UniCredit Bank
UniCredit Bank Ireland p.l.c.

Half Yearly Condensed Financial Statements

Period Ended 30 June 2013

UniCredit Bank

UniCredit Bank Ireland p.l.c.

Contents

Directors and Other Information

Directors

Name	Role	Directorship Type	Nationality	Appointed to Board	Appointed to Role	Audit Committee Member	Risk Committee Member
Ronan Molony	Chairman	Independent non-executive	Irish	31/07/2008	31/07/2008	No	No
Michele De Capitani	Managing Director	Executive	Italian	06/03/2013	06/03/2013	No	Yes
Mirko Bianchi	Deputy Chairman	Group	Swiss	29/07/2010	28/03/2013	No	No
Donal Courtney		Independent non-executive	Irish	11/03/2010		Yes	Yes
Pier Mario Satta		Group	Italian	30/07/2009		No	No
Aldo Soprano		Group	Italian	17/04/2012		Yes	Yes
Jackie Gilroy		Independent non-executive	Irish	29/04/2013		Yes	No

Name	Role	Directorship Type	Nationality	Resigned from Board	Resigned from Role	Audit Committee Member	Risk Committee Member
Stefano Vaiani	Managing Director	Executive	Italian	06/03/2013	06/03/2013	No	Yes
Patrizio Braccioni	Deputy Chairman	Group	Italian	28/03/2013	28/03/2013	No	No
Tom McAleese		Independent non-executive	Irish	06/03/2013	06/03/2013	Yes	No

Registered Office
La Touche House
International Financial Services Centre
Dublin 1

Registered Number: 240551

Secretary (from 06/03/13)
Michele De Capitani
UniCredit Bank Ireland
La Touche House
International Financial Services Centre
Dublin 1

Secretary (until 06/03/13)
Stefano Vaiani
UniCredit Bank Ireland
La Touche House
International Financial Services Centre
Dublin 1

Auditor
Deloitte
Earlsfort Terrace
Dublin 2

Solicitors
McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

Directors' Report

The Directors present their report together with the financial statements for the period ended 30 June 2013.

Definitions

UniCredit Bank Ireland p.l.c.: 'The Company' or 'the Bank', a wholly owned subsidiary of UniCredit S.p.A.
UniCredit S.p.A.: The Company's Parent Company
UniCredit S.p.A. Group.: The Parent Company and its fully consolidated entities.

Principal Activities and Review of the Business

The principal business areas of the Company are credit and structured finance (loans, bonds, securitisation and other forms of asset financing), treasury activities (money market, repos, eonia and other interest rate swaps, foreign exchange and futures) and the issue of certificates of deposits, structured notes and commercial paper. The structured notes are listed on the Luxembourg stock exchange.

Company Profits

	30 June 2013	30 June 2012
	€'000	€'000
Profit for the financial period amounted to:	**19,883**	41,751

Dividends

An interim dividend of €82 million was paid on 24th April 2013. (22 March 2012: €133 million).

Financial and Non Financial KPI's

Interest income and similar revenues 30 June 2013 amounted to €333.5 million (30 June 2012: €339.1 million).

Interest expense and similar charges 30 June 2013 amounted to €290.5 million (30 June 2012: €280.2 million).

Net interest income 30 June 2013 amounted to €43.004 million (30 June 2012: €58.9 million).

Total operating income amounted to €20.6 million (30 June 2012: €52 million).
Net profit from financial activities amounted to €26.1 million (30 June 2012: €51.4 million).

The most significant events for the period ended 30 June 2013 were the following:

1) A marked decrease of the net interest income (-€16million) which was primarily due to an increase in the cost of funding during the period.
2) Non recurring adjustments relating to hedge ineffectiveness (-€5 million) and IFRS 13 compliance (-€6 million) were recorded during the period.
3) Fee and commission income and expense increased significantly due to securities borrowing and lending agreements and financial collateral agreements.
4) The negative revaluation reserve has improved by €198 million to €378 million from €576 million in December 12. Improvement is due to positive revaluation on AFS assets.
5) Total Assets have increased marginally during the period from December 2012 (€27.1 bil to €27.6 bil). The increase can be attributed to investments made as part of the 2013 investment plan.
6) Total liabilities have remained broadly in line with December 2012 (€25.3 bil to €25.7 bil).

Directors' Report (continued)

Financial and Non Financial KPI's (continued)

The Company's total assets at 30 June 2013 amounted to €27.7 billion (31 Dec 2012: €27.2 billion).

Total Shareholders equity (issued capital, reserves and revaluation reserves) amounted to €1.9 billion (31 Dec 2012: €1.8 billion). This increase is due mainly to the movement of the revaluation reserve.

Number of employees was equal to 30 at period end (30 June 2013: 30). The average number of employees for the period was 30 (31 Dec 2012: 30).

Capital Restriction

There is only one class of shares and all of the shares are owned by UniCredit S.p.A., there are no restrictions on the transfer or voting rights of these shares. For further details please refer to Item 190 – Issued capital in the notes to the financial statements on page 41.

Risk Management and Control

The Company, in the normal course of business, is exposed to a number of classes of risk, the most significant of which are credit risk, market risk (including interest rate and currency risk), liquidity risk and cash flow risk. Details of these risks are provided in note 4 of the 'Other Notes' section of the notes to the financial statements. The Company, in preparing the financial statements, follows a documented set of procedures and a control risk framework which is reviewed on a six month basis.

Arm's Length Transactions

The Directors have established formal procedures to ensure that all trading with other members of the ultimate parent undertaking is carried out on an arm's length basis.

Political Donations

The Electoral Act, 1997 requires companies to disclose all political donations over €5,080 in aggregate made during the period. The Directors have satisfied themselves that no such donations have been made by the Company.

Future Developments

The Directors have reviewed the activities of the Company with the intention of further developing its trading operations.

Going Concern

The financial statements continue to be prepared on a going concern basis, as the Directors are satisfied that the Company as a whole has the resources to continue in business for the foreseeable future.

Directors

The names of the persons who were Directors at any time during the period are set out below.

R. Molony (Chairman)	Independent non-executive
M. De Capitani (Managing Director and Company Secretary, Italian) (Appointed 06/03/2013)	Executive
M. Bianchi (Deputy Chairman, Swiss)	Group
D. Courtney	Independent non-executive
J. Gilroy (Appointed 29/04/2013)	Independent non-executive
P. M. Satta - (Italian)	Group
A. Soprano - (Italian)	Group
S. Vaiani - (Italian) (Resigned 06/03/2013)	Executive
P. Braccioni (Italian) (Resigned 28/03/2013)	Group
T. McAleese (Resigned 06/03/2013)	Independent non-executive

Directors' Report (continued)

Directors (continued) The Audit Committee comprises, D. Courtney (Chairman), A. Soprano and J. Gilroy. On the 6th March 2013 T. McAleese resigned from the Audit Committee and on the 29th April 2013 J. Gilroy was appointed. The purpose and scope of the Committee is to assist the Board of Directors in fulfilling their responsibilities for systems of internal control, accounting policies and financial reporting, and to monitor compliance with credit policy as approved by the Board of Directors.

Books of Account The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at La Touche House, IFSC, Dublin 1.

Auditor The auditor, KPMG resigned 6th March 2013, Deloitte appointed 6th March 2013.

Regulation/Corporate Governance UniCredit Bank Ireland p.l.c. is a bank licensed and regulated by the Central Bank of Ireland under the Central Bank Acts 1942 to 2011 and is subject to the Corporate Governance Code for Credit Institutions issued by the same name.

On behalf of the Board

R. Molony
Chairman

P.M Satta
Director

M. Bianchi
Director

D. Courtney
Director

M. De Capitani
Company Secretary

1 August 2013

Statement of Directors' Responsibilities in respect of the unaudited interim financial statements

Each of the current directors, whose names are listed on page 1, confirms that to the best of their knowledge:

(a) the unaudited interim financial statements comprising the Income Statement, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement and the related explanatory notes have been prepared in accordance with IAS 34 interim Financial Reporting as adopted by the EU.

(b) the interim management discussion includes a fair review of the information required by:

- (i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (ii) Regulation 8(3) of the Transparency Directive (Directive 2004/109/EC) Regulations 2007, being related party transaction that have taken place in the first six months of the current financial year and that have materially affected financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

R. Molony
Chairman

P.M Satta
Director

M. Bianchi
Director

D. Courtney
Director

M. De Capitani
Company Secretary

1 August 2013

Accounting Policies

Statement of Compliance

The financial statements as set out on pages 6 to 71 have been prepared in accordance with IFRSs as adopted by the EU and applicable at 30 June 2013. The Directors have considered all standards and pronouncements newly effective for the period ended 30 June 2013 and have concluded that they have no material impact on the financial statements. The financial statements also comply with applicable requirements of Irish Statute comprising the Companies Acts 1963 to 2012.

Basis of Preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in the areas of impairment of financial assets, and the fair value of certain financial assets and financial liabilities. A description of these estimates and judgements is set out on page 16 and also the assumption or estimate that certain markets are not active allowing the company to avail of the amendment to IAS 39 and reclassify certain instruments from trading to loans and receivables in 2008.

The financial statements comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity, the cash flow statement and the notes to the financial statements.

Foreign Currency Translation

Functional and presentational currency

The Company's financial statements are presented in euro, which is the functional currency of the Company's operations, rounded to the nearest thousand.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non monetary items, such as securities held at fair value through the income statement, are reported as part of the fair value gain or loss. Translation differences on the amortised cost balances of securities classified as available for sale financial assets are included in the income statement. Other translation differences arising on securities classified as available for sale are included in other comprehensive income.

Accounting Policies (continued)

Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments 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 instrument's expected life. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, including those for estimated early redemptions, directly attributable transaction costs and all other premiums or discounts.

Fee and Commission Income

Fees and commissions are generally recognised on an accruals basis when the service has been provided, unless it is appropriate to include them in the effective interest rate calculation.

Commitment fees, together with related costs, for loan facilities where drawdown is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised on a straight line basis over the term of the commitment.

Financial Assets

The Company classifies its financial assets in the following categories:

- Financial assets held for trading
- Financial assets designated at fair value through profit and loss
- Available for sale financial assets
- Loans and receivables

Purchases and sales of investments are recognised on a settlement date basis. Loans are recognised when the cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus direct and incremental transaction costs, with the exception of financial assets held for trading and financial assets designated at fair value through profit or loss, which are recognised at fair value with transaction costs expensed immediately.

a) A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- a derivative (except for a derivative that is a designated hedging instrument).

Financial Assets (continued)

These assets are subsequently measured at fair value through profit or loss.

The fair value of assets traded in active markets is based on current bid prices. In the absence of current bid prices, the Company establishes a fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Interest is calculated using the effective interest method and credited to the income statement in Part C item 10.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred the rights to receive contractual cash flows on the financial assets in a transaction which transferred substantially all the risk and rewards of ownership.

On 13th October 2008 the International Accounting Standards Board (IASB) issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These amendments permit the reclassification of financial assets classified as held for trading in particular circumstances. On 1 July 2008 and 1 October 2008 the Company availed of this amendment reclassifying instruments classified as held for trading to loans and receivables. For details please see Note 5; Other Notes to the Financial Statements.

b) Financial assets designated at Fair Value through profit or loss

Financial assets may be designated on initial recognition as measured at fair value provided that:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- a group of financial assets, financial liabilities or both are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The fair value of assets traded in active markets is based on current bid prices. In the absence of current bid prices, the Company establishes a fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants using observable inputs.

Financial Assets designated at Fair Value through Profit or Loss is accounted for in a similar manner as Held for Trading Assets. Gains or losses, whether realised or not, are recognised in Part C item 110; 'Gains (losses) on financial assets/liabilities designated at fair value through profit or loss'.

Financial Assets (Continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred the rights to receive contractual cash flows on the financial assets in a transaction which transferred substantially all the risk and rewards of ownership.

c) 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, exchange rates or security prices. Available for sale investments are initially measured at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Unless impaired, gains and losses arising from changes in the fair value are included in other comprehensive income and in a separate revaluation reserve as a component of equity, until sale when the cumulative gain or loss is transferred to the income statement.

The fair value of assets traded in active markets is based on current bid prices. In the absence of current bid prices, the Company establishes a fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants using observable inputs.

