UniCredit Bank
UniCredit Bank Ireland p.l.c.

Financial Statements

Year Ended 31 December 2012

UniCredit Bank

UniCredit Bank Ireland p.l.c.

Contents

Directors and Other Information

Directors

Name	Role	Directorship Type	Nationality	Appointed to Board	Appointed to Role	Audit Committee Member
Ronan Molony	Chairman	Independent non-executive	Irish	31/07/2008	31/07/2008	No
Stefano Vaiani	Managing Director	Executive	Italian	09/09/2004	09/09/2004	No
Mirko Bianchi		Group	Swiss	29/07/2010		No
Patrizio Braccioni		Non-independent non-executive	Italian	05/09/2002		No
Donal Courtney		Independent non-executive	Irish	11/03/2010		Yes
Tom McAleese		Independent non-executive	Irish	11/03/2010		Yes
Pier Mario Satta		Group	Italian	30/07/2009		No
Aldo Soprano		Group	Italian	17/04/2012		Yes

Name	Role	Directorship Type	Nationality	Resigned from Board	Resigned from Role
Luigi Parrilla		Independent non-executive	Italian	08/03/2012	
Patrizio Braccioni	Deputy Chairman	Group	Italian		21/01/2013

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

Secretary (from 30/11/12)
Stefano Vaiani
UniCredit Bank Ireland
La Touche House
International Financial Services Centre
Dublin 1

Secretary (until 30/11/12)
HMP Secretarial Limited
Riverside One
Sir John Rogerson's Quay
Dublin 2

Auditor
KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1

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

Chairman's Statement

The Bank produced a satisfactory result for the year recording a net profit after tax of €82.4 million compared with a net profit after tax of €140.5 million in 2011.

Key points of the Bank's performance include:

- Deposits from banks grew by 20% to € 17.5 billion as the Bank took the opportunity of an improvement in the funding market to also lengthen its average maturity; in this regard the Bank participated in the European Central Bank LTRO programme (Long Term Refinancing Operation) for a total amount of 6 billion euro;
- 34% drop in the net interest income to €101.6 million due primarily to the cost associated with extending the Bank's funding tenors;
- A large increase in fee expenses, which moved from €2.5 million at the end of 2011 to €27.9 million at the end of 2012, mostly related to fees deriving from the securities borrowing activity and also the cost related to a financial collateral agreement;
- One-off gain of €25.6 million related to the early maturity of a repo deal;
- Significant decrease of the Sovereign credit spreads which have positively impacted the Revaluation Reserve, which moved from a negative amount of €1.29 billion at the year end 2011 to a negative amount of €576 million at the year end 2012.

Lending and Borrowing Activity

In relation to liquidity, the Bank's short-term funding programmes (US Commercial Paper, Euro Commercial Paper and Certificates of Deposit) continued to perform poorly during 2012, however the Bank was able to issue a significant amount of new Medium Term Notes, thus increasing the amount of the Debt securities in issue from €3.7 billion at the end of 2011 to €4.7 billion at the end of 2012, bringing also an increase of the average maturity as a consequence of the new issues.

Capitalisation

The Shareholder's equity increased by 60% to €1,765 million.

The Board wishes to express its appreciation to all members of staff for their continued efforts. Additionally, the Board wishes to thank Stefano Vaiani, who will soon retire from the Bank, for his excellent work as Managing Director over the last nine years.

R. Molony
Chairman

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2012.

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.

		2012	2011
		€'000	€'000
Company Profits	Profit for the financial year amounted to:	82,447	140,502

Dividends

An interim dividend of €133 million was paid on 21st March 2012 (2011: €85 million). The Board approved the dividend on 21 March 2012. Based on a review of the February 2012 management accounts of the Bank, there was sufficient distributable reserves of the Bank to make such a distribution.

Financial and Non Financial KPI's

Interest income and similar revenues 2012 amounted to €667.1 million (2011: €729.2 million).

Interest expense and similar charges 2012 amounted to €565.5 million (2011: €576.0 million).

Net interest income 2012 amounted to €101.6 million (2011: €153.2 million).

Total operating income 2012 amounted to €104.6 million (2011: €158.9 million).

Net profit from financial activities amounted to €101.6 million (2011: €151.8 million).

The most significant events that influenced the net profit of 2012 were the following:

1) The significant decrease of the net interest income (-€52 million) was mainly caused by the relevant increase of the cost of funding;
2) The negative revaluation reserve decreased to -€576.4 million mainly due to the marked improvement of the credit spreads of the Italian Sovereign Bonds;
3) The total assets increased by about €5 billion due mainly to new deals with Group Entities. The number of sales of assets during the year was negligible, with two positions in total being sold in order to keep a relatively low level of credit risk;
4) The total liabilities increased by approximately €4.3 billion, with a marked increase of both the deposits with banks (+€3 billion) and the debt securities in issue (+€1 billion). In this regard the Bank applied to the ECB LTRO programme for a total amount of €6 billion.
5) The decrease of the net profit was mitigated by the one-off gain produced by the early maturity of a few repo deals, thus producing an additional income of €25.6 million.

Directors' Report (continued)

Financial and Non Financial KPI's (continued)

The Company's total assets at end of 2012 amounted to €27.2 billion (2011: €22.2 billion).

Total Shareholders equity (issued capital, reserves and revaluation reserves) amounted to €1.8 billion (2011: €1.1 billion). This increase is due mainly to the movement of the revaluation reserve.

Number of employees was equal to 30 at year end (2011: 30). The average number of employees for the year was 30 (2011: 29).

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 44.

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
S. Vaiani - (Managing Director, Italian)	Executive
M. Bianchi - (Swiss)	Group
P. Braccioni - (Italian)	Independent non-executive
P. M. Satta - (Italian)	Group
L. Parrilla - (Italian) (Resigned 8 March 2012)	Independent non-executive
T. McAleese	Independent non-executive
D. Courtney	Independent non-executive
A. Soprano - (Appointed 17 April 2012)	Group

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 D. Courtney (Chairman), T. McAleese and A. Soprano. On the 7th March 2012 P. Braccioni resigned from the Audit Committee and on the 17th April 2012 A. Soprano was appointed. The purpose and scope of the Committee is to assist the Board of Directors in fulfilling their responsibilities for systems of internal control, accounting policies and financial reporting, and to monitor compliance with credit policy as approved by the Board of Directors.
Additionally, the Company established a Risk committee on 08/03/2012, comprising of A. Soprano (Appointed Chairman, effective 19/04/2012), D.Courtney and S. Vaiani. The purpose and scope of the committee is to assist the Board of Directors in fulfilling their responsibilities in relation to Risk management.

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 UniCredit Group completed a full audit tender process in 2012 and following this process, KPMG will resign as auditors to the Company and Deloitte will be appointed as auditors in 2013.

Regulation/Corporate Governance

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

On behalf of the Board

R. Molony, Chairman
P. M. Satta, Director
M. Bianchi, Director
D. Courtney, Director
S. Vaiani, Company Secretary

6 March 2013

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 2012.

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 2012 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 2012. 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 2012; 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
P. M. Satta, Director
M. Bianchi, Director
D. Courtney, Director
S. Vaiani, Company Secretary

6 March 2013

Independent Auditor's Report

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

We have audited the financial statements (''financial statements'') of UniCredit Bank Ireland p.l.c. for the year ended 31 December 2012 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Shareholder's Equity, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the provisions of the Companies Acts 1963 to 2012.

