UniCredit Bank

UniCredit Bank Ireland p.l.c.

Financial Statements 2011

UniCredit Bank Ireland p.l.c.
Financial Statements
Year Ended 31 December 2011

Contents

Directors and Other Information

Directors

Name	Role	Directorship Type	Nationality	Appointed to Board	Appointed to Role	Audit Committee Member
Ronan Molony	Chairman	Independent non-executive	Irish	31/07/2008	31/07/2008	No
Patrizio Braccioni	Deputy Chairman	Group	Italian	05/09/2002	06/03/2009	Yes
Stefano Vaiani	Managing Director	Executive	Italian	09/09/2004	09/09/2004	No
Mirko Bianchi		Group	Swiss	29/07/2010		No
Donal Courtney		Independent non-executive	Irish	11/03/2010		Yes
Tom McAleese		Independent non-executive	Irish	11/03/2010		Yes
Luigi Parrilla		Independent non-executive	Italian	06/09/2001		No
Pier Mario Satta		Group	Italian	30/07/2009		No

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

In the face of a very challenging operating environment both at home and in Europe, UniCredit Bank Ireland plc recorded a quite satisfactory year yielding a net profit after tax of €140.5 million compared with a net profit after tax of €88.9 million in 2010.

Key points of the Bank's performance include:

- 23% increase in net interest income to €153.2 million;
- Total operating income of €158.9 million compared to €104.8 million in 2010 (in 2010 a once-off loss of almost €39 million was recorded due to the sale of the Generali shares);
- Due to a recent European Court of Justice decision the company successfully applied for a repayment of corporation tax in respect of the years 2007, 2008 and 2009 in an amount of approx €14.1 million. This repayment was on foot of an application to treat foreign sourced dividends on the same basis as Irish dividends from an Irish Corporation tax perspective.

Lending and Borrowing Activity

During 2011, the Bank's Balance Sheet total assets decreased in size from €23.7 billion to €22.2 billion, the decrease was mainly related to maturity of assets during the year.

Impairment provisions recorded continue to reflect the high credit quality nature of the Bank's assets.

In relation to liquidity, the bank's ability to raise short-term funding through its various programmes (US Commercial Paper, Euro Commercial Paper and London Certificates of Deposit) became more difficult as a result of the ongoing Eurozone debt crisis. However the Company was able to issue 11 private placements from our EMTN programme for a total amount of over €2.75 billion plus an additional €200 million in puttable EMTN in 2 deals.

Capitalisation

An interim dividend of €85 million was paid in the first half of the year.

Total shareholders' equity decreased from €1.94 billion to €1.105 billion caused primarily by the increase in the revaluation reserve deficit due to ongoing credit spread volatility in the Eurozone government debt bond market. As a consequence of this volatility, the Directors do not propose to declare a year end dividend at this time.

The Board of Directors 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 2011.

Definitions

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

Principal Activities and Review of the Business

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

		2011 €'000	2010 €'000
Company Profits	Profit for the financial year amounted to:	140,502	88,910

Dividends

An interim dividend of €85 million was paid during the first half of 2011.
(2010: €120 million).

Financial and Non Financial KPI's

Interest income and similar revenues 2011 amounted to €729.2 million (2010: €520.9 million).
Interest expense and similar charges 2011 amounted to €576.0 million (2010: €396.7 million).
Net interest income 2011 amounted to €153.2 million (2010: €124.3 million).
Total operating income 2011 amounted to €158.9 million (2010: €104.8 million).
Net profit from financial activities amounted to €151.8 million (2010: €108.2 million).

The most significant events that influenced the net profit of 2011 were the following:

1. The significant increase of the net interest income (+€29 million) was mainly generated by new investments in Italian and Spanish government bonds during the second half of 2010 and 2011;
2. The credit risk spread of the Italian sovereign bonds spiked during the latter part of 2011. This unprecedented and specific event produced a significant increase of the negative revaluation reserve;
3. The total assets decreased by about €1.5 billion due to both the decrease in value of assets measured at fair value and maturities. The number of sales of assets during the year was negligible, with three positions in total being sold in order to keep a lower level of risk;
4. The total liabilities decreased for about €639 million, with a marked decrease in the debt issued of about €1,672 million, while the deposits increased by about €662 million. €8.1 billion of funding was obtained through repurchase agreements as at year end.

Directors' Report (continued)

Financial and Non Financial KPI's (continued)

The Company's total assets at end of 2011 amounted to €22.2 billion (2010: €23.7 billion).

Total Shareholders equity (issued capital, reserves and revaluation reserves) amounted to €1.1 billion (2010: €1.9 billion). This decrease is due mainly to the movement of the revaluation reserve.

Number of employees was equal to 30 at year end (2010: 29). The average number of employees for the year was 29 (2010: 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 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)	Group
P. M. Satta – (Italian)	Group
L. Parrilla – (Italian)	Independent non-executive
T. McAleese	Independent non-executive
D. Courtney	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 (Chairman) 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 of Directors.

Books of Account

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

Auditor

The auditor, KPMG 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 2011 and is subject to the Corporate Governance Code for Credit Institutions issued by the same name.

On behalf of the Board

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

8 March 2012

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 2011; 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

8 March 2012

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 2011 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.

Independent Auditor's Report (continued)

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 2011 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 2011 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.

Frank Gannon
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm

8 March 2012

Dublin, Ireland

Accounting Policies

Statement of Compliance

The financial statements as set out on pages 11 to 78 have been prepared in accordance with IFRSs as adopted by the EU and applicable at 31 December 2011. The Directors have considered all standards and pronouncements newly effective for the year ended 31 December 2011 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.

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 with transaction costs expensed immediately.

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

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

Accounting Policies (continued)

Financial Assets (continued)

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

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

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

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

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

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

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

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

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

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

Financial Assets (continued)

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

(c) Available for Sale

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or security prices. Available for sale investments are initially measured at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Unless impaired, gains and losses arising from changes in the fair value are included in other comprehensive income and in a separate revaluation reserve as a component of equity, until sale when the cumulative gain or loss is transferred to the income statement.

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

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

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

(d) Loans and receivables

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

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

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

Accounting Policies (continued)

Financial Assets (continued)

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

Reclassification of Financial Instruments

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

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

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

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

Impairment of Financial Assets

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

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

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

Accounting Policies (continued)

Impairment of Financial Assets (continued)

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

For loans and receivables with customers a default and loss given default scenario analysis using Moody's 2011 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, therefore including any required reclassification of cumulative fair value changes included in other comprehensive income.

Financial Liabilities

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

The Company classifies its financial liabilities in the following categories:

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

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

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

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

Offsetting Financial Instruments

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

Financial Guarantees

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

Sale and Repurchase Agreements

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

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

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

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.

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

Property, Plant and Equipment

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

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

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

Intangible Assets

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

Cash and Cash Equivalents

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

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;

Accounting Estimates and Judgements (continued)

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

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

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

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

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

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

Instrument: Method of Valuation

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

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

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

Accounting Policies (continued)

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

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

Asset Backed Securities ('ABS')

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

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

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 2011 and have not been applied in preparing the financial statements:

Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of financial Assets effective from 1 July 2011.