Interest is calculated using the effective interest method and credited to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred the rights to receive contractual cash flows on the financial assets in a transaction which transferred substantially all the risk and rewards of ownership.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market and are not classified as available for sale. They arise when the Company provides money to borrowers and does not intend on trading the receivables. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently carried on an amortised cost basis, less any provision for impairment.

Interest is calculated using the effective interest method and credited to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred the rights to receive contractual cash flows on the financial assets in a transaction which transferred substantially all the risk and rewards of ownership.

Accounting Policies (continued)

Financial Assets (continued)

Included within loans and receivables are assets which were reclassified from the held for trading category. These assets were reclassified after the IASB issued an amendment to IAS 39 permitting reclassification of financial instruments in certain circumstances. These assets were reclassified as the Company has the intent and the ability to hold them for the foreseeable future and they are not traded in an active market.

Reclassification of Financial Instruments

On 13th October 2008 the International Accounting Standards Board (IASB) issued an amendment permitting the reclassification of certain non derivative financial assets. Entities are permitted to reclassify financial assets classified as held for trading in the following situations only:

- Where the financial asset meets the definition of a loan or receivable at the date of reclassification and the entity has the intent and ability to hold it for the foreseeable future or to maturity; or
- In rare circumstances for other financial assets (i.e., those that do not meet the definition of a loan or receivable at the date of reclassification where the financial asset is no longer held for the purpose of selling or repurchasing it in the near term).

On 1 July 2008 and 1 October 2008 the Company reclassified financial assets which it no longer intended to sell, to loans and receivables as they are not actively traded and the Company has the intent and the ability to hold these instruments to maturity. These financial instruments have a minimal recent history of selling due to significantly reduced liquidity and market turmoil. No reclassifications have taken place since 1 October 2008.

For detail on this reclassification please refer to Note 5 of the Other Notes section of the Notes to the Financial Statements.

Impairment of Financial Assets

At each reporting date the Company reviews the carrying amount of its loans and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. Impairment losses are immediately charged to the income statement.

Specific provisions are made against the carrying amount of loans and receivables in respect of which there is objective evidence of impairment, to reduce these loans and receivables to their recoverable amounts. The amount of specific allowances represents the difference between the carrying amount and the estimated recoverable amount, discounted at the original effective interest rate. Changes in specific provisions are recognised in the income statement.

For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for each of the groups of such assets by being indicative of the debtor groups' ability to pay amounts due according to the contractual terms of the assets being evaluated.

Accounting Policies (continued)

Impairment of Financial Assets (continued)

The Company calculates a collective provision amount on all homogenous groups of assets. No collective provision is calculated on Available for Sale assets which are individually reviewed for specific provisioning.

For loans and receivables with customers we carried out a default (PD) and loss given default (LGD) scenario analysis using the PD/LGD values obtained from the Goup CPM (Credit Portfolio Model) (only for ABSs), GWR (Group Wide Rating) (corporates), Moody's (when GWR rating is not available).

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

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, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

Investment securities classified as available for sale are (continually) reviewed at the specific investment level for impairment. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Objective evidence of impairment might include a significant or prolonged decline in market value below the original cost of a financial asset and, in the case of debt securities, non receipt of interest due or principle repayment, or a measurable decrease in the estimated future cash flows since their initial recognition. Where such evidence exists at the reporting date, an impairment loss is recognised as the excess of the asset's cost over its fair value, therefore including any required reclassification of cumulative fair value changes included in other comprehensive income.

Financial Liabilities

Financial liabilities include deposits taken, medium term notes, other debt securities issued and derivatives.

The Company classifies its financial liabilities in the following categories:

- Liabilities, deposits and debt securities in issue
- Financial liabilities held for trading
- Financial liabilities designated at fair value through profit and loss

a) <u>Liabilities, deposits and debt securities in Issue</u>

Liabilities, deposits and debt securities in issue are initially recognised at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method.

Accounting Policies (continued)

Financial Liabilities (continued)

b) Financial liabilities held for trading

Financial liabilities held for trading include derivatives that are not held in qualifying hedge relationships.

A liability held for trading is measured at fair value initially and transaction costs are taken directly to the income statement. These liabilities are subsequently measured at fair value through profit or loss.

These changes in fair value are recognised in the income statement in Part C item 80 'Gains/(losses) on financial assets and liabilities held for trading'.

c) Financial liabilities designated at fair value through profit or loss

Financial liabilities may be designated on initial recognition as measured at fair value provided that:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

In addition, where a financial liability contains an embedded derivative, the economic characteristics and risks of which are not closely related to the host contract and where the terms of such an embedded derivative could significantly alter the expected cash flows, the Directors may designate such contracts, including the embedded derivatives, at fair value through the profit or loss.

These liabilities are accounted for in a similar manner as held for trading financial liabilities. Gains and losses, whether realised or not, are recognised in Part C item 110 'Gains/(losses) on financial assets/liabilities designated at fair value through profit or loss'.

Derivative Financial Instruments and Hedge Accounting

Derivative instruments used by the Company primarily comprise Eonia swaps, interest rate swaps, cross currency swaps and foreign exchange forwards and foreign exchange swaps.

Non-trading derivative transactions comprise transactions held for hedging purposes, as part of the Company's risk management strategy, against financial assets, financial liabilities, positions or cash flows, either accounted for on an amortised cost basis or part of the available for sale positions.

Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

All derivatives are held on the balance sheet at fair value and are accounted for on a trade date basis. Fair values are obtained from quoted prices prevailing in active markets where available. Otherwise valuation techniques including discounted cash flows and option pricing models are used to value the instruments. Derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is a legal ability and intention to settle net.

Embedded derivatives

Some hybrid contracts contain both a derivative and non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of embedded derivatives are closely related to those of the host contract, the embedded derivative is accounted for in a consistent manner with the accounting treatment of the host contract itself. Where it is deemed that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contracts, the embedded derivative is reported at fair value with gains and losses being recognised in the income statement, irrespective of the accounting treatment applied to the host contract.

Hedging

When a financial instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Company 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.

The Company currently has both portfolio and one-to-one hedge relationships.

To the extent that changes in the fair value of the hedging derivatives differ from changes in the fair value of the hedged risk in the hedged item or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of the hedged item, the hedge is ineffective. The amount of ineffectiveness, (taking into account the timing of the expected cash flows, where relevant) provided it is not so great as to disqualify the entire hedge from hedge accounting, is recorded in the income statement.

The Company currently has two types of hedging instruments:

Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability. Changes in the fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment cumulatively made to the carrying value of the hedged item is, for items carried at amortised cost, amortised over the period to maturity of the previously designated hedge relationship using the effective interest method.

Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss. The portion of the gain or loss on a cash flow hedging instrument that is determined to be an effective hedge is recognised initially in Other Comprehensive income and in equity item 140 "Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item 90 "Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in "Revaluation reserves" from the period when the hedge was effective remains separately recognised in "Revaluation reserves" until the forecast transaction occurs or is determined to be no longer probable; in the latter case gains or losses are transferred to profit or loss to item 80 "Gains and losses on financial assets/liabilities held for trading".

The fair value changes recorded in item 140 "Revaluation reserves" are also disclosed in the statement of comprehensive income;

Derivatives that do not qualify for hedge accounting

Certain derivative contracts entered into as economic hedges do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement in Part C item 80.

Offsetting Financial Instruments

Financial assets and liabilities may be offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial Guarantees

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities ("facility guarantees"). Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Sale and Repurchase Agreements

Securities may be lent or sold subject to a commitment to repurchase them ("repos"). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Company. The liability to the counterparty is included separately on the balance sheet as appropriate.

Similarly when securities are purchased subject to a commitment to resell ("reverse repo"), or where the Company borrows securities but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Accounting Policies (continued)

Income Tax, including Deferred Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related income tax is also recognised respectively in other comprehensive income or equity. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the balance sheet date and any adjustment in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the balance sheet date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and provision for impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged so as to write down the cost of assets over their estimated useful life, using the straight line method, on the following basis:

Leasehold improvements	5 years
Computer equipment	3 years
Office equipment	3 years

Intangible Assets

Computer software is stated at cost, less amortisation and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Company, and where it is probable that future economic benefits that exceed costs will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over three years.

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, unrestricted balance with Central Bank and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

Accounting Policies (continued)

Share Capital

Issued financial instruments, or their components, are classified as equity where they meet the definition of equity in IAS 32 and confer on the holder a residual interest in the assets of the Company.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders or in the case of an interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the balance sheet are disclosed in the subsequent events note.

Pension Obligations

The Company operates a defined contribution pension scheme. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and to which discrete financial information is available.

IFRS 8 Operating Segments requires the disclosure of revenues from external customers for each product and service, or each group of similar products and services. IFRS 8 also requires disclosures based on geographical information. For detail on these disclosures please see Notes to the Financial Statements, Other Notes, Note 3 Segmental reporting on page 48.

Accounting Estimates and Judgements

Accounting estimates have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next year are set out below:

Asset impairment

The estimation of potential losses on loans and receivables and available for sale assets is inherently uncertain and depends upon many factors including portfolio grade profiles, local and international economic climates, and other external factors such as legal and regulatory requirements.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

Accounting Policies (continued)

Accounting Estimates and Judgements

(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group,
including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

A specific provision is made against problem loans when, in the judgement of management, the estimated repayment realisable from the obligor, including the value of any security available, is likely to fall short on a discounted basis of the amount of principal and interest outstanding on the obligor's loan. The amount of the specific provision made in the financial statements is intended to cover the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The management process for the identification of loans requiring provision is underpinned by independent tiers of review.

Collective provisioning estimates of incurred loss are driven by the following key factors:

- Probability of default, i.e. the likelihood of a customer defaulting on its obligations over the next 12 months;
- Loss given default, i.e. the fraction of the exposure amount that will be lost in the event of default; and
- Exposure at default, i.e. exposure is calculated by adding the expected drawn balance plus a percentage of the unused limits.

Our rating systems have been internally developed and are continually being enhanced, e.g. externally benchmarked, to help underpin the aforementioned factors which determine the estimates of incurred loss.

Fair value of financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss, available for sale financial assets, fair value of loans and receivables securities and hedging derivatives.

The following paragraphs set out the method of valuing the positions of the above mentioned assets and liabilities.

Instrument : Method of Valuation

Transferable securities include government bonds, corporate bonds, equities and other debt securities.

Where quoted in an active market, previous day's closing bid prices are utilised where available.

Pricing sources are chosen based on providers with executable prices offering the tightest bid/offer spread.

Accounting Policies (continued)

Fair value of financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss, available for sale financial assets, fair value of loans and receivables securities and hedging derivatives. (continued)

Where not quoted in an active market, internal pricing model valuation techniques are used. The methodology includes the calculation of the expected recoverable cashflows under the terms of each specific contract and then discounts these values back to a present value. These models use as their basis independently sourced market parameters including, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

Asset Backed Securities ('ABS')

Where actively traded previous day's closing bid prices are utilised.

Where not quoted in an active market, the Company uses valuation techniques which include external ratings and market information to assess the pricing procedure for asset backed securities. The prices are reviewed by a UniCredit S.p.A. Group company.

Derivative contracts including: Eonia swaps, Interest rate swaps, Cross currency swaps and FX Forwards

Valued using discounted cash flow analysis. Cashflows are discounted using rates which are either directly observable or are implied from instrument prices and input into the system on a daily basis.

Fair value calculation:

In order to calculate the fair value of loans and receivables with banks, loans and receivables with customers, deposits from banks, deposits from customers and debt securities in issue, present value calculations based on Euribor/Libor/Overnight curves as at 30th June were utilised. The fair value determined using this calculation includes specific risk factors such as liquidity risk, and where relevant, counterparty risk.

IFRS 7 requires that for financial instruments measured at fair value on balance sheet fair value measurements are disclosed by the source of inputs, using the following three level hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (observable inputs).

For details of these disclosure requirements please see Note 4 of the Other Notes sections of the financial statements. In accordance with the amended IFRS 7.

Accounting Policies (continued)

Prospective Accounting Changes

There are no relevant standards, amendments and interpretations which have been endorsed by the EU but are not effective for the period ended 30 June 2013.

