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Annual Report & Financial Statements Financial Year Ended 31 December 2020

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Directors and Other Information

Name	Board of Directors
Aidan Williams	Chairman & Independent non-executive
Bernd Broeker	Managing Director
Guy Laffineur	Group non-executive
Tara Doyle	Independent non-executive
Lynda Carroll	Independent non-executive
Attilio Napoli	Group non-executive
Andrea Marchetti	Group non-executive

Director changes during the financial year

Bernd Broeker was appointed Managing Director following approval by the Central Bank of Ireland on the 26 June 2020 at which point the former Managing Director Massimiliano Sinagra resigned.
Lynda Carroll was appointed non-executive Director on the 27 February 2020.

Registered Office

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

Company Secretary

Beatrice Rinaldi
La Touche House
International Financial Services Centre
Dublin 1

Independent Auditor

Deloitte Ireland LLP,
29 Earlsfort Terrace,
Dublin 2,
Ireland.
D02 AY28

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Chairman's Statement

UniCredit Bank Ireland p.l.c., has come through 2020 with very satisfactory results. These results were achieved in difficult markets conditions against a backdrop which included the economic and operational impact of the COVID-19 pandemic, the reality of uncertainties arising from climate change, and continued political instability through the ongoing Brexit issues coupled with global trade war tensions. All of these issues contributed to an environment of "lower interest rates for longer" leading to continuing pressure on interest rate margins.

Our strategic focus in 2021 will be the continued execution of our 2020 to 2023 multi-year plan, including;

- The continuation of our role in managing a significant part of the Group Liquidity Portfolio made up of high quality SSA Assets (Sovereign, Supranational & Agencies);
- Acting as the bridge to the Irish Financial Services sector for the wider UniCredit Group to deliver our Corporate & Investment Banking Platform across a wide range of offerings and services;
- To continue to manage all of the relevant risks of the Company through robust internal control systems, policies and procedures centred on strong Corporate Governance within a culture of openness and transparency.

In 2020 we achieved a net profit of €42.0 million which was 72% ahead of the budgeted net profit of €24.4 million. This compared to a net profit in 2019 of €32.2 million. The main driver of the increase in net profit compared to 2019 was due to profitable bond disposals in June and July.

Once again, I would like to take this opportunity to thank my fellow Board Members, Management Team and Colleagues for their dedication throughout the year.

Aidan Williams
Chairman
5 February 2021

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Directors Report

The Directors present their report together with the audited financial statements of UniCredit Bank Ireland p.l.c. for the financial year ended 31 December 2020.

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 Banking Group or 'Group': The Parent Company and its fully consolidated entities.

Directors

The below named Directors served as Directors throughout 2020 unless stated otherwise.

Aidan Williams	Chairman & Independent non-executive
Bernd Broeker	Appointed as Managing Director on 26th June 2020.
Massimiliano Sinagra	Resigned as Managing Director on 26th June 2020.
Guy Laffineur	Group non-executive
Tara Doyle	Independent non-executive
Lynda Carroll	Appointed as Independent non-executive on 27th February 2020.
Attilio Napoli	Group non-executive
Andrea Marchetti	Group non-executive

There were no other individuals who acted as a Director during 2020.

Ownership

The Bank is a wholly-owned subsidiary of UniCredit S.p.A., which is incorporated in Italy. Consolidated financial statements as at 31 December 2020 are prepared by UniCredit S.p.A., which incorporate the results of its subsidiary companies. The Group financial statements of UniCredit S.p.A. are available on the Group website: https://www.unicreditgroup.eu. The UniCredit S.p.A. Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi is 00348170101.

Principal Activities

The principal business of the Company relates to the investment in securities and in wholesale lending activities, which are funded through short term secured and unsecured deals and also by medium term notes. The medium term notes are listed on the Luxembourg stock exchange.

In terms of governance reporting line, UniCredit Bank Ireland p.l.c. is fully segmented with a single reporting line to Group Corporate Reporting Centre & Investment Banking Reporting Centre, with the Investment Banking Reporting Centre incorporating third party assets and short term funding, and the Group Corporate Reporting Centre focused on group assets and medium term liabilities. The segmentation would give the opportunity to continue the traditional funding role of the Company, with a more investment orientated focus, in order to deliver a successful Group strategy.

Key Performance Indicators ('KPIs')

- Profit to 31 December 2020 amounted to €42.0 million (31 December 2019: €32.2 million).

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- Interest income and similar revenues to 31 December 2020 amounted to €180.1 million (31 December 2019: €275.6 million).
- Interest expense and similar charges to 31 December 2020 amounted to €131.6 million (31 December 2019: €224.7 million).
- Net interest income to 31 December 2020 amounted to €48.6 million (31 December 2019: €50.9 million).
- Net impairments on financial assets of €1.9 million have been recorded in 2020 (31 December 2019: €3.0 million write back). The Company applied updated macroeconomic scenarios in its Expected Credit Loss "ECL" modelling due to the impact of the COVID-19 pandemic. This resulted in a higher Probability of Default "PD" being attributed to sovereign exposures and intercompany positions which led to an increase in net impairments compared to prior period.
- Total operating income to 31 December 2020 amounted to €65.0 million (31 December 2019: €49.3 million).

The most significant events for the financial year ended 31 December 2020 were the following:

1) The Company continued the execution of its strategic plan. Total assets at the end of 2020 amounted to €12.9 billion, which was higher than 2019 year end (31 December 2019: €12.4 billion) mainly due to an increase in intercompany loans of €2.3 billion offset by a €1.6 billion in disposals and maturities of the non-intercompany bond portfolio. The majority of the Assets were non-intercompany as at 31 December 2020, and the percentage of Intercompany Assets over Total Assets was 39% as at 2020 year end (31 December 2019: 23%). Total liabilities also increased since 2019 year end primarily due to increased issuance of European Commercial Paper. Net interest income of €48.6 million is 5% lower than the prior financial year, primarily due to the reduction in the Banks sovereign and intercompany bond portfolios.
2) The 2020 Ex-ante contribution to the Single Resolution Fund Levy, amounting to €4.3 million, has recorded a decrease compared to the 2019 levy (31 December 2019: €5.6 million) mostly driven by the decrease in the Bank's total liabilities between 2018 and 2017 and reduced perceived riskiness compared to its peers in the Irish market. The Central Bank of Ireland ("CBI") Industry funding levy decreased to €0.9 million compared to €1.9 million in 2019 mostly driven by an decreased percentage of funding to cover CBI costs; both levies have been fully accounted for in the 'Other Administrative Expenses' line.
3) The positive opening balance of the FVOCI Reserve of €57.3 million decreased to €50.0 million at the end of 2020 mostly due to the Italian Government Bond spread widening as a result of the market response to the impact of COVID-19 on Italy. This determined a negative result of €7.3 million in the "Financial assets at fair value through Other Comprehensive Income" for year ended 31 December 2020.

Total Shareholders' equity as of 31 December 2020 amounted to €2.4 billion substantially aligned with year-end 2019 figures.

As of 31 December 2020 the fully loaded common equity tier 1 ("CET1") was 81.25% (31 December 2019: 121.65%); fully loaded meaning the calculation of the CET1 ratio after the expiry of the transitional provisions. With reference to CET1, as of today no transitional provisions are in place.

Principal Risks and Uncertainties

The Company has designed its risk management framework to capture all material risks to which it is exposed and invested substantial time and effort in its risk management strategies, framework, policies, procedures and monitoring techniques. Nevertheless, there is a risk that these may fail to entirely mitigate risks in unanticipated situations or circumstances or to an extent previously considered immaterial. Any residual losses, financial and/or reputational, would have to be borne by the Company in such a situation or circumstance.

Risk factors and uncertainties that could have a material adverse effect on the Company's business, financial condition and results of operations over the next 12 months, are as follows:

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- continuing volatility caused by the uncertainty over the consequences of the COVID-19 pandemic on the markets in which the Company operates;
- severe threats to our climate could lead to a deterioration in the markets in which the Company operates or invests;
- continuing uncertainty of the consequences of the United Kingdom's exit from the EU at the end of the transition period on 31 December 2020 and following the trade deal agreement;
- continuing volatility caused by the political situation in Italy, which, as also highlighted above, can impact adversely the markets in which the Company operates or investments presently held in Other Comprehensive Income portfolio;
- inherent risks from macroeconomic conditions in the Company's and Group's main markets, concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on investments presently held by the Company or on Group business activities and results;
- deterioration in the credit quality of the Company's borrowers/counterparties, as well as difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties that could result in significant increases in the Company's impaired loans and impairment provisions;
- the impact of downgrades in the Group's or the Italian Government's credit ratings;
- the impact of the continuing implementation of significant regulatory developments (Basel III and Capital Requirements Directive (CRD) IV);
- the ability of the Company/Group to generate additional liquidity and/or capital, as required; and
- failures in internal controls and procedures leading to financial loss, reputational damage and/or regulatory sanction.