Balance Sheet

Balance Sheet as at 31 December 2011

Items	Part A Balance sheet– Assets	2011 €'000	2010 €'000
10	Cash and cash balances	52,460	110,155
20	Financial assets held for trading	93,672	189,640
30	Financial assets designated at fair value through profit or loss	80,159	374,720
40	Available-for-sale financial assets	8,135,650	7,477,322
60	Loans and receivables with banks	10,949,072	12,667,714
70	Loans and receivables with customers	2,461,764	2,591,724
80	Hedging derivatives	248,662	191,800
90	Changes in fair value of portfolio hedged items (+/-)	8,816	4,446
120	Property, plant and equipment	83	144
130	Intangible assets	121	178
140	Tax assets a) Current tax assets	6,682	29,525
	b) Deferred tax assets	183,775	56,661
160	Other assets	142	82
	Total assets	**22,221,058**	23,694,111

Items	Part B Balance sheet– Liabilities	2011 €'000	2010 €'000
10	Deposits from banks	14,574,264	15,211,728
20	Deposits from customers	1,475,452	173,563
30	Debt securities in issue	3,673,056	5,345,143
40	Financial liabilities held for trading	51,877	77,111
50	Financial liabilities designated at fair value through profit or loss	–	51,079
60	Hedging derivatives	1,271,296	886,507
70	Changes in fair value of portfolio hedged items (+/-)	61,040	(28,018)
80	Tax liabilities a) Current tax liability	7,500	35,464
	b) Deferred tax liability	–	–
100	Other liabilities	833	1,499
	Total Liabilities	**21,115,318**	21,754,076

	Balance sheet – Shareholder's equity	2011 €'000	2010 €'000
140	Revaluation reserve	(1,286,424)	(396,627)
170	Reserves (a) Capital contribution	753,419	753,419
	(b) Capital redemption reserve	45,802	45,802
	(c) Profit and Loss Account – at start of the year	194,322	225,412
	(d) Dividend paid	(85,000)	(120,000)
	(e) Net profit for the year	140,502	88,910
190	Issued capital	1,343,119	1,343,119
	Total Shareholder's Equity	**1,105,740**	1,940,035
	Total liabilities and shareholder's equity	**22,221,058**	23,694,111

The notes on pages 33 to 78 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

8 March 2012

Income Statement

Year Ended 31 December 2011

Items	– Part C	**2011 €'000**	2010 €'000
10	Interest income and similar revenues	729,218	520,920
20	Interest expense and similar charges	(576,034)	(396,667)
30	**Net Interest Income**	**153,184**	124,253
40	Fee and commission income	610	870
50	Fee and commission expense	(2,524)	(5,234)
60	**Net fees and commissions**	**(1,914)**	(4,364)
70	Dividend income and similar revenue	–	–
80	(Losses)/gains on financial assets and liabilities held for trading	(2,543)	364
90	Fair Value adjustments in hedge accounting	7,757	(784)
100	Gains/(losses) on disposal of: a) Loans and receivables	(1,277)	27,422
	b) Available for sale financial assets	–	(38,863)
	d) Financial liabilities held at amortised cost	635	(326)
110	Gains/(losses) on financial assets/liabilities designated at fair value through profit or loss	3,096	(2,887)
120	**Total operating income**	**158,938**	104,815
130	Impairment (losses)/write-back on: a) Loans	(855)	8,224
	b) Available for sale financial assets	(6,236)	(4,828)
140	**Net profit from financial activities**	**151,847**	108,211
180	Administrative costs		
	a) Staff expenses	(3,584)	(3,569)
	b) Other administrative expenses	(2,689)	(2,926)
200	Depreciation on property, plant and equipment	(73)	(101)
210	Depreciation on intangible assets	(107)	(147)
220	Other operating income	4	122
230	**Operating costs**	**(6,449)**	(6,621)
270	Gains on disposal of investments	–	21
280	**Total profit before tax from continuing operations**	**145,398**	101,611
290	Tax expense related to profit from continuing operations	(4,896)	(12,701)
320	**Net profit for the year (all attributable to shareholders)**	**140,502**	88,910

Statement of Comprehensive Income

Year Ended 31 December 2011

		2011 €'000	2010 €'000
10	**Net profit for the year**	**140,502**	88,910
	Other comprehensive income after tax		
20	Available-for-sale financial assets		
	– Net change in fair value	(885,163)	(301,760)
	– Net amount transferred to profit or loss	6,236	8,402
60	Cash flow hedges		
	– Effective portion of changes in fair value	(8,260)	(655)
	– Net amount transferred to profit or loss	(2,610)	(846)
100	**Total of other comprehensive income after tax**	**(889,797)**	(294,859)
110	**Total comprehensive income after tax**	**(749,295)**	(205,949)

The notes on pages 33 to 78 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

8 March 2012

Statement of Changes in Shareholders' Equity
Year ended 31 December 2011

	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 2011	**1,343,119**	**753,419**	**45,802**	**(395,126)**	**(1,501)**	**194,322**	**1,940,035**
Profit attributable to the equity shareholders	–	–	–	–	–	140,502	140,502
Other comprehensive income							
Change in fair value of available for sale financial assets – available for sale financial assets	–	–	–	(825,021)	–	–	(825,021)
– hedge	–	–	–	(185,703)	–	–	(185,703)
Impairment on available for sale recycled into profit or loss	–	–	–	6,236	–	–	6,236
Cash flow hedges: – Effective portion of changes in fair value	–	–	–	–	(9,813)	–	(9,813)
– Net amount transferred to profit or loss	–	–	–	–	(2,610)	–	(2,610)
Movement in deferred tax	–	–	–	125,561	1,553	–	127,114
Total other comprehensive income	**–**	**–**	**–**	**(878,927)**	**(10,870)**	**–**	**(889,797)**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**(85,000)**	**(85,000)**
Closing balances as at 31 December 2011	**1,343,119**	**753,419**	**45,802**	**(1,274,053)**	**(12,371)**	**249,824**	**1,105,740**

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 – available for sale financial assets	–	–	–	(257,068)	–	–	(257,068)
– hedge	–	–	–	(86,600)	–	–	(86,600)
Impairment on available for sale recycled into profit or loss	–	–	–	8,402	–	–	8,402
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**

Cash Flow Statement (indirect method)