Balance Sheet as at 30 June 2013

	Part A	30 June 2013	31 Dec 2012
Items	**Balance sheet - Assets**	**€'000**	€'000
10	Cash and cash balances	26,034	16,789
20	Financial assets held for trading	3,662	34,999
40	Available-for-sale financial assets	9,358,987	9,267,069
60	Loans and receivables with banks	16,073,293	15,480,684
70	Loans and receivables with customers	1,883,451	2,002,234
80	Hedging derivatives	195,359	258,133
90	Changes in fair value of portfolio hedged items (+/-)	73,778	9,703
120	Property, plant and equipment	55	68
130	Intangible assets	351	173
140	Tax assets		
	a) Current tax assets	412	1,842
	b) Deferred tax assets	54,087	82,338
160	Other assets	13,663	468
	Total assets	**27,683,132**	27,154,500

	Part B	30 June 2013	31 Dec 2012
Items	**Balance sheet - Liabilities**	**€'000**	€'000
10	Deposits from banks	17,473,382	17,531,463
20	Deposits from customers	1,287,322	1,645,726
30	Debt securities in issue	5,706,948	4,743,012
40	Financial liabilities held for trading	1,052	1,168
60	Hedging derivatives	1,209,364	1,405,532
70	Changes in fair value of portfolio hedged items (+/-)	86,576	59,908
100	Other liabilities	17,602	2,445
	Total Liabilities	**25,782,246**	25,389,254

		30 June 2013	31 Dec 2012
	Balance sheet – Shareholder's equity	**€'000**	€'000
140	Revaluation reserve	(378,608)	(576,365)
170	Reserves		
	(a) Capital contribution	753,419	753,419
	(b) Capital redemption reserve	45,802	45,802
	(c) Profit and Loss Account – at start of the year	199,271	249,824
	(d) Dividend paid	(82,000)	(133,000)
	(e) Net profit for the period/year	19,883	82,447
190	Issued capital	1,343,119	1,343,119
	Total Shareholder's Equity	**1,900,886**	1,765,246
	Total liabilities and shareholder's equity	**27,683,132**	27,154,500

The notes on pages 28 to 71 form part of these financial statements.

On behalf of the Board

R. Molony
Chairman

P.M Satta
Director

M. Bianchi
Director

D. Courtney
Director

M. De Capitani
Company Secretary

1 August 2013

Income Statement

Period Ended 30 June 2013

		30 June 2013	30 June 2012
Items – Part C		**€'000**	€'000
10	Interest income and similar revenues	333,506	339,140
20	Interest expense and similar charges	(290,502)	(280,219)
30	**Net Interest Income**	**43,004**	58,921
40	Fee and commission income	26,097	291
50	Fee and commission expense	(35,306)	(5,840)
60	**Net fees and commissions**	**(9,209)**	(5,549)
80	Gains/(Losses) on financial assets and liabilities held for trading	(484)	639
90	Fair Value adjustments in hedge accounting	(11,003)	(3,190)
100	Gains/(losses) on disposal of:		
	a) Loans and receivables	(4,463)	490
	b) Available for sale financial assets	2,825	-
	d) Financial liabilities held at amortised cost	-	877
110	(Losses)/Gains on financial assets/liabilities designated at fair value through profit or loss	-	(209)
120	**Total operating income**	**20,670**	51,979
130	Impairment (losses)/write-back on:		
	a) Loans	2,800	(1,500)
	b) Available for sale financial assets	2,636	951
140	**Net profit from financial activities**	**26,106**	51,430
180	Administrative costs		
	a) Staff expenses	(2,093)	(1,786)
	b) Other administrative expenses	(1,251)	(1,612)
200	Depreciation on property, plant and equipment	(12)	(34)
210	Depreciation on intangible assets	(47)	(47)
220	Other operating income	-	6
230	**Operating costs**	**(3,403)**	(3,473)
280	**Total profit before tax from continuing operations**	**22,703**	47,957
290	Tax expense related to profit from continuing operations	(2,820)	(6,206)
320	**Net profit for the year (all attributable to shareholders)**	**19,883**	41,751

Statement of Comprehensive Income

Period ended 30 June 2013

		30 June 2013	30 June 2012
		€'000	€'000
10	**Net profit for the year**	**19,883**	**41,751**
Other comprehensive income after tax			
20	Available-for-sale financial assets		
	- Net change in fair value	**198,079**	**280,045**
	- Net amount transferred to profit or loss	**(2,635)**	**(951)**
60	Cash flow hedges		
	- Effective portion of changes in fair value	**2,040**	**(1,511)**
	- Net amount transferred to profit or loss	**273**	**(940)**
100	**Total of other comprehensive income after tax**	**197,757**	**276,643**
110	**Total comprehensive income after tax**	**217,640**	**318,394**

The notes on pages 28 to 71 form part of these financial statements.

All results are from continuing activities.

On behalf of the Board

R. Molony
Chairman

P.M Satta
Director

M. Bianchi
Director

D. Courtney
Director

M. De Capitani
Company Secretary

1 August 2013

Statement of Changes in Shareholder's Equity
Period ended 30 June 2013

	Share capital	Capital contribution	Capital redemption reserve	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
						€'000	
	€'000	€,000	€'000	€'000	€'000		€,000
Opening balances at 1 January 2013	1,343,119	753,419	45,802	(567,621)	(8,744)	199,271	1,765,246
Profit attributable to the equity shareholders	-	-	-	-	-	19,883	**19,883**
Other comprehensive income							
Change in fair value of available for sale financial assets							
- available for sale financial assets	-	-	-	159,746	-	-	159,746
- hedge	-	-	-	63,620	-	-	63,620
Impairment on available for sale recycled into profit or loss	-	-	-		-	-	
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	(229)	-	(229)
- Net amount transferred to profit or loss	-	-	-	-	2,872	-	2,872
Movement in deferred tax	-	-	-	(27,922)	(330)	-	(28,252)
Total other comprehensive income	-	-	-	**195,444**	**2,313**	19,883	**217,640**
Dividend distribution	-	-	-	-	-	**(82,000)**	**(82,000)**
Closing balances as at 30 June 2013	1,343,119	753,419	45,802	(372,177)	(6,431)	137,154	1,900,886

Statement of Changes in Shareholder's Equity
Period ended 30 June 2012

	Share capital	Capital contribution	Capital redemption reserve	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
	€'000	€,000	€'000	€'000	€'000	€'000	€,000
Opening balances at 1 January 2012	**1,343,119**	**753,419**	**45,802**	**(1,274,053)**	**(12,371)**	**249,824**	**1,105,740**
Profit attributable to the equity shareholders	-	-	-	-	-	41,751	**41,751**
Other comprehensive income							
Change in fair value of available for sale financial assets							
- available for sale financial assets	-	-	-	371,076	-	-	371,076
- hedge	-	-	-	(51,160)	-	-	(51,160)
Impairment on available for sale recycled into profit or loss	-	-	-	(951)	-	-	(951)
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	(1,861)	-	(1,861)
- Net amount transferred to profit or loss	-	-	-	-	(940)	-	(940)
Movement in deferred tax	-	-	-	(39,871)	350	-	(39,521)
Total other comprehensive income	-	-	-	**279,094**	**(2,451)**	-	**276,643**
Dividend distribution	-	-	-	-	-	**(133,000)**	**(133,000)**
Closing balances as at 30 June 2012	**1,343,119**	**753,419**	**45,802**	**(994,959)**	**(14,822)**	**158,575**	**1,291,134**

Cash Flow Statement (indirect method)

30 June 2013

		30 June 2013 €'000	30 June 2012 €'000
A.	**Operating Activities**		
	1. Operations	**28,814**	**42,332**
	- profit and loss of the period (+/-)	19,883	41,751
	- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	485	(430)
	- capital gains/losses on hedging operations (+/-)	11,003	3,190
	- net write-offs/write-backs due to impairment (+/-)	(5,436)	549
	- net write-offs/write-backs on tangible and intangible assets (+/-)	59	81
	- not paid tax (+/-)	2,820	(2,809)
	2. Liquidity generated/absorbed by financial assets	**636,144**	**(326,544)**
	- financial assets held for trading	30,853	55,138
	- financial assets at fair value	-	79,950
	- available-for-sale financial assets	(91,918)	(348,241)
	- loans and receivables with banks	610,006	(619,993)
	- loans and receivables with customers	80,385	415,930
	- other assets	6,818	90,672
	3. Liquidity generated/absorbed by financial liabilities	**587,929**	**450,454**
	- deposits from banks	(58,081)	908,258
	- deposits from customers	(358,404)	255,877
	- debt certificates including bonds	963,936	(1,025,384)
	- financial liabilities held for trading	(116)	(51,705)
	- financial liabilities designated at fair value	-	-
	- other liabilities	40,594	363,408
	Net liquidity generated/absorbed by operating activities	**1,255,887**	**166,242**
B.	**Investment Activities**		
	1. Net Liquidity by:		
	- tangible and intangible assets	(225)	(9)
	Net liquidity generated/absorbed by investment activities	**(225)**	**(9)**
C.	**Funding Activities**		
	Dividend Paid to Parent Company	(82,000)	(133,000)
	Net liquidity generated/absorbed by funding activities	**(82,000)**	**(133,000)**
	Increase/Decrease in cash and cash equivalents	**1,170,662**	**33,233**
	Cash and cash equivalents at 1 January	2,021,425	145,848
	Cash flow	1,170,662	33,233
	Cash and cash equivalents at 30 June	**3,192,087**	**179,081**

KEY: (+) generated; (-) absorbed

Cash Flow Statement (indirect method) (continued)

30 June 2013

Cash Flow Reconciliation	30 June 2013 €'000	30 June 2012 €'000
Cash and cash balances	26,034	23,739
Deposit and current accounts with banks	2,964,330	75,095
Deposits with customers	201,723	80,247
Cash and cash equivalents total at 30 June	**3,192,087**	**179,081**

On behalf of the Board

R. Molony
Chairman

P.M Satta
Director

M. Bianchi
Director

D. Courtney
Director

M. De Capitani
Company Secretary

1 August 2013

Notes to the Financial Statements

The Notes to the Financial Statements are broken down as follows:

A) Balance Sheet Notes - Assets
B) Balance Sheet Notes - Liabilities
C) Income Statement Notes
D) Other Notes

A) Balance Sheet Notes – Assets

Item 10 – Cash and cash balances

1.1 Cash and cash balances: breakdown	30 June 2013 €'000	31 Dec 2012 €'000
a) Cash	1	1
b) Demand deposits with the Central Bank	26,033	16,788
	26,034	16,789

Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: product breakdown	30 June 2013 €'000	31 Dec 2012 €'000
Debt and equity securities:		
- Other securities	-	30,516
	-	30,516
Derivative assets	3,662	4,483
	3,662	34,999

Included in other debt securities is an amount of Nil (31 Dec 2012: €30.5 million) which has been invested via a UniCredit S.p.A. Group managed investment fund but is not consolidated within UniCredit Group.

2.2 Financial assets held for trading: analysis of debt and equity securities by remaining maturity	30 June 2013 €'000	31 Dec 2012 €'000
- Unspecified	-	30,516
	-	**30,516**

2.3 Financial assets held for trading: listing status		
- Unlisted	-	30,516
	-	**30,516**
Amounts include:		
Due from parent company and fellow subsidiaries	-	-

Financial assets held for trading of Nil (31 Dec 2012: Nil) have been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets

Item 20 – Financial assets held for trading (continued)

In 2008 the Company availed of an amendment on IAS 39 made by the IASB on 13 October 2008 permitting the reclassification of certain financial assets classified as held for trading to loans and receivables. For details on this reclassification please see Note 5 of the Other Notes section of the Notes to the Financial Statements.

Derivatives held for trading	**30 June 2013** **€'000** **Fair Value**	**30 June 2013** **€'000** **Nominal**	31 Dec 2012 €'000 Fair Value	31 Dec 2012 €'000 Nominal
Eonia swaps	**1,206**	**8,810,000**	2,780	6,450,000
Interest rate swaps	**1,527**	**26,274**	1,365	26,274
Forward currency sales	**929**	**144,010**	338	2,311
	3,662	**8,980,284**	**4,483**	**6,478,585**

Included in derivatives held for trading is an amount of €2.1 million (31 Dec 2012: €1.7 million) due from Unicredit S.p.A. Group.

