Risk Management (Continued)

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 93% (2009: 95%) of total assets at balance sheet date and loans and advances to banks which make up a further 6% (2009: 4%) of total assets. Credit risk is the most significant risk for the Bank's business and is monitored in compliance with the Bank's Credit Risk Strategy.

New business activity must meet a minimum credit standard. The average rating of the Bank's portfolio is A (2009: A+).

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.

1. (i) Credit Risk Measurement

98% (2009: 99%) of the Bank's debt securities and advances to banks are externally rated and the external ratings from S&P 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 for risk bearing capacity purposes 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.

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

34 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 at carrying value by rating agency designation on 31 December 2010 based on the lowest of Moodys, Standard & Poors and Fitch ratings.

	Financial Institutions	ABS	Other	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
AAA	25,422	302,258	–	327,680
AA– to AA+	366,912	71,209	–	438,121
A– to A+	1,565,845	4,857	35,440	1,606,142
BBB+ to BBB–	381,872	32,981	43,375	458,228
Below BBB–	60,588	–	–	60,588
Non Rated	50,528	–	4,519	55,047
Total	2,451,167	411,305	83,334	2,945,806

The table below presents an analysis of financial assets at carrying value by rating agency designation on 31 December 2009 based on the lowest of Moodys, Standard & Poors and Fitch ratings.

	Financial Institutions	ABS	Other	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
AAA	49,711	419,186	–	468,897
AA– to AA+	727,293	53,171	–	780,464
A– to A+	1,955,739	20,007	–	1,975,746
BBB+ to BBB–	334,276	–	–	334,276
Below BBB–	5,000	–	–	5,000
Non Rated	50,532	–	4,517	55,049
Total	3,122,551	492,364	4,517	3,619,432

81% of credit risk exposures have an independent credit rating of at least A– (2009: 89%).

34 Risk Management (Continued)

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

Naspa Dublin's exposures are uncollateralized (apart from collateral within Covered Bond and ABS structures, and cash on repo margin transactions) 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 2010 and 31 December 2009. Exposures are based on the net carrying amounts as reported in the balance sheet.

	2010	2009
	EUR 000's	EUR 000's
Credit exposure relating to assets are as follows:		
Loans and advances to banks	176,110	154,049
Loans and advance to customers	9,574	4,517
Investment securities:		
Held to maturity securities	269,543	86,476
Loans & receivables securities	2,499,012	3,375,781
Derivative financial instruments	2,131	4
As at 31 December	2,956,370	3,620,827

34 Risk Management (Continued)

1. (v) Assets Past Due or Impaired

(i) The carrying value of assets past due or impaired at 31 December 2010 and 2009 is summarised as follows:

2010	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	–	–	–	–
Net carrying value	–	–	–	–
Neither past due nor impaired	176,110	9,574	2,768,555	2,954,239
Total	176,110	9,574	2,768,555	2,954,239
2009	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	154,049	4,517	3,457,257	3,615,823
Total	154,049	4,517	3,462,257	3,620,823

34 Risk Management (Continued)

The impaired exposure at 31 December 2009 relates to a single name, Lehman Bros of which the Bank held a nominal of €50m which had been written down to € 5m. The exposure was sold during 2010.

The Bank held no collateral for this exposure.

(ii) Restructured Financial Assets

No financial assets were restructured during the financial years ended 31 December 2009 and 2010.

(iii) Collateral and Other Credit Enhancements Obtained

During the financial years ended 31 December 2009 and 2010, no assets were obtained by taking possession of collateral or other credit enhancements.