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

As explained more fully in the Directors' Responsibilities Statement on page 6 the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012 and, as regards the financial statements, Article 4 of the IAS Regulation.

Independent Auditor's Report (continued)

Matters on which we are required to report by the Companies Acts 1963 to 2012

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

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 2012 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made.

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

6 March 2012

Dublin, Ireland

Accounting Policies

Statement of Compliance

The financial statements as set out on pages 10 to 75 have been prepared in accordance with IFRSs as adopted by the EU and applicable at 31 December 2012. An amendment to IFRS 7 in relation to disclosures regarding the transfer of financial assets became effective for periods beginning on or after 1 July 2011. The Bank has complied with the standards requirements for the first time in 2012. The Directors have considered all other standards and pronouncements newly effective for the year ended 31 December 2012 and have concluded that they have no material impact on the financial statements. The financial statements also comply with applicable requirements of Irish Statute comprising the Companies Acts 1963 to 2012.

Basis of Preparation

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 20 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 (continued)

Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant instrument's expected life. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

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

Fee and Commission Income

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

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

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) <u>A financial asset is classified as held for trading if it is:</u>

- 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) <u>Financial assets designated at Fair Value through profit or loss</u>

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'.

Accounting Policies (continued)

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.

The collective provision was made on loans and receivables with customers positions only (where the Company pool similar positions for collective provision calculation purposes). The Company carried out a default (PD) and loss given default (LGD) scenario analysis using the PD/LGD values obtained from the Group CPM (Credit Portfolio Model).

In addition, with effect from end Q4 2011, in recognition of the deteriorated sovereign debt crisis, the Company have added a country weighting to the collective provision amount, by country (ie weightings that we attributed based on higher CDS levels for each sovereign).

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 principal 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 in the income statement as the excess of the asset's amortised cost over its fair value, therefore including a required reclassification of any 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.

Accounting Policies (continued)

Financial Liabilities (continued)

b) Financial liabilities held for trading

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

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

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

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

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

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

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

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

Derivative Financial Instruments and Hedge Accounting

Derivative instruments used by the Company primarily comprise 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.

Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

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

Embedded derivatives

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

Hedging

When a financial instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

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

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

The Company currently has two types of hedging instruments:

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

Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

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

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

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

Offsetting Financial Instruments

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

Financial Guarantees

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

Sale and Repurchase Agreements

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

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

The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest method.

Accounting Policies (continued)

Sale and Repurchase Agreements (continued)

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

Income Tax

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.

Accounting Policies (continued)

Share Capital

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

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders or in the case of an interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the balance sheet date 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 51.

Accounting Estimates and Judgements

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

Asset impairment

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

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

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

Accounting Policies (continued)

Accounting Estimates and Judgements (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 2012 and have not been applied in preparing the financial statements:

Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities - The International Accounting Standards Board issued an amendment to IFRS 7 in December 2011 for annual periods beginning on or after 1 January 2013.

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities - The International Accounting Standards Board issued an amendment to IAS 32 in December 2011 for annual periods beginning on or after 1 January 2014, with earlier application permitted.

IFRS 13 Fair Value Measurement - IFRS 13 was originally issued in May 2011 and applies to annual periods beginning on or after 1 January 2013.

Balance Sheet as at 31 December 2012

	Part A	2012	2011
Items	**Balance sheet - Assets**	€'000	€'000
10	Cash and cash balances	16,789	52,460
20	Financial assets held for trading	34,999	93,672
30	Financial assets designated at fair value through profit or loss	-	80,159
40	Available-for-sale financial assets	9,267,069	8,135,650
60	Loans and receivables with banks	15,480,684	10,949,072
70	Loans and receivables with customers	2,002,234	2,461,764
80	Hedging derivatives	258,133	248,662
90	Changes in fair value of portfolio hedged items (+/-)	9,703	8,816
120	Property, plant and equipment	68	83
130	Intangible assets	173	121
140	Tax assets		
	a) Current tax assets	1,842	6,682
	b) Deferred tax assets	82,338	183,775
160	Other assets	468	142
	Total assets	**27,154,500**	22,221,058

	Part B	2012	2011
Items	**Balance sheet - Liabilities**	€'000	€'000
10	Deposits from banks	17,531,463	14,574,264
20	Deposits from customers	1,645,726	1,475,452
30	Debt securities in issue	4,743,012	3,673,056
40	Financial liabilities held for trading	1,168	51,877
60	Hedging derivatives	1,405,532	1,271,296
70	Changes in fair value of portfolio hedged items (+/-)	59,908	61,040
80	Tax liabilities		
	a) Current tax liability	-	7,500
100	Other liabilities	2,445	833
	Total Liabilities	**25,389,254**	21,115,318

		2012	2011
	Balance sheet – Shareholder's equity	€'000	€'000
140	Revaluation reserve	(576,365)	(1,286,424)
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	249,824	194,322
	(d) Dividend paid	(133,000)	(85,000)
	(e) Net profit for the year	82,447	140,502
190	Issued capital	1,343,119	1,343,119
	Total Shareholder's Equity	**1,765,246**	1,105,740
	Total liabilities and shareholder's equity	**27,154,500**	22,221,058

The notes on pages 32 to 75 form part of these financial statements.

On behalf of the Board

R. Molony, Chairman
P. M. Satta, Director
M. Bianchi, Director
D. Courtney, Director
S. Vaiani, Company Secretary

6 March 2013

Income Statement
Year Ended 31 December 2012

Items – Part C		2012 €'000	2011 €'000
10	Interest income and similar revenues	667,134	729,218
20	Interest expense and similar charges	(565,517)	(576,034)
30	**Net Interest Income**	**101,617**	153,184
40	Fee and commission income	14,365	610
50	Fee and commission expense	(27,865)	(2,524)
60	**Net fees and commissions**	**(13,500)**	(1,914)
80	(Losses)/gains on financial assets and liabilities held for trading	(169)	(2,543)
90	Fair Value adjustments in hedge accounting	(3,601)	7,757
100	Gains/(losses) on disposal of:		
	a) Loans and receivables	(5,130)	(1,277)
	d) Financial liabilities held at amortised cost	25,609	635
110	Gains/(losses) on financial assets/liabilities designated at fair value through profit or loss	(209)	3,096
120	**Total operating income**	**104,617**	158,938
130	Impairment (losses)/write-back on:		
	a) Loans	(3,000)	(855)
	b) Available for sale financial assets	-	(6,236)
140	**Net profit from financial activities**	**101,617**	151,847
180	Administrative costs		
	a) Staff expenses	(3,659)	(3,584)
	b) Other administrative expenses	(3,251)	(2,689)
200	Depreciation on property, plant and equipment	(87)	(73)
210	Depreciation on intangible assets	(92)	(107)
220	Other operating income	6	4
230	**Operating costs**	**(7,083)**	(6,449)
280	**Profit before tax from continuing operations**	**94,534**	145,398
290	Tax expense related to profit from continuing operations	(12,087)	(4,896)
320	**Profit for the year (all attributable to shareholders)**	**82,447**	140,502

Statement of Comprehensive Income

Year Ended 31 December 2012

		2012	2011
		€'000	€'000
10	**Profit for the year**	**82,447**	140,502
Other comprehensive income after tax			
20	Available-for-sale financial assets		
	- Net change in fair value	**706,432**	(885,163)
	- Net amount transferred to profit or loss	**-**	6,236
60	Cash flow hedges		
	- Effective portion of changes in fair value	**755**	(8,260)
	- Net amount transferred to profit or loss	**2,872**	(2,610)
100	**Total of other comprehensive income after tax**	**710,059**	(889,797)
110	**Total comprehensive income after tax**	**792,506**	(749,295)

The notes on pages 32 to 75 form part of these financial statements.

