UniCredit Bank

UniCredit Bank Ireland p.l.c.

Financial Statements 2010

UniCredit Bank Ireland p.l.c.
Financial Statements
Year Ended 31 December 2010

Contents

Directors and Other Information

Directors

Name	Role	Directorship Type	Nationality	Appointed to Board	Appointed to Role
Ronan Molony	Chairman	Independent non-executive	Irish	31/07/2008	31/07/2008
Patrizio Braccioni	Deputy Chairman	Group	Italian	05/09/2002	06/03/2009
Stefano Vaiani	Managing Director	Executive	Italian	04/09/2004	04/09/2004
Mirko Bianchi		Group	Swiss	29/07/2010	
Donal Courtney		Independent non-executive	Irish	11/03/2010	
Tom McAleese		Independent non-executive	Irish	11/03/2010	
Luigi Parrilla		Independent non-executive	Italian	06/09/2001	
Pier Mario Satta		Group	Italian	08/05/2009	

Name	Role	Directorship Type	Nationality	Resigned from Board
Elaine Hanley		Independent non-executive	Irish	11/03/2010
Michael J. Meagher		Independent non-executive	Irish	11/03/2010
Sebastiano Bazzoni		Independent non-executive	Italian	11/03/2010

Registered Office
La Touche House
International Financial Services Centre
Dublin 1
Registered Number: 240551

Secretary
HMP Secretarial Limited
Riverside One
Sir John Rogerson's Quay
Dublin 2

Auditor
KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1

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

Chairman's Statement

The significant turmoil experienced in 2008 and 2009 continued in 2010 culminating in Ireland accepting the EFSF/IMF offer of funds in November. This had a negative impact on our funding costs; however, the bank produced a satisfactory result for the year taking into account the considerable market headwinds recording a net profit after tax of €89 million compared with a net profit after tax of €131 million in 2009.

Key points of the Bank's performance include:

- Total assets of €23.7 billion representing an increase of 7% compared to 2009;
- 17% decrease in net interest income to €124.3 million;
- Sale of all Generali Shares in March 2010;
- Total operating income of €104.8 million compared to €176.5 million in 2009, the former having suffered a once-off loss of almost €39 million due to the sale of the Generali shares, the latter having benefited from a Generali share dividend of €33 million;
- Significant increase in credit spreads that have negatively impacted the Revaluation Reserve which resulted in a negative amount of €396.6 million at the year end;
- An interim Dividend of €120 million was paid in the first half of the year.

Lending and Borrowing Activity

During 2010, the Bank's balance sheet increased in size from €22.1 billion to €23.7 billion, the increase was mainly related to available for sale financial assets, notably Government Bonds.

The credit quality of the assets continues to remain satisfactory.

Through a difficult period for liquidity, the bank's short-term funding programmes (US Commercial Paper, Euro Commercial Paper and Certificates of Deposit) performed satisfactorily in 2010, but saw decreasing outstandings in the last two months of the year as a result of negative market conditions and the ongoing crisis in peripheral Eurozone sovereign debt.

Capitalisation

Shareholder's equity decreased by 14% to €1.94 billion reflecting the increase in the revaluation reserve deficit, the profit for the year and the interim dividend paid. The Directors intend to declare an interim dividend of €85 million in the first quarter of 2011.

The board wishes to express their appreciation to all members of staff for their continued efforts.

R. Molony
Chairman

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2010.

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.

		2010 €'000	2009 €'000
Company Profits/(Loss)	Profit/(Loss) for the financial year amounted to:	88,910	131,179

Dividends

An interim dividend of €120 million was paid during the first half of 2010.

Financial and Non Financial KPI's

Interest Income and similar revenues 2010 amounted to €520.9 million (2009: €760.0 million)
Interest Expense and similar charges 2010 amounted to €396.7 million (2009: €610.2 million)
Net Interest Income 2010 amounted to €124.3 million (2009: €149.8 million)
Net profit/(loss) from Financial activities amounted to €108.2 million (2009: (€155.8 million))

The most significant other events that influenced the net profit of 2010 were the following:

1 Sale of Generali Shares: during March 2010 UniCredit Bank Ireland plc sold all its Generali Shares, generating a loss of almost €39 million. As a consequence of this sale the dividend income stream related to this equity investment will not be receivable in the future (last year the related Generali Dividend was €33 million).
2 The call of two UniCredit Group subordinated bonds classified in Line 70 of the net assets generated a total gain of €34.9 million during the last quarter of 2010.
3 The decrease on average of the assets for 2010 compared to the average of the assets of 2009 was 3.8 billion euro.
4 During December 2009 the Company entered a new Upper Tier II deposit for 500 million euro; while this strengthened the regulatory capital of the Bank it caused a relevant increase of the Interest Expenses.

The Company's total assets at end of 2010 amounted to €23.7 billion (2009: €22.1 billion).

Directors' Report (continued)

Financial and Non Financial KPI's (continued)

Total Equity (issued capital, capital contribution and reserve and retained profit) amounted to €1.9 billion (2009: €2.3 billion). This decrease is due mainly to the movement of the Revaluation Reserve.

Number of employees was equal to 29 at year end (2009: 31). The average number of employees for the year was 30 (2009: 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 46.

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 its subsidiary and 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 year. 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 year are set out below.

R. Molony – (Chairman)	Independent non-executive
P. Braccioni – (Deputy Chairman, Italian)	Group
S. Vaiani – (Managing Director, Italian)	Executive
M. Bianchi (Swiss) (Appointed 29 July 2010)	Group
P. M. Satta – (Italian)	Group
L. Parrilla – (Italian)	Independent non-executive
T. McAleese – (Appointed 11 March 2010)	Independent non-executive
D. Courtney – (Appointed 11 March 2010)	Independent non-executive
E. Hanly – (Resigned 11 March 2010)	Independent non-executive
M. J. Meagher – (Resigned 11 March 2010)	Independent non-executive
S. Bazzoni – (Italian) (Resigned 11 March 2010)	Independent non-executive

Details of Directors Interests are set out in note 6 of the 'Other Notes' section of the Notes to the financial statements.

Directors' Report (continued)

Directors (continued)

The Audit Committee comprises T. McAleese, D. Courtney and P. Braccioni. 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.

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 Chartered Accountants, has indicated its willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

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 2001 and is subject to the Corporate Governance Code for Credit Institutions issued by the same name.

On behalf of the Board

R. Molony, Chairman
T. McAleese, Director
S. Vaiani, Managing Director
D. Courtney, Director
HMP Secretarial Limited, Company Secretary

10 March 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Chairman's statement, Directors' report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the relevant provisions of the Companies Acts 1963 to 2009.

The financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position and performance of the Company; the Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement in accordance with the Transparency Regulations

The Directors whose names and functions are listed on page 1 confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position of the Company and the profit of the Company for the year ended 31 December 2010; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced by the Company.

Statement of Directors' Responsibilities (continued)

On behalf of the Board

R. Molony, Chairman
T. McAleese, Director
S. Vaiani, Managing Director
D. Courtney, Director
HMP Secretarial Limited, Company Secretary

10 March 2011

Independent Auditor's Report

To the members of UniCredit Bank Ireland p.l.c.

We have audited the financial statements of UniCredit Bank Ireland p.l.c. ("the Company") for the year ended 31 December 2010 which comprise 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 notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

The Directors are responsible for preparing the Directors' report and the financial statements. As described on page 6, this includes the responsibility for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and have been properly prepared in accordance with the Companies Act 1963 to 2009 and Article 4 of the IAS Regulation. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the company's balance sheet is in agreement with the books of account and report to you our opinion as to whether:

- the Company has kept proper books of account;
- the Directors' report is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the Company to hold an extraordinary general meeting, on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Chairman's Statement and the Director's Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2010 and of the profit for the Company for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation.

Independent Auditor's Report (continued)

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditor
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

10 March 2011

Accounting Policies

Statement of Compliance

The financial statements as set out on pages 11 to 76 have been prepared in accordance with IFRSs as adopted by the EU and applicable at 31 December 2010. The directors have considered all standards and pronouncements newly effective for the year ended 31 December 2010 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 2009.

Basis of Preparation

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 21 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. However the cash flow statement was previously prepared using a different format.

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 year-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

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.

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected separately in the income statement.

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 or 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 but where transaction costs are 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.

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'.

Accounting Policies (continued)

Financial Assets (continued)

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.

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 a default and loss given default scenario analysis using Moody's 2010 default and recovery rate studies for the actual maturities of the assets was undertaken.

For loans and receivables with banks a Foundation Internal Ratings Based (FIRB) methodology (i.e. the probability of default (PD) and loss given default (LGD) from the UniCredit Group model) was utilised.

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, 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 or loss

a) Liabilities, deposits and debt securities in Issue

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.