The above list is not exhaustive nor, is it intended to be a definitive list of all risks but the principal risks and uncertainties faced by the Company.

In 2020 the COVID-19 pandemic triggered an economic crisis with dire societal consequences, affecting the lives and livelihoods of most of the global population. Societies, governments and businesses collectively grapple with balancing health security imperatives against the economic fallout and rising societal anxieties. The consequences of the pandemic are still uncertain and potentially may include the following:

- Prolonged recession of the global economy;
- Surge in bankruptcies (big firms and SMEs) and a wave of industry consolidation;
- Failure of industries or sectors in certain countries to properly recover;
- High levels of structural unemployment (especially youth);
- Tighter restrictions on the cross-border movement of people and goods;
- Weakening of fiscal positions in major economies;
- Protracted disruption of global supply chains;
- Another global outbreak of COVID-19 or different infectious disease;
- Cyberattacks and data fraud due to a sustained shift in working patterns.

The interaction of these COVID-19 related uncertainties with other principal risks faced by the Company such as volatility caused by the political situation in Italy, downgrades in the Group's or the Italian Government's credit ratings, and deterioration in the credit quality of the Company's borrowers/counterparties, is unclear.

In relation to the United Kingdom's withdrawal from the EU and related potential risks, the Company does not envisage any major risk to its current business model which is based on EU and not UK assets. As a trade deal was agreed between the EU and the UK before the 31st December 2020, the related potential risks have reduced, however nevertheless the Company is monitoring the ongoing consequences of the United Kingdom's withdrawal from the EU and it is part of a project coordinated at UniCredit S.p.A. level, which covers all potential impacts.

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Distribution of reserves / Dividends

A distribution of reserves of €32.2 million was approved by the Board on the 3rd February 2020 and paid on the 28th May 2020. In 2019 a distribution of reserves of €41.5 million was paid on the 21st May 2019. The Directors propose a final dividend for the financial year ended 31 December 2020 of €42.0 million to be paid to UniCredit S.p.A. by the end of May 2021. As the Company is part of a significant supervised group as defined in point (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17), the recommendation of the European Central Bank of 27 July 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19, did not apply to the 2020 dividend. As the Company is part of a significant supervised group as defined in point (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17), the recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35, does not apply to the proposed 2021 dividend.

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.

Risk Management and Control

The Company, in the normal course of business, is exposed to a number of classes of risk, of which the most significant are credit, market (including interest rate and currency risk), operational, liquidity and funding risk. Details of these risks are provided in *Part E: Information on risks and hedging policies* 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 monthly basis.

Arm's Length Transactions

The Directors have established formal procedures to ensure that all transactions with other Group entities and shareholders of the ultimate Parent undertaking is carried out on an arm's length basis. The Bank abides by the Group Transfer Pricing Policies and Guidelines which are grounded in the OECD Transfer Pricing Guidelines.

Political Donations

The Electoral Act, 1997 as amended requires companies to disclose all political donations over €200 in aggregate made during the financial period. The Directors have satisfied themselves that no such donations have been made by the Company.

Future Developments

The Company does not foresee any material changes to its business model, operating activities or staffing levels. Reinvestment in the Company's sovereign portfolios is expected to be challenging due to low spreads, with a resulting impact on profitability in future years. As a result of the COVID-19 pandemic from March 2020 onwards the majority of staff worked from home without any significant business continuity, security or cyber security issues arising. When it is safe to return to the office and in line with government guidelines, staff will have the option to gradually return to the office to work.

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. The Directors considered the following principal conditions and events when assessing the Company's ability to continue as a going concern:

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- the Company's consistent business model and strong liquidity position, combined with support provided by the Company's being part of the UniCredit S.p.A. Group;
- the impact of COVID-19 led to the refinement of the assumptions used in formulating certain estimates such as impairments, meaning the Company updated the macro environment scenarios to take account of increasingly volatile markets, and;
- the forecasts and multi-year plans provided to reflect future plans.

Refer to the Part A.1: Accounting Policies Section 1 - Statement of Compliance with IFRSs for details.

Accounting records

The measures taken by the Directors to ensure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 to keep adequate accounting records are the use of appropriate systems and procedures and the employment of competent persons. The accounting records are kept at La Touche House, IFSC, Dublin 1.

Independent Auditor

On 6 March 2013 Deloitte Ireland LLP were appointed as auditors. Deloitte Ireland LLP have expressed their willingness to continue in office in accordance with section 383(2) of the Companies Act, 2014.

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 2015 and is subject to the Corporate Governance Code for Credit Institutions 2015. The Company's medium term notes are listed on the Luxembourg stock exchange and is therefore bound by its rules and regulations.

Corporate Governance Statement

The Board retains the primary responsibility for the Corporate Governance within the Bank. Therefore, in line with the Annual Compliance Statement the Board confirms that the Company has complied with the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions 2015 (the "Code") (the Code is available on www.centralbank.ie) and section 1372 of the Companies Act, 2014.

The Board is responsible for:

- ensuring the effective, prudent and ethical oversight of the Company;
- setting the business strategy for the Company;
- overseeing the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Company;
- setting the strategy for the on-going management of material risks including inter-alia, liquidity risk;
- implementing a robust and transparent organisational structure with effective communication and reporting channels; and
- a remuneration framework that is in line with the risk strategies of the credit institution;

in accordance with law and applicable regulatory requirements. Please refer to Statement of Directors' Responsibilities on pages 13 -14 for further details of the Boards responsibilities.

Internal Controls

With regard to internal controls, the Board is responsible for implementing an adequate and effective internal control framework, which includes a well-functioning risk control, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework. All key control functions within the Company such as internal audit, compliance and risk management are independent of business units and have

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adequate resources and authority to operate effectively and receive timely, accurate and sufficient detailed information.

The Bank has set up an Internal Controls Committee which is the main body responsible for monitoring control issues to support the Chairman to ensure adequate oversight of the Bank. The purpose of this committee is to;

- enable the monitoring and discussion of the control framework of the Bank in order to take necessary steps to mitigate control issues (including status of significant audit findings and conduct culture and conduct risk issues);
- ensure adequate oversight on operational and reputation risks affecting the Bank;
- ensure from a local perspective that the Bank's activities are performed in compliance with applicable laws and relevant regulations and the Banks Head Office guidelines\rules. In particular, this includes the oversight of the adherence to the necessary systems and control requirements of the local supervisors.

This committee meets on a monthly basis, is Chaired by CEO and members are the management team.

The Board is required to understand the risks to which the Bank is exposed and has established a documented risk appetite framework for the Bank which is reviewed on a yearly basis. The Board ensures that the risk management system and internal controls reflect the risk appetite and that there are adequate arrangements in place to ensure there is regular reporting to the Board in compliance with the risk appetite.

As part of UniCredit Group, the Company must comply with provisions introduced by Italian Law no. 262/05, also known as the "Saving Law" which affects all companies listed on the Italian market, whether Italian or foreign. The Company is required to monitor and update all internal control system processes on a semi-annual basis. The Italian "Saving Law" (262/2005) was inspired by the American "Sarbanes Oxley Act" with which it shares common goals. The key requirements as established by the legislation are:

- improve financial reporting soundness;
- reinforce and enhance related Corporate Governance by wide-spread executive responsibility;
- establish appropriate internal controls to ensure the accuracy of the financial data;
- reach a better awareness of the risk associated with the financial reporting production;
- systematically, put legal relevant risks under control in order to keep them at an acceptable level.

The 262/05 internal control system framework is also an additional tool in order to comply with the requirements of the Irish Statutory Instrument 158/2014 article 61 and article 4 which references the European Union (Capital Requirements) Regulations, which require any licensed Institution to have a robust governance and adequate internal control system mechanism, including but not limited to sound administration and accounting procedures.

During 2020 the Board met 6 times and there was 1 circular Board.

Board Committees

In order to support the Directors, the Board has delegated authority to 2 sub-committees, the Audit and Risk Committees, to act on its behalf in respect of certain matters. The Board is responsible for the oversight of each of its committees.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in respect of the Company and its affairs. The Audit Committee does so by:

- monitoring the financial reporting process, including the integrity of the Company's financial statements and the financial information provided to the Board, the Company's parent, the Central Bank of Ireland, the Companies Registration Office and others, ensuring that they give a "true and fair view" of the Company's financial status;
- recommending to the Board whether to approve the Company's annual accounts;

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- monitoring and reviewing the effectiveness of the Company's systems of internal control, internal audit and IT systems;
- liaising with the external auditor and monitoring the statutory audit of the annual accounts and ensuring the effectiveness of that process;
- being responsible for the procedure for the selection of a statutory auditor or audit firm and recommending the statutory auditor or audit firm to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of that Regulation is applied;
- reviewing and monitoring the independence of the statutory auditor or audit firm, and in particular the provision of additional services to the audited entity; and
- reviewing any financial announcements by, and financial reports of, the Company.