The derivatives classified in financial assets held for trading are for economic hedging purposes.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes - Assets (continued)

Item 40 – Available for sale financial assets

4.1 Available for sale financial assets: product breakdown	30 June 2013	31 Dec 2012
	€'000	€'000
Issued by public bodies		
- Government debt securities	8,777,153	8,982,764
- Other public sector debt securities	13,298	14,071
Other securities		
- Other debt securities	568,536	270,234
	9,358,987	**9,267,069**
Amounts include:		
UniCredit S.p.A. Group available for sale financial assets	104,716	155,909

Available for sale fair value assets of €5.7 billion (31 Dec 2012: €5.9 billion) have been pledged to third parties in sale and repurchase agreements.

Included within available for sale assets is €24.6 million (31 Dec 2012: €24.9 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes - Assets (continued)

Item 40 – Available for sale financial assets (continued)

4.2 Available for sale financial assets: analysis by remaining maturity	30 June 2013 €'000	31 Dec 2012 €'000
- over 5 years	3,225,038	2,690,961
- 5 years or less but over 1 year	4,873,848	4,130,543
- 1 year or less but over 3 months	202,624	2,398,430
- 3 months or less	1,057,477	47,135
	9,358,987	9,267,069

4.3 Available for sale financial assets: listing status	30 June 2013 €'000	31 Dec 2012 €'000
Analysis by listing status		
- Listed	9,358,987	9,267,069
- Unlisted	-	-
	9,358,987	9,267,069

4.4 Available for sale financial assets: annual changes	30 June 2013 €'000	31 Dec 2012 €'000
Opening Balance	9,267,069	8,135,650
Additions	1,169,299	1,050,442
Disposals and maturities	(1,062,093)	(863,118)
Exchange differences	19,594	(95,390)
Changes in fair value	(15,758)	1,028,578
Interest receivable	(19,124)	10,907
Closing Balance	**9,358,987**	9,267,069

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 60 – Loans and receivables with banks

6.1 Loans and receivables with banks: analysis by remaining maturity	30 June 2013 €'000	31 Dec 2012 €'000
- over 5 years	95,211	109,610
- 5 years or less but over 1 year	4,190,776	1,658,548
- 1 year or less but over 3 months	-	3,331,802
- 3 months or less	2,920,350	1,752,243
- Repayable on demand	43,980	9,472
	7,250,317	6,861,675
Unquoted securities : Remaining maturity		
- over 5 years	5,486,888	5,066,927
- 5 years or less but over 1 year	3,282,878	3,185,451
- 1 year or less but over 3 months	1,866	66,654
- 3 months or less	51,344	299,977
	8,822,976	8,619,009
- Loans and receivables with banks collective impairment		
	16,073,293	15,480,684
Amounts include:		
Due from parent company and fellow subsidiaries	15,109,449	14,278,568

Included in the total of loans and receivable with banks are sale and repurchase agreements €2.01 bil (31 Dec 2012: Nil).

6.2 Loans and receivables with banks: fair value	30 June 2013 €'000	31 Dec 2012 €'000
Loans and receivables with Banks	14,834,425	14,210,468

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 70 – Loans and receivables with customers

7.1 Loans and receivables with customers: analysis by remaining maturity	30 June 2013 €'000	31 Dec 2012 €'000
- over 5 years	493,960	749,821
- 5 years or less but over 1 year	465,147	108,518
- 1 year or less but over 3 months	146,261	275,600
- 3 months or less	201,723	243,822
	1,307,091	1,377,761
Loans and receivables with customers collective impairment	(2,400)	(5,200)
	1,304,691	1,372,561
Unquoted securities : Remaining maturity		
- over 5 years	497,500	580,405
- 5 years or less but over 1 year	49,385	49,268
- 1 year or less but over 3 months	-	-
- 3 months or less	31,875	-
	1,883,451	2,002,234

	30 June 2013	31 Dec 2012
Amounts include:	**€'000**	€'000
Due from parent company and fellow subsidiaries	**1,027,273**	**1,002,533**

Included in the total of loans and receivable with customers are sale and repurchase agreements of €142.7 million (31 Dec 2012: €182.9 million).

Included within loans and receivables with customers is €239.1 million (31 Dec 2012: €298.6 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

	Loans and receivables with customers: Fair value	30 June 2013 €'000	31 Dec 2012 €'000
7.2	Loans and receivables with customers	1,684,336	1,875,114
		1,684,336	1,875,114

7.3 Loans and receivables with customers: Reclassification

In 2008 the Company availed of an amendment on IAS 39 made by the IASB on 13 October 2008 permitting the reclassification of certain financial assets classified as held for trading to loans and receivables. For details on this reclassification please see Note 5 of the Other Notes section of the Notes to the Financial Statements.

Notes to the Financial Statements (continued)

In 2008 the carrying value of assets which were reclassified in 2008 from held for trading to loans and receivables with customers, and are still held at 30 June 2013 was €263 million (31 Dec 2012: €323 million).

A) Balance Sheet Notes – Assets (continued)

Item 80 – Hedging derivatives

8.1

Hedging derivatives	**30 June 2013 €'000**	**30 June 2013 €'000**	31 Dec 2012 €'000	31 Dec 2012 €'000
	Fair Value	**Nominal**	Fair Value	Nominal
Cross currency swaps	16,970	165,933	35,319	171,548
Interest rate swaps	178,389	6,208,902	222,814	6,465,236
	195,359	6,374,835	258,133	6,636,784

Included in hedging derivatives is an amount of €115.7 million (31 Dec 2012: €149.9 million) which is due from to UniCredit S.p.A. Group.

For detail on derivatives please refer to the notes on derivatives which is included within the market risk portion of note 4 of the Other Notes section of the Notes to the Financial Statements.

Item 90 – Changes in fair value of portfolio hedged items (+/-)

9.1

Changes in fair value of portfolio hedged items (+/-)	**30 June 2013 €'000**	31 Dec 2012 €'000
Positive changes in fair value of portfolio hedged items	73,778	9,703
	73,778	9,703

The above amount relates to changes in portfolio hedged items in securities which are both loans and receivables with banks and loans and receivables with customers.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 120 – Property, plant and equipment

12.1 Property, plant and equipment	Leasehold improvements	Office equipment	Computer equipment	Total
Cost	€'000	€'000	€'000	€'000
At 1 January 2012	1,307	72	225	1,604
Additions	-	1	73	74
Disposals	-	-	(2)	(2)
At 1 January 2013	1,307	73	296	1,676
Additions	-	-	-	-
Disposals	-	-	-	-
At 30 June 2013	1,307	73	296	1,676

	Leasehold Improvements	Office equipment	Computer equipment	Total
Accumulated depreciation	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2012	1,273	68	180	1,521
Charge for year	34	4	49	87
Disposals	-	-	-	-
At 1 January 2013	1,307	72	229	1,608
Charge for year	-	-	13	13
Disposals	-	-	-	-
At 30 June 2013	1,307	72	242	1,621
Net book values				
At 31 December 2012	-	1	67	68
At 30 June 2013	-	1	54	55

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 130 – Intangible assets

13.1 **Intangible assets**

	Computer software costs	Total
Cost	€'000	€'000
At 1 January 2012	1,825	1,825
Additions	144	144
At 1 January 2013	1,969	1,969
Additions	225	225
At 30 June 2013	2,194	2,194
Accumulated depreciation		
At 1 January 2012	1,704	1,704
Charge for year	92	92
At 1 January 2013	1,796	1,796
Charge for period	47	47
At 30 June 2013	1,843	1,843
Net book values		
At 31 December 2012	**173**	**173**
At 30 June 2013	**351**	**351**

Item 140 – Tax assets

14.1 **Tax assets**

	30 June 2013	31 Dec 2012
	€'000	€'000
Deferred taxation asset at 1 January		
Tax credit arising from negative AFS revaluation reserve	54,087	82,338
At 30 June 2013	**54,087**	**82,338**
Current taxation asset	412	1,842
	412	**1,842**
Total tax assets	**412**	**84,180**

The deferred tax asset is 12.5% of the gross amount of the net available for sale reserve.

Item 160 – Other assets

16.1

Other assets	**30 June 2013**	31 Dec 2012
	€'000	€'000
Accounts receivable and prepayments	13,663	468
	13,663	**468**

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities

Item 10 – Deposits from banks

1.1	**Deposits from banks: analysis by remaining maturity**	**30 June 2013**	31 Dec 2012
		€'000	€'000
	Remaining maturity		
	- Over 5 years	552,616	844,321
	- 5 years or less but over 1 year	11,837,447	9,186,678
	- 1 year or less but over 3 months	12,030	4,465,206
	- 3 months or less	5,052,332	3,035,251
	- Repayable on demand	18,957	7
		17,473,382	**17,531,463**
	Amounts include:		
	Due to parent company and fellow subsidiaries	**4,778,897**	**4,260,091**

Included in deposits from banks are deposits of €6.7 billion (31 Dec 2012: €6.8 billion) held as security for securities sold under repurchase agreements.

Included in deposits from banks are two Upper Tier 2 deposits which are included within Regulatory Capital in Item 19.2 page 41

	Deposits from banks: Fair Value	**30 June 2013**	31 Dec 2012
		€'000	€'000
1.2	Deposits from Banks	17,700,428	17,785,304
		17,700,428	17,785,304

Item 20 – Deposits from customers

2.1	**Deposits from customers: analysis by remaining maturity**	**30 June 2013**	31 Dec 2012
		€'000	€'000
	Remaining maturity		
	- 5 years or less but over 1 year	544,542	539,837
	- 1 year or less but over 3 months	-	342,897
	- 3 months or less	742,780	762,992
		1,287,322	**1,645,726**
	Amounts include:		
	Due to parent company and fellow subsidiaries	**46,858**	**45,523**

Included in customer accounts are deposits of €1.2 billion (31 Dec 2012: €1.5 billion) held as security for securities sold under repurchase agreements.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

2.2 Deposits from customers: Fair value	30 June 2013 €'000	31 Dec 2012 €'000
Deposits from customers	1,367,385	1,748,017
	1,367,385	1,748,017

Item 30 – Debt securities in issue

3.1 Debt securities in issue: analysis by remaining maturity	30 June 2013 €'000	31 Dec 2012 €'000
Bonds and medium term notes		
Remaining maturity		
- over 5 years	184,064	135,925
- 5 years or less but over 1 year	4,088,527	3,843,198
- 1 year or less but over 3 months	1,276,117	653,940
- 3 months or less	53,716	-
	5,602,424	**4,633,063**
Other debt securities in issue		
Remaining maturity		
- 5 years or less but over 1 year		9,021
- 1 year or less but over 3 months	55,743	50,948
- 3 months or less	48,781	49,980
	5,706,948	**4,743,012**
Amounts include:		
Due to parent company and fellow subsidiaries	**58,217**	**51,705**

3.2 Debt securities in issue: Fair Value	30 June 2013 €'000	31 Dec 2012 €'000
Debt securities in issue	5,617,655	4,816,662
	5,617,655	4,816,662

3.3 Debt securities in issue: by financial instrument	30 June 2013 €'000	31 Dec 2012 €'000
Certificate of deposit	38,973	9,021
Commercial paper	65,552	100,928
Medium term note	5,602,423	4,633,063
	5,706,948	**4,743,012**

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 40 – Financial liabilities held for trading

4.1 Financial liabilities held for trading	30 June 2013 €'000 Fair Value	30 June 2013 €'000 Nominal	31 Dec 2012 €'000 Fair Value	31 Dec 2012 €'000 Nominal
Currency forward purchase contracts	-	-	25	28,190
Currency forward sale contracts	-	-	172	753
Interest rate, eonia and cross currency derivatives	1,052	5,560,000	971	2,300,000
	1,052	**5,560,000**	1,168	2,328,943

For detail on derivatives please refer to the notes on derivatives which is included within the market risk portion of 'Other Notes' note 4.

The derivatives classified in financial liabilities held for trading are for economic hedging purposes.

Item 60 – Hedging derivatives

6.1 Hedging derivatives	30 June 2013 €'000 Fair Value	30 June 2013 €'000 Nominal	31 Dec 2012 €'000 Fair Value	31 Dec 2012 €'000 Nominal
Cross currency swaps	141,985	3,216,150	150,452	3,018,812
Interest rate swaps	1,058,871	8,372,692	1,244,649	8,820,338
Currency forward sale contracts	8,508	106,275	10,431	135,760
	1,209,364	**11,695,117**	1,405,532	11,974,910

Included in hedging derivatives is an amount of €766 million (31 Dec 2012: €815 million) which is due to UniCredit S.p.A. Group.