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 interest rate swaps, cross currency swaps and foreign exchange forwards.

The Company maintains trading positions in a variety of financial instruments including derivatives. Trading transactions arise both as a result of activity generated by customers and from proprietary trading with a view to generating incremental income.

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.

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.

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 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)

Sale and Repurchase Agreements (continued)

Securities borrowed for margin calls are not recognised in the financial statements, unless they are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss is included in gains/(losses) on financial assets and liabilities held for trading.

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 year 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.

Property, Plant and EquipmentProperty, 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 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.

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 55.

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;
(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.

Accounting Estimates and Judgements

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 of the amount of principal and interest outstanding on the obligors 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.

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.

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)

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.

Units in collective investment scheme

Fair value is estimated by reference to the prices received from the external administrators of the fund and the liquidity of the investment which is an open ended fund with no redemption restrictions.

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 curves as at 31st December 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

The following relevant standards, amendments and interpretations have been endorsed by the EU but are not effective for the year ended 31 December 2010 and have not been applied in preparing the financial statements:

IAS 24: Related Party Disclosures – The International Accounting Standards Board issued a revised version of IAS 24 in November 2009 for annual periods beginning on or after 1 January 2011, with earlier application permitted.

Balance Sheet

Balance Sheet as at 31 December 2010

Items	Part A Balance sheet – Assets	**2010 €'000**	2009 €'000
10	Cash and cash balances	110,155	116,052
20	Financial assets held for trading	189,640	250,032
30	Financial assets designated at fair value through profit or loss	374,720	51,748
40	Available-for-sale financial assets	7,477,322	5,146,127
60	Loans and receivables with banks	12,667,714	14,420,041
70	Loans and receivables with customers	2,591,724	1,991,344
80	Hedging derivatives	191,800	60,222
90	Changes in fair value of portfolio hedged items (+/-)	4,446	1,323
120	Property, plant and equipment	144	176
130	Intangible assets	178	229
140	Tax assets a) Current tax assets	29,525	2,010
	b) Deferred tax assets	56,661	14,538
160	Other assets	82	143
	Total assets	**23,694,111**	22,053,985

Items	Part B Balance sheet – Liabilities	**2010 €'000**	2009 €'000
10	Deposits from banks	15,211,728	6,736,409
20	Deposits from customers	173,563	287,587
30	Debt securities in issue	5,345,143	11,859,200
40	Financial liabilities held for trading	77,111	204,365
50	Financial liabilities designated at fair value through profit or loss	51,079	51,748
60	Hedging derivatives	886,507	641,198
70	Changes in fair value of portfolio hedged items (+/-)	(28,018)	–
80	Tax liabilities a) Deferred tax liability	–	–
	b) Current tax liability	35,464	5,962
100	Other liabilities	1,499	1,532
	Total Liabilities	**21,754,076**	19,788,001

	Balance sheet – Shareholder's equity	**2010 €'000**	2009 €'000
140	Revaluation reserve	(396,627)	(101,768)
170	Reserves (a) Capital contribution	753,419	753,419
	(b) Capital redemption reserve	45,802	45,802
	(c) Profit and Loss Account – as start of the year	225,412	94,233
	(d) Dividend paid	(120,000)	–
	(e) Net profit for the year	88,910	131,179
190	Issued capital	1,343,119	1,343,119
	Total Shareholder's Equity	**1,940,035**	2,265,984
	Total liabilities and shareholder's equity	**23,694,111**	22,053,985

The notes on pages 33 to 76 form part of these financial statements.

Balance Sheet (continued)

On Behalf of the Board

R. Molony, Chairman
T. McAleese, Director
S. Vaiani, Managing Director
D. Courtney, Director
HMP Secretarial Limited, Company Secretary

10 March 2011

Income Statement

Year Ended 31 December 2010

Items	– Part C	**2010 €'000**	2009 €'000
10	Interest income and similar revenues	520,920	759,976
20	Interest expense and similar charges	(396,667)	(610,198)
30	**Net Interest Income**	**124,253**	149,778
40	Fee and commission income	870	726
50	Fee and commission expense	(5,234)	(6,413)
60	**Net fees and commissions**	**(4,364)**	(5,687)
70	Dividend income and similar revenue	–	33,102
80	Gains/(losses) on financial assets and liabilities held for trading	364	6,137
90	Fair Value adjustments in hedge accounting	(784)	(9,328)
100	Gains/(losses) on disposal of: a) Loans and receivables	27,422	2,836
	b) Available for sale financial assets	(38,863)	(28)
	d) Financial liabilities held at amortised cost	(326)	(324)
110	Gains/(losses) on financial assets/liabilities designated at fair value through profit or loss	(2,887)	–
120	**Total operating income/(expense)**	**104,815**	176,486
130	Impairment (losses)/write-back on: a) Loans	8,224	(8,436)
	b) Available for sale financial assets	(4,828)	(12,262)
140	**Net profit/(loss) from financial activities**	**108,211**	155,788
180	Administrative costs a) Staff expenses	(3,569)	(3,789)
	b) Other administrative expenses	(2,926)	(3,995)
200	Depreciation on property, plant and equipment	(101)	(76)
210	Depreciation on intangible assets	(147)	(95)
220	Other operating income	122	146
230	**Operating costs**	**(6,621)**	(7,809)
270	Gains (losses) on disposal of investments	21	–
280	**Total profit before tax from continuing operations**	**101,611**	147,979
290	Tax expense related to profit or loss from continuing operations	(12,701)	(16,800)
320	**Net profit for the year (all attributable to shareholders)**	**88,910**	131,179

Statement of Comprehensive Income

Year Ended 31 December 2010

		2010 €'000	2009 €'000
10	**Net Profit for the period**	88,910	131,179
	Other comprehensive income after tax		
20	Available-for-sale financial assets – Net change in fair value	(301,760)	183,125
	– Net amount transferred to profit or loss	8,402	12,290
60	Cash flow hedges – Effective portion of changes in fair value	(655)	–
	– Net amount transferred to profit or loss	(846)	–
100	**Total of other comprehensive income after tax**	**(294,859)**	195,415
110	**Total comprehensive income after tax**	**(205,949)**	326,594

The notes on pages 33 to 76 form part of these financial statements.

All results are from continuing activities.

On Behalf of the Board

R. Molony, Chairman
T. McAleese, Director
S. Vaiani, Managing Director
D. Courtney, Director
HMP Secretarial Limited, Company Secretary

10 March 2011

Statement of Changes in Shareholders' Equity

Year ended 31 December 2010

	Share Capital €'000	Capital contribution €'000	Capital redemption reserve €'000	Available for sale reserve €'000	Cash flow hedge reserve €'000	Profit and loss account €'000	Total €'000
Opening balances at 1 January 2010	**1,343,119**	**753,419**	**45,802**	**(101,768)**	**–**	**225,412**	**2,265,984**
Profit attributable to the equity shareholders	–	–	–	–	–	88,910	88,910
Other comprehensive income							
Change in fair value of available for sale financial assets	–	–	–	(343,668)	–	–	(343,668)
Impairment on available for sale recycled into profit or loss	–	–	–	8,402	–	–	8,402
Realised loss on AFS recycled into profit or loss	–	–	–	–	–	–	–
Assicurazioni Generali S.p.A. impairment recycled into profit or loss	–	–	–	–	–	–	–
Cash flow hedges: – Effective portion of changes in fair value	–	–	–	–	(870)	–	(870)
– Net amount transferred to profit or loss	–	–	–	–	(846)	–	(846)
Movement in deferred tax	–	–	–	41,908	215	–	42,123
Total other comprehensive income	**–**	**–**	**–**	**(293,358)**	**(1,501)**	**–**	**(294,859)**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**(120,000)**	**(120,000)**
Closing balances as at 31 December 2010	**1,343,119**	**753,419**	**45,802**	**(395,126)**	**(1,501)**	**194,322**	**1,940,035**

Statement of Changes in Shareholders' Equity

Year ended 31 December 2009

	Share Capital €'000	Capital contribution €'000	Capital redemption reserve €'000	Available for sale reserve €'000	Cash flow hedge reserve €'000	Profit and loss account €'000	Total €'000
Opening balances at 1 January 2009	**1,343,119**	**753,419**	**45,802**	**(297,183)**	**–**	**94,233**	**1,939,390**
Profit attributable to the equity shareholders	–	–	–	–	–	131,179	131,179
Other comprehensive income							
Change in fair value of available for sale financial assets	–	–	–	211,041	–	–	211,041
Impairment on available for sale recycled into profit or loss	–	–	–	3,574	–	–	3,574
Realised loss on AFS recycled into profit or loss	–	–	–	28	–	–	28
Assicurazioni Generali S.p.A. impairment recycled into profit or loss	–	–	–	8,688	–	–	8,688
Cash flow hedges:							
– Effective portion of changes in fair value	–	–	–	–	–	–	–
– Net amount transferred to profit or loss	–	–	–	–	–	–	–
Movement in deferred tax	–	–	–	(27,916)	–	–	(27,916)
Total other comprehensive income	**–**	**–**	**–**	**195,415**	**–**	**–**	**195,415**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing balances as at 31 December 2009	**1,343,119**	**753,419**	**45,802**	**(101,768)**	**–**	**225,412**	**2,265,984**