The Audit Committee is currently comprised of two Independent non-executive Directors and a Group Director.

During the first quarter of 2020, the Audit Committee comprised of:

- one Independent non-executive member who temporarily acted as chair of the committee due to the retirement of the Chair of the Audit Committee at the end of October 2019;
- one Independent non-executive member who is a temporary member, and
- one Group Director who is a permanent member.

The temporary Independent non-executive Director member was replaced by a permanent Independent non-executive Director member in February 2020.

Risk Committee

The primary function of the Risk Committee is to assist the Board to fulfil its oversight responsibilities by advising the Board on the current risk exposures of the Company and future risk strategy and overseeing the risk management function of the Company. The Risk Committee does so by:

- developing and maintaining a risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risks inherent in the Company's business;
- ensuring that risks within the Company are managed and controlled appropriately; and
- ensuring that strategy is informed by and aligned with the Company's risk appetite.

The Risk Committee currently comprises of two Independent non-executive Director and a Group Director.

Remuneration policy

The Board has approved the Group HR Policy Framework to ensure that all employees are remunerated fairly and to align the business objectives of each Group Company with specific and measurable individual objectives and goals, the business strategy, objectives, and long-term interests of UniCredit Banking Group. This Policy is also structured so as to minimise actual or potential conflicts of interest and is consistent with and promotes sound and effective risk management. This policy was last approved by the Board of Directors on 31st July 2020. Director's remuneration is approved in accordance to the Group Global Remuneration Policy and the related 2020 Group Incentive System Policy. Both policies are implemented locally.

Shareholders

The Company is controlled by the sole shareholder, UniCredit S.p.A.

Board of Directors

The current Board of Directors of UniCredit Bank Ireland p.l.c. is comprised of 7 members, 1 Executive Director, 3 Group Directors and 3 Independent non-executive Directors. The composition of the Board is reviewed at least

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once every three years. The Board establishes its qualitative and quantitative composition deemed most suitable for achieving the correct performance of the functions assigned to it.

Significant transactions

In January 2020 the Bank sold $36 million of Polish and $107.5 million of Slovakian sovereign bonds. The sales were performed to capture sustained spread tightening and generated a profit of ca. €1.7 million.

In June 2020 the Bank sold a total amount of €200 million of Spanish sovereign bonds realizing a profit of ca. €7.5 million and sold an amount of €100 million of Italian sovereign bonds realising a profit of ca. €3.7 million.

During the first 6 months of the year ca. €0.9 billion of European Commercial Paper notes were bought back resulting in an overall profit of €0.3 million.

In July 2020 the Bank sold €100 million of Italian sovereign bonds. The sales were performed to capture sustained spread tightening and generated a profit of ca. €4.9 million. The Bank purchased €100 million of 7 year Italian sovereign bonds post this sale.

In late September/early October 2020 the Bank sold a total amount of €250 million of Italian sovereign bonds realizing a profit of ca. €0.7 million.

In November 2020 the Bank sold a total amount of €550 million of Italian sovereign bonds realizing a profit of ca. €1.8 million.

In December 2020 the Bank early terminated €350 million of intercompany term deposit placed transactions realizing a loss of ca. €3.0 million. These transactions were previously entered into during 2019 for Net Stable Funding Ratio ('NSFR') purposes. However due to move to CRRII calculation methodology for NSFR from December 2020, the Banks NSFR increased significantly rendering these term deposit placed transactions unnecessary.

During the fourth quarter of 2020 the Bank issued €2.5 billion of European Commercial Paper notes in response to third party market demand. This funding was used to provide short-term intercompany lending.

Directors' and Secretary's shareholdings and their interests

	At 1 January 2020	At 31 December 2020
Directors:	UniCredit S.p.A. Ordinary Shares	UniCredit S.p.A. Ordinary Shares
B. Broeker	-	-
A. Marchetti	1,335	1,335
G. Laffineur	15,729	25,190

Post balance sheet events

There have been no post balance sheet events that require disclosure in the financial statements. Refer to Part I: Other Explanatory Notes Section 3 Subsequent Events for details.

Compliance Statement

We, the Directors of UniCredit Bank Ireland plc (the "Company") hereby say and affirm:

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by Section 225 of the 2014 Act, the Directors confirm that:

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- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial year to which this Directors' report relates.

Statement of Relevant Audit information per section 330 of the Companies Act 2014

- So far as the Directors are aware there is no relevant audit information of which independent auditors are unaware; and
- The Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the Board

A. Williams
Chairman
5 February 2021

A. Napoli
Director
5 February 2021

B. Broeker
Managing Director
5 February 2021

T. Doyle
Director
5 February 2021

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Statement of Directors' Responsibilities

The Directors’ are responsible for preparing the Chairman’s report, Directors’ report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“relevant financial reporting framework”). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors’ report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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.

Responsibility statement in accordance with the Transparency Regulations:

The Directors whose names and functions are listed on page 2 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 financial year ended 31 December 2020; and
- the Director’s 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.

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On behalf of the Board

Aidan Williams
A. Williams
Chairman
5 February 2021

A. Napoli
Director
5 February 2021

B. Broeker
Managing Director
5 February 2021

T. Doyle
Director
5 February 2021

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Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNICREDIT BANK IRELAND PLC

Report on the audit of the financial statements

Opinion on the financial statements of UniCredit Bank Ireland plc (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2020 and of the profit of the company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Balance Sheet;
- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Statement of Changes in Shareholders' Equity;
- the Cash Flow Statement; and
- the related notes A1 to I, including a summary of significant accounting policies as set out in note A1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations issued by the SIC and IFRIC as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Provisions for Impairment; and • Revenue Recognition

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Materiality	The materiality that we used in the current year was €5,800,000 which was determined on the basis of 0.25% of shareholders' equity.
Scoping	We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined.
Significant changes in our approach	Change in materiality benchmark. Refer to materiality section for further details.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding the company's Capital and Liquidity process including the Directors process for evaluating the use of the going concern assumption;
- evaluating the design and determining the implementation of relevant controls in the Capital and Liquidity process;
- assessment of the current year performance and year-end position of the company including profitability, asset mix, regulatory capital base and equity ratios;
- challenging the key assumptions used in the Directors assessment of the company's ability to continue as a going concern, including reliance on group funding;
- obtaining and challenging managements forcast and multi year plan (2021-2023) as approved by the Board of Directors; and
- evaluating the adequacy of the relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th colspan="2">Provisions for Impairment</th></tr>
<tr><td>Key audit matter description
 </td><td>As at 31 December 2020, the provision for impairment on Financial Assets at Amortised Cost is €3.2 million and on Financial Assets at Fair Value Through Other Comprehensive Income is €0.9 million. This represents the estimation of expected losses at the year-end.

The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data, and has been identified as a significant risk of material misstatement.

There is a risk that the provision for impairment of Financial Assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated. This includes the risk that the Expected Credit Losses (ECL) model is not compliant with the requirements of IFRS 9 and the risk that data is not complete and accurate.

The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note A1 to the financial statements on pages 35 and 36. Refer also to part E in the financial statements.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter
 </td><td>We undertook an assessment of, and challenged the company's provisioning methodology and compared it with the requirements of IFRS 9 with the assistance of the Group audit team.

We evaluated the design, determined the implementation and tested the operating effectiveness of the controls we identified as relevant in relation to credit management, data inputs to loan loss provisioning, ECL model and provision assessment.

We challenged management's assumptions in relation to the determination of 'significant increase in credit risk' and the allocation of loans to the three stages. We tested loans to challenge that they have been included in the correct stage in accordance with the company's methodology and IFRS 9.

We reviewed the reasonableness of the output of the ECL model and provision assessment, and evaluated the changes to the model as a result of Covid-19 pandemic.

We evaluated the adequacy of the relevant disclosures made in the financial statements. In particular, we focused on challenging the Directors that the disclosures were sufficiently clear in highlighting the significant uncertainties that exist in respect of provisions and the sensitivity of the allowance to changes in the underlying assumptions.