For detail on derivatives please refer to the notes on derivatives which is included within the market risk note in 'Other Notes' note 4.

Item 70 – Changes in fair value of portfolio hedged items (+/-)

7.1 Changes in fair value of portfolio hedged items (+/-)	30 June 2013 €'000	31 Dec 2012 €'000
Positive/(Negative) changes in fair value of portfolio hedged items	86,576	59,908
	86,576	59,908

The above amount relates to changes in portfolio hedged items on deposits from banks.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 100 – Other liabilities

10.1	Other liabilities	30 June 2013 €'000	31 Dec 2012 €'000
	Creditors and accruals	17,602	2,445
		17,602	2,445

Item 140 – Revaluation reserve

14.1	Available for sale reserve	30 June 2013 €'000	31 Dec 2012 €'000
	At 1 January	(567,621)	(1,274,053)
	Change in fair value of available for sale financial assets		
	- available for sale financial assets	159,746	867,442
	- hedge	63,620	(60,091)
	Impairment recognised in the income statement	-	-
	Movement in deferred tax	(27,922)	(100,919)
	At 30 June	**(372,177)**	(567,621)

The available for sale revaluation reserve movement represents the fair value movements in available for sale instruments.

14.2	Cash flow hedge reserve	30 June 2013 €'000	31 Dec 2012 €'000
	At 1 January	(8,744)	(12,371)
	Effective portion of changes in fair value	(229)	1,273
	Net amount transferred to profit or loss	2,872	2,872
	Movement in deferred tax	(330)	(518)
	At 31 December	**(6,431)**	**(8,744)**
	Total revaluation reserve	**(378,608)**	**(576,365)**

Item 170 – Reserves

17.1	Reserves	30 June 2013 €'000	31 Dec 2012 €'000
	a) Capital contribution	753,419	753,419
	b) Capital redemption reserve	45,802	45,802
	c) Profit and Loss Account at start of year	199,271	249,824
	d) Dividend paid	(82,000)	(133,000)
	e) Net profit for the year	19,883	82,447
		936,375	**998,492**

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital

	Issued capital	30 June 2013	31 Dec 2012
19.1	**Authorised**	**€'000**	€'000
	1,343,118,650 (31 Dec 2012 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
		1,343,119	1,343,119
	Issued and paid up		
	1,343,118,650 (31 Dec 2012 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
		1,343,119	1,343,119

The Bank's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital requirements of the Central Bank of Ireland. The Bank must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the Central Bank of Ireland. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy.

		30 June 2013	31 Dec 2012
19.2	**Regulatory capital**	**€'000**	€'000
	Paid up ordinary share capital	1,343,119	1,343,119
	Capital contribution	753,419	753,419
	Revenue reserves	163,073	162,627
	Subordinated deposit capital – Tier 2	676,812	676,812
	Total capital resources	**2,936,423**	2,935,977

The above Regulatory capital is in accordance with the Directive 2006/48/EC (CRD) (and as amended by Directives 2009/27/EC, 2009/83/EC, 2009/111/EC and 2010/76/EC), and the financial statements are produced under IFRS as endorsed by the EU, thus differences arise between the capital figures included in the balance sheet and that shown above. The reasons for this are as follows:

- The revaluation reserve (available for sale reserve) that arose due to IFRS adoption.
- The profit for the period.

The Company's capital resources policy has been developed within the supervisory requirements of the Central Bank of Ireland which applies a risk-asset ratio as the measure of capital adequacy in line with the Directive outlined above, and with reference to guidelines issued in 2006 by the Basel Committee on Banking Supervision.

In relation to Pillar 3 disclosure requirements as set out in Articles 145 to 148 of Directive 2006/48/EC (and as amended by Directives 2009/27/EC, 2009/83/EC, and 2009/111/EC)) UniCredit Bank Ireland plc is exempt from all disclosures. The parent company, UniCredit SpA, is making all required Pillar 3 disclosures on our behalf on a consolidated basis. These documents can be found on their website http://www.unicreditgroup.eu.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital (continued)

The basic instrument of capital monitoring is the risk-asset ratio, as set out by the Basel Committee. The purpose of this is to ensure that a bank holds capital reserves appropriate to the risk to which it is exposed to through its lending and investment practises. Capital is defined by reference to the Capital Requirements Directive (CRD I and CRD II) and is divided into Tier 1 capital consisting largely of shareholder's equity and Tier 2 capital including short-term subordinated loan capital. Assets are weighted to allow for relative risk according to rules derived from the CRD.

The target standard risk-asset ratio set by the Basel Committee is 8% (UniCredit Bank Ireland actual risk-asset ratio: 34.06%) of which the Tier 1 element must be at least 4% (UniCredit Bank Ireland actual tier 1 element: 26.27%). The CRD (as amended) adopts a similar minimum risk-asset ratio.

The Company complied with all externally imposed capital requirements to which it is subject during the year.

The Solvency ratio (Pillar I) for the Company as at 30 June 2013 was 34.06% (31 Dec 2012: 27.38%).

The Solvency index ratio (Pillar II) for the Company as at 30 June 2013 was 410.08% (31 Dec 2012: 296.46%).

Notes to the Financial Statements

C) Income Statement Notes

Item 10 - Interest income and similar revenues

	30 June 2013 €'000	30 June 2012 €'000
1.1 Interest and similar income arising on:		
Loans and receivables with banks	79,309	92,721
Loans and receivables with customers	25,204	33,101
Financial assets held for trading	1,600	2,061
Available for sale financial assets	189,709	179,538
Financial assets designated at fair value through profit or loss	-	111
Hedging derivatives	37,684	31,608
	333,506	339,140

Total interest income exclusive of financial assets at fair value through profit or loss calculated using the effective interest rate method is €294 million (30 June 2012: €305 million).

	30 June 2013	30 June 2012
Amounts include:	**€'000**	€'000
Due from parent company and fellow subsidiaries	**96,134**	104,935

Item 20 - Interest expense and similar charges

	30 June 2013 €'000	30 June 2012 €'000
2.1 Interest expense and similar charges arising on:		
Deposits from banks	(59,064)	(67,367)
Deposits from customers	(53)	(322)
Debt securities in issue	(52,873)	(38,126)
Financial liabilities held for trading	(2,229)	(7,224)
Repos	(34,657)	(45,658)
Hedging derivatives	(141,613)	(121,487)
Other liabilities	(13)	(35)
	(290,502)	(280,219)

Total interest expense exclusive of financial liabilities at fair value through profit or loss calculated using the effective interest rate method is €147 million (30 June 2012: €151 million).

	30 June 2013	30 June 2012
Amounts include:	**€'000**	€'000
Due from parent company and fellow subsidiaries	**(95,858)**	(115,970)

Item 30 - Net interest income

	30 June 2013 €'000	30 June 2012 €'000
3.1 Net interest income	**43,004**	58,921

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 40, 50 and 60 - Fee and commission income

		30 June 2013	30 June 2012
4.1	**Fees and commission income and expense**	**€'000**	€'000
	Fee and commission income		
	Credit related fees and commissions	-	291
	Guarantee fees	26,097	-
		26,097	**291**

	30 June 2013	30 June 2012
Amounts include:	**€'000**	€'000
Due from parent company and fellow subsidiaries	**26,036**	**69**

5.1	**Fees and commission expense**		
	Brokerage and management fees	(204)	(90)
	Guarantee fees	(31,984)	(527)
	Securities Lending	(2,512)	(4,792)
	Other fees	(606)	(431)
		(35,306)	**(5,840)**
	Amounts include:		
	Due from parent company and fellow subsidiaries	**(34,226)**	**(5,131)**
6.1	**Net fees and commissions**	**(9,209)**	**(5,549)**

Item 80 – Gains/(losses) on financial assets and liabilities held for trading

		30 June 2013	30 June 2012
8.1	**Gains/(losses) on financial assets and liabilities held for trading**	**€'000**	€'000
	Trading (losses)/gains	840	125
	Foreign currency translation (losses)/gains	(1,324)	514
		(484)	639
	Amounts include:		
	Due from parent company and fellow subsidiaries	**3,837**	44,094

Item 90 – Fair value adjustments in hedge accounting

		30 June 2013	30 June 2012
9.1	**Fair Value adjustment**	**€'000**	€'000
	Fair value adjustment on hedging derivatives	97,047	(52,713)
	Fair value adjustment relating to hedged items		
	- AFS Hedge	(147,376)	76,420
	- Non-AFS Hedge	39,599	(27,836)
	Cash-flow hedging derivatives ineffectiveness	(273)	939
		(11,003)	(3,190)

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 90 – Fair value adjustments in hedge accounting

Amounts include:	**30 June 2013** **€'000**	30 June 2012 €'000
Due from parent company and fellow subsidiaries	**33,287**	-

Item 100 – Gains/(losses) on disposal of:

10.1	**Gains/(losses) on disposal of:**	**30 June 2013** **€'000**	30 June 2012 €'000
	a) Loans and receivables	(4,463)	490
	b) available-for-sale financial assets	2,825	-
	d) Financial liabilities at amortised cost	-	877

Item 110 – Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss

Gains and losses on financial assets/liabilities at fair value comprise net gains arising from the valuation of financial assets and liabilities recognised in the financial statements, as well as credit and financial derivatives economically associated to them and already recognised under financial assets/liabilities held for trading.

11.1	**Item 110 - Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss**	**30 June 2013** **€'000**	30 June 2012 €'000
	Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	-	(209)
		-	(209)

Amounts include:	**30 June 2013** **€'000**	30 June 2012 €'000
Due from parent company and fellow subsidiaries	-	(209)

Item 130 – Impairment losses

13.1	**Impairment losses**	**30 June 2013** **€'000**	30 June 2012 €'000
	a) Loans	2,800	(1,500)
	b) Available for sale financial assets	2,636	951
		5,436	(549)

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 130 – Impairment losses

The €2.8 million impairment gain on loans at 30 June 2013 is reversal of the collective impairment on loans and receivables with customers. The €2.63 million impairment gain on available for sale financial assets at 30 June 2013 is comprised of a reversal of impairment on an ABS security.

Item 180 – Administrative costs

18.1	Administrative costs	30 June 2013 €'000	30 June 2012 €'000
	a) Staff expenses	**(2,093)**	**(1,786)**
	Wages and salaries	(1,745)	(1,465)
	Social security costs	(164)	(158)
	Pension costs	(110)	(77)
	Directors' fees	(74)	(86)
	b) other administrative expenses	**(1,251)**	**(1,612)**
	Total Administrative costs	**(3,344)**	**(3,398)**

Remuneration paid to statutory auditor (included in other administrative expenses)		
Audit	(157)	(157)
Other assurance	-	-
Tax advisory services	-	-
Other non-audit services	-	-
	(157)	**(157)**

All directors' fees represent remuneration in respect of services rendered in their capacity as directors.

Included in wages and salaries, social security costs and pension costs are directors' emoluments in connection with management of the company, details of which are provided in note 6 of the 'Other Notes' section. The number of people employed directly by the Company at the end of the period is 30 (30 June 2012: 30).

Item 200 – Depreciation on property, plant and equipment

20.1	Item 200 – Depreciation on property, plant and equipment	30 June 2013 €'000	30 June 2012 €'000
	Depreciation on property, plant and equipment	(12)	(34)
		(12)	**(34)**

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 210 – Depreciation on intangible assets

21.1 Item 210 – Depreciation on intangible assets	30 June 2013 €'000	30 June 2012 €'000
Depreciation on intangible assets	(47)	(47)
	(47)	(47)

Item 220 – Other operating income

22.1 Item 220 – Other operating income	30 June 2013 €'000	30 June 2012 €'000
Operating income	-	6
	-	6

Item 290 – Tax expense

29.1 Tax expense (income) related to profit or loss from continuing operations	30 June 2013 €'000	30 June 2012 €'000
Current tax (charge)	(2,838)	(5,994)
Adjustments in respect of previous years	18	(212)
Withholding tax credit – Current Year	-	-
Withholding tax (charge)– Previous Years	-	-
	(2,820)	(6,206)
Profit before tax	**22,703**	47,957
Tax calculated at a tax rate of 12.5% (30 June 2012: 12.5%)	(2,838)	(5,994)
Effects of:		
Disallowable items	-	-
Allowable deductions	-	-
Depreciation in excess of capital allowances	-	-
Withholding tax credit – Current Year	-	-
Withholding tax (charge) – Previous Years	-	-
Adjustments in respect of previous years	18	(212)
Income tax (charge)	**(2,820)**	(6,206)

Notes to the Financial Statements (continued)

D) Other Notes

		30 Jun 2013	31 Dec 2012
1	**Contingent liabilities and commitments**	**€'000**	€'000
	Guarantees pledged as security	**2,479,658**	2,479,658
	Undrawn credit facilities with a maturity		
	- Repayable on demand	-	-
	- of less than 1 year	58,329	61,267
		58,329	61,267
		2,537,987	2,540,925

The Company has provided financial collateral in the amount of €2.5 billion (31 Dec 2012: €2.5 billion). It is a guarantee given to UniCredit SpA against Republic of Italy risk.