All results are from continuing activities.

On behalf of the Board

R. Molony, Chairman
P. M. Satta, Director
M. Bianchi, Director
D. Courtney, Director
S. Vaiani, Company Secretary

6 March 2013

Statement of Changes in Shareholder's Equity
Year ended 31 December 2012

	Share capital	Capital contribution	Capital redemption reserve	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
	€'000	€,000	€'000	€'000	€'000	€'000	€,000
Opening balances at 1 January 2012	**1,343,119**	**753,419**	**45,802**	**(1,274,053)**	**(12,371)**	**249,824**	**1,105,740**
Profit attributable to the equity shareholders	-	-	-	-	-	82,447	**82,447**
Other comprehensive income							
Change in fair value of available for sale financial assets							
- available for sale financial assets	-	-	-	867,442	-	-	867,442
- hedge	-	-	-	(60,091)	-	-	(60,091)
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	1,273	-	1,273
- Net amount transferred to profit or loss	-	-	-	-	2,872	-	2,872
Movement in deferred tax	-	-	-	(100,919)	(518)	-	(101,437)
Total other comprehensive income	-	-	-	**706,432**	**3,627**	-	**710,059**
Total comprehensive income	-	-	-	**706,432**	**3,627**	**82,447**	**792,506**
Dividend distribution	-	-	-	-	-	**(133,000)**	**(133,000)**
Closing balances as at 31 December 2012	**1,343,119**	**753,419**	**45,802**	**(567,621)**	**(8,744)**	**199,271**	**1,765,246**

Statement of Changes in Shareholder's Equity
Year ended 31 December 2011

	Share capital	Capital contribution	Capital redemption reserve	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
	€'000	€,000	€'000	€'000	€'000	€'000	€,000
Opening balances at 1 January 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)
Total comprehensive income	-	-	-	(878,927)	(10,870)	140,502	(749,295)
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

Cash Flow Statement (indirect method)

31 December 2012

		2012 €'000	2011 €'000
A.	**Operating Activities**		
	1. Operations	**88,192**	**133,858**
	- profit for the year	82,447	140,502
	- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	378	(553)
	- capital gains/losses on hedging operations (+/-)	3,601	(7,757)
	- net write-offs/write-backs due to impairment (+/-)	3,000	7,091
	- net write-offs/write-backs on tangible and intangible assets (+/-)	179	179
	- not paid tax (+/-)	(1,413)	(5,604)
	2. Liquidity generated/absorbed by financial assets	**(3,064,806)**	**932,721**
	- financial assets held for trading	58,504	93,425
	- financial assets at fair value	79,950	297,657
	- available-for-sale financial assets	(1,131,419)	(658,328)
	- loans and receivables with banks	(2,808,655)	1,249,484
	- loans and receivables with customers	644,821	114,526
	- other assets	91,993	(164,043)
	3. Liquidity generated/absorbed by financial liabilities	**4,985,409**	**(1,522,948)**
	- deposits from banks	2,957,199	(637,464)
	- deposits from customers	170,274	1,301,889
	- debt certificates including bonds	1,069,956	(1,672,087)
	- financial liabilities held for trading	(50,709)	(25,234)
	- financial liabilities designated at fair value	-	(51,079)
	- other liabilities	838,689	(438,973)
	Net liquidity generated/absorbed by operating activities	**2,008,795**	**(456,369)**
B.	**Investment Activities**		
	1. Net Liquidity by:		
	- tangible and intangible assets	(218)	(63)
	Net liquidity generated/absorbed by investment activities	**(218)**	**(63)**
C.	**Funding Activities**		
	Dividend Paid to Parent Company	(133,000)	(85,000)
	Net liquidity generated/absorbed by funding activities	**(133,000)**	**(85,000)**
	Increase/Decrease in cash and cash equivalents	**1,875,577**	**(541,432)**
	Cash and cash equivalents at 1 January	145,848	687,280
	Cash flow	1,875,577	(541,432)
	Cash and cash equivalents at 31 December	**2,021,425**	**145,848**

KEY: (+) generated; (-) absorbed

Cash Flow Statement (indirect method) (continued)

31 December 2012

Cash Flow Reconciliation	2012 €'000	2011 €'000
Cash and cash balances	16,789	52,460
Deposit and current accounts with banks	1,761,715	38,758
Deposits with customers	242,921	54,630
Cash and cash equivalents total at 31 December	**2,021,425**	**145,848**

On behalf of the Board

R. Molony, Chairman
P. M. Satta, Director
M. Bianchi, Director
D. Courtney, Director
S. Vaiani, Company Secretary

6 March 2013

Notes to the Financial Statements

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

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

A) Balance Sheet Notes – Assets

Item 10 – Cash and cash balances

1.1 Cash and cash balances: breakdown	2012 €'000	2011 €'000
a) Cash	1	1
b) Demand deposits with the Central Bank	16,788	52,459
	16,789	52,460

Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: product breakdown	2012 €'000	2011 €'000
Units in investment fund	30,516	30,452
	30,516	30,452
Derivative assets	4,483	63,220
	34,999	93,672

Included in units in investment fund is an amount of €30.5 million (2011: €30.5 million) which has been invested via a UniCredit S.p.A. Group managed investment fund but is not consolidated within UniCredit Group.

2.2 Financial assets held for trading: analysis of debt and equity securities by remaining maturity	2012 €'000	2011 €'000
- Unspecified	30,516	30,452
	30,516	30,452

2.3 Financial assets held for trading: listing status		
- Unlisted	30,516	30,452
	30,516	30,452
Amounts include:		
Due from parent company and fellow subsidiaries	-	-

Financial assets held for trading of Nil (2011: Nil) have been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets

Item 20 – Financial assets held for trading (continued)

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

Derivatives held for trading	2012 €'000	2012 €'000	2011 €'000	2011 €'000
	Fair Value	Nominal	Fair Value	Nominal
Cross currency swaps	-	-	46,933	1,570,611
Eonia swaps	2,780	6,450,000	183	3,000,001
Interest rate swaps	1,365	26,274	3,806	174,001
Forward currency sales	338	2,311	-	-
Forward currency purchases	-	-	9	500
Equity derivative	-	-	12,289	108,370
	4,483	6,478,585	63,220	4,853,483

Included in derivatives held for trading is a fair value carrying amount of €1.7 million (2011: €49.7 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

3.1 Financial assets designated at fair value through profit or loss: product breakdown	2012 €'000	2011 €'000
Debt securities:		
- Government securities	-	80,159
	-	80,159

3.2 Financial assets designated at fair value through profit or loss: analysis of debt securities by remaining maturity	2012 €'000	2011 €'000
- 3 months or less	-	80,159
	-	80,159

3.3 Financial assets designated at fair value through profit or loss: listing status	2012 €'000	2011 €'000
- Listed	-	80,159
	-	80,159

Included in financial assets designated at fair value through profit or loss is an amount of Nil (2011: Nil) which is due from UniCredit S.p.A. Group.