As a result of our work we considered the impairment provisions to be in a reasonable range.</td></tr>
</table>

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<table>
<tr><th colspan="2">Revenue Recognition</th></tr>
<tr><td>Key audit matter description
 </td><td>Revenue is made of: interest income on financial assets, amortisation of bond premium and discount, reclassified positive interest expense on financial liabilities, realised gains and losses, and unrealised gains and losses.

The company's accounting policy for the recognition of revenue is disclosed in note A1 to the financial statements (page 32). Refer also to part C of the Financial Statements.

Revenue recognition relating to significant trading transactions impacting profit in the current year is a key audit matter. This is due to the materiality of such transactions and the fact that they may have complex structures and contractual arrangements or may involve other Group entities as counterparties, and has been identified as a significant risk of material misstatement.

There is a risk that revenue recognised on these transactions has not been accurately recognised in accordance with the company's accounting policy.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter
 </td><td>We assessed the revenue recognition policy applied by the company for compliance with IFRS.

We evaluated the design, determined the implementation and tested the operating effectiveness of relevant controls in respect of:

• trade input;
• calculation of gains and losses;
• general IT controls relating to the systems that calculate the gains and losses and interest income; and
• the financial reporting and risk management process around transaction approval and review

We obtained an understanding of the nature and rationale for significant trading transactions. We independently tested a sample of the accounting entries by agreement back to the underlying contractual arrangements and verified settlement as appropriate.

We reviewed the pricing and contractual terms of transactions involving other Group entities as counterparties and ensured that the revenue recognised is consistent with the company's accounting policy and IFRS.

We evaluated the adequacy of the relevant disclosures made in the financial statements.</td></tr>
</table>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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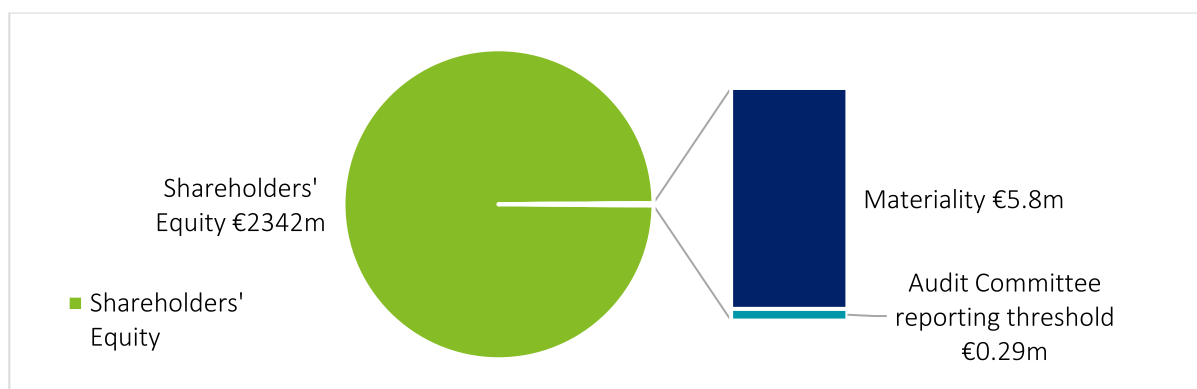
Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €5.8 million which is approximately 0.25% of shareholders' equity. We have considered the shareholders' equity to be the critical component for determining materiality because the economic decisions of a reasonably knowledgeable person would be influenced by a change in shareholders' equity. Furthermore, shareholders' equity is placed under scrutiny by local regulators and the parent entity and is therefore a key financial metric regularly assessed by Directors and Shareholders. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the company, and reliabity of control environment.

Materiality in prior year had been determined by considering profit before taxation and shareholders' equity. Given the current economic climate, the continuing low interest rate environment and fluctuations in profit based on disposals and maturities of non-intercompany bond portfolio we have moved to a shareholders' equity based materiality in the current year.



We agreed with the Audit Committee that we would report to them any audit differences in excess of €290,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our audit by obtaining an understanding of the company and its environment, including the controls within the company, and assessing the risks of material misstatement related to the financial statements of the company. Based on that understanding the majority of the work was completed in UniCredit Bank Ireland plc with some support relating to intercompany balances, IFRS 9 and general IT controls from the Group audit team which is a Deloitte member firm.

We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined. The risks of material misstatement that had the greatest effect on our audit are identified as key audit matters in the "Key Audit Matters" section of our report.

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Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the financial statements and the Directors' report has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement required by the Companies Act 2014

We report, in relation to information given in the Corporate Governance Statement on pages 8 to 10 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 of the Companies Act 2014 is consistent with the company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014.

Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by UniCredit Bank Ireland plc Board of Directors on 6 March 2013 to audit the financial statements for the financial year 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2013 to 31 December 2020.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

Niamh Geraghty
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

12 February 2021

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Financial Statements

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Statement of Changes in Shareholders' Equity 27

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Balance Sheet as at 31 December 2020 and 31 December 2019

	AMOUNTS AS AT	
	31 December 2020	**31 December 2019**
Balance sheet - Assets	**€'000**	**€'000**
20 Financial assets at fair value through the profit or loss:		
a) financial assets held for trading	3,617	3,809
c) financial assets mandatorily at fair value	29,956	29,739
30 Financial assets at fair value through other comprehensive income	4,446,025	5,994,152
40 Financial assets at amortised cost:		
a) loans and receivables with banks	4,860,534	2,525,877
b) loans and receivables with customers	3,194,920	3,435,507
50 Hedging derivatives	22,369	33,824
60 Changes in fair value of portfolio hedged items (+/-)	328,114	331,274
80 Property, plant and equipment	2,564	2,799
90 Intangible assets	285	821
100 Tax assets		
a) current tax assets	304	722
b) deferred tax assets	-	-
120 Other assets	570	691
Total Assets	**12,889,258**	**12,359,215**

	AMOUNTS AS AT	
	31 December 2020	**31 December 2019**
Balance sheet - Liabilities	**€'000**	**€'000**
10 Financial liabilities at amortised cost:		
a) deposits from banks	3,486,123	3,818,533
b) deposits from customers	3,750,292	3,525,107
c) debt securities in issue	2,674,187	1,943,191
d) lease liabilities	2,186	2,423
20 Financial liabilities held for trading	9,614	5,002
40 Hedging derivatives	586,094	684,626
50 Changes in fair value of portfolio hedged items (+/-)	6,432	8,063
60 Tax liabilities		
a) current tax liabilities	-	-
b) deferred tax liabilities	7,429	8,610
80 Other liabilities	5,307	4,551
Total Liabilities	**10,527,664**	**10,000,106**

	31 December 2020	**31 December 2019**
Balance sheet – Shareholders' equity	**€'000**	**€'000**
110 Revaluation reserves through the OCI	50,036	57,327
140 Reserves		
a) Capital contribution	753,419	753,419
b) Other reserves	45,802	45,802
c) Profit and loss account - at start of year	159,443	168,717
d) Distribution of reserve / Dividend paid	(32,225)	(41,500)
180 Net profit for the financial year	42,000	32,225
160 Issued capital	1,343,119	1,343,119
Total Shareholders' Equity	**2,361,594**	**2,359,109**
Total liabilities and shareholders' equity	**12,889,258**	**12,359,215**

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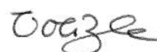
On behalf of the Board

Aidan Williams
A. Williams
Chairman
5 February 2021

A. Napoli
Director
5 February 2021

B. Broeker
Managing Director
5 February 2021


T. Doyle
Director
5 February 2021

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Income Statement

Financial Year Ended 31 December 2020 and 31 December 2019 respectively

	31 December 2020	31 December 2019
Items – Part C	**€'000**	**€'000**
10 Interest income and similar revenues	180,137	275,646
of which: interest income calculated with the effective interest method	*(117,120)*	*(123,843)*
20 Interest expense and similar charges	(131,572)	(224,736)
of which: interest expense calculated with the effective interest method	*739*	*745*
30 Net Interest Income	**48,565**	**50,910**
50 Fee and commission expense	(3,353)	(9,060)
80 Gains and (Losses) on financial assets and liabilities held for trading	137	(1,125)
90 Fair Value adjustments in hedge accounting	1,764	(429)
100 Gains/(losses) on disposal of:		
a) financial assets at amortised cost	8,708	933
b) financials assets at fair value through other comprehensive income	11,618	10,355
c) financial liabilities at amortised cost	(2,705)	(2,568)
110 Gains/(losses) on:		
a) financial assets/liabilities designated at fair value through profit or loss	-	-
b) financial assets mandatorily at fair value	223	327
120 Total operating income	**64,957**	**49,343**
130 Net recoveries/(losses) on credit impairment relating to:		
a) financial assets at amortised cost	(1,560)	2,344
b) financial assets at fair value through other comprehensive income	(333)	689
150 Net profit from financial activities	**63,064**	**52,376**
160 Administrative costs		
a) Staff expenses	(5,745)	(4,163)
b) Other administrative expenses	(8,240)	(10,306)
180 Depreciation on property, plant and equipment	(471)	(422)
190 Amortisation of intangible assets	(704)	(837)
200 Other operating income	172	224
210 Operating costs	**(14,988)**	**(15,504)**
260 Profit before tax from continuing operations	**48,076**	**36,872**
270 Tax expense related to profit from continuing operations	(6,076)	(4,647)
300 Profit for the financial period (all attributable to shareholders)	**42,000**	**32,225**