34 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 2010 and 2009

2010	Western Europe	US	Australia/Canada	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cash & Balances with the Central Bank	5,001	–	–	5,001
Loans and advances to banks	160,610	–	15,500	176,110
Loans and advances to customers	9,574	–	–	9,574
Investment Securities:				
Held to Maturity Securities	247,736	–	21,807	269,543
Loans and Receivables Securities	1,912,136	450,555	136,321	2,499,012
Derivative Financial Instruments	2,131	–	–	2,131
Total	2,337,188	450,555	173,628	2,961,371

2009	Western Europe	US	Australia/Canada	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Cash & Balances with the Central Bank	4,867	–	–	4,867
Loans and advances to banks	138,549	–	15,500	154,049
Loans and advances to customers	4,517	–	–	4,517
Investment Securities:				
Held to Maturity Securities	86,476	–	–	86,476
Loans and Receivables Securities	2,616,102	447,767	311,912	3,375,781
Derivative Financial Instruments	4	–	–	4
Total	2,850,515	447,767	327,412	3,625,694

34 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 2010 and 31 December 2009.

2010	Central/Regional				Total EUR 000's
	Financial Institutions EUR 000's	ABS EUR 000's	Corporates EUR 000's	Government EUR 000's	
Cash and balances with the Central Bank	5,001	–	–	–	5,001
Loans and advances to banks	176,110	–	–	–	176,110
Loans and advances to customers	–	–	5,055	4,519	9,574
Held to maturity securities	195,783	–	63,004	10,756	269,543
Loans & receivables securities	2,087,707	411,305	–	–	2,499,012
Derivative financial instruments	2,131	–	–	–	2,131
Total	2,466,732	411,305	68,059	15,275	2,961,371

2009	Central/Regional				Total EUR 000's
	Financial Institutions EUR 000's	ABS EUR 000's	Corporates EUR 000's	Government EUR 000's	
Cash and balances with the Central Bank	4,867	–	–	–	4,867
Loans and advances to banks	154,049	–	–	–	154,049
Loans and advances to customers	–	–	–	4,517	4,517
Held to maturity securities	86,476	–	–	–	86,476
Loans & receivables securities	2,883,417	492,364	–	–	3,375,781
Derivative financial instruments	4	–	–	–	4
Total	3,128,813	492,364	–	4,517	3,625,694

34 Risk Management (Continued)

Asset Backed Security Breakdown

The following table breaks down the Bank's ABS portfolio by product type at 31 December 2010 and 31 December 2009:

Product Type	2010	2009
	Carrying Value	Carrying Value
	EUR 000's	EUR 000's
Residential mortgage backed securities	336,621	375,943
Commercial mortgage backed securities	24,897	34,495
Consumer asset backed securities	26,347	45,746
Collateralised loan obligations	15,757	23,680
Lease receivables	7,683	12,500
Total	411,305	492,364

34 Risk Management (Continued)

2. Market Risk

Naspa Dublin has insignificant exposure to market risk, arising 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 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. 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.

The Bank's weighted open interest rate position in all currencies at 31 December 2010 was the equivalent of € 114.7 million with a VaR of € 275,738. (31 December 2009, € 100.5 million with a VaR of € 435,423).

34 Risk Management (Continued)

Market Risk VaR Summary for 2010 and 2009

12 months to 31 December 2010

	Average EUR 000's	High EUR 000's	Low EUR 000's
Interest rate maturity mismatch	214	428	68
Shareholders' positions	2,004	2,542	1,397
FX	349	520	259
Overall	2,567	3,169	1,995

12 months to 31 December 2009

	Average EUR 000's	High EUR 000's	Low EUR 000's
Interest rate maturity mismatch	957	1,807	259
Shareholders' positions	2,312	4,083	1,624
FX	502	853	310
Overall	3,771	5,658	2,385

34 Risk Management (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 at 31 December 2010 and 31 December 2009.

As at 31 December 2010	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	5,001	–	–	–	5,001
Loans and advances to banks	176,110	–	–	–	176,110
Loans and advances to customers	9,574	–	–	–	9,574
Held-to-maturity securities	269,543	–	–	–	269,543
Loans and receivables securities	2,368,603	48,932	69,951	11,526	2,499,012
Derivative financial instruments	2,131	–	–	–	2,131
Other assets	6,705	–	–	–	6,705
Total financial assets	2,837,667	48,932	69,951	11,526	2,968,076
Liabilities					
Deposits by banks	2,525,521	–	58	–	2,525,579
Customer accounts	39,041	–	–	–	39,041
Derivative financial instruments	184	–	–	–	184
Other liabilities	577	–	–	–	577
Shareholders' funds	402,695	–	–	–	402,695
Total financial liabilities	2,968,018	–	58	–	2,968,076
Net financial position	(130,351)	48,932	69,893	11,526	–
FX Swaps	135,791	(51,080)	(73,291)	(11,420)	–
Net position	5,440	(2,148)	(3,398)	(106)	–