Cash Flow Statement (indirect method)

31 December 2010

		2010 €'000	2009 €'000
A.	**Operating Activities**		
	1. Operations	**91,270**	154,038
	– profit and loss of the period (+/-)	88,910	131,179
	– capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	2,523	(6,137)
	– capital gains/losses on hedging operations (+/-)	784	9,328
	– net write-offs/write-backs due to impairment (+/-)	(3,396)	20,697
	– net write-offs/write-backs on tangible and intangible assets (+/-)	248	171
	– not paid tax (+/-)	2,201	(1,200)
	2. Liquidity generated/absorbed by financial assets	**(1,422,119)**	4,631,467
	– financial assets held for trading	60,756	(41,336)
	– financial assets at fair value	(325,859)	457,918
	– available-for-sale financial assets	(2,331,195)	(19,662)
	– loans and receivables with banks	2,060,593	1,221,323
	– loans and receivables with customers	(676,522)	2,993,584
	– other assets	(209,892)	19,640
	3. Liquidity generated/absorbed by financial liabilities	**1,669,015**	(5,551,694)
	– deposits from banks	8,475,319	(10,579,916)
	– deposits from customers	(114,024)	21,878
	– debt certificates including bonds	(6,514,057)	4,835,982
	– financial liabilities held for trading	(127,254)	(52,296)
	– financial liabilities designated at fair value	(669)	1,259
	– other liabilities	(50,300)	221,399
	Net liquidity generated/absorbed by operating activities	**338,166**	(766,189)
B.	**Investment Activities**		
	1. Net Liquidity by:		
	– tangible and intangible assets	(164)	(134)
	Net liquidity generated/absorbed by investment activities	**(164)**	**(134)**
C.	**Funding Activities**		–
	Dividend Paid to Parent Company	(120,000)	–
	Net liquidity generated/absorbed by funding activities	**(120,000)**	–
	Increase/Decrease in cash and cash equivalents	**218,002**	**(766,323)**
	Cash and cash equivalents at 1 January 2010	469,278	1,235,601
	Cash flow	218,002	(766,323)
	Cash and cash equivalents at 31 December 2010	**687,280**	469,278

Cash Flow Statement (indirect method) (continued)

Cash Flow Reconciliation	**2010 €'000**	2009 €'000
Cash and cash balances	110,155	116,052
Deposit and Current Accounts with Banks	508,317	208,356
Deposits with Customers	68,808	144,870
Cash and cash equivalents total at 31 December 2010	**687,280**	469,278

On Behalf of the Board

R. Molony, Chairman
T. McAleese, Director
S. Vaiani, Managing Director
D. Courtney, Director
HMP Secretarial Limited, Company Secretary

10 March 2011

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	2010 €'000	2009 €'000
a) Cash	**2**	–
b) Demand deposits with the Central Bank	**110,153**	116,052
	110,155	116,052

Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: product breakdown	2010 €'000	2009 €'000
Debt and equity securities:		
– Other securities	**31,540**	30,695
	31,540	30,695
Derivative assets	**158,100**	219,337
	189,640	250,032

Included in other debt securities is an amount of €31.5 million (2009: €30.7 million) which has been invested via a UniCredit S.p.A. Group managed investment fund.

2.2 Financial assets held for trading: analysis of debt and equity securities by remaining maturity	2010 €'000	2009 €'000
– Unspecified	**31,540**	30,695
– over 5 years	–	–
– 5 years or less but over 1 year	–	–
– 1 year or less but over 3 months	–	–
– 3 months or less	–	–
	31,540	30,695

2.3 Financial assets held for trading: listing status		
– Listed	–	–
– Unlisted	**31,540**	30,695
	31,540	30,695
Amounts include:		
Due from parent company and fellow subsidiaries	–	–

A) Balance Sheet Notes – Assets (continued)

Item 20 – Financial assets held for trading (continued)

Financial assets held for trading of Nil (2009: Nil) have been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

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	**2010 €'000**	2009 €'000
Cross currency swaps	**28,368**	12,373
Eonia swaps	**4,223**	9,206
Interest rate swaps	**4,773**	4,776
Forward currency sales	**59,331**	8
Forward currency purchases	**48,325**	183,091
Equity derivative	**13,080**	9,883
	158,100	219,337

Included in derivatives held for trading is an amount of €117.4 million (2009: €147.8 million) due from UniCredit S.p.A. Group.

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

Item 30 – Financial assets designated at fair value through profit or loss

The Government securities detailed below have been designated at fair value through profit or loss upon initial recognition as they are managed on a fair value basis in accordance with their documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

The other debt security detailed below of €51.1 million (2009: €51.7 million) is designated at fair value through profit or loss as 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.

3.1 **Financial assets designated at fair value through profit or loss: product breakdown**	**2010 €'000**	2009 €'000
Debt securities:		
– Government securities	**323,641**	–
– Other debt securities	**51,079**	51,748
	374,720	51,748

A) Balance Sheet Notes – Assets (continued)

Item 30 – Financial assets designated at fair value through profit or loss (continued)

3.2 Financial assets designated at fair value through profit or loss: analysis of debt securities by remaining maturity	2010 €'000	2009 €'000
– over 5 years		–
– 5 years or less but over 1 year	**227,156**	51,748
– 1 year or less but over 3 months	**96,485**	–
– 3 months or less	**51,079**	–
	374,720	51,748

3.3 Financial assets designated at fair value through profit orloss: listing status		
– Listed	**323,641**	–
– Unlisted	**51,079**	51,748
	374,720	51,748

Included in Financial assets designated at fair value through profit or loss is an amount of €51.1 (2009: €51.7 million) which is due from UniCredit S.p.A. Group.

3.4 Credit movement of assets designated at fair value through profit or loss

The table below shows the amount of change, during the period, in the fair value of the financial instrument that is attributable to changes in the credit risk.

Securities designated at fair value through profit or loss	Credit risk movement 2010 €'000	Credit risk movement 2009 €'000
Unlisted security designated at fair value through profit or loss	**1,112**	(1,100)

Item 40 – Available for sale financial assets

4.1 Available for sale financial assets: product breakdown	2010 €'000	2009 €'000
Issued by public bodies – Government debt securities	**7,005,123**	3,667,883
– Other public sector debt securities	**14,015**	–
Other securities – Other debt securities	**458,184**	643,840
– Equity securities	**–**	834,404
	7,477,322	5,146,127

Amounts include: UniCredit S.p.A. Group available for sale financial assets	**278,366**	317,968

A) Balance Sheet Notes – Assets (continued)

Item 40 – Available for sale financial assets (continued)

Available for sale fair value assets of €6.81 billion (2009: €3.41 billion) have been pledged to third parties in sale and repurchase agreements.

4.2 Available for sale financial assets: analysis by remaining maturity	2010 €'000	2009 €'000
– Unspecified	–	834,404
– over 5 years	3,354,302	2,868,675
– 5 years or less but over 1 year	4,081,936	1,248,406
– 1 year or less but over 3 months	41,084	141,978
– 3 months or less	–	52,664
	7,477,322	5,146,127

4.3 Available for sale financial assets: listing status	2010 €'000	2009 €'000
Analysis by listing status		
– Listed	7,477,322	5,032,699
– Unlisted	–	113,428
	7,477,322	5,146,127

4.4 Available for sale financial assets: annual changes	2010 €'000	2009 €'000
At 1 January	5,146,127	5,126,465
Additions	3,448,877	237,400
Disposals and maturities	(1,029,941)	(351,785)
Exchange differences	40,720	(13,899)
Changes in fair value	(171,543)	144,178
Interest receivable	43,082	3,768
At 31 December	7,477,322	5,146,127

A) Balance Sheet Notes – Assets (continued)

Item 60 – Loans and receivables with banks

6.1 Loans and receivables with banks: analysis by remaining maturity	**2010 €'000**	2009 €'000
– over 5 years	**247,855**	1,769,019
– 5 years or less but over 1 year	**1,833,733**	153,039
– 1 year or less but over 3 months	**695**	226,711
– 3 months or less	**507,035**	512,901
– Repayable on demand	**698**	1,314
	2,590,016	2,662,984

Unquoted securities : Remaining maturity – over 5 years	**7,276,744**	7,786,403
– 5 years or less but over 1 year	**1,090,342**	2,280,122
– 1 year or less but over 3 months	**793,572**	1,456,977
– 3 months or less	**917,441**	242,261
	10,078,099	11,765,763
– Loans and receivables with banks collective impairment	**(401)**	(8,706)
	12,667,714	14,420,041

Amounts include: Due from parent company and fellow subsidiaries	**11,643,475**	13,665,915

Included in the total of Loans and receivable with banks are sale and repurchase agreements of Nil (2009: €97.3 million).