Statement of Other Comprehensive Income

Financial Year Ended 31 December 2020 and 31 December 2019 respectively

	31 December 2020	31 December 2019
	€'000	**€'000**
10 Profit for the financial year	**42,000**	**32,225**
Other comprehensive income after tax		
140 Financial assets at fair value through Other Comprehensive Income		
- Net change in fair value	**(7,291)**	**67,381**
170 Total of other comprehensive income after tax	**(7,291)**	**67,381**
180 Total comprehensive income after tax	**34,709**	**99,606**

Statement of Changes in Shareholders' Equity

Financial Year Ended 31 December 2020

	Share capital	Capital contribution	Other reserves	Revaluation reserves through the OCI	Profit and Loss account	Total
	€'000	€,000	€'000	€'000	€'000	€,000
Opening balances at 1 January 2020	**1,343,119**	**753,419**	**45,802**	**57,327**	**159,443**	**2,359,110**
Profit attributable to the equity shareholders	-	-	-	-	42,000	42,000
Other comprehensive income						
Change in fair value through other comprehensive income of financial assets						
- other comprehensive income financial assets	-	-	-	(37,409)	-	(37,409)
- hedge	-	-	-	29,076	-	29,076
Cash flow hedges:						
- Effective portion of changes in fair value	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-
Movement in deferred tax	-	-	-	1,042	-	1,042
Total other comprehensive income	-	-	-	**(7,291)**	-	**(7,291)**
Total comprehensive income	-	-	-	**(7,291)**	**42,000**	**34,709**
Distribution of reserves	-	-	-	-	**(32,225)**	**(32,225)**
Closing balances as at 31 December 2020	**1,343,119**	**753,419**	**45,802**	**50,036**	**169,218**	**2,361,594**

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Statement of Changes in Shareholders' Equity

Financial Year Ended 31 December 2019

	Share capital	Capital contribution	Other reserves	Revaluation reserves through the OCI	Profit and Loss account	Total
	€'000	€,000	€'000	€'000	€'000	€,000
Opening balances at 1 January 2019	**1,343,119**	**753,419**	**45,802**	**(10,054)**	**168,717**	**2,301,003**
Profit attributable to the equity shareholders	-	-	-	-	32,225	32,225
Other comprehensive income						
Change in fair value through other comprehensive income of financial assets						
- other comprehensive income financial assets	-	-	-	91,159	-	91,159
- hedge	-	-	-	(14,152)	-	(14,152)
Cash flow hedges:						
- Effective portion of changes in fair value	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-
Movement in deferred tax	-	-	-	(9,626)	-	(9,626)
Total other comprehensive income	**-**	**-**	**-**	**67,381**	**-**	**67,381**
Total comprehensive income	**-**	**-**	**-**	**67,381**	**32,225**	**99,606**
Distribution of reserves	-	-	-	-	**(41,500)**	**(41,500)**
Closing balances as at 31 December 2019	**1,343,119**	**753,419**	**45,802**	**57,327**	**159,442**	**2,359,109**

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Cash Flow Statement (indirect method)

Financial Year Ended 31 December 2020 and 31 December 2019

	31 December 2020 €'000	31 December 2019 €'000
A. Operating Activities		
1. Operations	**42,520**	**30,825**
- profit for the financial year	42,000	32,225
- fair value losses/(gains) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss and financial assets mandatory at fair value	(360)	798
- capital (gains)/losses on hedging operations (+/-)	(1,764)	429
- net write-backs due to impairment (+/-)	1,893	(3,033)
- net write-offs on tangible and intangible assets (+/-)	1,175	1,259
- tax paid (+/-)	(6,500)	(5,500)
- Add back tax charge for the financial year	6,076	4,647
2. Liquidity generated/absorbed by financial assets	**1,123,101**	**2,497,422**
- financial assets held for trading	329	(2,728)
- financial assets mandatory at fair value	6	18,931
- financial assets at fair value through other comprehensive income	1,443,064	2,153,733
- loans and receivables with banks	(445,455)	2,044,203
- loans and receivables with customers	122,855	(1,721,452)
- other assets	2,303	4,736
3. Liquidity generated/absorbed by financial liabilities	**(109,487)**	**(2,232,018)**
- deposits from banks	(331,952)	(2,123,927)
- deposits from customers	225,185	(105,650)
- financial liabilities held for trading	4,612	3,684
- other liabilities	(7,332)	(6,125)
Net liquidity generated/absorbed by operating activities	**1,056,135**	**296,229**
B. Investment Activities		
1. Net Liquidity by:		
- purchases of tangible assets	(236)	(513)
- purchases of intangible assets	(167)	(215)
Net liquidity generated/absorbed by investment activities	**(403)**	**(728)**
C. Financing Activities		
- debt certificates including bonds	730,561	(205,629)
of which: related to non-cashflow changes	*280*	*521*
- lease liabilities	(197)	(42)
- distribution to Parent Company	(32,225)	(41,500)
Net liquidity generated/absorbed by financing activities	**698,139**	**(247,171)**
Increase/Decrease in cash and cash equivalents	**1,753,871**	**48,330**
Cash and cash equivalents at 1 January	399,925	351,595
Cash flow	1,753,871	48,330
Cash and cash equivalents at 31 December	**2,153,796**	**399,925**

KEY: (+) generated; (-) absorbed

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Cash Flow Statement (indirect method) (continued)

Financial Year Ended 31 December 2020 and 31 December 2019

Reconciliation of Cash and Cash Equivalents	**31 December 2020**	**31 December 2019**
	€'000	**€'000**
Cash and cash balances	-	-
Deposit and current accounts with banks	2,010,419	122,092
Deposits with customers	143,378	277,833
Cash and cash equivalents total at 31 December	**2,153,796**	**399,925**

Included in operating activities are the following:	**31 December 2020**	**31 December 2019**
	€'000	**€'000**
Interest received	197,914	294,118
Interest paid	131,441	240,444

Changes in liabilities arising from financial activities

Financial Year Ended 31 December 2020

Reconciliation of liquidity generated/absorbed by financing activities	**01 January 2020**	**Cash Flows**	**Non cash flow changes**	**31 December 2020**
	€'000	**€'000**	**€'000**	**€'000**
*Debt certificates including bonds**	1,943,191	730,716	280	2,674,187
of which: issuance		*4,026,351*		
of which: payment		*(3,295,635)*		
Lease liabilities	2,423	(197)	(40)	2,186
Distribution to Parent Company	-	(32,225)	-	-
Liquidity generated/absorbed by financing activities		**698,293**	**240**	**698,534**
*** refer to Part B: Balance Sheet Notes – Liabilities Item 10C - Debt securities in issue for the breakdown of this item.**				
** movements in hedge accounting related to financing activities*	*8,063*	*-*	*(1,631)*	*6,432*

Changes in liabilities arising from financial activities

Financial Year Ended 31 December 2019

Reconciliation of liquidity generated/absorbed by financing activities	**01 January 2019**	**Cash Flows**	**Non cash flow changes**	**31 December 2019**
	€'000	**€'000**	**€'000**	**€'000**
*Debt certificates including bonds**	2,148,820	(206,150)	521	1,943,191
of which: issuance		*2,085,173*		
of which: payment		*(2,291,323)*		
Distribution to Parent Company	2,466	(42)		2,423
		(41,500)		
Liquidity generated/absorbed by financing activities		**(247,692)**	**521**	**(247,171)**
*** refer to Part B: Balance Sheet Notes – Liabilities Item 10C - Debt securities in issue for the breakdown of this item.**				
** movements in hedge accounting related to financing activities*	*23,333*	*-*	*(15,270)*	*8,063*

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Explanatory Notes

Part A.1: Accounting Policies

Section 1 - Statement of Compliance

The financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC as adopted by the EU and applicable at 31 December 2020.

The same accounting policies and methods of computation have been followed in these financial statements as were followed in the 2019 annual report other than where amendments or new interpretations of accounting policies and/or methods of computation came into force during 2020.