The Company has €415 million in securities lending transactions (31 Dec 2012: €432m) and €6.7 billion in securities borrowing (31 Dec 2012: €9.8 billion). These transactions were entered into in order to boost UniCredit S.p.A. Group liquidity.

2 **Pension scheme**

The Company operates a defined contribution pension scheme. The funds attributable to the scheme are administered by the Trustees and are independent from the Company's finances. The Company's contributions are charged in the income statement in the year in which the contributions are made. Included in staff expenses in the income statement is an amount of €0.11 million (31 Dec 2012: €0.18 million) in relation to pension contributions. Included in Other liabilities in the balance sheet is an amount of Nil (31 Dec 2012: Nil) in relation to accruals for pension contributions.

3 **Segmental reporting**

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

IFRS 8 requires entity wide disclosures about product and services and about geographical areas. It also requires a disclosure about the extent of the Company's reliance on major external customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, this fact must be disclosed.

Detail regarding revenues by product type can be found in the income statement notes for Item 10 and Item 40.

The Company has one customer whose revenue exceeds 10%, UniCredit S.p.A. and fellow subsidiaries. Total revenues for this customer amount to €122.2 million (31 Dec 2012: €138 million).

Notes to the Financial Statements (continued)

D Other Notes

The below table shows a breakdown of external revenues by geographical location as at 30 June 2013

30 June 2013	**Ireland**	**Italy**	**United Kingdom**	**Spain**
External Revenues	5,196	286,801	31,539	18,050
Total				
30 June 2013	**Rest of Europe**	**America**	**Rest of World**	**Total**
External Revenues	15,972	1,237	808	**359,603**
Total				

30 June 2012	**Ireland**	**Italy**	**United Kingdom**	**Spain**
External Revenues	3,487	262,680	35,830	25,819
Total	**3,487**	**262,680**	**35,830**	**25,819**
30 June 2012	**Rest of Europe**	**America**	**Rest of World**	**Total**
External Revenues	9,413	1,370	832	**339,431**
Total	**9,413**	**1,370**	**832**	**339,431**

The above split of revenues by geographical location has been attributed to the specific country based on the residency of the issuer or counterparty.

4 Financial risk management

Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Collective impairment provisions on loans and receivables of €2.4 million have been provided for the period ended 30 June 2013 (31 Dec 2012: €5.2 million).

The Company seeks to minimise credit risk through sound risk management practices. Long term profitability is dependent on the accurate assessment and classification of credit risk. The pricing of credit services must therefore reflect the level of credit risk inherent in proposed credit facilities. UniCredit Bank Ireland p.l.c. is also committed to the early identification of potential credit problems. Early identification affords greater flexibility in maximising recovery and minimising additional risk and losses.

The Company manages the levels of credit risk it undertakes by maintaining a credit management system involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain risk asset portfolios of high quality. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

All proposed credit facilities after being analysed by UniCredit Bank Ireland's Credit Committee (composed of the Managing Director, the Chief Risk Officer and the Chief Financial Officer) must obtain the positive consideration of UniCredit S.p.A. Group in Milan . All investment decisions are ratified by the Company's Board of Directors in Dublin, which has the ultimate decision making authority.

UniCredit Bank Ireland p.l.c. grades all its assets on an annual basis or more frequently in case of risk deterioration, to ensure that potential and well defined credit weaknesses associated with the assets are identified and monitored on a timely basis. The current risk grading framework consists of eighteen grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

UCI Grade		Rating agency – equivalent
B1 to B3	Superior	AAA/Aaa to AA/Aa2
B4 to B6	Very Good	AA-/Aa3 to A/A2
B7 to B9	Good	A-/A3 to BBB/Baa2
B10 to B12	Satisfactory	BBB-/Baa3 to BB/Ba2
B13 & B14	Substandard	Sub Investment Grade
B15, B16 & B17	Doubtful	
B18	Loss	

Transactions sourced by UniCredit Bank Ireland p.l.c. concentrate on internal rating grades B1-B9 (i.e. AAA down to BBB).

As part of its credit risk management strategy, the Credit & Structured Finance department conducts periodic reviews of all credit facilities to ensure that significant trends are promptly identified and that borrowers and potential borrowers are able to meet interest and capital repayment obligations. The components of this comprehensive portfolio monitoring program are twofold. The first comprises periodic review of individual credit transactions. The second comprises review of all credit facilities in the aggregate.

Aspects which are monitored as part of the portfolio monitoring process include:

- the geographic distribution and industry exposure of the portfolio;
- other significant portfolio concentrations, including credit facilities to one borrower;
- the level of delinquencies, non-performing assets and debt restructurings;
- the level of charge-off and recoveries.

UniCredit Bank Ireland p.l.c. has no past due assets and one specifically impaired asset (see note 13.1 in the Income Statement Notes on page 45) for the period ended 30 June 2013 (31 Dec 2012: No past due assets and two specifically impaired assets).

The credit policies are reviewed periodically by (1) the Audit Committee, and (2) by the Board of Directors. The Credit and Structured Finance Department and the Risk Department at UniCredit Bank Ireland p.l.c. are responsible for the development and maintenance of the Credit policies subject to the final approval of the Board.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The below table shows the Bank's credit exposure broken down by industry.

30 June 2013 Exposure broken down by industry

Industry	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	€,000
Sovereign	1,819	26,034	8,796,805	-	8,824,658
Asset backed securities	239,109	-	24,552	-	263,661
Financial companies/Investment banks	616,699	-	209,791	21,023	847,513
Insurance	44,898	-	-	-	44,898
Municipals/Other General Government	-	-	62,707	-	62,707
Funds	31,875	-		-	31,875
Leasing companies	951,451	-	-	-	951,451
Banks	-	16,073,293	265,132	177,998	16,516,423
Collective Impairment	(2,400)	-	-	-	(2,400)
Total	1,883,451	16,099,327	9,358,987	199,021	27,540,786

31 Dec 2012 Exposure broken down by industry

Industry	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	€,000
Sovereign	2,252	16,788	8,996,834	-	9,015,874
Asset backed securities	298,607	-	24,893	-	323,500
Financial companies/Investment banks	703,170	-	19,711	30,164	753,045
Insurance	44,785	-	-	-	44,785
Municipals/Other General Government	-	-	50,279	-	50,279
Funds	-	-	30,516	-	30,516
Leasing companies	958,620	-	-	-	958,620
Banks	-	15,480,685	175,352	232,452	15,888,489
Collective Impairment	(5,200)	-	-	-	(5,200)
Total	2,002,234	15,497,473	9,297,585	262,616	27,059,908

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by industry table €27,540,786 (31 Dec 2012: €27,059,908) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,540,786 (31 Dec 2012: €27,059,908) for exposures broken down by industry is an amount of €16.4 billion (31 Dec 2012: €15.6 billion) which is due from UniCredit S.p.A. Group.

The below table shows the Bank's credit exposure broken down by counterparty's country of residence.

30 June 2013 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
European Union Including:	**1,885,851**	**16,098,266**	**9,227,133**	**199,021**	**27,410,271**
Ireland	31,875	26,035	51,905	-	109,815
Italy	1,347,363	14,147,185	8,322,867	117,903	23,935,318
Spain	101,096	-	-	-	101,096
United Kingdom	346,709	213,618	-	81,118	641,445
Germany	-	828,235	-	-	828,235
Rest of Europe	58,808	883,193	852,361	-	1,794,362
Non EU	**-**	**1,061**	**131,854**	**-**	**132,915**
North America	**-**	**-**	**-**	**-**	**-**
Collective Impairment	**(2,400)**	**-**	**-**	**-**	**(2,400)**
Total	**1,883,451**	**16,099,327**	**9,358,987**	**199,021**	**27,540,786**

31 Dec 2012 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
European Union Including:	**2,007,434**	**15,495,395**	**9,255,945**	**262,616**	**27,021,390**
Ireland	34,580	16,902	83,570	-	135,052
Italy	1,411,556	14,103,394	7,992,411	151,582	23,658,943
Spain	107,806	-	1,065,729	-	1,173,535
United Kingdom	392,139	255,153	-	110,073	757,365
Germany	-	828,604	-	-	828,604
Rest of Europe	61,353	291,342	114,235	961	467,891
Non EU	**-**	**2,078**	**41,640**	**-**	**43,718**
North America	**-**	**-**	**-**	**-**	**-**
Collective Impairment	**(5,200)**	**-**	**-**	**-**	**(5,200)**
Total	**2,002,234**	**15,497,473**	**9,297,585**	**262,616**	**27,059,908**

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by geographical area table above €27,540,786 (31 Dec 2012: €27,059,908) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,540,786 (31 Dec 2012: €27,059,908) for exposure broken down by geographical area is an amount of €16.4 billion (31 Dec 2012: €15.6 billion) which is due from UniCredit S.p.A. Group.

The below table details the Bank's credit exposure broken down by UniCredit Bank Ireland's internal credit grade ratings.

The Bank applies a scale of ratings that comprises 7 rating categories. Grades B1 – B9 correspond to AAA down to BBB (i.e. investment grade level of external rating categories), whereas rating categories B10 to B18 correspond primarily to the sub-investment grade level.

30 Jun 2013 Exposure broken down by rating category

Rating category	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
B1 to B3	**49,175**	**-**	**316,620**	**-**	**365,795**
- Group	-	-	-	-	-
- Non-group	49,175	-	316,620	-	365,795
B4 to B6	**47,694**	**653,898**	**229,618**	**59,784**	**990,994**
- Group	-	-	-	2,608	2,608
- Non-group	47,694	653,898	229,618	57,176	988,386
B7 to B9	**1,565,922**	**15,430,402**	**8,782,241**	**139,237**	**25,917,802**
- Group	995,399	15,094,421	104,716	117,881	16,312,417
- Non-group	570,523	335,981	8,677,525	21,356	9,605,385
B10 to B12	**191,185**	**15,027**	**-**	**-**	**206,212**
- Group	-	15,027	-	-	15,027
- Non-group	191,185	-	-	-	191,185
B13 & B14	**-**	**-**	**25,270**	**-**	**25,270**
- Group	-	-	-	-	-
- Non-group	-	-	25,270	-	25,270
B15 to B17	**-**	**-**	**5,238**	**-**	**5,238**
- Non-group	-	-	5,238	-	5,238
Unrated	**31,875**	**-**	**-**	**-**	**31,875**
- Group	-	-	-	-	
- Non-group	31,875	-	-	-	31,875
Collective Impairment	**-2,400**	**-**	**-**	**-**	**-2,400**
Total	**1,883,451**	**16,099,327**	**9,358,987**	**199,021**	**27,540,786**

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

31 Dec 2012 Exposure broken down by rating category

Rating category	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
B1 to B3	**53,615**	**-**	**50,279**	**-**	**103,894**
- Group	-	-	-	-	-
- Non-group	53,615	-	50,279	-	103,894
B4 to B6	**55,054**	**590,976**	**-**	**80,870**	**726,900**
- Group	-	-	-	-	-
- Non-group	55,054	590,976	-	80,870	726,900
B7 to B9	**1,823,407**	**14,874,682**	**8,067,278**	**181,746**	**24,947,113**
- Group	1,002,534	14,263,541	155,909	151,582	15,573,566
- Non-group	820,873	611,141	7,911,369	30,164	9,373,547
B10 to B12	**40,778**	**31,815**	**1,124,619**	**-**	**1,197,212**
- Group	-	15,027	-	-	15,027
- Non-group	40,778	16,788	1,124,619	-	1,182,185
B13 & B14	**34,580**	**-**	**19,833**	**-**	**54,413**
- Non-group	34,580	-	19,833	-	54,413
B15 to B17	**-**	**-**	**5,060**	**-**	**5,060**
- Non-group	-	-	5,060	-	5,060
Unrated	**-**	**-**	**30,516**	**-**	**30,516**
-Group	-	-	-	-	-
-Non-Group	-	-	30,516	-	30,516
Collective Impairment	**(5,200)**				**(5,200)**
Total	**2,002,234**	**15,497,473**	**9,297,585**	**262,616**	**27,059,908**

The total of the exposure broken down by rating category above €27,540,786 (31 Dec 2012: €27,059,908) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,540,786 (31 Dec 2012:€ 27,059,908) for exposure broken down by rating is an amount of €16.4 billion (31 Dec 2012: €15.6 billion) which is due from UniCredit S.p.A. Group.