6.2 Loans and receivables with banks: fair value	**2010 €'000**	2009 €'000
Loans and receivables with Banks	**11,890,055**	14,220,973
	11,890,855	14,220,973

6.3 Loans and receivables with banks: Reclassification

In 2008 the Company has 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.

The carrying value of assets which were reclassified in 2008 from held for trading to loans and receivables with banks, and are still held in 2010 was €106.6 million (2009: €234.2 million).

A) Balance Sheet Notes – Assets (continued)

Item 70 – Loans and receivables with customers

		2010 €'000	2009 €'000
7.1	**Loans and receivables with customers: analysis by remaining maturity**	**2010 €'000**	2009 €'000
	– over 5 years	**750,256**	53,531
	– 5 years or less but over 1 year	**267,496**	154,420
	– 1 year or less but over 3 months	**65,518**	73,621
	– 3 months or less	**489,654**	178,399
	– unspecified	**–**	7,330
		1,572,924	467,301
	Loans and receivables with customers collective impairment	**(3,326)**	(3,246)
		1,569,598	464,055
	Unquoted securities : Remaining maturity		
	– over 5 years	**918,425**	1,154,785
	– 5 years or less but over 1 year	**26,716**	119,574
	– 1 year or less but over 3 months	**67,310**	142,130
	– 3 months or less	**–**	94,483
	Unquoted securities: Impaired Assets Remaining maturity		
	– over 5 years	**9,675**	16,317
		2,591,724	1,991,344

Amounts include:	**2010 €'000**	2009 €'000
Due from parent company and fellow subsidiaries	**1,096,926**	339,157

Included in the total of Loans and receivable with customers are sale and repurchase agreements of €68.9 million (2009: €43.1).

	Loans and receivables with customers: Fair value	**2010 €'000**	2009 €'000
7.2	Loans and receivables with customers	**2,429,983**	2,041,651
		2,429,983	2,041,651

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.

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 in 2010 was €740.2 million (2009: €1,218.1 million).

A) Balance Sheet Notes – Assets (continued)

Item 80 – Hedging derivatives

8.1 Hedging derivatives	2010 €'000	2009 €'000
Cross Currency Swaps	**152,017**	45,275
Interest Rate Swaps	**39,783**	14,947
	191,800	60,222

Included in hedging derivatives is an amount of €184.3 million (2009: €60.2 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 (+/-)	2010 €'000	2009 €'000
Positive changes in fair value of portfolio hedged items	**4,446**	1,323
	4,446	1,323

The above amount relates to changes in portfolio hedged items on securities which are both Loans and Receivables with Banks and Loans and Receivables with Customer.

A) Balance Sheet Notes – Assets (continued)

Item 120 – Property, plant and equipment

12.1

Property, plant and equipment Cost	Leasehold improvements €'000	Office equipment €'000	Computer equipment €'000	Total €'000
At 1 January 2009	1,479	192	436	2,107
Additions	–	–	51	51
Disposals	–	–	–	–
At 1 January 2010	1,479	192	487	2,158
Additions	4	11	55	70
Disposals	–	–	–	–
At 31 December 2010	1,483	203	542	2,228

Accumualted depreciation	Leasehold improvements €'000	Office equipment €'000	Computer equipment €'000	Total €'000
At 1 January 2009	1,361	170	380	1,911
Charge for year	30	10	31	71
Disposals	–	–	–	–
At 1 January 2010	1,391	180	411	1,982
Charge for year	30	13	59	102
Disposals				–
At 31 December 2010	1,421	193	470	2,084
Net book values				
At 31 December 2009	88	13	75	176
At 31 December 2010	62	10	72	144

A) Balance Sheet Notes – Assets (continued)

Item 130 – Intangible assets

13.1

Intangible assets Cost	Computer software costs €'000	Total €'000
At 1 January 2009	1,596	1,596
Additions	83	83
At 1 January 2010	1,679	1,679
Additions	96	96
At 31 December 2010	1,775	1,775
Accumulated depreciation		
At 1 January 2009	1,356	1,356
Charge for year	94	94
At 1 January 2010	1,450	1,450
Charge for year	147	147
At 31 December 2010	1,597	1,597
Net book values		
At 31 December 2009	**229**	229
At 31 December 2010	**178**	178

Item 140 – Tax assets

14.1

Tax assets	2010 €,000	2009 €,000
Deferred taxation asset at 1 January	**–**	–
Tax credit arising from negative AFS revaluation reserve	**56,661**	14,538
Adjustments in respect of previous years	**–**	–
At 31 December	**56,661**	14,538
Current taxation asset	**29,525**	2,010
	29,525	2,010
Total tax assets	**86,186**	16,548

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	2010 €'000	2009 €'000
Accounts receivable and prepayments	**82**	143
	82	143

B) Balance Sheet Notes – Liabilities

Item 10 – Deposits from banks

1.1	**Deposits from banks: analysis by remaining maturity**	**2010 €'000**	2009 €'000
	Remaining maturity – Over 5 years	2,584,006	666,579
	– 5 years or less but over 1 year	3,615,761	4,108
	– 1 year or less but over 3 months	2,786	32,216
	– 3 months or less	9,009,138	6,033,431
	– Repayable on demand	37	75
		15,211,728	6,736,409

Amounts include:

Due to parent company and fellow subsidiaries	**8,149,701**	2,562,832

Included in deposits from banks are deposits of €7.0 billion (2009: €4.0 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 47.

	Deposits from banks: Fair Value	**2010 €'000**	2009 €'000
1.2	Deposits from Banks	15,297,154	7,109,474
		15,297,154	7,109,474

Item 20 – Deposits from customers

2.1	**Deposits from customers: analysis by remaining maturity**	**2010 €'000**	2009 €'000
	Remaining maturity – 3 months or less	163,516	245,467
	– 1 year or less	10,047	42,120
		173,563	287,587

Amounts include:

Due to parent company and fellow subsidiaries	**26,694**	62,923

Included in customer accounts are deposits of Nil (2009: €137.4 million) held as security for securities sold under repurchase agreements.

B) Balance Sheet Notes – Liabilities (continued)

2.2	Deposits from Customers: Fair Value	2010 €'000	2009 €'000
	Deposits from Customers	170,898	286,547
		170,898	286,547

Item 30 – Debt securities in issue

3.1	Debt securities in issue: analysis by remaining maturity	2010 €'000	2009 €'000
	Bonds and medium term notes		
	Remaining maturity – over 5 years	48,689	129,992
	– 5 years or less but over 1 year	693,811	2,143,820
	– 1 year or less but over 3 months	1,059,091	334,359
	– 3 months or less	–	114,127
	– demand	–	–
		1,801,591	2,722,298
	Other debt securities in issue		
	Remaining maturity – 5 years or less but over 1 year	54,157	54,128
	– 1 year or less but over 3 months	189,685	105,157
	– 3 months or less	3,299,710	8,977,617
		5,345,143	11,859,200
	Amounts include: Due to parent company and fellow subsidiaries	**147,721**	289,811

3.2	Debt securities in issue: Fair Value	2010 €'000	2009 €'000
	Debt securities in issue	5,319,880	11,845,063
		5,319,880	11,845,063

3.3	Debt securities in issue: by financial instrument	2010 €'000	2009 €,000
	Certificate of Deposit	140,432	517,253
	Commercial Paper	3,403,119	8,619,649
	Medium Term Note	1,801,592	2,722,298
		5,345,143	11,859,200

B) Balance Sheet Notes – Liabilities (continued)

Item 40 – Financial liabilities held for trading

		2010 €'000	2009 €'000
4.1	Currency forward purchase contracts	8,072	6,829
	Currency forward sale contracts	54,294	51,891
	Interest rate and cross currency derivatives	14,745	145,645
		77,111	204,365

Included in trading derivatives is an amount of €70.5 million (2009: €85 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 portion of 'Other Notes' note 4.