Notes to the Financial Statements (continued)

A) Balance Sheet Notes - Assets (continued)

Item 40 – Available for sale financial assets

4.1 Available for sale financial assets: product breakdown	2012 €'000	2011 €'000
Issued by public bodies		
- Government debt securities	8,982,764	7,733,669
- Other public sector debt securities	14,071	12,146
Other securities		
- Other debt securities	270,234	389,835
	9,267,069	8,135,650

Amounts include:		
UniCredit S.p.A. Group available for sale financial assets	155,909	268,511

Available for sale fair value assets of €5.9 billion (2011: €7.79 billion) have been pledged to third parties in sale and repurchase agreements.

Included within available for sale assets is €24.9 million (2011: €24.0 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

4.2 Available for sale financial assets: analysis by remaining maturity	2012 €'000	2011 €'000
- over 5 years	2,690,961	2,319,724
- 5 years or less but over 1 year	4,130,543	5,164,523
- 1 year or less but over 3 months	2,398,430	515,653
- 3 months or less	47,135	135,750
	9,267,069	8,135,650

4.3 Available for sale financial assets: listing status	2012 €'000	2011 €'000
Analysis by listing status		
- Listed	9,267,069	8,135,650
	9,267,069	8,135,650

Notes to the Financial Statements (continued)

A) Balance Sheet Notes - Assets (continued)

Item 40 – Available for sale financial assets (continued)

4.4 Available for sale financial assets: annual changes	2012 €'000	2011 €'000
At 1 January	8,135,650	7,477,322
Additions	1,050,442	1,078,670
Disposals and maturities	(863,118)	(43,806)
Exchange differences	(95,390)	112,534
Changes in fair value	1,028,578	(491,189)
Interest receivable	10,907	2,119
At 31 December	**9,267,069**	8,135,650

Item 60 – Loans and receivables with banks

6.1 Loans and receivables with banks: analysis by remaining maturity	2012 €'000	2011 €'000
Loans and receivables : Remaining maturity		
- over 5 years	109,610	445,977
- 5 years or less but over 1 year	1,658,548	2,503,941
- 1 year or less but over 3 months	3,331,802	28,580
- 3 months or less	1,752,243	33,675
- Repayable on demand	9,472	5,083
	6,861,675	3,017,256
Unquoted securities : Remaining maturity		
- over 5 years	5,066,927	5,245,625
- 5 years or less but over 1 year	3,185,451	2,235,593
- 1 year or less but over 3 months	66,654	410,456
- 3 months or less	299,977	40,142
	8,619,009	7,931,816
	15,480,684	10,949,072
Amounts include:		
Due from parent company and fellow subsidiaries	14,278,568	9,278,367

Included in the total of loans and receivable with banks are sale and repurchase agreements of Nil (2011: Nil).

6.2 Loans and receivables with banks: fair value	2012 €'000	2011 €'000
Loans and receivables with banks	14,210,468	8,016,580
	14,210,468	8,016,580

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 60 – Loans and receivables with banks (continued)

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 2012 was Nil (2011: €50.1 million).

Item 70 – Loans and receivables with customers

7.1 Loans and receivables with customers: analysis by remaining maturity	2012 €'000	2011 €'000
Loans and receivables: Remaining maturity		
- over 5 years	749,821	1,200,536
- 5 years or less but over 1 year	108,518	443,788
- 1 year or less but over 3 months	275,600	5,845
- 3 months or less	243,822	57,215
	1,377,761	1,707,384
Loans and receivables with customers collective impairment	(5,200)	(2,200)
	1,372,561	1,705,184
Unquoted securities : Remaining maturity		
- over 5 years	580,405	709,213
- 5 years or less but over 1 year	49,268	24,024
- 1 year or less but over 3 months	-	19,842
Unquoted securities : Impaired assets remaining maturity		
- 5 years or less but over 1 year	-	3,501
	2,002,234	2,461,764

Amounts include:	**2012 €'000**	2011 €'000
Due from parent company and fellow subsidiaries	**1,002,533**	1,013,135

Included in the total of loans and receivable with customers are sale and repurchase agreements of €182.9 million (2011: €54.6 million).

Included within loans and receivables with customers is €298.6 million (2011: €405.0 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

Loans and receivables with customers: Fair value	2012 €'000	2011 €'000
7.2 Loans and receivables with customers	1,875,114	2,101,783
	1,875,114	2,101,783

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 70 – Loans and receivables with customers (continued)

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 2012 was €323 million (2011: €452.3 million).

Item 80 – Hedging derivatives

8.1

Hedging derivatives	2012 €'000	2012 €'000	2011 €'000	2011 €'000
	Fair Value	Nominal	Fair Value	Nominal
Cross currency swaps	35,319	171,548	106,110	496,660
Interest rate swaps	222,814	6,465,236	142,552	4,092,913
	258,133	**6,636,784**	248,662	4,589,573

Included in hedging derivatives is an amount of €149.9 million (2011: €174.6 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 (+/-)	2012 €'000	2011 €'000
Positive changes in fair value of portfolio hedged items	9,703	8,816
	9,703	8,816

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

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 120 – Property, plant and equipment

12.1 Property, plant and equipment	Leasehold improvements	Office equipment	Computer equipment	Total
Cost	€'000	€'000	€'000	€'000
At 1 January 2011	1,483	203	542	2,228
Additions	-	-	12	12
Disposals	(176)	(131)	(329)	(636)
At 1 January 2012	1,307	72	225	1,604
Additions	-	1	73	74
Disposals	-	-	(2)	(2)
At 31 December 2012	1,307	73	296	1,676

	Leasehold Improvements	Office equipment	Computer equipment	Total
Accumulated depreciation	€'000	€'000	€'000	€'000
At 1 January 2011	1,421	193	470	2,084
Charge for year	27	6	39	72
Disposals	(175)	(131)	(329)	(635)
At 1 January 2012	1,273	68	180	1,521
Charge for year	34	4	49	87
Disposals	-	-	-	-
At 31 December 2012	1,307	72	229	1,608
Net book values				
At 31 December 2011	34	4	45	83
At 31 December 2012	-	1	67	68

Notes to the Financial Statements (continued)

A) Balance Sheet Notes – Assets (continued)

Item 130 – Intangible assets

13.1 Intangible assets	Computer software costs	Total
Cost	€'000	€'000
At 1 January 2011	1,775	1,775
Additions	50	50
At 1 January 2012	1,825	1,825
Additions	144	144
At 31 December 2012	1,969	1,969
Accumulated depreciation		
At 1 January 2011	1,597	1,597
Charge for year	107	107
At 1 January 2012	1,704	1,704
Charge for year	92	92
At 31 December 2012	1,796	1,796
Net book values		
At 31 December 2011	**121**	**121**
At 31 December 2012	**173**	**173**

Item 140 – Tax assets

14.1 Tax assets	**2012**	2011
	€,000	€,000
Deferred taxation asset at 1 January		
Tax credit arising from negative AFS revaluation reserve	82,338	183,775
At 31 December	**82,338**	183,775
Current taxation asset	1,842	6,682
	1,842	6,682
Total tax assets	**84,180**	190,457

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	2012	2011
	€'000	**€'000**
Accounts receivable and prepayments	468	142
	468	**142**

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	2012 €'000	2011 €'000
Remaining maturity		
- Over 5 years	844,321	1,779,599
- 5 years or less but over 1 year	9,186,678	4,185,771
- 1 year or less but over 3 months	4,465,206	487,862
- 3 months or less	3,035,251	8,121,017
- Repayable on demand	7	15
	17,531,463	14,574,264
Amounts include:		
Due to parent company and fellow subsidiaries	**4,260,091**	7,546,167

Included in deposits from banks are deposits of €6.8 billion (2011: €6.7 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 44.