31 December 2011

		2011 €'000	2010 €'000
A.	**Operating Activities**		
	1. Operations	**133,858**	91,270
	– profit and loss of the period (+/-)	140,502	88,910
	– capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(553)	2,523
	– capital gains/losses on hedging operations (+/-)	(7,757)	784
	– net write-offs/write-backs due to impairment (+/-)	7,091	(3,396)
	– net write-offs/write-backs on tangible and intangible assets (+/-)	179	248
	– not paid tax (+/-)	(5,604)	2,201
	2. Liquidity generated/absorbed by financial assets	**932,721**	(1,422,119)
	– financial assets held for trading	93,425	60,756
	– financial assets at fair value	297,657	(325,859)
	– available-for-sale financial assets	(658,328)	(2,331,195)
	– loans and receivables with banks	1,249,484	2,060,593
	– loans and receivables with customers	114,526	(676,522)
	– other assets	(164,043)	(209,892)
	3. Liquidity generated/absorbed by financial liabilities	**(1,522,948)**	1,669,015
	– deposits from banks	(637,464)	8,475,319
	– deposits from customers	1,301,889	(114,024)
	– debt certificates including bonds	(1,672,087)	(6,514,057)
	– financial liabilities held for trading	(25,234)	(127,254)
	– financial liabilities designated at fair value	(51,079)	(669)
	– other liabilities	(438,973)	(50,300)
	Net liquidity generated/absorbed by operating activities	**(456,369)**	338,166
B.	**Investment Activities**		
	1. Net Liquidity by:		
	– tangible and intangible assets	(63)	(164)
	Net liquidity generated/absorbed by investment activities	**(63)**	(164)
C.	**Funding Activities**		
	Dividend Paid to Parent Company	(85,000)	(120,000)
	Net liquidity generated/absorbed by funding activities	**(85,000)**	(120,000)
	Increase/Decrease in cash and cash equivalents	**(541,432)**	218,002
	Cash and cash equivalents at 1 January	687,280	469,278
	Cash flow	(541,432)	218,002
	Cash and cash equivalents at 31 December	**145,848**	687,280

KEY: (+) generated; (-) absorbed

Cash Flow Statement (indirect method) (continued)

Cash Flow Reconciliation	**2011 €'000**	2010 €'000
Cash and cash balances	52,460	110,155
Deposit and current accounts with banks	38,758	508,317
Deposits with customers	54,630	68,808
Cash and cash equivalents total at 31 December	**145,848**	687,280

On Behalf of the Board

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

8 March 2012

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	2011 €'000	2010 €'000
a) Cash	**1**	2
b) Demand deposits with the Central Bank	**52,459**	110,153
	52,460	110,155

Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: product breakdown	2011 €'000	2010 €'000
Debt and equity securities:		
– Other securities	**30,452**	31,540
	30,452	31,540
Derivative assets	**63,220**	158,100
	93,672	189,640

Included in other debt securities is an amount of €30.5 million (2010: €31.5 million which has been invested via a UniCredit S.p.A. Group managed investment fund but is not consolidated within UniCredit Group.

2.2 Financial assets held for trading: analysis of debt and equity securities by remaining maturity	2011 €'000	2010 €'000
– Unspecified	**30,452**	31,450
– over 5 years	–	–
– 5 years or less but over 1 year	–	–
– 1 year or less but over 3 months	–	–
– 3 months or less	–	–
	30,452	31,540

2.3 Financial assets held for trading: listing status		
– Listed	–	–
– Unlisted	**30,452**	31,540
	30,452	31,540
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 (2010: 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	**2011 €'000**	2010 €'000
Cross currency swaps	**46,933**	28,368
Eonia swaps	**183**	4,223
Interest rate swaps	**3,806**	4,773
Forward currency sales	**–**	59,331
Forward currency purchases	**9**	48,325
Equity derivative	**12,289**	13,080
	63,220	158,100

Included in derivatives held for trading is an amount of €49.7 million (2010: €117.4 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 included in the total as at 31 December 2010 of €51.1 million was designated at fair value through profit or loss as it eliminated or significantly reduced 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**	**2011 €'000**	2010 €'000
Debt securities: – Government securities	**80,159**	323,641
– Other debt securities	**–**	51,079
	80,159	374,720

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	2011 €'000	2010 €'000
– over 5 years		
– 5 years or less but over 1 year	–	227,156
– 1 year or less but over 3 months	–	96,485
– 3 months or less	**80,159**	51,079
	80,159	374,720

3.3 Financial assets designated at fair value through profit or loss: listing status		
– Listed	**80,159**	323,641
– Unlisted	–	51,079
	80,159	374,720

Included in financial assets designated at fair value through profit or loss is an amount of Nil (2010: €51.1 million) which is due from UniCredit S.p.A. Group.

Item 40 – Available for sale financial assets

4.1 Available for sale financial assets: product breakdown	2011 €'000	2010 €'000
Issued by public bodies – Government debt securities	**7,733,669**	7,005,123
– Other public sector debt securities	**12,146**	14,015
Other securities – Other debt securities	**389,835**	458,184
– Equity securities	–	–
	8,135,650	7,477,322

Amounts include: UniCredit S.p.A. Group available for sale financial assets	**268,511**	278,366

Available for sale fair value assets of €7.79 billion (2010: €6.81 billion) have been pledged to third parties in sale and repurchase agreements.

Included within available for sale assets is €24.0 million (2010: €32.2 million) of asset backed securities. Management have considered the financial impact of collateral held within securities and consider it to be sufficient to recover the carrying value of such assets.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 40 – Available for sale financial assets (continued)

4.2 Available for sale financial assets: analysis by remaining maturity	2011 €'000	2010 €'000
– Unspecified	–	–
– over 5 years	2,319,724	3,354,302
– 5 years or less but over 1 year	5,164,523	4,081,936
– 1 year or less but over 3 months	515,653	41,084
– 3 months or less	135,750	–
	8,135,650	7,477,322

4.3 Available for sale financial assets: listing status	2011 €'000	2010 €'000
Analysis by listing status		
– Listed	8,135,650	7,477,322
– Unlisted	–	–
	8,135,650	7,477,322

4.4 Available for sale financial assets: annual changes	2011 €'000	2010 €'000
At 1 January	7,477,322	5,146,127
Additions	1,078,670	3,448,877
Disposals and maturities	(43,806)	(1,029,941)
Exchange differences	112,534	40,720
Changes in fair value	(491,189)	(171,543)
Interest receivable	2,119	43,082
At 31 December	8,135,650	7,477,322

A) Balance Sheet Notes – Assets (continued)

Item 60 – Loans and receivables with banks

6.1	**Loans and receivables with banks: analysis by remaining maturity**	**2011 €'000**	2010 €'000
	– over 5 years	**445,977**	247,855
	– 5 years or less but over 1 year	**2,503,941**	1,833,733
	– 1 year or less but over 3 months	**28,580**	695
	– 3 months or less	**33,675**	507,035
	– Repayable on demand	**5,083**	698
		3,017,256	2,590,016
	Unquoted securities : Remaining maturity – over 5 years	**5,245,625**	7,276,744
	– 5 years or less but over 1 year	**2,235,593**	1,090,342
	– 1 year or less but over 3 months	**410,456**	793,572
	– 3 months or less	**40,142**	917,441
		7,931,816	10,078,099
	– Loans and receivables with banks collective impairment	**–**	(401)
		10,949,072	12,667,714
	Amounts include: Due from parent company and fellow subsidiaries	**9,278,367**	11,643,475

Included in the total of loans and receivable with banks are sale and repurchase agreements of Nil (2010: Nil).

6.2	**Loans and receivables with banks: fair value**	**2011 €'000**	2010 €'000
	Loans and receivables with Banks	**8,016,580**	11,890,055
		8,016,580	11,890,855

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 2011 was €50.1 million (2010: €106.6 million).