The financial statements comply with applicable requirements of Irish Statute comprising the Companies Act 2014. The financial statements also comply with the European Union (Credit Institutions: Financial Statements) Regulations 2015 (S.I. No. 266 of 2015).

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. The Directors considered the following principal conditions and events when assessing the Company's ability to continue as a going concern:

- the Company's consistent business model and strong liquidity position, combined with support provided by the Company's being part of the UniCredit S.p.A. Group;
- the impact of COVID-19 led to the refinement of the assumptions used in formulating certain estimates such as impairments, meaning the Company updated the macro environment scenarios to take account of increasingly volatile markets, and;
- the forecasts and multi-year plans provided to reflect future plans.

Refer to the Directors Report for details.

In 2020 the following standards, amendments or interpretations came into force:

- Amendments to IFRS 3 Business Combinations (Reg. EU 2020/551);
- Amendments to References to the Conceptual Framework in IFRS Standards (Reg. EU 2019/2075);
- Amendments to IAS 1 and IAS 8: Definition of Material (Reg. EU 2019/2104);
- Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform Phase 1 (Reg. EU 2020/34);
- IFRS 16 amendment: 'Covid-19-Related Rent Concessions' (EU Regulation 2020/1434).

The Directors have considered all standards and pronouncements newly effective for the financial period ended 31 December 2020 and have concluded that they have no material impact on the financial statements.

Standards issued but not yet effective

As of 31 December 2020 the European Union endorsed the following accounting principles that will be applicable for reporting periods beginning on or after 1 January 2021:

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- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (EU Regulation 2020/2097);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020).

As of 31 December 2020 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IAS 1 Presentation of Financial Statements (Sept 2014) - Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively);
- Amendments to IFRS 3 Definition of a Business (May 2020);
- Amendments to IAS 16 Property, Plant and Equipment (May 2020);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (May 2020);
- Amendments to Annual Improvements 2018-2020 (May 2020).

The likely impacts of the initial application of the above listed standards, which are subject to completion of the endorsement process, are still being considered by management at this point.

Section 2 - General Basis of Preparation

The preparation of financial statements requires management to make judgments, 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 judgements and estimates that could have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are in the areas of impairment of financial assets, and the fair value of certain financial assets and financial liabilities. Refer to accounting estimates and key judgements paragraphs that follow on pages 41 - 42 for more details.

The financial statements comprise of the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Shareholders' 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 financial year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Transactions in foreign currencies are translated at the exchange rate as at the date of the transaction.

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Translation differences on non-monetary items, such as securities held at fair value through profit or loss and fair value through other comprehensive income, are reported as part of the fair value gain or loss.

Interest Income and Expense
Interest income and expenses and similar income and expense items relate to financial assets and liabilities, i.e. (i) financial assets and liabilities held for trading, (ii) financial assets mandatorily at fair value, (iii) financials assets at fair value through other comprehensive income, (iv) financial assets and liabilities at amortised cost such as loans and receivables with Banks and Customers, deposits from Banks and Customers, and securities in issue.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives (i.e. hedging interest-bearing assets and liabilities).

Interest income and expense are recognised through profit or loss with respect to all instruments measured at other comprehensive income and all instruments measured at amortised cost, using the effective interest method, are separately disclosed in the income statement.

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 to the gross carrying amount of the financial asset or to the amortised cost of a 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 Expense
Fees and Commission Expense is generally recognised on an accruals basis when the service has been provided, unless it is appropriate to include it in the effective interest rate calculation.

Other Operating Income
The measurement and timing of recognition of other operating income is based on the core principles of IFRS 15 Revenue from Contracts with Customers.

The principles in IFRS 15 are applied using the following 5 step model:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when or as the Company satisfies its performance obligations.

As at 31 December 2020 and 31 December 2019 the Company had a service level agreement with associated Pioneer entities for the provision of professional services. The performance obligation is satisfied over-time as the services are provided, and the related revenue is recognized in the income statement in order to reflect the progress of satisfaction of such obligation. The transaction price is defined in the contract.

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Financial Assets
This classification is based on the business model and characteristics of the contractual cash flows. The analysis of the business model is conducted by assessing the individual assets of the Company and by allocating a specific business model to each of them.

In this regard, the assets that make up the Company's portfolio have been assigned "held-to-collect" or "held-to-collect and sell" business models according to holding intentions and expected turnover of the financial instruments. The derivatives in the Company's portfolio that are trading in nature have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying financial instruments in the categories required by IFRS 9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test"). The "SPPI Test" examines whether the financial instruments are 'Solely payments of principal and interest on the principal amount outstanding' or not.

In this regard, the Company has developed processes that also leverage Group expertise and systems aimed at analysing the portfolio of securities and loans in order to assess whether the features of their contractual cash flows allows their measurement at amortized cost ("held to collect" portfolio) or at fair value through comprehensive income ("held to collect and sell" portfolio").

The analysis in question was carried out contract by contract locally analysing the contract features with respect to IFRS 9 requirements, and/or by using external data providers.

In application of the aforementioned rules, the Company's financial assets have been classified as follows:

- Asset item 20 a) Financial assets held for trading;
- Asset item 20 c) Financial assets mandatorily at fair value;
- Asset item 30 Financial assets at fair value through Other Comprehensive income;
- Asset item 40 Financial assets at amortised cost.

Asset item 20 a) Financial assets held for trading
A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the short 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 contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those valued at fair value with recognition of income effects through profit or loss.

As with other financial instruments, on initial recognition, and at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and revenues, which are recognized in profit or loss although directly attributable to the financial assets. Derivatives are recognized at trade date.

After initial recognition these financial assets are measured at their fair value through profit or loss. As per interest income accounting policy, interest income is recognised separately.

A derivative is a financial instrument or other contract that has all three of the following characteristics:

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- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Company has foreign exchange forwards and interest rate swaps classified as financial assets held for trading as at 31 December 2020 and also as at 31 December 2019.

Asset item 20 c) Financial assets mandatorily at fair value
A financial asset is classified as a financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio as debt instruments, securities and loans with cash flows that are not solely payment of principal and interest and have therefore failed the SPPI test.

These assets are accounted for as "Financial assets held for trading"

Asset item 30 Financial assets at fair value through other comprehensive income (Debt instruments)
A financial asset is classified as at fair value through other comprehensive income if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

On initial recognition, and at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and revenues directly attributable to the instrument.

After initial recognition, the interest accrued on interest-bearing instruments is recorded in the income statement according to the amortized cost criterion. The gains and losses arising from changes in fair value are recognized in the statement of other comprehensive income and shown under *item 110. Revaluation reserves* in shareholders' equity.

These instruments are under the impairment model as illustrated in the following section. Expected credit losses are recorded in the income statement with a contra-entry in the statement of other comprehensive income and also shown *under item 110. Revaluation reserves* in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in the income statement.

Asset item 40 Financial assets at amortised cost
A financial asset is classified within the financial assets measured at amortised cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

On initial recognition, and at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

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After initial recognition at fair value, these assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan.

These instruments are under the impairment model as illustrated in the following section. Expected credit losses are recorded in the income statement with a contra-entry against the financial asset in the balance sheet.

Impairment of financial assets
Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are under the impairment model of IFRS 9.

In this regard, these instruments are classified in Stage 1, Stage 2 or Stage 3 according to their absolute or relative credit quality with respect to initial recognition. Specifically:

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: includes impaired credit exposures, where the asset is non-performing and an objective evidence for impairment following a credit event has been recognized.

For exposures in Stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures in Stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure. With reference to impaired exposures in stage, the expected recoverable amount, and therefore the expected credit loss, is the present value of future cash flows expected to be recovered, discounted at the original interest rate. Therefore the main determinants of this value are, the expected cash flows; the expected timing of payments of these cash flows; and the effective interest rate used for discounting.

The Stage Allocation model is a key aspect of the accounting model required to calculate expected credit losses. The Stage Allocation model is based on a combination of relative and absolute elements. The main elements are:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the Bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification).

As at 31 December 2020 the Company had only had Stage 1 exposures and no off-balance sheet exposures subject to Expected Credit Loss 'ECL' calculations.

In order to meet the requirements of the standard, the Company leverages specific models that have been developed at Group level to calculate expected credit losses based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulations.

As mentioned in the previous paragraph, the Group has developed specific models for calculating the expected credit losses; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

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- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the effective interest rate is the discount rate that expresses the time value of money.

Further details are available in Part E: Information on risks and hedging policies Section 5 Parameters and risk definitions used for calculating value adjustments and stage allocations.

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:

- Liability item 10 Financial liabilities at amortised cost;
- Liability item 20 Financial liabilities held for trading.

Liability item 10 Financial liabilities at amortised cost
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.