Deposits from banks: Fair Value	2012 €'000	2011 €'000
1.2 Deposits from Banks	17,785,304	14,338,276
	17,785,304	14,338,276

Item 20 – Deposits from customers

2.1 Deposits from customers: analysis by remaining maturity	2012 €'000	2011 €'000
Remaining maturity		
- 5 years or less but over 1 year	539,837	550,476
- 1 year or less but over 3 months	342,897	358,055
- 3 months or less	762,992	566,921
	1,645,726	1,475,452
Amounts include:		
Due to parent company and fellow subsidiaries	**45,523**	49,357

Included in customer accounts are deposits of €1.5 billion (2011: 1.4) held as security for securities sold under repurchase agreements.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

2.2 Deposits from customers: Fair value	2012 €'000	2011 €'000
Deposits from customers	1,748,017	1,403,585
	1,748,017	1,403,585

Item 30 – Debt securities in issue

3.1 Debt securities in issue: analysis by remaining maturity	2012 €'000	2011 €'000
Bonds and medium term notes		
Remaining maturity		
- over 5 years	135,925	-
- 5 years or less but over 1 year	3,843,198	390,112
- 1 year or less but over 3 months	653,940	2,997,147
- 3 months or less	-	65,189
	4,633,063	3,452,448
Other debt securities in issue		
Remaining maturity		
- 5 years or less but over 1 year	9,021	9,033
- 1 year or less but over 3 months	50,948	211,575
- 3 months or less	49,980	-
	4,743,012	3,673,056
Amounts include:		
Due to parent company and fellow subsidiaries	**51,705**	2,562,873

3.2 Debt securities in issue: Fair Value	2012 €'000	2011 €'000
Debt securities in issue	4,816,662	2,924,747
	4,816,662	2,924,747

3.3 Debt securities in issue: by financial instrument	2012 €'000	2011 €'000
Certificate of deposit	9,021	22,083
Commercial paper	100,928	198,524
Medium term note	4,633,063	3,452,449
	4,743,012	3,673,056

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 40 – Financial liabilities held for trading

4.1 Financial liabilities held for trading	2012 €'000 Fair Value	2012 €'000 Nominal	2011 €'000 Fair Value	2011 €'000 Nominal
Currency forward purchase contracts	25	28,190	-	-
Currency forward sale contracts	172	753	44,322	1,502,928
Interest rate, eonia and cross currency derivatives	971	2,300,000	7,555	3,760,000
	1,168	**2,328,943**	51,877	5,262,928

Included in trading derivatives is an amount of €0.2 million (2011: €48.8 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 60 – Hedging derivatives

6.1 Hedging derivatives	2012 €'000 Fair Value	2012 €'000 Nominal	2011 €'000 Fair Value	2011 €'000 Nominal
Cross currency swaps	150,452	3,018,812	113,036	317,654
Interest rate swaps	1,244,649	8,820,338	1,132,983	9,640,964
Equity derivative	-	-	12,289	108,370
Currency forward sale contracts	10,431	135,760	12,988	210,668
	1,405,532	**11,974,910**	1,271,296	10,277,656

Included in hedging derivatives is an amount of €815 million (2011: €702 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 (+/-)	2012 €'000	2011 €'000
Positive/(Negative) changes in fair value of portfolio	59,908	61,040
	59,908	61,040

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

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 80 – Tax liabilities

8.1 Current tax liability	2012 €'000	2011 €'000
Current tax liability	-	7,500
	-	7,500

Item 100 – Other liabilities

10.1 Other liabilities	2012 €'000	2011 €'000
Creditors and accruals	2,445	833
	2,445	833

Item 140 – Revaluation reserve

14.1 Available for sale reserve	2012 €'000	2011 €'000
At 1 January	(1,274,053)	(395,126)
Change in fair value of available for sale financial assets		
- available for sale financial assets	867,442	(825,021)
- hedge	(60,091)	(185,703)
Impairment recognised in the income statement	-	6,236
Movement in deferred tax	(100,919)	125,561
At 31 December	**(567,621)**	(1,274,053)

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

14.2 Cash flow hedge reserve	2012 €'000	2011 €'000
At 1 January	(12,371)	(1,501)
Effective portion of changes in fair value	1,273	(9,813)
Net amount transferred to profit or loss	2,872	(2,610)
Movement in deferred tax	(518)	1,553
At 31 December	**(8,744)**	(12,371)

Total revaluation reserve	**(576,365)**	(1,286,424)

Item 170 – Reserves

17.1 Reserves	2012 €'000	2011 €'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	249,824	194,322
d) Dividend paid	(133,000)	(85,000)
e) Net profit for the year	82,447	140,502
	998,492	1,049,045

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital

19. 1	Issued capital Authorised	2012 €'000	2011 €'000
	1,343,118,650 (2011 : 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 (2011 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
		1,343,119	1,343,119

The Bank's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital requirements of the Central Bank of Ireland. The Bank must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the Central Bank of Ireland. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy and no breaches were reported to the Central Bank of Ireland during the year.

19.2	Regulatory capital	2012 €'000	2011 €'000
	Paid up ordinary share capital	1,343,119	1,343,119
	Capital contribution	753,419	753,419
	Revenue reserves	162,627	155,125
	Subordinated deposit capital – Tier 2	676,812	676,812
	Total capital resources	**2,935,977**	2,928,475

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

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

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

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

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital (continued)

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

The target standard risk-asset ratio set by the Basel Committee is 8% (UniCredit Bank Ireland actual risk-asset ratio: 27.38%) of which the Tier 1 element must be at least 4% (UniCredit Bank Ireland actual tier 1 element: 22.93%). The CRD (as amended) adopts a similar minimum risk-asset ratio.

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

The Solvency ratio (Pillar I) for the Company as at 31 December 2012 was 27.38% (2011: 44.48%).

The Solvency index ratio (Pillar II) for the Company as at 31 December 2012 was 296.46% (2011: 388.79%).

Notes to the Financial Statements

c) Income Statement Notes

Item 10 - Interest income and similar revenues

	2012 €'000	2011 €'000
1.1 Interest and similar income arising on:		
Loans and receivables with banks	154,196	222,154
Loans and receivables with customers	61,666	72,980
Financial assets held for trading	7,049	22,629
Available for sale financial assets	374,953	323,985
Financial assets designated at fair value through profit or loss	111	6,494
Hedging derivatives	69,159	80,976
	667,134	729,218

Total interest income exclusive of financial assets at fair value through profit or loss calculated using the effective interest rate method is €667 million (2011: €723 million).