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

Item 50 – Financial liabilities designated at fair value through profit or loss

	Financial liabilities designated at fair value through profit or loss	**2010 €'000**	2009 €'000
5.1	Exchangeable bond – Socotherm S.p.A.	51,079	51,748
		51,079	51,748

The Socotherm S.p.A. exchangeable bond has been included at its fair value of €51,078,733 (2009: €51,747,883). The Bond was originally issued at its fair value of €50,000,000 on 28 February 2006 at a fixed interest rate coupon of 2.25%. The Bond is exchangeable for Socotherm S.p.A. shares during the period from 10 April 2006, up to and including the eighth business day prior to the maturity date of 28 February 2011.

The Socotherm S.p.A. shares were suspended from trading in the Italian Stock Exchange on 3rd August 2009 therefore the equity derivative element has a negligible value.

The Socotherm S.p.A. exchangeable bond of €51.1 million (2009: €51.7 million) is designated at fair value through profit or loss as 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.

Credit movement of liabilities designated at fair value through profit or loss

The table below shows the amount of change, during the period, in the fair value of the financial instrument that is attributable to changes in the credit risk.

Security designated at fair value through profit and loss	**Credit risk movement 2010**	Credit risk movement 2009
Socotherm 28/2/11	**1,112**	(1,100)

B) Balance Sheet Notes – Liabilities (continued)

Item 60 – Hedging derivatives

6.1 Hedging derivatives	2010 €'000	2009 €'000
Cross currency swaps	95,557	58,904
Interest rate swaps	776,862	572,411
Equity derivative	13,080	9,883
Currency forward sale contracts	1,008	–
	886,507	641,198

Included in hedging derivatives is an amount of €529 million (2009: €448 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 (+/-)	2010 €'000	2009 €'000
Negative changes in fair value of portfolio hedged items	(28,018)	–
	(28,018)	–

The above amount relates to changes in portfolio hedged items on Deposits from Banks.

Item 80 – Tax liabilities

8.1 Current tax liability	2010 €'000	2009 €'000
Current tax liability	35,464	5,962
	35,464	5,962

Item 100 – Other liabilities

10.1 Other liabilities	2010 €'000	2009 €'000
Creditors and accruals	1,499	1,532
	1,499	1,532

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 140 – Revaluation reserve

14.1 Available for sale reserve	2010 €'000	2009 €'000
At 1 January	(101,768)	(297,183)
Net losses transferred to net profit on disposal	–	28
Change in fair value of available for sale financial assets	(343,668)	211,041
Impairment recognised in the income statement	8,402	3,574
Assicurazioni Generali S.p.A. impairment recognised in the income statement	–	8,688
Movement in deferred tax	41,908	(27,916)
At 31 December	**(395,126)**	(101,768)

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

14.2 Cash flow hedge reserve	2010 €'000	2009 €'000
At 1 January	–	–
Effective portion of changes in fair value	(870)	–
Net amount transferred to profit or loss	(846)	–
Movement in deferred tax	215	–
At 31 December	**(1,501)**	–

Total Revaluation Reserve	**(396,627)**	(101,768)

17.1 Reserves	2010 €'000	2009 €'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	225,412	94,233
d) Dividend paid	(120,000)	–
e) Net profit/(loss) for the year	88,910	131,179
	993,543	1,024,633

Item 190 – Issued Capital

19.1 Issued capital Authorised	2010 €'000	2009 €'000
1,343,118,650 (2009 : 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 (2009 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
	1,343,119	1,343,119

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued capital (continued)

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 and no breaches were reported to the Central Bank of Ireland during the year.

19.2 Regulatory capital	**2010 €'000**	2009 €'000
Paid up ordinary share capital	1,343,119	1,343,119
Capital contribution	753,419	753,419
Revenue reserves	185,795	387,060
Subordinated deposit capital – Tier 2	676,812	676,812
Total capital resources	**2,959,145**	3,160,410

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, 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 IFRS First Time Adoption Reserve which arose on adoption of IFRS treatments and is included in the Profit and Loss Account.
- 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.

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% of which the Tier 1 element must be at least 4%. The CRD (as amended) adopts a similar minimum risk-asset ratio.

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued capital (continued)

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 31 December 2010 was 61.85% (2009: 43.59%).

The Solvency index ratio (Pillar II) for the Company as at 31 December 2010 was 540.68% (2009: 511.6%).

C) Income Statement Notes

Item 10 – Interest income and similar revenues

		2010 €'000	2009 €'000
1.1	**Interest and similar income arising on:**		
	Loans and receivables with banks	185,953	368,465
	Loans and receivables with customers	65,944	131,401
	Financial assets held for trading	15,129	45,512
	Available for sale financial assets	204,100	193,405
	Financial assets designated at fair value through profit or loss	10,388	1,125
	Hedging derivatives	39,406	20,068
		520,920	759,976

Total interest income exclusive of financial assets at fair value through profit or loss calculated using the effective interest rate method is €495 million (2009: €713million).

Amounts include:	2010 €'000	2009 €'000
Due from parent company and fellow subsidiaries	**220,915**	397,472

Item 20 – Interest expense and similar charges

		2010 €'000	2009 €'000
2.1	**Interest expense and similar charges arising on:**		
	Deposits from banks	(89,178)	(251,273)
	Deposits from customers	(903)	(1,571)
	Debt securities in issue	(79,918)	(108,779)
	Financial liabilities held for trading	(24,157)	(14,337)
	Repos	(23,836)	(49,958)
	Financial liabilities designated at fair value through profit or loss	(1,125)	(1,125)
	Hedging derivatives	(177,490)	(183,155)
	Other liabilities	(60)	–
		(396,667)	(610,198)

Total interest expense exclusive of financial liabilities at fair value through profit or loss calculated using the effective interest rate method is €372 million (2009: €595 million).

Amounts include:	2010 €'000	2009 €'000
Due from parent company and fellow subsidiaries	**(205,766)**	(358,245)

Item 30 – Net interest income

		2010	2009
3.1	Net interest income	**124,253**	149,778

C) Income Statement Notes (continued)

Item 40, 50 and 60 – Fee and commission income

4.1	**Fees and commission income and expense**	**2010 €'000**	2009 €'000
	Fee and commission income		
	Credit related fees and commissions	185	34
	Guarantee fees	549	621
	Other fees	136	71
		870	726

Amounts include:	**2010 €'000**	2009 €'000
Due from parent company and fellow subsidiaries	**538**	702

5.1	**Fees and commission expense**		
	Brokerage and management fees	(1,977)	(670)
	Other fees	(3,257)	(5,743)
		(5,234)	(6,413)

Amounts include:	**2010 €'000**	2009 €'000
Due from parent company and fellow subsidiaries	**(3,970)**	(4,873)

6.1	**Net fees and commissions**	**(4,364)**	(5,687)

Item 70 – Dividend income

7.1	**Dividend Income**	**2010 €'000**	2009 €'000
	Dividend income	–	33,102
		–	33,102

2009 Dividend income relates to Generali shares included in the available for sale portfolio.

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

8.1	**Gains/(losses) on financial assets and liabilities held for trading**	**2010 €'000**	2009 €'000
	Trading (losses)/gains	917	(2,679)
	Foreign currency translation (losses)/gains	(553)	8,816
		364	6,137

C) Income Statement Notes (continued)

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

Amounts include:	2010 €'000	2009 €'000
Due from parent company and fellow subsidiaries	**(46,563)**	74,340

Item 90 – Fair value adjustments in hedge accounting

9.1 Fair Value adjustment	2010 €'000	2009 €'000
Fair value adjustment on hedging derivatives	(180,981)	36,474
Fair value adjustment relating to hedged items – AFS Hedge	142,986	(57,309)
– Non-AFS Hedge	36,365	11,507
Cash-flow hedging derivatives ineffectiveness	846	–
	(784)	(9,328)

Amounts include:	2010 €'000	2009 €'000
Due from parent company and fellow subsidiaries	**(69,186)**	68,360

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

10.1 Gains/(losses) on disposal of:	2010 €'000	2009 €'000
a) Loans and receivables	27,422	2,836
b) Available for sale financial assets	(38,863)	(28)
d) Financial liabilities at amortised cost	(326)	(324)
	(11,767)	2,484

The amount above of €27.4 million for gains/ (losses) on disposal of loans and receivables includes a loss of €7.5 million (2009: loss €6.5 million) in relation to the disposal of three securities which were reclassified in 2008.

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 accounts, as well as credit and financial derivatives economically associated to them and already recognised under Financial assets/liabilities held for trading.

C) Income Statement Notes (continued)

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

11.1	Item 110 – Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	2010 €'000	2009 €'000
	Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	(2,887)	–
		(2,887)	–

Amounts include:	2010 €'000	2009 €'000
Due from parent company and fellow subsidiaries	**213**	–

Item 130 – Impairment losses

13.1	Impairment losses	2010 €'000	2009 €'000
	a) Loans	8,224	(8,436)
	b) Available for sale financial assets	(4,828)	(12,262)
		3,396	(20,698)

The €8.2 million in relation to loans is a reversal of the collective impairment mainly in relation to exposure with credit institutions.