A) Balance Sheet Notes – Assets (continued)

Item 70 – Loans and receivables with customers

		2011	2010
7.1	**Loans and receivables with customers: analysis by remaining maturity**	**€'000**	€'000
	– over 5 years	**1,200,536**	750,256
	– 5 years or less but over 1 year	**443,788**	267,496
	– 1 year or less but over 3 months	**5,845**	65,518
	– 3 months or less	**57,215**	489,654
	– unspecified	**–**	–
		1,707,384	1,572,924
	Loans and receivables with customers collective impairment	**(2,200)**	(3,326)
		1,705,184	1,569,598
	Unquoted securities: Remaining maturity – over 5 years	**709,213**	918,425
	– 5 years or less but over 1 year	**24,024**	26,716
	– 1 year or less but over 3 months	**19,842**	67,310
	– 3 months or less	–	–
	Unquoted securities: Impaired assets remaining maturity – 5 years or less but over 1 year	**3,501**	9,675
		2,461,764	2,591,724

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	**1,013,135**	1,096,926

Included in the total of loans and receivable with customers are sale and repurchase agreements of €54.6 million (2010: €68.9 million).

Included within loans and receivables with customers is €405.0 million (2010: €661.1 million) of asset backed securities. Management have considered the financial impact of collateral held within securities and consider it to be sufficient to recover the carrying value of such assets.

	Loans and receivables with customers: Fair value	**2011 €'000**	2010 €'000
7.2	Loans and receivables with customers	**2,101,783**	2,429,983
		2,101,783	2,429,983

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 2011 was €452.3 million (2010: €740.2 million).

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 80 – Hedging derivatives

8.1 Hedging derivatives	**2011 €'000**	2010 €'000
Cross currency swaps	**106,110**	152,017
Interest rate swaps	**142,552**	39,783
	248,662	191,800

Included in hedging derivatives is an amount of €174.6 million (2010: €184.3 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 (+/-)	**2011 €'000**	2010 €'000
Positive changes in fair value of portfolio hedged items	**8,816**	4,446
	8,816	4,446

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

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 2010	1,479	192	487	2,158
Additions	4	11	55	70
Disposals	–	–	–	–
At 1 January 2011	1,483	203	542	2,228
Additions	–	–	12	12
Disposals	(176)	(131)	(329)	(636)
At 31 December 2011	1,307	72	225	1,604

Accumualted depreciation	Leasehold improvements €'000	Office equipment €'000	Computer equipment €'000	Total €'000
At 1 January 2010	1,391	180	411	1,982
Charge for year	30	13	59	102
Disposals	–	–	–	–
At 1 January 2011	1,421	193	470	2,084
Charge for year	27	6	39	72
Disposals	(175)	(131)	(329)	(635)
At 31 December 2011	1,273	68	180	1,521
Net book values				
At 31 December 2010	62	10	72	144
At 31 December 2011	34	4	45	83

A) Balance Sheet Notes – Assets (continued)

Item 130 – Intangible assets

13.1

Intangible assets Cost	Computer software costs €'000	Total €'000
At 1 January 2010	1,679	1,679
Additions	96	96
At 1 January 2011	1,775	1,775
Additions	50	50
At 31 December 2011	1,825	1,825
Accumulated depreciation		
At 1 January 2010	1,450	1,450
Charge for year	147	147
At 1 January 2011	1,597	1,597
Charge for year	107	107
At 31 December 2011	1,704	1,704
Net book values		
At 31 December 2010	178	178
At 31 December 2011	121	121

Item 140 – Tax assets

14.1

Tax assets	2011 €,000	2010 €,000
Deferred taxation asset at 1 January		–
Tax credit arising from negative AFS revaluation reserve	**183,775**	56,661
Adjustments in respect of previous years	–	–
At 31 December	**183,775**	56,661
Current taxation asset	**6,682**	29,525
	6,682	29,525
Total tax assets	**190,457**	86,186

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	2011 €'000	2010 €'000
Accounts receivable and prepayments	**142**	82
	142	82

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities

Item 10 – Deposits from banks

1.1 Deposits from banks: analysis by remaining maturity	2011 €'000	2010 €'000
Remaining maturity – Over 5 years	1,779,599	2,584,006
– 5 years or less but over 1 year	4,185,771	3,615,761
– 1 year or less but over 3 months	487,862	2,786
– 3 months or less	8,121,017	9,009,138
– Repayable on demand	15	37
	14,574,264	15,211,728

Amounts include:

Due to parent company and fellow subsidiaries	7,546,167	8,149,701

Included in deposits from banks are deposits of €6.7 billion (2010: €7.0 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.

1.2 Deposits from banks: Fair Value	2011 €'000	2010 €'000
Deposits from Banks	14,338,276	15,297,154
	14,338,276	15,297,154

Item 20 – Deposits from customers

2.1 Deposits from customers: analysis by remaining maturity	2011 €'000	2010 €'000
Remaining maturity – 3 months or less	566,921	163,516
– 1 year or less but over 3 months	358,055	10,047
– 5 years or less but over 1 year	550,476	–
	1,475,452	173,563

Amounts include:

Due to parent company and fellow subsidiaries	**49,357**	26,694

Included in customer accounts are deposits of €1.4 billion (2010: Nil) held as security for securities sold under repurchase agreements.

B) Balance Sheet Notes – Liabilities (continued)

2.2 Deposits from Customers: Fair Value	2011 €'000	2010 €'000
Deposits from customers	1,403,585	170,898
	1,403,585	170,898

Item 30 – Debt securities in issue

3.1 Debt securities in issue: analysis by remaining maturity	2011 €'000	2010 €'000
Bonds and medium term notes		
Remaining maturity – over 5 years	–	48,689
– 5 years or less but over 1 year	390,112	693,811
– 1 year or less but over 3 months	2,997,147	1,059,091
– 3 months or less	65,189	–
– repayable on demand	–	–
	3,452,448	1,801,591
Other debt securities in issue		
Remaining maturity – 5 years or less but over 1 year	9,033	54,157
– 1 year or less but over 3 months	211,575	189,685
– 3 months or less	–	3,299,710
	3,673,056	5,345,143

Amounts include: Due to parent company and fellow subsidiaries	**2,562,873**	147,721

3.2 Debt securities in issue: Fair Value	2011 €'000	2010 €'000
Debt securities in issue	2,924,747	5,319,880
	2,924,747	5,319,880

3.3 Debt securities in issue: by financial instrument	2011 €'000	2010 €'000
Certificate of deposit	22,083	140,432
Commercial paper	198,524	3,403,119
Medium term note	3,452,449	1,801,592
	3,673,056	5,345,143

B) Balance Sheet Notes – Liabilities (continued)

Item 40 – Financial liabilities held for trading

		2011 €'000	2010 €'000
4.1	Currency forward purchase contracts	–	8,072
	Currency forward sale contracts	44,322	54,294
	Interest rate and cross currency derivatives	7,555	14,745
		51,877	77,111

Included in trading derivatives is an amount of €48.8 million (2010: €70.5 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

		2011 €'000	2010 €'000
5.1	**Financial liabilities designated at fair value through profit or loss**		
	Exchangeable bond– Socotherm S.p.A.	–	51,079
		–	51,079

The Socotherm S.p.A. exchangeable bond matured on 28th February 2011 (2010: €51,078,733).