	2012	**2011**
Amounts include:	**€'000**	**€'000**
Due from parent company and fellow subsidiaries	**181,690**	261,534

Item 20 - Interest expense and similar charges

	2012 €'000	2011 €'000
2.1 Interest expense and similar charges arising on:		
Deposits from banks	(127,959)	(130,888)
Deposits from customers	(640)	(1,340)
Debt securities in issue	(81,388)	(79,013)
Financial liabilities held for trading	(11,567)	(38,472)
Repos	(85,884)	(81,696)
Financial liabilities designated at fair value through profit or loss	-	(179)
Hedging derivatives	(258,036)	(244,353)
Other liabilities	(43)	(93)
	(565,517)	(576,034)

Total interest expense exclusive of financial liabilities at fair value through profit or loss calculated using the effective interest rate method is €565 million (2011: €576 million).

	2012	2011
Amounts include:	**€'000**	€'000
Due from parent company and fellow subsidiaries	**(217,135)**	(279,874)

Item 30 - Net interest income

	2012	2011
3.1 Net interest income	**101,617**	153,184

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 40, 50 and 60 - Fee and commission income

		2012	2011
4.1	Fees and commission income and expense	€'000	€'000
	Fee and commission income		
	Credit related fees and commissions	334	372
	Guarantee fees	14,031	238
		14,365	610

	2012	2011
Amounts include:	€'000	€'000
Due from parent company and fellow subsidiaries	14,100	221

5.1	Fees and commission expense		
	Brokerage and management fees	(631)	(520)
	Guarantee fees	(17,674)	(1,039)
	Securities Lending	(8,477)	(313)
	Other fees	(1,083)	(652)
		(27,865)	(2,524)

Amounts include:	€'000	€'000
Due from parent company and fellow subsidiaries	(26,205)	(1,625)

6.1	Net fees and commissions	(13,500)	(1,914)

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

		2012	2011
8.1	Gains/(losses) on financial assets and liabilities held for trading	€'000	€'000
	Trading (losses)/gains	(528)	(3,375)
	Foreign currency translation (losses)/gains	359	832
		(169)	(2,543)
	Amounts include:		
	Due from parent company and fellow subsidiaries	(12,608)	(79,504)

Item 90 – Fair value adjustments in hedge accounting

		2012	2011
9.1	Fair Value adjustment	€'000	€'000
	Fair value adjustment on hedging derivatives	(45,514)	(247,285)
	Fair value adjustment relating to hedged items		
	- AFS Hedge	94,603	356,814
	- Non-AFS Hedge	(49,818)	(104,382)
	Cash-flow hedging derivatives ineffectiveness	(2,872)	2,610
		(3,601)	7,757

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 90 – Fair value adjustments in hedge accounting

Amounts include:	2012 €'000	2011 €'000
Due from parent company and fellow subsidiaries	(126,098)	(115,246)

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

10.1 Gains/(losses) on disposal of:	2012 €'000	2011 €'000
a) Loans and receivables	(5,130)	(1,277)
d) Financial liabilities at amortised cost	25,609	635
	20,479	(642)

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

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

11.1 Item 110 - Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	2012 €'000	2011 €'000
Gains/(losses) on financial assets/ liabilities designated at fair value through profit or loss	(209)	3,096
	(209)	3,096

Amounts include:	2012 €'000	2011 €'000
Due from parent company and fellow subsidiaries	(209)	3,096

Item 130 – Impairment losses

13.1 Impairment losses	2012 €'000	2011 €'000
a) Loans	(3,000)	(855)
b) Available for sale financial assets	-	(6,236)
	(3,000)	(7,091)

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 130 – Impairment losses

The €3 million impairment loss on loans in 2012 is a collective impairment on loans and receivables with customers. The €0.8 million impairment loss on loans in 2011 is comprised of a €2.4 million specific impairment and a reversal of the collective impairment mainly in relation to exposures with customers.

The €6.2 million available for sale financial assets impairment in 2011 is a specific impairment in relation to an available for sale financial asset.

Item 180 – Administrative costs

18.1 Administrative costs	2012 €'000	2011 €'000
a) Staff expenses	**(3,659)**	(3,584)
Wages and salaries	(3,032)	(2,898)
Social security costs	(278)	(261)
Pension costs	(185)	(231)
Directors' fees	(164)	(194)
b) other administrative expenses	**(3,251)**	(2,689)
Total Administrative costs	**(6,910)**	(6,273)

Remuneration paid to statutory auditor (included in other administrative expenses)		
Audit	(202)	(172)
Other assurance	-	-
Tax advisory services	-	-
Other non-audit services	(26)	(137)
	(228)	(309)

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 2012 is 30 (2011: 30).

Item 200 – Depreciation on property, plant and equipment

20.1 Item 200 – Depreciation on property, plant and	2012 €'000	2011 €'000
Depreciation on property, plant and equipment	(87)	(73)
	(87)	(73)

Notes to the Financial Statements (continued)

C) Income Statement Notes (continued)

Item 210 – Depreciation on intangible assets

21.1 Item 210 – Depreciation on intangible assets	2012 €'000	2011 €'000
Depreciation on intangible assets	(92)	(107)
	(92)	(107)

Item 220 – Other operating income

22.1 Item 220 – Other operating income	2012 €'000	2011 €'000
Operating income	6	4
	6	4

Item 290 – Tax expense

29.1 Tax expense (income) related to profit or loss from continuing operations	2012 €'000	2011 €'000
Current tax (charge)	(11,658)	(18,162)
Adjustments in respect of previous years	(212)	14,129
Withholding tax credit – Current Year	(217)	162
Withholding tax (charge)– Previous Years	-	(1,025)
	(12,087)	(4,896)
Profit before tax	**94,534**	145,398
Tax calculated at a tax rate of 12.5% (2010: 12.5%)	(11,817)	(18,175)
Effects of:		
Disallowable items	(64)	(38)
Allowable deductions	1	52
Depreciation in excess of capital allowances	5	(1)
Withholding tax credit – Current Year	-	162
Withholding tax (charge) – Previous Years	-	(1,025)
Adjustments in respect of previous years	(212)	14,129
Income tax (charge)	**(12,087)**	(4,896)

Notes to the Financial Statements (continued)

D) Other Notes

1 Contingent liabilities and commitments	2012 €'000	2011 €'000
Guarantees pledged as security	**2,479,658**	-
Undrawn credit facilities with a maturity		
- Repayable on demand	-	500,000
- of less than 1 year	61,267	83,802
	61,267	583,802
	2,540,925	583,802

The Company has provided a guarantee in the amount of €2.5 billion (2011: Nil). It is a guarantee given to UniCredit SpA solely against Republic of Italy risk.

The Company has €432 million in securities lending transactions and €9.8 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 €0.18 million (2011: €0.23 million) in relation to pension contributions. Included in Other liabilities in the balance sheet is an amount of Nil (2011: €0.026 million) 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 €138.8 million (2011: €43 million).

Notes to the Financial Statements (continued)

D Other Notes

The below table shows a breakdown of external revenues by geographical location as at 31 December 2012.