The €8.4 million impairment in 2009 is comprised of a €4.1 million specific impairment to an ABS security, a €3.9 million collective impairment and €0.4 million in relation to the impairment of the investment in UniCredit Financial Services Ltd. which has been liquidated.

The €4.8 million available for sale financial assets impairment is a specific impairment in relation to two available for sale financial assets less the release of a collective impairment. This impairment on two available for sale assets reflected in the revaluation reserve was recognised in the income statement in line with IAS 39 at year end. The €12.3 million impairment in 2009 included €8.7 million in relation to the Company's Generali share holding, whose valuation based on the official stock exchange price at year end was below cost. The Generali share holding was sold in March 2010. The remaining €3.6 million was a collective impairment in relation to available for sale financial assets.

C) Income Statement Notes (continued)

Item 180 – Administrative costs

18.1 Administrative costs	2010 €'000	2009 €'000
a) Staff expenses	(3,569)	(3,789)
Wages and salaries	(2,943)	(3,092)
Social security costs	(242)	(229)
Pension costs	(188)	(220)
Directors' fees	(196)	(248)
b) other administrative expenses	(2,926)	(3,995)
Total Administrative costs	**(6,495)**	(7,784)

Remuneration paid to statutory auditor (included in other administrative expenses)

Audit	(154)	(174)
Other assurance	–	(8)
Tax advisory services	–	–
Other non-audit services	(82)	(32)
	(236)	(214)

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

Included in wages and salaries 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 2010 is 29 (2009: 31).

20.1 Item 200 – Depreciation on property, plant and equipment

	2010 €'000	2009 €'000
Depreciation on property, plant and equipment	(101)	(76)
	(101)	(76)

21.1 Item 210 – Depreciation on intangible assets

	2010 €'000	2009 €'000
Depreciation on intangible assets	(147)	(95)
	(147)	(95)

C) Income Statement Notes (continued)

Item 220 – Other Operating Income

22.1 Item 220 – Other operating income	2010 €'000	2009 €'000
Operating income	122	146
	122	146

Item 270 – Gains (losses) on disposal of investments

27.1 Item 240 – Gains (losses) on disposal of investments	2010 €'000	2009 €'000
Gain on disposal of investment	21	–
	21	–

The gain on disposal of investment of €21 thousand (2009: Nil) relates to the difference between the proceeds from the disposal of UniCredit Ireland Financial Services Ltd. (UCIFS) and the carrying amount of its net assets. UniCredit Ireland Financial Services Ltd. (UCIFS) was a subsidiary of UniCredit Bank Ireland p.l.c. which was liquidated during 2010.

Item 290 – Tax expense

29.1 Tax expense (income) related to profit or loss from continuing operations	2010 €'000	2009 €'000
Current tax (charge)/credit	(13,052)	(17,609)
Adjustments in respect of previous years	200	159
Withholding tax charge	151	650
Deferred tax movement (Note 140 A)	–	–
	(12,701)	(16,800)

Profit/(Loss) before tax	**101,611**	147,979

Tax calculated at a tax rate of 12.5% (2009: 12.5%)	(12,701)	(18,497)
Effects of: Disallowable items	(456)	(953)
Allowable deductions	10	1,848
Depreciation in excess of capital allowances	95	(7)
Withholding tax credit/(charge)	151	650
Other adjustments in respect of previous years	200	159
Income tax (charge)/credit	**(12,701)**	(16,800)

D) Other Notes

1 Contingent liabilities and commitments	2010 €'000	2009 €'000
Guarantees pledged as security	89,217	90,296
Undrawn credit facilities with a maturity – of less than 1 year	81,324	78,820
– of between 1 and 5 years		–
– of more than 5 years		–
	81,324	78,820
	170,541	169,116

The Company has provided three guarantees in the amount of €89.2 million (2009: €90.3 million). The first guarantee is a performance guarantee on the completion of a construction contract of €3.9 million (2009: €3.9 million). The second guarantee is a second guarantee of a financial institution in the event that the first guarantor is unable to fulfil its obligations for the amount of €11.1 million (2009: €12.9 million). The third guarantee is also a performance guarantee on a construction contract for an amount of €74.2 million (2009: €68.8 million). The Company has received counter guarantees in respect of all guarantees pledged except for the second guarantee. The Directors believe the counter guarantees are sufficient to cover the potential exposure on the other two guarantees. Included in the total amount for guarantees pledged as security of €89.2 million (2009: €90.3 million) is an amount of €74.2 million (2009: €68.8 million) which is due to UniCredit S.p.A. Group. Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities ("facility guarantees").

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.

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, Item 40 and Item 70.

The Company has one customer whose revenue exceeds 10%, UniCredit S.p.A. and fellow subsidiaries. Total revenues for this customer amount to €221 million (2009: €398 million).

D) Other Notes (continued)

The below table shows a breakdown of external revenues by geographical location as at 31 December 2010.

2010	Ireland	Italy	America	Rest of Europe	Rest of World	Total
External Revenues	9,027	412,928	8,231	88,559	3,045	521,790
Total	**9,027**	**412,928**	**8,231**	**88,559**	**3,045**	**521,790**

2009	Ireland	Italy	America	Rest of Europe	Rest of World	Total
External Revenues	12,280	641,290	12,193	121,786	6,255	793,804
Total	**12,280**	**641,290**	**12,193**	**121,786**	**6,255**	**793,804**

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 €3.7 million have been provided for the year ended 31 December 2010 (2009: €12.0 million). No collective impairment was recognised on Available for sale securities as at 31 December 2010 (2009: €3.6 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.

All proposed credit facilities after being analysed by UniCredit Bank Ireland's Credit Committee (composed of the Managing Director, the Head of Credit & Structured Finance and the Credit Manager), must obtain the positive consideration of UniCredit S.p.A. Group in Milan and then be approved 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.

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

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	
B15, B16 & B17	Doubtful	Sub Investment Grade
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 three specifically impaired asset (see note 13.1 in the Income Statement Notes on page 52) for the year ended 31 December 2010 (2009: Nil).

UniCredit Bank Ireland p.l.c. had no renegotiations of assets during the year ended 31 December 2010 (2009: Nil).

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

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.

2010 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
Sovereign	5,303	110,848	7,005,122	–	7,121,273
Asset backed securities	661,129	–	32,172	–	693,301
Financial companies/Investment banks	852,716	–	18,850	–	871,566
Insurance	44,349	–	52,060	–	96,409
Municipals/Other General Government	–	–	14,015	–	14,015
Funds	–	–	31,540	–	31,540
Leasing companies	1,031,553	–	–	–	1,031,553
Banks	–	12,718,501	678,744	349,900	13,747,145
Impairment	(3,326)	(401)	–	–	(3,727)
Total	**2,591,724**	**12,828,948**	**7,832,503**	**349,900**	**23,603,075**

2009 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
Sovereign	6,557	116,515	3,653,170	–	3,776,242
Asset backed securities	959,685	–	20,472	–	980,157
Financial companies/Investment banks	732,030	–	18,785	–	750,815
Insurance	44,130	–	54,560	–	98,690
Manufacturing	–	–	–	–	–
Telecoms	30,048	–	–	–	30,048
Utilities	27,519	–	–	–	27,519
Municipals/Other General Government	–	–	14,713	–	14,713
Funds	–	–	30,695	–	30,695
Leasing companies	194,621	–	–	–	194,621
Banks	–	14,480,032	550,023	279,559	15,309,614
Impairment	(3,246)	(8,706)	–	–	(11,952)
Total	**1,991,344**	**14,587,841**	**4,342,418**	**279,559**	**21,201,162**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by industry table €23,603,075 (2009: €21,201,162) is represented in lines 10-80 of the Balance Sheet excluding an Equity Available for Sale Security of Nil (2009: €834.4).

Included in the total amount of €23,603,089 (2009:€ 21,201,162) for exposures broken down by industry is an amount of €13.4 billion (2009: €14.5 billion) 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 5.