For detail on derivatives please refer to the notes on derivatives which is included within the market risk note in 'Other Notes' note 4.

Maximum credit risk exposure	30 June 2013	31 Dec 2012
	€'000	**€'000**
Loans and receivables with customers	1,883,451	2,002,234
Loans and receivables banks	16,099,327	15,497,473
Investment securities	9,358,987	9,297,585
Derivatives	199,021	262,616
Contingent liabilities and commitments	2,537,952	2,540,925
	30,078,738	**29,600,833**

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

Sovereign Exposures

Breakdown of Sovereign Debt Securities by Country and Portfolio

The below table provides an overview of the Company's sovereign exposures' as at 30 June 2013.

Country/Portfolio	Nominal Value	Fair Value	Nominal Value	Fair Value
	30 June 2013 €'000	30 June 2013 €'000	31 Dec 2012 €'000	31 Dec 2012 €'000
- Ireland	**50,000**	**51,905**	**50,000**	**53,053**
Available for sale financial assets	50,000	51,905	50,000	53,053
- Italy	**7,595,977**	**8,095,852**	**7,302,090**	**7,792,167**
Available for sale financial assets	7,595,977	8,095,852	7,302,090	7,792,167
- Poland	**180,566**	**203,996**	**57,896**	**63,956**
Available for sale financial assets	180,566	203,996	57,896	63,956
- Russia	**104,466**	**111,936**	**17,063**	**21,929**
Available for sale financial assets	104,466	111,936	17,063	21,929
- Slovak Republic	**88,000**	**91,019**		
Available for sale financial assets	88,000	91,019		
- Spain	-	-	**1,042,140**	**1,065,729**
Available for sale financial assets	-	-	1,042,140	1,065,729
- France	**90,000**	**96,623**		
Available for sale financial assets	90,000	96,623		
- Czech Republic	**130,000**	**145,474**		
Available for sale financial assets	130,000	145,474		
TOTAL	**8,239,009**	**8,796,805**	**8,469,189**	**8,996,834**

Loans are not included in the above table.

Sovereign Debt Securities and Loans– Weighted Duration

The table below shows the weighted duration of the sovereign bonds:

Country	Years	Years
	30 June 2013	31 Dec 2012
- Ireland	.55	1.04
- Italy	4.12	4.59
- Poland	6.23	3.2
- Russia	8.69	17.26
- Spain	0	0.46
-France	10.16	-
-Czech Rep	8.9	-
-Slovak Rep	9.67	

Sovereign Debt Securities – Classification

The below table shows the classification of sovereign bonds and their percentage incidence on the total of the portfolio under which they are classified.

	Amount as at 30 June 2013	Amount as at 31 December 2012
	Available for sale financial assets	Available for sale financial assets
Fair Value	8,796,805	8,996,835
% Portfolio	94%	97%

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

In addition to the exposures to sovereign debt securities, loans given to central and local governments and government bodies must be taken into account. The total amount of sovereign loans held by the UniCredit Bank Ireland is €27.8 million (31 Dec 2012: €19 million). €26 million (31 Dec 2012: €16.8 million) of this is with the Central Bank of Ireland in relation to the minimum reserve requirement and the deposit protection agreement. The remainder of €1.8 million (31 Dec 2012: €2.2 million) is in relation to a Brazilian regional state guaranteed by an Italian State agency.

Liquidity Risk

The UniCredit Bank Ireland p.l.c. policy defines Liquidity Risk as the risk that a Bank may find itself unable to fulfill its payment obligations (by cash or delivery), whether expected or unexpected, thus jeopardising its day to day operations or its financial condition.

Liquidity risk at UniCredit Bank Ireland is monitored on a daily basis in compliance with regulatory rules and local liquidity risk policy. UniCredit Bank Ireland is part of the Italian Regional Liquidity Centre of the UniCredit Group where liquidity management is centralized and in which the Company's liquidity ladder is included.

Liquidity risk is calculated using all known flows and assumptions that assume the worst case. The Bank's short-term liquidity limits seek to ensure that the bank has at least enough liquidity at its disposal to meet all of our liquidity needs in the short term (12 months).

The Central Bank's requirement adopts the maturity mismatch approach whereby it requires credit institutions to analyse their cash flows under various headings (e.g. Monetary Financial Institutions, Government, Non Government Deposits, Sale and Repurchase Agreements, Derivatives, etc.) and place them in pre-determined timebands depending on when the cash is received or paid out. The flows are input into the timebands based on their residual contractual maturity with assets being included according to their latest maturity and liabilities according to the earliest possible date of obligation.

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing evaluates the institution's potential liquidity risk in defined scenarios. Two separate stress tests are carried out on the UniCredit Bank Ireland liquidity positions. The first one is performed at Regional Liquidity Center Italy level according to the Group Liquidity Policy and in which the UniCredit Bank Ireland liquidity ladder is included. The second liquidity stress test is performed by the UniCredit Bank Ireland's Risk Management on its own liquidity position and counterbalancing capacity, on a monthly basis, in compliance with the EBA Guideline.

A net mismatch figure is obtained by subtracting the outflows from the inflows. Mismatches are assessed on a net cumulative basis. In the first timeband (sight to 8 days) the cash inflows plus discounted liquid assets (assets which can be quickly and easily converted into cash within 4 working days) must be greater than or equal to 100 percent of cash outflows. Within the second timeband (8 days – 1 month) cash inflows, including any net positive cash flow carried forward from the first timeband, must be at least equal to 90 per cent of cash outflows.

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Liquidity risk ratios	**30 Jun 2013**	**31 Dec 2012**
Sight to 8 days	198%	328%
8 days to 1 months	150%	176%

In addition to Central Bank's rules, the Bank also communicates its liquidity figures to UniCredit S.p.A. Group Finance Department, which coordinates the monitoring of liquidity risk for all group banks against Board approved limits. Limits are set for both short term liquidity and structural liquidity. The short term liquidity management aims to ensure that the Bank remains in a position to fulfill its cash payment obligations, whether expected or unexpected, for the following 12 months and is monitored by the Company's Risk Management. The structural liquidity management aims to ensure the financial stability of the Bank with respect to maturities exceeding 1 year. Structural liquidity for UniCredit Bank Ireland is monitored by its Risk Management in line with the local liquidity risk policy. The Company's structural liquidity management aims to ensure the financial stability of the structure with respect to maturities exceeding one year. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims to avoid pressures on short-term sources, whether present or future.

Liquidity risk within the Bank is regularly monitored and reviewed by the Risk Management Function and any breaches are reported immediately to the Managing Director, the Investment functions, and subsequently to the Bank's ALCO and Risk Committee.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 30 June 2013

	Repayable on demand €'000	3 months or less €'000	1 year or less but over 3 months €'000	5 years or less but over 1 year €'000	over 5 years €'000	Total €'000
Deposits from banks	18,957	5,085,397	2,528,044	9,499,819	798,045	**17,930,262**
Deposits from customers	-	745,530	4,454	564,321	-	**1,314,305**
Debt securities in issue	-	102,530	1,368,386	4,253,268	209,964	**5,934,148**
Financial liabilities held for trading*	16,253	-	1,046	-	-	**17,299**
Hedging derivatives**		11,646	6,520	3,038,937	1,122,030	**4,179,133**
Other liabilities			17,602			**17,602**
Undrawn commitments	2,537,987					**2,537,987**
Total	**2,573,197**	**5,945,103**	**3,926,052**	**17,356,345**	**2,130,039**	**31,930,736**

* Consists of economic hedging derivatives valued at the current nominal.

* Cross currency swaps do not settle net.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 31 Dec 2012

	Repayable on demand €'000	3 months or less €'000	1 year or less but over 3 months €'000	5 years or less but over 1 year €'000	over 5 years €'000	Total €'000
Deposits from banks	7	3,266,241	4,582,762	9,481,315	826,158	18,156,483
Deposits from customers	-	855,515	347,761	563,573	-	1,766,849
Debt securities in issue	-	54,619	1,802,906	5,010,887	228,623	7,097,035
Financial liabilities held for trading*	920	103,545	22,867	-	-	127,332
Hedging derivatives**	-	1,960	60,434	3,286,016	1,033,475	4,381,885
Other liabilities	-	-	2,349	-	-	2,349
Undrawn commitments	2,540,925	-	-	-	-	2,540,925
Total	2,541,852	4,281,880	6,819,079	18,341,791	2,088,256	34,072,858

* Consists of economic hedging derivatives valued at the current nominal.

** Cross currency swaps do not settle net.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk

Market risk is defined as the risk of facing losses in on and off balance sheet positions, due to market prices movements. These market prices movements can be due to general conditions, such as the interest rate shifts due to European Central Bank decisions or due to factors connected to the specific issuer of financial instruments held by the UniCredit Bank Ireland, such as the fall in the bond price due to a credit warning on a company.

Market risks arise from open positions in interest rate, currency and equity/bond positions, all of which are exposed to general and specific market movement.

Organisational Structure
UniCredit S.p.A. Board of Directors lays down strategic guidelines for taking on market risks by calculating, depending on the propensity to risk and objectives of value creation in proportion to risks assumed, capital allocation for the Parent company and its subsidiaries.

UniCredit S.p.A. Risks Committee provides advice and recommendations in respect of decisions taken by the Chief Executive Officer and in drawing up proposals made by the Chief Executive Officer to the Board of Directors with regard to the following:

- guidance as to the methods to be used to create models for the measurement and monitoring of UniCredit S.p.A. Group risks,
- the UniCredit S.p.A. Group's risk policies (identification of risk, analysis of the level of propensity to risk, definition of capital allocation objectives and the limits for each type of risk, assignment of related functional responsibilities to the relevant Departments and Divisions), and
- corrective action aimed at rebalancing the Company's risk positions.

The UniCredit Bank Ireland and Group Risk Management functions are the units directly involved in the measuring and monitoring process of the market risk profile of the Bank.
The Bank Risk Management ensures daily that all relevant information and sensitivities (BPV and CPV) generated by the portfolio are correctly captured by the system in term of market risk exposures.

It is the responsibility of the local 'Assets and Liability Committee' (ALCO), to ensure all market risks are identified and assessed. The Bank's ALCO has the responsibility over all market risks, by approving the limits over the sensitivity and Value at Risk (VaR) levels, at both a Bank level and sub portfolio level and reviewing the measurement results.
The Bank's Risk Department proposes to the ALCO any sub-allocation of limits to individual desk or cluster of portfolios.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Management of Market Risk – Banking Book

The banking book is divided in the Structural and Strategic Books. The Structural positions are originated by the typical commercial activity, consisting primarily in lending to our counterparties, bonds purchasing (with no a trading intent), and by the treasury activity (such as money market instruments, short/medium term issue programs, repurchase agreements, hedging derivatives).
The Strategic book holds positions such as long-term investments, subordinated debt, equity holdings and sovereign structured repo.

The principal risk within the banking book is Interest Rate Risk (IRR), which is the risk that the market value of positions decreases due to unfavorable interest rate movements. In particular there are the following sources of this type of risk:

- Repricing Risk, driven by repricing mismatches between asset and liabilities, in case of interest rate risk in the banking book;
- Yield curve risk, related to the changes in the slope and shape of the yield curve;
- Basis risk, related to the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics;
- Optionality, related to the additional source of interest rate risk arises from the options embedded in many bank assets, liabilities, and OBS portfolios.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk – Banking book (continued)

The Interest Rate risk on the banking book is measured and monitored using Value at Risk (VaR) which is the statistical measure used by the Bank to quantify fluctuations (profit or loss) in the value of a portfolio over a pre-defined period of time (called holding period) of 1 day and with a 99% confidence interval. The VaR model is based on historical behavior using 500 scenarios and thereby without parametric assumptions about a prior statistical distribution of the portfolio value movements. Based on the risk factor scenarios, the VaR will vary with the market conditions, even though the portfolio does not change. This approach involves the construction of the hypothetical distribution of the yields (profit and losses) of a portfolio of financial instruments directly by means of the historical fluctuations of the market prices. Once the empirical distribution of profit/losses has been calculated, the VaR is given by the percentile evaluation with the selected confidence interval. Sensitivity (BPV and CPV) and VaR metrics capture the market risk exposures on both Structural and Strategic Banking portfolios, with relative limits set up on both sensitivities and VaR.