B) Balance Sheet Notes – Liabilities (continued)

Item 60 – Hedging derivatives

6.1 Hedging derivatives	**2011 €'000**	2010 €'000
Cross currency swaps	113,036	95,557
Interest rate swaps	1,132,983	776,862
Equity derivative	12,289	13,080
Currency forward sale contracts	12,988	1,008
	1,271,296	886,507

Included in hedging derivatives is an amount of €702 million (2010: €529 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 (+/-)	**2011 €'000**	2010 €'000
Positive/(Negative) changes in fair value of portfolio hedged items	61,040	(28,018)
	61,040	(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	**2011 €'000**	2010 €'000
Current tax liability	7,500	35,464
	7,500	35,464

Item 100 – Other liabilities

10.1 Other liabilities	**2011 €'000**	2010 €'000
Creditors and accruals	833	1,499
	833	1,499

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 140 – Revaluation reserve

14.1 Available for sale reserve	**2011 €'000**	2010 €'000
At 1 January	(395,126)	(101,768)
Change in fair value of available for sale financial assets – available for sale financial assets	(825,021)	(257,068)
– hedge	(185,703)	(86,600)
Impairment recognised in the income statement	6,236	8,402
Movement in deferred tax	125,561	41,908
At 31 December	**(1,274,053)**	(395,126)

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

14.2 Cash flow hedge reserve	**2011 €'000**	2010 €'000
At 1 January	(1,501)	–
Effective portion of changes in fair value	(9,813)	(870)
Net amount transferred to profit or loss	(2,610)	(846)
Movement in deferred tax	1,553	215
At 31 December	**(12,371)**	(1,501)

Total revaluation reserve	**(1,286,424)**	(396,627)

17.1 Reserves	**2011 €'000**	2010 €'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	194,322	225,412
d) Dividend paid	(85,000)	(120,000)
e) Net profit for the year	140,502	88,910
	1,049,045	993,543

Item 190 – Issued Capital

19.1 Issued capital Authorised	**2011 €'000**	2010 €'000
1,343,118,650 (2010 : 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 (2010 : 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	2011 €'000	2010 €'000
Paid up ordinary share capital	1,343,119	1,343,119
Capital contribution	753,419	753,419
Revenue reserves	155,125	185,795
Subordinated deposit capital – Tier 2	676,812	676,812
Total capital resources	**2,928,475**	2,959,145

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

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

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

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

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

The target standard risk-asset ratio set by the Basel Committee is 8% (UniCredit Bank Ireland actual risk-asset ratio: 44.48%) of which the Tier 1 element must be at least 4% (UniCredit Bank Ireland actual tier 1 element: 34.2%). 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 2011 was 44.48% (2010: 61.85%).

The Solvency index ratio (Pillar II) for the Company as at 31 December 2011 was 388.79% (2010: 540.68%).

C) Income Statement Notes

Item 10 – Interest income and similar revenues

		2011 €'000	2010 €'000
1.1	**Interest and similar income arising on:**		
	Loans and receivables with banks	222,154	185,953
	Loans and receivables with customers	72,980	65,944
	Financial assets held for trading	22,629	15,129
	Available for sale financial assets	323,985	204,100
	Financial assets designated at fair value through profit or loss	6,494	10,388
	Hedging derivatives	80,976	39,406
		729,218	520,920

Total interest income exclusive of financial assets at fair value through profit or loss calculated using the effective interest rate method is €723 million (2010: €495 million).

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	**261,534**	220,915

Item 20 – Interest expense and similar charges

		2011 €'000	2010 €'000
2.1	**Interest expense and similar charges arising on:**		
	Deposits from banks	(130,888)	(89,178)
	Deposits from customers	(1,340)	(903)
	Debt securities in issue	(79,013)	(79,918)
	Financial liabilities held for trading	(38,472)	(24,157)
	Repos	(81,696)	(23,836)
	Financial liabilities designated at fair value through profit or loss	(179)	(1,125)
	Hedging derivatives	(244,353)	(177,490)
	Other liabilities	(93)	(60)
		(576,034)	(396,667)

Total interest expense exclusive of financial liabilities at fair value through profit or loss calculated using the effective interest rate method is €576 million (2010: €372 million).

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	(279,874)	(205,766)

Item 30 – Net interest income

		2011	2010
3.1	**Net interest income**	**153,184**	124,253

C) Income Statement Notes (continued)

Item 40, 50 and 60 – Fee and commission income

4.1 Fees and commission income and expense	2011 €'000	2010 €'000
Fee and commission income		
Credit related fees and commissions	372	185
Guarantee fees	238	549
Other fees	–	136
	610	870

Amounts include:	2011 €'000	2010 €'000
Due from parent company and fellow subsidiaries	**221**	538

5.1 Fees and commission expense		
Brokerage and management fees	(520)	(1,977)
Other fees	(2,004)	(3,257)
	(2,524)	(5,234)

Amounts include:	2011 €'000	2010 €'000
Due from parent company and fellow subsidiaries	**(1,625)**	(3,970)

6.1 **Net fees and commissions**	**(1,914)**	(4,364)

Item 70 – Dividend income

7.1 Dividend Income	2011 €'000	2010 €'000
Dividend income	–	–
	–	–

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

8.1 Gains/(losses) on financial assets and liabilities held for trading	2011 €'000	2010 €'000
Trading (losses)/gains	(3,375)	917
Foreign currency translation (losses)/gains	832	(553)
	(2,543)	364

C) Income Statement Notes (continued)

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

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	**(79,504)**	(46,563)

Item 90 – Fair value adjustments in hedge accounting

9.1 Fair Value adjustment	**2011 €'000**	2010 €'000
Fair value adjustment on hedging derivatives	(247,285)	(180,981)
Fair value adjustment relating to hedged items		
– AFS Hedge	356,814	142,986
– Non-AFS Hedge	(104,382)	36,365
Cash-flow hedging derivatives ineffectiveness	2,610	846
	7,757	(784)

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	**(115,246)**	(69,186)

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

10.1 **Gains/(losses) on disposal of:**	**2011 €'000**	2010 €'000
a) Loans and receivables	(1,277)	27,422
b) Available for sale financial assets	–	(38,863)
d) Financial liabilities at amortised cost	635	(326)
	(642)	(11,767)

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

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

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	**2011 €'000**	2010 €'000
Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	3,096	(2,887)
	3,096	(2,887)

Amounts include:	**2011 €'000**	2010 €'000
Due from parent company and fellow subsidiaries	3,096	213

Item 130 – Impairment losses

13.1 Impairment losses	**2011 €'000**	2010 €'000
a) Loans	(855)	8,224
b) Available for sale financial assets	(6,236)	(4,828)
	(7,091)	3,396

The €0.8 million in relation to loans is comprised of a €2.4 million specific impairment and a reversal of the collective impairment mainly in relation to exposures with customers. The €8.2 million in 2010 in relation to loans is a reversal of the collective impairment mainly in relation to exposure with credit institutions.