34 Risk Management (Continued)

As at 31 December 2009	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	4,867	–	–	–	4,867
Loans and advances to banks	153,866	–	121	62	154,049
Loans and advances to customers	4,517	–	–	–	4,517
Held-to-maturity securities	86,476	–	–	–	86,476
Loans and receivables securities	3,165,238	92,303	106,195	12,045	3,375,781
Derivative financial instruments	4	–	–	–	4
Other assets	10,690	–	–	–	10,690
Total financial assets	3,425,658	92,303	106,316	12,107	3,636,384
Liabilities					
Deposits by banks	3,152,817	24,611	63,675	12,589	3,253,692
Customer accounts	19,551	–	–	–	19,551
Derivative financial instruments	3,095	–	–	–	3,095
Other liabilities	3,131	–	56	–	3,187
Shareholders' funds	356,861	–	(2)	–	356,859
Total financial liabilities	3,535,455	24,611	63,729	12,589	3,636,384
Net financial position	(109,797)	67,692	42,587	(482)	–
FX Swaps	111,569	(69,624)	(45,040)	250	–
Net position	1,772	(1,932)	(2,453)	(232)	–

34 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 Policy to safeguard its ability to meet its payment obligations.

Liquidity Risk Management

The Bank's liquidity risk is managed in accordance with the Liquidity Policy approved by the Board of Directors. The Liquidity Policy 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 2010 the Bank held € 2.5bn ECB eligible assets (88% of total securities) (31 December 2009 € 3.1bn (87% of total securities)).

Given the high proportion of ECB eligible assets that the Bank holds and its membership of the SGVHT group, 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 Central Bank). The Central Bank'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 on liabilities of the Bank by remaining undiscounted contractual maturity as at 31 December 2010 and 2009.

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

34 Risk Management (Continued)

2010

	Sight to 8 days EUR 000's	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	167,516	1,082,976	1,257,583	5,045	15,156	-	-	2,528,276
Customer Accounts	4,500	11,017	22,558	1,006	-	-	-	39,081
Other liabilities	-	8	552	-	17	-	-	577
Sub-Total	172,016	1,094,001	1,280,693	6,051	15,173	-	-	2,567,934
Derivative Financial Instruments:								
Net Settled	-	-	(8)	-	50	(21)	(72)	(51)
Gross Settled Inflows	(23,072)	(15,219)	-	-	-	-	-	(38,291)
Outflows	22,924	15,200	-	-	-	-	-	38,124
Sub-Total	(148)	(19)	(8)	-	-	-	-	(167)
Total	171,868	1,093,982	1,280,685	6,051	15,223	(21)	(72)	2,567,716

34 Risk Management (Continued)

2009

	Sight to 8 days EUR 000's	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	692,111	1,081,343	1,280,988	–	202,061	–	–	3,256,503
Customer Accounts	–	1,501	–	18,103	–	–	–	19,604
Other liabilities	–	–	694	2,474	–	–	18	3,186
Sub-Total	692,111	1,082,844	1,281,682	20,577	202,061	–	18	3,279,293
Derivative Financial Instruments:								
Net Settled	–	–	–	–	–	–	–	–
Gross Settled								
Inflows	(42,966)	(71,943)	–	–	–	–	–	(114,909)
Outflows	41,528	70,291	–	–	–	–	–	111,819
Sub-Total	(1,438)	(1,652)	–	–	–	–	–	(3,090)
Total	690,673	1,081,192	1,281,682	20,577	202,061	–	18	3,276,203

35 Approval of the financial statements

The financial statements were approved by the Directors on 14 February 2011.

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