The Company sub classifies its financial liabilities at amortised cost in the following categories:

a) deposits from banks
b) deposits from customers
c) debt securities in issue
d) lease liabilities

Liability item 20 Financial liabilities held for trading
Financial liabilities held for trading include at fair value through profit or loss:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction.

The Company had foreign exchange forwards and interest rate swaps classified as financial liabilities held for trading as at 31 December 2020 and also as at 31 December 2019.

Derivative Financial Instruments and Hedge Accounting

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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 financials assets at fair value through other comprehensive income.

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.

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.

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 applies only:

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.

The Company has both portfolio 'Macro' and one-to-one 'Micro' hedge relationships.

- Macro hedge relationships are accounted for dependant on the classification of the underlying hedged item. For hedged items carried at amortised cost the change in the fair value of the hedging instrument is accounted for under line item "Changes in fair value of portfolio hedged items". For hedged items carried at fair value through other comprehensive income the changes in the fair value of the hedging instrument is accounted for under line item 110 "Revaluation reserves through the OCI".
- The changes in the fair value of the hedging instruments relating to Micro hedge relationships for which the hedged items are carried at amortised cost or at fair value through other comprehensive income are accounted for directly against the hedged item.

The fair value changes recorded in item 110 "Revaluation reserves through the OCI" are also disclosed in the Statement of Other Comprehensive Income.

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 item 80 'Gains and losses on financial assets and liabilities held for trading'.

In relation to the adoption of IFRS 9 the Company has exercised the option to continue applying the existing IAS 39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

Offsetting Financial Instruments
Financial assets and liabilities must be offset and the net amount reported in the Balance Sheet when there is a current 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.

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

Similarly when securities are purchased subject to a commitment to resell ("reverse repo"), or where the Company borrows securities but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the Balance Sheet. The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest method.

Securities, Borrowing and Lending
Securities lending agreements are transactions in which the Bank lends or borrows securities for a fee. The Bank continues to recognise the securities in their entirety in the balance sheet because it retains substantially all of the risks and rewards of ownership. For securities borrowed the securities remain off-balance sheet as substantially all of the risks and rewards of ownership are not transferred.

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 financial year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment in respect of previous financial years.

Deferred income tax is provided, 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 and liabilities 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.

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits and the cost can be reliably measured. Other expenses borne at a later time

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(e.g. normal maintenance costs) are recognised in the year they are incurred in profit or loss item 160. Administrative costs b) other administrative expense.

The item “Property, plant and equipment” includes assets used by the Bank as lessee under a lease contract (right-of-use), or let/hired out by the Bank as lessor under an operating lease.

Property, plant and equipment include leasehold improvements relating to assets which can be separately identified. Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item 120. Other assets.

Depreciation is charged so as to write down the cost of assets over their estimated useful life using the straight line method. Residual useful life is usually assessed as follows:

- Leasehold improvements: up to 8 years
- Computer equipment: up to 5 years
- Office equipment: up to 3 years
- Right-of-use asset (lease): up to 10 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 financial year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 years or 5 years, subject to the associated useful life using the straight line method, from the date it is brought into use.

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, and short-term (with a maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

Share Capital

Share capital represents funds raised by issuing shares in return for cash or other consideration.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders.

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 in the income statement when the employee has rendered services which qualify for the contribution. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Significant Accounting Estimates

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Under IFRS, management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning contingent assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

In particular, estimated figures have been used for the recognition and measurement of some of the items in the Financial Statements as at 31 December 2020, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going concern.

Valuation is particularly complex because of the uncertainty in the macroeconomic and market environment; the parameters and information used may be significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out. Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognised accordingly in both current and future periods. Valuation estimates of financial instruments include the choice of valuation techniques (e.g. Net Present Value of cash flows) employed in determination of fair values and determination of hierarchy levels. Refer to section 3 - Financial Instruments Fair Value of Part A.1: Accounting Policies for further information on the methods of valuation used for Financial Instruments. With specific reference to valuation techniques, unobservable inputs used in the fair value measurement and sensitivities to changes in those inputs, please refer to Part E: Information on risks and hedging policies Section 11 – Fair Value Disclosures.

Valuation estimates relate to asset item 20 Financial assets at fair value through the profit or loss, asset item 30 Financial assets at fair value through other comprehensive income, asset item 50 Hedging derivatives and asset item 60 Changes in fair value of portfolio hedged items (+/-), liability item 20 Financial liabilities held for trading, liability item 40 Hedging derivatives, liability item 50 Changes in fair value of portfolio hedged items (+/-) and equity item 110 Revaluation reserves through the OCI. Refer to the Balance Sheet in the Financial Statements as at 31 December 2020 for the carrying amounts of the asset and liability items mentioned.

Uncertainty affecting estimates is generally inherent, among others, in the measurement of fair value of financial instruments not listed in active markets, loans and receivables, and, in general, any other financial assets/liabilities, whose assessment may significantly change over time according to the trend in (i) domestic and international socio-economic conditions and subsequent impact on the Bank's profitability and customers' creditworthiness; and (ii) financial markets which affect changes in interest rates, prices and actuarial assumptions.

With regard to credit exposures evaluation it should be noted that, with the application of IFRS 9, such estimation is based on forward looking information and, in particular on the evolution of macroeconomic scenarios used in the loan loss provisions calculation. Further details are available in Part E: Information on risks and hedging policies.

Credit exposure estimation impacts asset item 30 Financial assets at fair value through other comprehensive income, asset item 40 Financial assets at amortised cost and equity item 110 Revaluation reserves through the OCI. Refer to the in the Financial Statements as at 31 December 2020 for the carrying amounts of the asset and liability items mentioned.

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Refer to the following sections for sensitivity analysis related to accounting estimates:

- Credit exposure estimation: Part E: Information on risks and hedging policies Section 5 Parameters and risk definitions used for calculating value adjustments and stage allocations.
- Valuation estimation: Part E: Information on risks and hedging policies Section 9 – Market Risk.
- Valuation estimation: Part E: Information on risks and hedging policies Section 11 - Fair Value Disclosures.

Key judgements
Key judgements include IFRS 9 classification related criteria such as business model assessment and determining if a financial asset meets the SPPI criteria. Judgements used when the Company is assessing whether a financial asset is to be considered under business model "held to collect" or "held to collect and sell" include why the instrument has been acquired or originated and the expected turnover of financial asset. Similarly, when the Company is performing contract by contract analysis of the contractual cash flows ("SPPI Test") on a financial asset it may make judgements in relation to certain features of the asset, in the scenario where it is not certain if the SPPI criteria are met. Further details of how these judgements are made are included in Part A.1: Accounting Policies Section 2 - General Basis of Preparation Financial Assets.

Key judgements also include IFRS 9 impairment related judgements such as defining the meaning of default and expected credit loss modelling. Details of how these judgements are made are included in Part E: Information on risks and hedging policies.

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 refer to Part G: Segmental Reporting.

Section 3 – Financial Instruments Fair Value

Fair value of financial assets and liabilities held for trading, financial assets mandatorily at fair value, financial assets at fair value through other comprehensive income, 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.

Transferable securities include government bonds, corporate bonds and other debt securities;

- Bonds and debt quoted in an active market.
- Where bonds are not quoted in an active market, the Company uses valuation techniques which include external ratings and market information to assess the pricing procedure. The prices are reviewed by a UniCredit Banking Group company.

Asset Backed Securities ('ABS')

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- Where actively traded the closing bid prices are utilised.
- Where the securities are not quoted in an active market, the Company uses valuation techniques which include external ratings and market information to assess the pricing procedure. The prices are reviewed by a UniCredit Banking Group.

Where the asset is not quoted in an active market, valuation techniques may include;

- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

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

Derivative contracts are valued using discounted cash flow methodology. Cash flows 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 The Euro Interbank Offered Rate ("EURIBOR")/London Interbank Offered Rate ("LIBOR") curves as at 31 December 2019 were utilised. The fair value determined using this calculation includes specific risk factors such as liquidity risk, and where relevant, counterparty risk.

IFRS 13 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 hierarchies:

- 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 based observable market data 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 (non-observable inputs).

For details of the disclosure requirements in accordance with IFRS 7 and IFRS 13 please refer to Part E: Information on risks and hedging policies Section 11 – Fair Value Disclosures.