The €6.2 million available for sale financial assets impairment is a specific impairment in relation to an available for sale financial asset. The €4.8 million available for sale financial assets impairment in 2010 is a specific impairment in relation to two available for sale financial assets less the release of a previous impairment.

C) Income Statement Notes (continued)

Item 180 – Administrative costs

18.1 Administrative costs	2011 €'000	2010 €'000
a) Staff expenses	(3,584)	(3,569)
Wages and salaries	(2,898)	(2,943)
Social security costs	(261)	(242)
Pension costs	(231)	(188)
Directors' fees	(194)	(196)
b) other administrative expenses	(2,689)	(2,926)
Total Administrative costs	**(6,273)**	(6,495)

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

Audit	(172)	(154)
Other assurance	–	–
Tax advisory services	–	–
Other non-audit services	(137)	(82)
	(309)	(236)

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

Included in wages and salaries, social security costs and pension costs are directors' emoluments in connection with management of the company, details of which are provided in note 6 of the 'Other Notes' section. The number of people employed directly by the Company at the end of 2011 is 30 (2010: 29).

Item 200 – Depreciation on property, plant and equipment

20.1 Item 200 – Depreciation on property, plant and equipment	2011 €'000	2010 €'000
Depreciation on property, plant and equipment	(73)	(101)
	(73)	(101)

Item 210 – Depreciation on intangible assets

21.1 Item 210 – Depreciation on intangible assets	2011 €'000	2010 €'000
Depreciation on intangible assets	(107)	(147)
	(107)	(147)

C) Income Statement Notes (continued)

Item 220 – Other Operating Income

22.1 Item 220 – Other operating income	2011 €'000	2010 €'000
Operating income	4	122
	4	122

Item 270 – Gains on disposal of investments

27.1 Item 240 – Gains on disposal of investments	2011 €'000	2010 €'000
Gain on disposal of investment	–	21
	–	21

The gain on disposal of investment for 2010 of €21 thousand 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	2011 €'000	2010 €'000
Current tax (charge)	(18,162)	(13,052)
Adjustments in respect of previous years	14,129	200
Withholding tax credit – Current Year	162	151
Withholding tax (charge) – Previous Years	(1,025)	
	(4,896)	(12,701)

Profit before tax	**145,398**	101,611

Tax calculated at a tax rate of 12.5% (2010: 12.5%)	(18,175)	(12,701)
Effects of: Disallowable items	(38)	(456)
Allowable deductions	52	10
Depreciation in excess of capital allowances	(1)	95
Withholding tax credit – Current Year	162	151
Withholding tax (charge) – Previous Years	(1,025)	
Adjustments in respect of previous years	14,129	200
Income tax (charge)	**(4,896)**	(12,701)

D) Other Notes

1 Contingent liabilities and commitments	2011 €'000	2010 €'000
Guarantees pledged as security	–	89,217
Undrawn credit facilities with a maturity – Repayable on demand	500,000	–
– of less than 1 year	83,802	81,324
– of between 1 and 5 years	–	–
– of more than 5 years	–	–
	583,802	81,324
	583,802	170,541

The Company does not currently hold any guarantees (2010: €89.2 million).

The Company has €150 million in securities lending transactions and €1.39 billion in securities borrowing. These transactions were entered into in order to boost UniCredit S.p.A. Group liquidity.

2 Pension scheme

The Company operates a defined contribution pension scheme. The funds attributable to the scheme are administered by the Trustees and are independent from the Company's finances. The Company's contributions are charged in the income statement in the year in which the contributions are made. Included in staff expenses in the income statement is an amount of €0.23 million (2010: €0.19 million) in relation to pension contributions. Included in Other liabilities in the balance sheet is an amount of €0.026 million (2010: Nil) in relation to accruals for pension contributions.

3 Segmental reporting

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

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

Detail regarding revenues by product type can be found in the income statement notes for Item 10, 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 €43 million (2010: €221 million).

D) Other Notes (continued)

The below table shows a breakdown of external revenues by geographical location as at 31 December 2011.

2011	Ireland	Italy	United Kingdom	Spain
External Revenues	7,435	548,977	88,438	47,269
Total	**7,435**	**548,977**	**88,438**	**47,269**

2011	Rest of Europe	America	Rest of World	Total
External Revenues	32,632	2,927	2,150	729,828
Total	**32,632**	**2,927**	**2,150**	**729,828**

2010	Ireland	Italy	United Kingdom	Spain
External Revenues	9,027	412,928	35,470	10,178
Total	**9,027**	**412,928**	**35,470**	**10,178**

2010	Rest of Europe	America	Rest of World	Total
External Revenues	42,911	8,231	3,045	521,790
Total	**42,911**	**8,231**	**3,045**	**521,790**

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

4 Financial risk management

Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Collective impairment provisions on loans and receivables of €2.2 million have been provided for the year ended 31 December 2011 (2010: €3.7 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.

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)
All proposed credit facilities after being analysed by UniCredit Bank Ireland's Credit Committee (composed of the Managing Director, the Chief Risk Officer and one independent member of the Board of Directors) 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.

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 2011 (2010: Nil).

The credit policies are reviewed periodically by (1) the Audit Committee, and (2) by the Board of Directors. The Credit and Structured Finance 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.

2011 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	3,654	52,459	7,733,669	–	7,789,782
Asset backed securities	404,950	–	23,991	–	428,941
Financial companies/Investment banks	1,041,119	–	17,726	–	1,058,845
Insurance	44,571	–	46,055	–	90,626
Municipals/Other General Government	–	–	12,146	–	12,146
Funds	–	–	30,452	–	30,452
Leasing companies	969,670	–	–	–	969,670
Banks	–	10,949,073	382,222	311,882	11,643,177
Impairment	(2,200)	–	–	–	(2,200)
Total	**2,461,764**	**11,001,532**	**8,246,261**	**311,882**	**22,021,439**

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**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by industry table €22,021,439 (2010: €23,603,075) is represented in lines 10-80 of the Balance Sheet excluding an equity available for sale security of Nil (2010: Nil).

Included in the total amount of €22,021,439 (2010:€23,603,089) for exposures broken down by industry is an amount of €10.8 billion (2010: €13.4 billion) which is due from UniCredit S.p.A. Group.

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

2011 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:	2,463,964	10,924,745	8,206,434	311,882	21,907,025
Ireland	131,277	52,570	78,721	–	262,568
Italy	1,259,607	9,407,910	6,418,327	236,615	17,322,459
Spain	126,509	–	1,569,079	–	1,695,588
United Kingdom	915,498	415,735	–	75,267	1,406,500
Rest of Europe	31,073	1,048,530	140,307	–	1,219,910
Non EU	–	74,366	39,827	–	114,193
North America	–	2,421	–	–	2,421
Impairment	(2,200)	–	–	–	(2,200)
Total	**2,461,764**	**11,001,532**	**8,246,261**	**311,882**	**22,021,439**

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
Ireland	72,917	130,851	78,904	–	282,672
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
United Kingdom	288,521	182,496	–	16,519	487,536
Rest of Europe	190,840	1,038,106	408,912	14,393	1,652,251
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**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by geographical area table above €22,021,439 (2010: €23,603,075) is represented in lines 10-80 of the Balance Sheet excluding an Equity Available for Sale Security of Nil (2010: Nil).