Hedging strategies, aimed at complying with interest rate risk limits set for banking book, are carried out with derivative contracts by the Bank. Interest rate swaps specifically are the most commonly used contracts. The hedges used are one-to-one type contracts, i.e. connected to monetary amounts contained in asset or liability portfolios. The majority of specific accounting hedges are recognised in connection with securities in issue or individual financial assets, most commonly assets held as available for sale assets.

30.06.2013 in €	Average €	Maximum €	Minimum €	2012 Average €
372,000	535,200	826,000	294,000	709,800

Management of Market Risk - Derivative financial instruments

a) *Hedging Policy*

The Company uses the following derivatives instruments for both hedging and non-hedging purposes:

Cross currency forward instruments which represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Currency and interest rate swaps which are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (i.e. fixed rate for floating rate) or a combination of these (i.e. cross currency swaps). The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and liquidity of the market. To control the level of credit risk taken, the Company assesses counterparties using the same techniques used in its lending activities.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk - Derivative financial instruments (continued)

a) Hedging Policy (continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet, but do not indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore do not indicate the Company's exposure to credit or price risks. Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivatives on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can significantly fluctuate from time to time.

The fair value of derivative contracts are accounted in the following items:

- 20 - Assets - Financial assets held for trading (for economic non-IAS 39 hedging derivatives)
- 80 - Assets - Hedging derivatives
- 40 – Liabilities - Financial liabilities held for trading (for economic non-IAS 39 hedging derivatives)
- 60 – Liabilities - Hedging derivatives

b) IAS 39 Hedge accounting

The Company's policy is to use hedge accounting in order to hedge the interest risk for liabilities, loans and receivables and for available-for-sale assets.

All hedging derivatives entered into seek to replicate each essential element of the liability or asset to be hedged (amount, payment dates, maturity and rates/structured rates). Hedging derivatives are defined including, if existing, "pull to par" effects, to "transform" the associated bond or asset into a "synthetic" market floating rate position with a nominal amount equivalent to par (100%).

Macro hedging strategies are also used and they may also refer to the interest rate risk of the core portion of financial assets.

In certain instances, cash flow hedging strategies are also used as an alternative to fair value hedging strategies in order to stabilize income statement profits in the current and future years.

The following types of financial instruments have been designated as hedging instruments:

- interest rate swaps;
- cross currency swaps; and
- foreign exchange swap forwards.

Consistency of all essential contractual elements in a hedged item and a hedging instrument seeks to ensure full effectiveness of the hedging relationship. The consistency is:

- initially verified at the beginning of the hedge relationship; and
- periodically verified through retrospective hedge effectiveness testing.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

c) *Economically hedge derivatives*

The Company's policy is also to hedge all interest risk positions of the Company even though formal hedge accounting is not place. Economic hedges are related to all assets and liabilities of the Company which are not at a specific risk free cash or Eonia curve.

For this purpose the following types of financial instruments have been designated as economically hedging instruments:

- interest rate swap;
- cross currency swaps;
- eonia swaps.

d) *Sensitivity Analysis and Stress Testing*

Independent Price Verification Process

In this respect, further to the market turmoil following the sub-prime mortgages' meltdown and the subsequent uncertainties in the valuation of most of the structured credit products, the Group Market risk function in a joint effort with Risk management functions at UniCredit Bank Ireland p.l.c. and all other Legal Entities established to:

- centralise the Independent Price Verification (IPV) process for such products in the risk control function of UniCredit Bank AG, London Branch, which has been elected as the group's "competence centre" for the evaluation of complex structured credit products, i.e. ABS, CDO, CLO, CDO of ABS etc which represent the various sectors;

- harmonise the IPV methodology across the group, defining a consistent approach based on the ranking of each single position according to the availability and relative reliability of available price sources. As a consequence, all such positions have been treated and valued on a consistent basis across the group;

- define and develop a proper methodology to apply specific fair value adjustments to such valuations. The chosen approach is essentially based on the above ranking of price sources and define specific stress tests for market valuations, the wider the less reliable is the ranking through their respective sensitivity to a one-notch downgrade;

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

d) Sensitivity Analysis and Stress Testing (continued)

- the whole process has been shared and developed within the framework of the established cooperation model between all CRO (Chief Risk Office) functions either at the Group as well as UniCredit Bank Ireland level and the Group and UniCredit Bank Ireland's CFO (Chief Financial Office) functions, responsible for the accounting treatment of such valuations and adjustments.

Fair Value Disclosures

IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three level hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (observable inputs).

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosure by Fair Value Hierarchy Level

Assets measured at fair value	**Level 1 €'000 30 June 2013**	**Level 2 €'000 30 June 2013**	**Level 3 €'000 30 June 2013**	**Total €'000 30 June 2013**	**Level 1 €'000 31 Dec 2012**	**Level 2 €'000 31 Dec 2012**	**Level 3 €'000 31 Dec 2012**	**Total €'000 31 Dec 2012**
Financial assets held for trading								
- Units in investment funds	-		-		-	30,516	-	**30,516**
- Trading derivatives	-	3,662	-	**3,662**	-	4,483	-	**4,483**
Financial assets designated at fair value through profit or loss	-	-	-	**-**	-	-	-	**-**
Available-for sale financial assets	9,334,435	-	24,552	**9,358,987**	9,242,176	-	24,893	**9,267,069**
Hedging derivatives	-	195,359	-	**195,359**	-	258,133	-	**258,133**
Total	**9,334,435**	**199,021**	**24,552**	**9,558,008**	**9,242,176**	**293,132**	**24,893**	**9,560,201**
Liabilities measured at fair value	**Level 1 €'000 30 June 2013**	**Level 2 €'000 30 June 2013**	**Level 3 €'000 30 June 2013**	**Total €'000 30 June 2013**	**Level 1 €'000 31 Dec 2012**	**Level 2 €'000 31 Dec 2012**	**Level 3 €'000 31 Dec 2012**	**Total €'000 31 Dec 2012**
Financial liabilities held for trading								
- Trading derivatives	-	1,052	-	**1,052**	-	1,168	-	**1,168**
Hedging derivatives	-	1,209,364	-	**1,209,364**	-	1,405,908	-	**1,405,908**
Total	**-**	**1,210,416**	**-**	**1,210,416**	**-**	**1,407,076**	**-**	**1,407,076**

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosures

Reconciliation of Level 3 Fair Values

Assets measured at fair value based on Level 3	Available-for sale financial assets 30 June 2013	Total 30 June 2013	Available-for sale financial assets 31 Dec 2012	Total 31 Dec 2012
Opening balance	24,893	24,893	22,930	**22,930**
Total gains or losses	1,863	1,863	5,867	5,867
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements	(2,204)	(2,204)	(3,904)	(3,904)
Transfers out of Level 3	-	-	-	-
Closing balance	24,552	24,552	24,893	24,893
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	1,863	1,863	5,867	5,867

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, if the annual default rate of the underlying portfolio doubles there would be the following effect:

Assets measured at fair value based on Level 3	Available-for sale financial assets 30 June 2013	Total 30 June 2013	Available-for sale financial assets 31 Dec 2012	Total 31 Dec 2012
Fair value if annual default rate doubles	21,707	**21,707**	21,969	**21,969**

5 Reclassification of financial assets

On 15 October 2008 the European Commission issued Regulation 1004 enacting the amendments to IAS 39 made by IASB which permits - in certain conditions – the reclassification of financial instruments, where there has been a change of management intention, from “Financial assets held for trading” or “Available-for-sale financial assets ” to other categories.

In accordance with this amendment the Company has elected to reclassify financial assets which it no longer intended to sell and for which it has minimal recent history of selling due to reduced liquidity and market turmoil.

In this regard it was determined that the best strategy – given the good underlying fundamental values of the assets – was to continue to hold these assets for the foreseeable future.

Specifically non-derivative structured credit products and certain bonds issued by corporates and financial institutions were reclassified from “financial assets held for trading” to “Loans and receivables with banks “and “Loans and receivables with customers”, as detailed below.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

5 Reclassification of financial assets (continued)

Two reclassifications were made at 1 July 2008 and 1 October 2008 respectively at the assets' fair values. At the end of 2008 this reclassification gave rise to fair value movement losses amounting to €163 million not being recognised in the income statement. No "available-for-sale financial assets" were reclassified.

The following table gives the amount of the reclassified assets in each category, as well as their nominal value at year end 2012 and the profit that would have been recognised if the reclassification had not been carried out.

Financial instruments reclassified from held for trading	**Notional as at 30-06-2013**	**Carrying value at 30-06-2013**	**Fair value 30-06-2013**
	€'000	€'000	€'000
ABS reclassified as at 1-7-2008	246,303	238,989	212,576
Corporate and financial bonds reclassified as at 1-10-2008	25,000	24,310	22,550
Total	**271,303**	**263,299**	**235,126**
Financial instruments reclassified from held for trading	**Gains/Losses not recognised in 2013 due to reclassification 30-06-2013**	**Increase in interest income 30-06-2013**	**Net impact due to reclassification 30-06-2013**
	€'000	€'000	€'000
ABS reclassified as at 1-7-2008	(16,054)	(66)	**(16,120)**
Corporate and financial bonds reclassified as at 1-10-2008	(3,133)	124	**(3,009)**
Total	**(19,187)**	**58**	**(19,129)**

The below table shows the net impact due to reclassification for every year since reclassification.

Date	**Positive/(Negative) impact on income statement due to reclassification**
30 June 2013	(19,129)
31 December 2012	(48,531)
31 December 2011	34,473
31 December 2010	(14,579)
31 December 2009	(100,940)
31 December 2008	176,879
Net positive impact	**28,173**

Notes to the Financial Statements (continued)

D) Other Notes (continued)

5 Reclassification of financial assets

The following table gives the amount of the reclassified assets in each category, as well as their nominal value at year end 2012 and the loss that would have been recognised if the reclassification had not been carried out.

Financial instruments reclassified from held for trading	Notional as at 31-12-2012	Carrying value at 31-12-2012	Fair value 31-12-2012
	€'000	€'000	€'000
ABS reclassified as at 1-7-2008	307,485	298,415	255,881
Corporate and financial bonds reclassified as at 1-10-2008	25,000	24,186	19,418
Total	**332,485**	**322,601**	**275,299**
Financial instruments reclassified from held for trading	**Gains/Losses not recognised in 2012 due to reclassification 31-12-2012**	**Increase in interest income 31-12-2012**	**Net impact due to reclassification 31-12-2012**
	€'000	€'000	**€'000**
ABS reclassified as at 1-7-2008	(49,996)	1,630	**(48,366)**
Corporate and financial bonds reclassified as at 1-10-2008	(414)	249	**(165)**
Total	**(50,410)**	**1,879**	**(48,531)**

The effective interest rate for the reclassified securities is .75% (31 Dec 2012: 1.09%).

Following reclassification to "Loans and receivables with banks" and "Loans and receivables with customers" the above financial instruments are now valued at amortised cost (adjusted where necessary to take account of reductions in value resulting from credit risk impairment assessment).

Notes to the Financial Statements (continued)

D) Other Notes (continued)

6 Related party transactions

Banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, guarantees, derivative and foreign currency transactions with parent company, fellow subsidiaries and associates of the parent company.

Details of UniCredit S.p.A. Group balances have been disclosed in Balance Sheet Notes Assets: Items 20, 40, 60, 70 and 80, Balance Sheet Notes Liabilities: Items 10, 20 and 60 and Income Statement Notes: Items 10, 20, 40, 50, 60, 80, 90 and 110.

Transactions with group companies are priced on an arm's length basis.

7 Post balance sheet events

There have been no relevant post balance sheet events.

8 Approval of financial statements

The Directors approved the financial statements on 1 August 2013.