2012	Ireland	Italy	United Kingdom	Spain
External Revenues	10,578	526,767	72,310	48,458
Total	**10,578**	**526,767**	**72,310**	**48,458**
2012	Rest of Europe	America	Rest of World	Total
External Revenues	19,083	2,720	1,583	681,499
Total	**19,083**	**2,720**	**1,583**	**681,499**

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**

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 €5.2 million have been provided for the year ended 31 December 2012 (2011: €2.2 million).

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

All proposed credit facilities after being analysed by UniCredit Bank Ireland's Credit Committee (composed of the Managing Director, the Chief Risk Officer and 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 two specifically impaired asset (see note 13.1 in the Income Statement Notes on page 48) for the year ended 31 December 2012 (2011: 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 and the Risk Department at UniCredit Bank Ireland p.l.c. are responsible for the development and maintenance of the Credit policies subject to the final approval of the Credit Committee.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

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

2012 Exposure broken down by industry

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

2011 Exposure broken down by industry

Industry	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	€,000
Sovereign	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
Collective Impairment	(2,200)	-	-	-	(2,200)
Total	2,461,764	11,001,532	8,246,261	311,882	22,021,439

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by industry table €27,059,908 (2011: €22,021,439) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,059,908 (2011:€22,021,439) for exposures broken down by industry is an amount of €15.6 billion (2011: €10.8 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.

2012 Exposure broken down by geographical area

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

2011 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
European Union Including:	**2,463,964**	**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
Germany	-	670,841	-	-	670,841
Rest of Europe	31,073	377,689	140,307	-	549,070
Non EU	-	**74,366**	**39,827**	-	**114,193**
North America	-	**2,421**	-	-	**2,421**
Collective Impairment	**(2,200)**	-	-	-	**(2,200)**
Total	**2,461,764**	**11,001,532**	**8,246,261**	**311,882**	**22,021,439**

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by geographical area table above €27,059,908 (2011: €22,021,439) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,059,908 (2011: €22,021,439) for exposure broken down by geographical area is an amount of €15.6 billion (2011: €10.8 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.

2012 Exposure broken down by rating category

Rating category	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	**€,000**
B1 to B3	**53,615**	**-**	**50,279**	**-**	**103,894**
- Group	-	-	-	-	-
- Non-group	53,615	-	50,279	-	103,894
B4 to B6	**55,054**	**590,976**	**-**	**80,870**	**726,900**
- Group	-	-	-	-	-
- Non-group	55,054	590,976	-	80,870	726,900
B7 to B9	**1,823,407**	**14,874,682**	**8,067,278**	**181,746**	**24,947,113**
- Group	1,002,534	14,263,541	155,909	151,582	15,573,566
- Non-group	820,873	611,141	7,911,369	30,164	9,373,547
B10 to B12	**40,778**	**31,815**	**1,124,619**	**-**	**1,197,212**
- Group	-	15,027	-	-	15,027
- Non-group	40,778	16,788	1,124,619	-	1,182,185
B13 & B14	**34,580**	**-**	**19,833**	**-**	**54,413**
- Group	-	-	-	-	-
- Non-group	34,580	-	19,833	-	54,413
B15 to B17	**-**	**-**	**5,060**	**-**	**5,060**
- Non-group	-	-	5,060	-	5,060
Unrated	**-**	**-**	**30,516**	**-**	**30,516**
- Group				-	-
- Non-group	-	-	30,516	-	30,516
Collective Impairment	**(5200)**	**-**	**-**	**-**	**(5,200)**
Total	2,002,234	15,497,473	9,297,585	262,616	27,059,908

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

2011 Exposure broken down by rating category

Rating category	Loans and receivables with customers	Cash and cash balances and Loans and receivables with banks	Investment securities	Derivatives	Total
	€,000	€,000	€,000	€,000	€,000
B1 to B3	**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**	**18,366,162**
- 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	9,448,992
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 B12	**64,826**	**15,044**	-	-	**79,870**
- Group	-	15,044	-	-	15,044
- Non-group	64,826	-	-	-	64,826
B13 & B14	-	-	**22,930**	-	**22,930**
- Non-group	-	-	22,930	-	22,930
Unrated	-	-	**30,452**	**49,355**	**79,807**
- Non-group	-	-	30,452	49,355	79,807
Collective Impairment	**(2,200)**	-	-	-	**(2,200)**
Total	**2,461,764**	**11,001,532**	**8,246,261**	**311,882**	**22,021,439**

The total of the exposure broken down by rating category above €27,059,908 (2011: €22,021,439) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €27,059,908 (2011:€22,021,439) for exposure broken down by rating is an amount of €15.6 billion (2011: €10.8 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	2012	2011
	€'000	€'000
Loans and receivables with customers	2,002,234	2,461,764
Loans and receivables banks	15,497,473	11,001,532
Investment securities	9,297,585	8,246,261
Derivatives	262,616	311,882
Contingent liabilities and commitments	2,540,925	583,802
	29,600,833	**22,605,241**

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

Sovereign Exposures

Breakdown of Sovereign Debt Securities by Country and Portfolio

The below table provides an overview of the Company's sovereign exposures' as at 31 December 2012.

Country/Portfolio	Nominal Value	Fair Value	Nominal Value	Fair Value
	2012 €'000	2012 €'000	2011 €'000	2011 €'000
- Ireland	**50,000**	**53,053**	**50,000**	**48,268**
Available for sale financial assets	50,000	53,053	50,000	48,268
- Italy	**7,302,090**	**7,792,167**	**6,370,852**	**6,046,218**
Available for sale financial assets	7,302,090	7,792,167	6,370,852	6,046,218
- Poland	**57,896**	**63,956**	**58,643**	**60,148**
Available for sale financial assets	57,896	63,956	58,643	60,148
- Russia	**17,063**	**21,929**	**18,746**	**22,101**
Available for sale financial assets	17,063	21,929	18,746	22,101
- Spain	**1,042,140**	**1,065,729**	**1,588,222**	**1,569,079**
Available for sale financial assets	1,042,140	1,065,729	1,588,222	1,569,079
Total	**8,469,189**	**8,996,834**	**8,086,463**	**7,745,814**

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
	2012	2011
- Ireland	1.04	2.04
- Italy	4.59	5.90
- Poland	3.2	4.18
- Russia	17.26	18.26
- Spain	0.46	1.22

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 2012	Amount as at 31 December 2011
	Available for sale financial assets	Available for sale financial assets
Fair Value	8,996,835	7,745,814
% Portfolio	97%	95%

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

In addition to the exposures to sovereign debt securities, loans given to central and local governments and government bodies must be taken into account. The total amount of sovereign loans held by the UniCredit Bank Ireland is €19 million (2011: €56.1). €16.8 million (2011: €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 €2.2 million (2011: €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.

Notes to the Financial Statements (continued)

D Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Liquidity risk ratios	2012	2011
Sight to 8 days	328%	192%
8 days to 1 months	176%	103%

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 2012

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

* Consists of economic hedging derivatives valued at the current nominal.
* Cross currency swaps do not settle net.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

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**
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.

** Cross currency swaps do not settle net.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk

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

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

Organisational Structure

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

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

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

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

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 there 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 2012.

30.12.2012 in €	Average €	Maximum €	Minimum €	2011 Average €
177,700	178,127	198,200	161,600	169,000

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.