Included in the total amount of €22,021,439 (2010: €23,603,075) for exposure broken down by geographical area is an amount of €10.8 billion (2010: €13.4 billion) which is due from UniCredit S.p.A. Group.

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

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

2011 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	**236,395**	**1,700,025**	**81,219**	**3,560**	**2,021,199**
– Group	–	1,700,025	–	–	1,700,025
– Non-group	236,395	–	81,219	3,560	321,174
B4 to B6	**1,490,385**	**8,665,179**	**7,951,631**	**258,967**	**18,366,163**
– Group	1,013,135	7,411,197	268,511	224,327	8,917,170
– Non-group	477,250	1,253,982	7,683,120	34,640	9,448,993
B7 to B9	**672,358**	**621,284**	**160,029**	**–**	**1,453,671**
– Group	–	152,101	–	–	152,101
– Non-group	672,358	469,183	160,029	–	1,301,570
B10 to B13	**64,826**	**15,044**	**22,930**	**–**	**102,800**
– Group	–	15,044	–	–	15,044
– Non-group	67,826	–	22,930	–	90,756
Unrated	**–**	**–**	**30,452**	**49,355**	**79,807**
– Non-group	–	–	30,452	49,355	79,807
Impairment	**(2,200)**	**–**	**–**	**–**	**(2,200)**
Total	**2,461,764**	**11,001,532**	**8,246,261**	**311,882**	**22,021,439**

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

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**
– Group	1,096,926	11,694,554	278,336	–	13,069,816
– Non-group	516,818	42,030	7,199,686	22,665	7,781,199
B4 to B6	**33,836**	**906,630**	**111,249**	**322,649**	**1,374,364**
– Group	–	–	–	301,707	301,707
– Non-group	33,836	906,630	111,249	20,941	1,072,656
B7 to B9	**927,911**	**156,200**	**182,022**	**1,222**	**1,267,355**
– Non-group	927,911	156,200	182,022	1,222	1,267,355
B10 to B13	**19,559**	**29,935**	**29,670**	**–**	**79,164**
– Non-group	19,559	29,935	29,670	–	79,164
Unrated	**–**	**–**	**31,540**	**3,364**	**34,904**
– Non-group	–	–	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**

The total of the exposure broken down by rating category above €22,021,439 (2010: €23,603,075) is represented in lines 10-80 of the Balance Sheet excluding an Equity Available for Sale Security of Nil (2010: Nil).

Included in the total amount of €22,021,439 (2010:€23,603,075) for exposure broken down by rating is an amount of €10.8 billion (2010: €13.4 billion) which is due from UniCredit S.p.A. Group.

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

Maximum credit risk exposure	**2011 €'000**	2010 €'000
Loans and receivables with customers	2,461,764	2,591,724
Loans and receivables banks	11,001,532	12,828,948
Investment securities	8,246,261	7,832,503
Derivatives	311,882	349,900
Commitments – undrawn credit facilities	583,802	81,324
	22,605,241	23,684,399

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

Sovereign Exposures

Breakdown of Sovereign Debt Securities by Country and Portfolio

The below table provides an overview of the Company's sovereign exposures' as at 31 December 2011.

Country/Portfolio	Nominal Value	Fair Value	Nominal Value	Fair Value
	2011 €'000	**2011 €'000**	2010 €'000	2010 €'000
– Ireland	**50,000**	**48,268**	**50,000**	**47,363**
Available for sale financial assets	50,000	48,268	50,000	47,363
– Italy	**6,370,852**	**6,046,218**	**5,238,016**	**5,480,195**
Available for sale financial assets	6,370,852	6,046,218	5,238,016	5,480,195
– Poland	**58,643**	**60,148**	**57,420**	**61,375**
Available for sale financial assets	58,643	60,148	57,420	61,375
– Russia	**18,746**	**22,101**	**19,457**	**22,842**
Available for sale financial assets	18,746	22,101	19,457	22,842
– Spain	**1,588,222**	**1,569,079**	**1,406,975**	**1,407,363**
Available for sale financial assets	1,588,222	1,569,079	1,406,975	1,407,363
Total	**8,086,463**	**7,745,814**	**6,771,868**	**7,019,138**

Loans are not included in the above table.

Sovereign Debt Securities and Loans– Weighted Duration
The table below shows the weighted duration of the sovereign bonds:

Country	Years	Years
	2011	**2010**
– Ireland	2.04	3.04
– Italy	5.90	7.15
– Poland	4.18	5.22
– Russia	18.26	19.26
– Spain	1.22	2.19

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

	Amount as at 31 December 2011	Amount as at 31 December 2010
	Available for sale financial assets	Available for sale financial assets
Fair Value	7,745,814	7,477,322
% Portfolio	95%	94%

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

In addition to the exposures to sovereign debt securities, loans given to central and local governments and government bodies must be taken into account. The total amount of sovereign loans held by the UniCredit Bank Ireland is €56.1 million. €52.5 million of this is with the Central Bank of Ireland in relation to the minimum reserve requirement and the deposit protection agreement. The remainder of €3.6 million is in relation to a Brazilian regional state guaranteed by an Italian State agency.

Liquidity Risk

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

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

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

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

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

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

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Liquidity risk ratios	2011	2010
Sight to 8 days	192%	146%
8 days to 1 months	103%	112%

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

Liquidity risk within the 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 – 2011

	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	15	8,562,377	1,001,444	6,262,086	2,121,490	17,947,412
Deposits from customers	–	920,666	14,712	582,713	–	1,518,091
Debt securities in issue	–	119,821	3,244,386	385,280	–	3,749,487
Financial liabilities held for trading*	14,613	1,561,949	5,960	8,464	–	1,590,986
Financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–
Hedging derivatives	–	–	2,377	688,721	824,632	1,515,730
Other liabilities	–	–	833	–	–	833
Undrawn commitments	583,802	–	–	–	–	583,802
Total	**598,430**	**11,164,813**	**4,269,712**	**7,927,264**	**2,946,122**	**26,906,341**

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 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)

Market Risk

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

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

Organisational Structure

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

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

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

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

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

The Bank's Risk Department proposes to the ALCO any sub-allocation of limits to individual desk or cluster of portfolios.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk– Trading book

The trading book contains those positions of financial markets held to take profit from short-term price movements or from arbitrage according to the assigned limits and mandates. The main tool used to measure the market risk on the 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 (500 days). The empirical distribution of profits/losses deriving therefrom 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 and daily update of time series. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realised.

Below is a table summarising the Trading book VaR during 2011.