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

2010 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
European Union Including:	2,572,570	12,607,903	7,790,811	345,251	23,316,535
Austria	–	374,416	–	–	374,416
Ireland	72,917	130,851	–	–	203,768
Italy	1,873,155	11,249,567	5,895,632	314,339	19,332,693
Spain	147,137	6,883	1,407,363	–	1,561,383
Non EU	–	221,446	22,842	4,649	248,937
North America	22,480	–	18,850	–	41,330
Impairment	(3,326)	(401)	–	–	(3,727)
Total	**2,591,724**	**12,828,948**	**7,832,503**	**349,900**	**23,603,075**

2009 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
European Union Including:	1,918,550	14,254,726	4,280,158	277,808	20,731,242
Austria	–	347,277	–	451	347,728
Ireland	195,862	137,833	83,803	–	417,498
Italy	877,926	13,337,609	4,280,158	217,436	18,713,129
Spain	300,848	6,671	–	–	307,519
Non EU	1,846	341,821	21,782	–	365,449
North America	74,194	–	40,478	1,751	116,423
Impairment	(3,246)	(8,706)	–	–	(11,952)
Total	**1,991,344**	**14,587,841**	**4,342,418**	**279,559**	**21,201,162**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by geographical area table above €23,603,075 (2009: €21,201,162) is represented in lines 10-80 of the Balance Sheet excluding an Equity Available for Sale Security of Nil (2009: €834.4).

Included in the total amount of €23,603,075 (2009: €21,201,162) for exposure broken down by geographical area is an amount of €13.4 billion (2009: €14.5 billion) which is due to 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. The Bank concentrates on grades B1 – B9 which 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.

2010 Exposure broken down by rating category

Rating category	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
B1 to B3	1,613,744	11,736,584	7,478,022	22,665	20,851,015
B4 to B6	33,836	906,630	111,249	322,649	1,374,364
B7 to B9	927,911	156,200	182,022	1,222	1,267,355
B10 to B12	19,559	29,935	29,670	–	79,164
Unrated	–	–	31,540	3,364	34,904
Impairment	(3,326)	(401)	–	–	(3,727)
Total	**2,591,724**	**12,828,948**	**7,832,503**	**349,900**	**23,603,075**

2009 Exposure broken down by rating category

Rating category	Loans and receivables with customers €,000	Loans and receivables with banks €,000	Investment securities €,000	Derivatives €,000	Total €,000
B1 to B3	1,294,294	13,835,342	3,895,932	36,969	19,062,537
B4 to B6	178,210	553,441	149,034	223,994	1,104,679
B7 to B9	388,691	202,042	228,963	6,195	825,891
B10 to B12	121,975	5,722	37,794	–	165,491
B13 & B14	4,090	–	–	–	4,090
Unrated	7,330	–	30,695	12,401	50,426
Impairment	(3,246)	(8,706)	–	–	(11,952)
Total	**1,991,344**	**14,587,841**	**4,342,418**	**279,559**	**21,201,162**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)
The total of the exposure broken down by geographical area table above €23,603,075 (2009: €21,201,162) is represented in lines 10-80 of the Balance Sheet excluding an Equity Available for Sale Security of Nil (2009: €834.4).

Included in the total amount of €23,603,075 for exposure broken down by rating is an amount of €13.4 billion (2009: €14.5 billion) 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.

Maximum Credit Risk Exposure	2010 €'000	2009 €'000
Cash and cash balances	110,155	116,052
Financial assets held for trading	189,640	250,032
Financial assets designated at fair value through profit or loss	374,720	51,748
Available-for-sale financial assets	7,477,322	4,308,149
Loans and receivables with banks	12,667,714	14,420,041
Loans and receivables with customers	2,591,724	1,991,344
Hedging derivatives	191,800	60,222
Commitments – undrawn credit facilities	81,324	78,820
	23,684,399	21,276,408

Liquidity Risk

The UniCredit S.p.A. Group 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 p.l.c. is monitored on a daily basis in compliance with regulatory rules and UniCredit S.p.A. Group policy. UniCredit Bank Ireland is part of the Italian Regional Liquidity Centre of the UniCredit Group where the liquidity management is centralised.

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 where by 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.

D) Other Notes (continued)

4 Liquidity Risk (continued)

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 in the first timeband. 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.

Liquidity risk ratios	**2010**	2009
Sight to 8 days	146%	128%
8 days to 1 months	112%	102%

In addition to Central Bank's rules, the Bank also communicates its liquidity figures to UniCredit S.p.A. Group Treasury in UniCredit Milan, 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. The structural liquidity management aims to ensure the financial stability of the Bank with respect to maturities exceeding 1 year. Structural liquidity for the UniCredit S.p.A. Group is also monitored at Company Treasury level in line with our group policy and regulatory guidelines. 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 Company is regularly monitored and reviewed by the Assets and Liabilities Committee ('ALCO') and any breaches are reported to the Managing Director immediately and subsequently the Board of Directors.

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 2010

	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	37	9,012,555	59,666	3,912,737	2,905,162	15,890,157
Deposits from customers	–	163,597	–	10,367	–	173,964
Debt securities in issue	–	3,717,292	1,041,635	781,318	65,418	5,605,663
Financial liabilities held for trading*	47	1,405,382	67,465	1,503,786	–	2,976,680
Financial liabilities designated at fair value through profit or loss	–	50,000	–	–	–	50,000
Hedging derivatives	–	–	3,307	446,552	715,081	1,164,940
Other liabilities	–	–	1,499	–	–	1,499
Undrawn commitments	81,324	–	–	–	–	81,324
Total	**81,408**	**14,348,826**	**1,173,572**	**6,654,760**	**3,685,661**	**25,944,227**

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

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 2009

	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	75	6,038,623	59,717	221,485	935,463	7,255,363
Deposits from customers	–	245,593	42,162	–	–	287,755
Debt securities in issue	–	9,100,311	473,936	2,261,439	151,671	11,987,357
Financial liabilities held for trading*	4,762	133,750	96,702	1,506,639	–	1,741,853
Financial liabilities designated at fair value through profit or loss	–	–	–	50,000	–	50,000
Hedging derivatives	–	2,930	5,265	322,189	755,289	1,085,673
Other liabilities –	–	1,532	–	–	1,532	
Undrawn commitments	169,116	–	–	–	–	169,116
Total	**173,953**	**15,521,207**	**679,314**	**4,361,752**	**1,842,423**	**22,578,649**

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

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk

Market risk is the risk that changes in market factors, such as interest rate, equity prices, foreign exchange rates and credit spreads, which affect UniCredit Bank Ireland's income or value of its holding in financial instruments. UniCredit Bank Ireland works closely with UniCredit S.p.A. Group in providing key information to manage and control market risk exposures within agreed limits, while optimising the return on risk.

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 realise 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);

- corrective action aimed at rebalancing the Company's risk positions.

Market Risk within UniCredit Bank Ireland is governed by Group Market Risk Governance Guidelines set out by UniCredit S.p.A. Group.

The Market Risk unit in Milan seeks to ensure that the UniCredit S.p.A. Group's market risk measurement models are in the main consistent and that the processes adopted by subsidiaries to manage and monitor risk are standardized. This unit also measures market risks by monitoring UniCredit S.p.A. Group's positions and the overall positions deriving from the UniCredit S.p.A. Group's individual entities, thus monitoring total exposure. Each of the UniCredit S.p.A. Group's companies is, however, directly responsible for monitoring risks assumed in accordance with the guidelines set out by the UniCredit S.p.A. Group.

The calculation of market risk using the Company's measurement models is carried out at UniCredit S.p.A. Group level but it is the responsibility of the local 'Assets and Liability Committee' (ALCO), to ensure all market risks are identified and assessed.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

UniCredit S.p.A. Group's Asset and Liability Management ('ALM') unit, in coordination with other regional liquidity centers, manages strategic and operational ALM, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the UniCredit S.p.A. Group's growth policies on the loans market, optimizing the UniCredit S.p.A Group's exchange rate, interest rate and liquidity risk. Daily reports are received from UniCredit S.p.A. Group, which are verified and checked within the Company's risk department to ensure all relevant information is captured.

Management of Market Risk – Trading book

The main tool used by the UniCredit S.p.A. Group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. The historical simulation method provides for the daily revaluation of positions on the basis of trends in market prices over an appropriate observation period (250 days). The empirical distribution of profits/losses deriving there from is analyzed to determine the effect of extreme market movements on the portfolios. The distribution value at the percentile corresponding to the fixed confidence interval represents the VaR measurement. The parameters used to calculate the VaR are as follows: 99% confidence interval; 1 day time horizon; daily update of time series, which can be extended to cover at least a year.
Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realised.

UniCredit S.p.A. Group uses a VaR-type internal model to control the financial risk arising out of the trading book using a single metric (value at risk) to quantify overall market risk, which means that the latter no longer has to be broken down into its interest rate risk, price risk and exchange risk components. VaR data are therefore reported for all market risks arising out of the Trading book.

Below is a table summarising the Trading book VaR during 2010.