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk – Banking book (continued)

The Interest Rate risk on the banking book is measured and monitored using Value at Risk (VaR) which is the statistical measure used by the Bank to quantify fluctuations (profit or loss) in the value of a portfolio over a pre-defined period of time (called holding period) of 1 day and with a 99% confidence interval. The VaR model is based on historical behavior using 500 scenarios and thereby without parametric assumptions about a 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. Sensitivity (BPV and CPV) and VaR metrics capture the market risk exposures on both Structural and Strategic Banking portfolios, with relative limits set up on both sensitivities and VaR.

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

30.12.2012 in €	Average €	Maximum €	Minimum €	2011 Average €
264,000	709,800	1,1178,000	262,000	894,300

Management of Market Risk - Derivative financial instruments

a) *Hedging Policy*

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

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk - Derivative financial instruments (continued)

a) *Hedging Policy (continued)*

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

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

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

b) *IAS 39 Hedge accounting*

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

c) Economically hedge derivatives

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

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

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

d) Sensitivity Analysis and Stress Testing

Independent Price Verification Process

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

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

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

d) Sensitivity Analysis and Stress Testing (continued)

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

Fair Value Disclosures

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosure by Fair Value Hierarchy Level

Assets measured at fair value	Level 1 €'000 2012	Level 2 €'000 2012	Level 3 €'000 2012	Total €'000 2012	Level 1 €'000 2011	Level 2 €'000 2011	Level 3 €'000 2011	Total €'000 2011
Financial assets held for trading								
- Units in investment funds	-	30,516	-	30,516	-	30,452	-	30,452
- Trading derivatives	-	4,483	-	4,483	-	63,220	-	63,220
Financial assets designated at fair value through profit or loss	-	-	-	-	80,159	-	-	80,159
Available-for sale financial assets	9,242,176	-	24,893	9,267,069	8,112,720	-	22,930	8,135,650
Hedging derivatives	-	258,133	-	258,133	-	248,662	-	248,662
Total	9,242,176	293,132	24,893	9,560,201	8,192,879	342,334	22,930	8,558,143
Liabilities measured at fair value	**Level 1 €'000 2012**	**Level 2 €'000 2012**	**Level 3 €'000 2012**	**Total €'000 2012**	**Level 1 €'000 2011**	**Level 2 €'000 2011**	**Level 3 €'000 2011**	**Total €'000 2011**
Financial liabilities held for trading								
- Trading derivatives	-	1,168	-	1,168	-	51,877	-	51,877
Hedging derivatives	-	1,405,908	-	1,405,908	-	1,271,296	-	1,271,296
Total	-	1,407,076	-	1,407,076	-	1,323,173	-	1,323,173

Notes to the Financial Statements (continued)

D) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosures

Reconciliation of Level 3 Fair Values

Assets measured at fair value based on Level 3	Available-for sale financial assets 2012	Total 2012	Available-for sale financial assets 2011	Total 2011
Opening balance	22,930	**22,930**	29,670	**29,670**
Total gains or losses	5,867	5,867	(5,547)	(5,547)
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements	(3,904)	(3,904)	(1,193)	(1,193)
Transfers out of Level 3	-	-	-	-
Closing balance	24,893	24,893	22,930	22,930
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	5,867	5,867	(5,547)	(5,547)

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 2012	Total 2012	Available-for sale financial assets 2011	Total 2011
Fair value if annual default rate doubles	21,969	**21,969**	20,257	**20,257**

5 Reclassification of financial assets

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

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

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

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

5 Reclassification of financial assets (continued)

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

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

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

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

Date	Positive/(Negative) impact on income statement due to reclassification
31 December 2012	(48,531)
31 December 2011	34,473
31 December 2010	(14,579)
31 December 2009	(100,940)
31 December 2008	176,879
Net positive impact	47,302

Notes to the Financial Statements (continued)

D) Other Notes (continued)

5 Reclassification of financial assets

The following table gives the amount of the reclassified assets in each category, as well as their nominal value at year end 2011 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 31-12-2011	Carrying value at 31-12-2011	Fair value 31-12-2011
	€'000	€'000	€'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/Losses not recognised in 2011 due to reclassification	Increase in interest income 31-12-2011	Net impact due to reclassification 31-12-2011
	€'000	€'000	€'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 effective interest rate for the reclassified securities is 1.09% (2011: 1.25%).

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

Notes to the Financial Statements (continued)

D) Other Notes (continued)

6 Transfer of Financial Assets

In the ordinary course of business, the Bank enters into transactions that result in the transfer of financial assets that consist primarily of debt and equity securities, and loans and receivables with banks and with customers. The transferred financial assets continue either to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety.

The Bank transfers financial assets primarily through the following transactions:
- sale and repurchase agreements;
- securities lending

Sale and repurchase agreements

Sale and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Bank continues to recognise the securities in their entirety in the balance sheet because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending

Securities lending agreements are transactions in which the Bank lends equity securities for a fee and receives cash as collateral. The Bank continues to recognise the securities in their entirety in the balance sheet because it retains substantially all the risk and rewards of ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay the collateral. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the arrangement.

The Company has €432 million in securities lending transactions and €9.8 billion in securities borrowing. These transactions were entered into in order to boost UniCredit S.p.A. Group liquidity.

The table below sets out an overview of carrying amounts related to transferred financial assets that are derecognized in their entirety and associated liabilities.

Sale and repurchase agreements

31 December 2012	Available-for-sale financial assets €'000	Loans and receivables with banks €'000	Loans and receivables with customers €'000
Carrying amount of assets	6,410,510	12,035	312,702
Carrying amount of associated liabilities	5,914,961	12,035	312,702

Notes to the Financial Statements (continued)

D) Other Notes (continued)

7 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 2012 in the shares of UniCredit S.p.A. at 1 January 2012 and at 31 December 2012 were:

	At 1 January 2012	At 31 December 2012
	UniCredit S.p.A. Ordinary Shares	UniCredit S.p.A. Ordinary Shares
Directors:		
R. Molony	-	-
P. Braccioni	35,046	-
S. Vaiani	354	-
M. Bianchi	8,060	18,357
P.M. Satta	487	1,461
L. Parrilla	-	-
T. McAleese	-	-
D. Courtney	-	-
A. Soprano	709	709
Secretary:		
S. Vaiani	2,360	-
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 2012 were as follows:

Directors	Options at 1 January 2012	Options granted since 1 January 2012	Options exercised since 1 January 2012	Options at 31 December 2012
L. Parrilla	51,000	-	-	51,000
S. Vaiani	68,700	-	-	68,700
P. Braccioni	201,715	-	201,715	-
A. Soprano	192,137	-	-	192,137
M. Bianchi	229,273	85,543	-	314,816

Notes to the Financial Statements (continued)

D) Other Notes (continued)

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 2012 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 2012 the total remuneration of the directors was €501,387 (2011: €526,185). Included in total remuneration is €163,641 (2011: €194,000) in respect of fees earned in the capacity of directors, €337,746 (2011: 332,185) in respect of compensation earned in the capacity of management and Nil (2011: Nil) in respect of post employment benefits.

There have been no loans provided to key management personnel or any connected person (2011: Nil).

8 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.

9 Approval of financial statements

The Directors approved the financial statements on 6 March 2013.