30.12.2011 in €	Average €	Maximum €	Minimum €	2010 Average €
198,200	169,000	198,200	162,500	170,000

Management of Market Risk – Banking book

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

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

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

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk – Banking book (continued)

The Interest Rate risk on the banking book is measured and monitored using Value at Risk (VaR) which is the statistical measure used by the Bank to quantify fluctuations (profit or loss) in the value of a portfolio over a pre-defined period of time (called holding period) of 1 day and with a 99% confidence interval. The VaR model is based on historical behavior using 500 scenarios and thereby without parametric assumptions about a priori statistical distribution of the portfolio value movements. Based on the risk factor scenarios, the VaR will vary with the market conditions, even though the portfolio does not change. This approach involves the construction of the hypothetical distribution of the yields (profit and losses) of a portfolio of financial instruments directly by means of the historical fluctuations of the market prices. Once the empirical distribution of profit/losses has been calculated, the VaR is given by the percentile evaluation with the selected confidence interval.
With effect from 2011, the VaR IRR measurement on the Banking Book also covered the Strategic portfolio. The Group Risk Committee sets the IRR Sensitivity (BPV) and VaR limits.

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

30.12.2011 in €	Average €	Maximum €	Minimum €	2010 Average €
1,009,000	894,300	1,411,000	666,000	492,000

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.

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.

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk– Derivative financial instruments (continued)

a) Hedging Policy (continued)

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

The fair value of derivative contracts are accounted in the following items:
- 20 – Assets – Financial assets held for trading (for economic non-IAS 39 hedging derivatives)
- 80 – Assets – Hedging derivatives
- 40 – Liabilities – Financial liabilities held for trading (for economic non-IAS 39 hedging derivatives)
- 60 – Liabilities – Hedging derivatives

b)IAS 39 Hedge accounting

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

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

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

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

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

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

c) Economically hedge derivatives

The Company's policy is also to hedge all interest risk positions of the Company even though formal hedge accounting is not place. Economic hedges are related to all assets and liabilities of the Company which are not at a 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 UniCredit Bank AG, London Branch, which has been elected as the group's "competence centre" for the evaluation of complex structured credit products, i.e. ABS, CDO, CLO, CDO of ABS etc which represent the various sectors;

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

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

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 2011	Level 2 €'000 2011	Level 3 €'000 2011	Total €'000 2011	Level 1 €'000 2010	Level 2 €'000 2010	Level 3 €'000 2010	Total €'000 2010
Financial assets held for trading – Trading securities	–	30,452	–	30,452	–	31,540	–	31,540
– Trading derivatives	–	63,220	–	63,220	–	158,100	–	158,100
Financial assets designated at fair value through profit or loss	80,159	–	–	80,159	323,641	51,079	–	374,720
Available-for sale financial assets	8,112,720	–	22,930	8,135,650	7,447,652	–	29,670	7,477,322
Hedging derivatives	–	248,662	–	248,662	–	191,800	–	191,800
Total	**8,192,879**	**342,334**	**22,930**	**8,558,143**	**7,771,293**	**432,519**	**29,670**	**8,233,482**

Liabilities measured at fair value	Level 1 €'000 2011	Level 2 €'000 2011	Level 3 €'000 2011	Total €'000 2011	Level 1 €'000 2010	Level 2 €'000 2010	Level 3 €'000 2010	Total €'000 2010
Financial liabilities held for trading – Trading derivatives	–	51,877	–	51,877	–	77,111	–	77,111
Financial liabilities designated at fair value through profit or loss	–	–	–	–	–	51,079	–	51,079
Hedging derivatives	–	1,271,296	–	1,271,296	–	886,507	–	886,507
Total	**–**	**1,323,173**	**–**	**1,323,173**	**–**	**1,014,697**	**–**	**1,014,697**

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 2011	Total 2011	Available-for sale financial assets 2010	Total 2010
Opening balance	29,670	29,670	16,101	16,101
Total gains or losses	(5,547)	(5,547)	13,569	13,569
Purchases	–	–	–	–
Issues	–	–	–	–
Settlements	(1,193)	(1,193)	–	–
Transfers out of Level 3	–	–	–	–
Closing balance	**22,930**	**22,930**	**29,670**	**29,670**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(5,547)**	**(5,547)**	**13,569**	**13,569**

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 2011	Total 2011	Available-for sale financial assets 2010	Total 2010
Fair value if annual default rate doubles	20,257	20,257	26,095	26,095

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 2011 and the profit that would have been recognised if the reclassification had not been carried out.

Financial instruments reclassified from held for trading	**Notional as at 31-12-2011 €'000**	**Carrying value at 31-12-2011 €'000**	**Fair value 31-12-2011 €'000**
ABS reclassified as at 1-7-2008	417,556	404,076	313,177
Banking and financial bonds reclassified as at 1-7-2008	–	–	–
Corporate and financial bonds reclassified as at 1-10-2008	102,000	97,229	92,295
Total	**519,556**	**501,305**	**405,472**

Financial instruments reclassified from held for trading	**Gains not recognised in 2011 due to reclassification 31-12-2011 €'000**	**Increase in interest income 31-12-2011 €'000**	**Net impact due to reclassification 31-12-2011 €'000**
ABS reclassified as at 1-7-2008	32,939	1,637	34,576
Banking and financial bonds reclassified as at 1-7-2008	(550)	–	(550)
Corporate and financial bonds reclassified as at 1-10-2008	(562)	1,009	447
Total	**31,827**	**2,646**	**34,473**

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

Date	Positive/(Negative) impact on income statement due to reclassification €,000
31 December 2011	34,473
31 December 2010	(14,579)
31 December 2009	(100,940)
31 December 2008	176,879
Net positive impact	95,833

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 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)**

The effective interest rate for the reclassified securities is 1.25% (2010: 0.9%).

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).

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 2011 in the shares of UniCredit S.p.A. at 1 January 2011 and at 31 December 2011 were:

	At 1 January 2011 UniCredit S.p.A. Ordinary Shares	At 31 December 2011 UniCredit S.p.A. Ordinary Shares
Directors:		
R. Molony	–	–
P. Braccioni	–	35,046
S. Vaiani	1,180	2,360
M. Bianchi	–	8,060
P.M. Satta	4,120	487
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 2011 (or date of appointment if later) and at 31 December 2011 were as follows:

Directors	Options at 1 January 2011	Options granted since 1 January 2011	Options exercised since 1 January 2011	Options at 31 December 2011
L. Parrilla	51,000	–	–	51,000
S. Vaiani	68,700	–	–	68,700
P. Braccioni	201,715	66,456	–	268,171

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. Consolidated financial statements as at 31 December 2011 were prepared by UniCredit S.p.A., which incorporate the results of their subsidiary companies. The group financial statements 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 2011 the total remuneration of the directors was €526,185 (2010: €530,892). Included in total remuneration is €194,000 (2010: €196,120) in respect of fees earned in the capacity of directors, €332,185 (2010: 334,772) in respect of compensation earned in the capacity of management and Nil (2010: Nil) in respect of post employment benefits.

There have been no loans provided to key management personnel or any connected person (2010: 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 available for sale reserve at the end of February 2012 was– €781 million which equated to a decrease of €505 million (39%) since 31 December 2011. This decrease was due to the change in fair value of mainly Italian sovereign bonds. This decrease has also resulted in a corresponding decrease in the deferred tax asset.

8 Approval of financial statements

The Directors approved the financial statements on 8 March 2012.

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