31.12.2010 in €	Average €	Maximum €	Minimum €	2009 Average €
179,000	170,000	185,000	161,000	175,000

Management of Market Risk – Banking book

At 31st December 2010, UniCredit Bank Ireland's Banking book is made up of approximately 58% intergroup Loans and Bonds and the remaining 42% is made up of Government/Financial/Corporate Bond and Loan positions and a relatively small amount of ABS bonds. No interest rate risk is taken on these positions as all positions are hedged using interest rate swaps. Treasury fund these positions on a short term basis using money market instruments such as money market deposits, derivatives, repurchase agreements, certificates of deposits, commercial paper and medium term notes.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

The principal risk within the banking book is interest rate risk arising from Treasury funding positions. Interest rate risk consists of changes in interest rates that are reflected in:

- Interest income sources, and thus, the Bank's earnings (cash flow risk);
- The net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The UniCredit S.p.A. Group measures and monitors interest rate risk within the framework of its Banking book interest rate risk policy which defines methods and corresponding limits or thresholds of interest margin sensitivity and economic value for the UniCredit S.p.A. Group. Interest rate risk affects all proprietary positions arising out of business operations and strategic investment decisions.

The main sources of interest rate risk can be classified as follows:
- repricing risk – the risk resulting from timing mismatches in maturities and the repricing of the Bank's assets and liabilities;
- curve risk – risk resulting from exposure of the Bank's positions to changes in the slope and shape of the yield curve;
- basis risk – risk resulting from differing interest rate bases for lending and borrowing instruments resulting in these interest rate changes for these different instruments that may show similar repricing characteristics.

In coordination with the ALM and Treasury areas, the Market Risk Management area of UniCredit S.p.A. Group sets interest rate risk limits using VaR methodologies and verifies compliance with these limits on a daily basis.

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 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.

31.12.2010 in €	Average €	Maximum €	Minimum €	2009 Average €
205,000	492,000	964,000	186,000	595,000

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.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

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.

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 and for available-for-sale assets.

All hedging derivatives entered into seek to replicate each essential element of the liability or available-for-sale 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.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

The following types of financial instruments have been designated as hedging instruments:
- interest rate swaps;
- cross currency swaps; and
- foreign exchange forwards.

Consistence 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.

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 proper 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 HVB 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;

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).

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 2010	Level 2 €'000 2010	Level 3 €'000 2010	Total €'000 2010	Level 1 €'000 2009	Level 2 €'000 2009	Level 3 €'000 2009	Total €'000 2009
Financial assets held for trading – Trading securities	–	31,540	–	31,540	–	30,695	–	30,695
– Trading derivatives	–	158,100	–	158,100	–	219,337	–	219,337
Financial assets designated at fair value through profit or loss	323,641	51,079	–	374,720	–	51,748	–	51,748
Available-for sale financial assets	7,447,652	–	29,670	7,477,322	5,126,452	–	16,101	5,142,553
Hedging derivatives	–	191,800	–	191,800	–	60,222	–	60,222
Total	**7,771,293**	**432,519**	**29,670**	**8,233,482**	**5,126,452**	**362,002**	**16,101**	**5,504,555**

Liabilities measured at fair value	Level 1 €'000 2010	Level 2 €'000 2010	Level 3 €'000 2010	Total €'000 2010	Level 1 €'000 Dec 2009	Level 2 €'000 Dec 2009	Level 3 €'000 Dec 2009	Total €'000 Dec 2009
Financial liabilities held for trading – Trading derivatives	–	77,111	–	77,111	–	204,365	–	204,365
Financial liabilities designated at fair value through profit or loss	–	51,079	–	51,079	–	51,748	–	51,748
Hedging derivatives	–	886,507	–	886,507	–	641,198	–	641,198
Total	**–**	**1,014,697**	**–**	**1,014,697**	**–**	**897,311**	**–**	**897,311**

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 2010	Total 2010	Available-for sale financial assets 2009	Total 2009
Opening balance	16,101	16,101	17,964	17,964
Total gains or losses	13,569	13,569	(1,863)	(1,863)
Purchases	–	–	–	–
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of Level 3	–	–	–	–
Closing balance	**29,670**	**29,670**	**16,101**	**16,101**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**13,569**	**13,569**	**(1,863)**	**(1,863)**

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 2010	Total 2010	Available-for sale financial assets 2009	Total 2009
Fair value if annual default rate doubles	26,095	26,095	14,361	14,361

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.

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 2010 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 31-12-2010 €'000	Carrying value at 31-12-2010 €'000	Fair value 31-12-2010 €'000
ABS reclassified as at 1-7-2008	682,383	660,012	605,593
Banking and financial bonds reclassified as at 1-7-2008	10,000	9,996	9,450
Corporate and financial bonds reclassified as at 1-10-2008	181,434	175,459	169,064
Total	**873,817**	**845,467**	**784,107**

Financial instruments reclassified from held for trading	Gains not recognised in 2010 due to reclassification 31-12-2010 €'000	Increase in interest income 31-12-2010 €'000	Net impact due to reclassification 31-12-2010 €'000
ABS reclassified as at 1-7-2008	(14,948)	4,079	(10,869)
Banking and financial bonds reclassified as at 1-7-2008	(2,079)	172	(1,907)
Corporate and financial bonds reclassified as at 1-10-2008	(4,193)	2,390	(1,803)
Total	**(21,220)**	**6,641**	**(14,579)**

D) Other Notes (continued)

Reclassification of financial assets (continued)

The following table gives the amount of the reclassified assets in each category, as well as their nominal value at year end 2009 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 31-12-2009 €'000	Carrying value at 31-12-2009 €'000	Fair value 31-12-2009 €'000
ABS reclassified as at 1-7-2008	991,114	958,139	892,827
Banking and financial bonds reclassified as at 1-7-2008	16,000	13,913	11,460
Corporate and financial bonds reclassified as at 1-10-2008	489,892	480,224	472,050
Total	**1,497,006**	**1,452,276**	**1,376,337**

Financial instruments reclassified from held for trading	Gains not recognised in 2009 due to reclassification 31-12-2009 €'000	Increase in interest income 31-12-2009 €'000	Net impact due to reclassification 31-12-2009 €'000
ABS reclassified as at 1-7-2008	(70,025)	5,268	(64,757)
Banking and financial bonds reclassified as at 1-7-2008	(8,469)	129	(8,340)
Corporate and financial bonds reclassified as at 1-10-2008	(36,632)	8,789	(27,843)
Total	**(115,126)**	**14,186**	**(100,940)**

The effective interest rate for the reclassified securities is 0.9% (2009: 2.33%).

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).

The application of these accounting principles increased 2010 interest receivable by €7 million (2009: €14 million). The total impact on Company profit before tax was €63 million (2009: €76 million).

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, 30, 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.

Directors' and Secretary's shareholdings
The beneficial interests, including family interests, of the Directors and Secretary of UniCredit Bank Ireland p.l.c. in office at 31 December 2010 in the shares of UniCredit S.p.A. at 1 January 2010 and at 31 December 2010 were:

	At 1 January 2010 UniCredit S.p.A. Ordinary Shares	At 31 December 2010 UniCredit S.p.A. Ordinary Shares
Directors:		
R. Molony	–	–
P. Braccioni	–	–
S. Vaiani	1,180	1,180
M. Bianchi	–	–
P.M. Satta	4,120	4,120
L. Parrilla	–	–
T. McAleese	–	–
D. Courtney	–	–
Secretary: HMP Secretarial Ltd	–	–

Share options granted to Directors
Options to subscribe for ordinary shares in UniCredit S.p.A. at 1 January 2010 (or date of appointment if later) and at 31 December 2010 were as follows:

Directors	Options at 1 January 2010	Options granted since 1 January 2010	Options exercised since 1 January 2010	Options at 31 December 2010
L. Parrilla	51,000	–	–	51,000
S. Vaiani	68,700	–	–	68,700
P. Braccioni	201,715	–	–	201,715

D) Other Notes (continued)

6 Directors' and Secretary's shareholdings (continued)

The Bank is a wholly-owned subsidiary of UniCredit S.p.A., which is incorporated in Italy. Company accounts as at 31 December 2010 were prepared by UniCredit S.p.A., which incorporate the results of their subsidiary companies. The group accounts of UniCredit S.p.A. are available for inspection at Piazza Cordusio, 20123 Milan, Italy.

Directors remuneration

Key management personnel comprise the Members of the Board of Directors. A listing of the Board of Directors is provided on page 1. In 2010 the total remuneration of the directors was €530,892 (2009: €608,277). Included in total remuneration is €196,120 (2009: €247,666) in respect of fees earned in the capacity of directors, €334,772 (2009: 360,611) in respect of compensation earned in the capacity of management and Nil (2009: Nil) in respect of post employment benefits.

There have been no loans provided to key management personnel or any connected person (2009: Nil).

7 Post balance sheet events

No dividends have been proposed or paid since the year end up to the date of the approval of the financial statements. The Directors intend to declare an interim dividend of €85 million in the first quarter of 2011.

8 Approval of financial statements

The Directors approved the financial statements on 10 March 2011.

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