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Part B: Balance Sheet Notes - Assets

Item 20 - Financial assets at fair value through profit or loss

Item 20A – Financial assets held for trading

20A.1 Financial assets held for trading: product breakdown	31 December 2020	31 December 2019
	€'000	€'000
Derivative assets	3,617	3,809
	3,617	**3,809**

20A.2 Derivatives held for trading	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	€'000	€'000	€'000	€'000
	Fair Value	Nominal	Fair Value	Nominal
Eonia swaps	2,262	3,500,000	3,685	7,340,000
Forward currency purchases	1,355	104,763	124	8,902
	3,617	**3,604,763**	**3,809**	**7,348,902**

Included in derivatives held for trading is a fair value carrying amount of €3.6 million (31 December 2019: €3.8 million) due from UniCredit Banking Group. The derivatives classified in financial assets held for trading are entered into for economic hedging purposes including currency and interest rate risk for which IAS 39 hedge accounting requirements have not been fulfilled.

Item 20C – Financial assets mandatorily at fair value

20C.1 Financial assets mandatorily at fair value: product breakdown	31 December 2020	31 December 2019
	€'000	€'000
Other securities		
- Other debt securities	29,956	29,739
	29,956	**29,739**
Of which Intercompany:		
UniCredit S.p.A. Group financial assets mandatorily at fair value	-	-

The financial assets mandatorily at fair value amount to €30.0 million and are represented by an asset backed security as at 31 December 2020 (31 December 2019: €29.7 million).

Item 30 – Financial assets at fair value through other comprehensive income

30.1 Financials assets at fair value through other comprehensive income: product breakdown	31 December 2020	31 December 2019
	€'000	€'000
Issued by public bodies		
- Government debt securities	3,679,922	5,085,694
- Other public sector debt securities	171,746	175,566
Other securities		
- Covered debt securities issued by Banks	582,738	721,003
- Covered debt securities issued by Corporates	11,619	11,889
	4,446,025	**5,994,152**
Of which Intercompany:		
UniCredit S.p.A. Group financials assets at fair value through other comprehensive income	-	-

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30.2 Financial assets at fair value through other comprehensive income: analysis by remaining maturity	31 December 2020 €'000	31 December 2019 €'000
- over 5 financial years	-	922,387
- 5 years or less but over 1 financial year	3,993,380	4,827,003
- 1 financial year or less but over 3 months	411,318	114,072
- 3 months or less	41,327	130,690
	4,446,025	**5,994,152**

Financial assets at fair value through other comprehensive income of €3.3 billion (31 December 2019: €4.5 billion) have been pledged to third parties in sale and repurchase agreements.

The collateral encumbered to third parties can be used in the event of the Bank's default and non-repayment of the Banks related liabilities with each counterparty, in order to offset each counterparty's exposure to the Bank.

Financial assets at fair value through other comprehensive income with a maturity of 3 months or less do not qualify as cash equivalents as they will be re-invested once matured.

30.3 Financial assets at fair value through other comprehensive income: listing status	31 December 2020 €'000	31 December 2019 €'000
Analysis by listing status		
- Listed	4,446,025	5,994,152

30.4 Financial assets at fair value through other comprehensive income: annual changes	31 December 2020 €'000	31 December 2019 €'000
At 1 January	5,994,152	8,147,196
Additions	-	-
Disposals and maturities	(1,364,968)	(2,041,731)
Exchange differences	2,236	4,638
Changes in fair value	(168,162)	(91,159)
Interest receivable	(17,233)	(24,792)
At 31 December	**4,446,025**	**5,994,152**

The components of annual changes in fair value on financial assets at fair value through other comprehensive income include negative €37.4 million (31 December 2019: positive €91.2 million) related to mark to market movements and negative €130.7 million (31 December 2019: negative €182.3 million) related to the release of amortisation. The release of amortisation is the pull to par impact of financial assets at fair value through other comprehensive income bought at a premium to par.

Stage 1 impairments related to financial assets at fair value through other comprehensive income of €0.9 million (31 December 2019: €0.6 million) are excluded from the table above. Impairments related to financial assets at fair value through other comprehensive income are included in shareholders equity 'Revaluation reserves through the other comprehensive income'.

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Item 40 - Financial assets at amortised cost

Item 40A – Loans and receivables with banks

40A.1 Loans and receivables with banks: analysis by remaining maturity	31 December 2020 €'000	31 December 2019 €'000
Loans and receivables : Remaining maturity		
- over 5 financial years	512,910	605,100
- 5 financial years or less but over 1 financial year	59,000	72,000
- 1 financial year or less but over 3 months	6,231	27,523
- 3 months or less	2,583,000	121,088
- Repayable on demand	1,083	1,006
	3,162,224	**826,717**
Loans and receivables with banks impairment	(80)	(1)
	3,162,144	**826,716**
Unquoted securities : Remaining maturity		
- over 5 financial years	1,699,999	1,700,035
- 5 financial years or less but over 1 financial year	-	-
- 1 financial year or less but over 3 months	-	-
- 3 months or less	-	-
	1,699,999	**1,700,035**
Unquoted securities with banks impairment	(1,609)	(874)
	1,698,390	**1,699,162**
	4,860,534	**2,525,877**
Of which Intercompany:		
Due from parent company and fellow subsidiaries	**4,734,904**	**2,386,000**

40A.2 Loans and receivables with banks: Fair value	31 December 2020 €'000	31 December 2019 €'000
Loans and receivables with banks	4,807,961	2,413,149
	4,807,961	**2,413,149**

Included in the total of loans and receivables with banks are securities of nil which have been pledged to third parties in sale and repurchase agreements (31 December 2019: nil).

In December 2019 UniCredit S.p.A. provided a pledge in favour of the Bank in order to secure the debt securities issued by UniCredit S.p.A and bought by the Bank for a total notional of €1.7 billion using as a collateral a €0.8 billion deposit granted by UniCredit S.p.A. at year-end to ensure compliance with the Net Stable Funding Ratio requirement and €0.9 billion of the Senior Class of an Asset Backed Security owned by UniCredit S.p.A.

The pledge, thanks to the collateral, reduced the counterparty risk associated to the investments which becomes "secured" as long as the pledge is outstanding.

In October 2020 the Company terminated the pledge agreement with UniCredit S.p.A. as improved compliance with the Net Stable Funding Ratio requirement deemed the pledge agreement obsolete.

The cost of the pledge has been determined between the parties on an arm's length basis in accordance with Transfer Pricing Group Policies.

Included in fee and commission expense is €2.07 million related to the pledge (31 December 2019: €0.06 million).

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Item 40B – Loans and receivables with customers

40B.1 Loans and receivables with customers: analysis by remaining maturity	31 December 2020 €'000	31 December 2019 €'000
Loans and receivables: Remaining maturity		
- over 5 financial years	-	-
- 5 financial years or less but over 1 financial year	300,110	300,148
- 1 financial year or less but over 3 months	-	150,310
- 3 months or less	291,201	277,837
	591,311	**728,295**
Loans and receivables with customers impairment	(330)	(387)
	590,981	**727,908**
Unquoted securities : Remaining maturity		
- over 5 financial years	392,429	1,492,774
- 5 financial years or less but over 1 financial year	2,212,712	1,215,273
- 1 financial year or less but over 3 months	-	-
- 3 months or less	-	-
	2,605,141	**2,708,047**
Unquoted securities with customers impairment	(1,202)	(448)
	2,603,939	**2,707,599**
	3,194,920	**3,435,507**
Of which Intercompany:		
Due from parent company and fellow subsidiaries	**300,110**	**450,458**

40B.2 Loans and receivables with customers: Fair value	31 December 2020 €'000	31 December 2019 €'000
Loans and receivables with customers	3,505,872	3,722,337
	3,505,872	**3,722,337**

Included in the total of loans and receivables with customers are securities of €1.9 billion which have been pledged to third parties in sale and repurchase agreements (31 December 2019: €2.0 billion).

The collateral encumbered to third parties can be used in the event of the Bank's default and non-repayment of the Banks related liabilities with each counterparty, in order to offset each counterparty's exposure to the Bank.

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.

Item 50 – Hedging derivatives

50.1 Hedging derivatives	31 December 2020 €'000	31 December 2020 €'000	31 December 2019 €'000	31 December 2019 €'000
	Fair Value	**Nominal**	**Fair Value**	**Nominal**
Cross currency swaps	19,686	138,863	20,754	150,660
Interest rate swaps	2,683	97,066	13,070	1,089,000
	22,369	**235,929**	**33,824**	**1,239,660**

Included in hedging derivatives is an amount of €22.3 million (31 December 2019: €33.8 million) which is due from UniCredit Banking Group.

For detail on derivatives please refer to the notes on derivatives which is included Part E: Information on risks and hedging policies Section 9 – Market Risk

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Item 60 – Changes in fair value of portfolio hedged items (+/-)

60.1	Changes in fair value of portfolio hedged items (+/-)	31 December 2020	31 December 2019
	Positive changes in fair value of portfolio hedged items	328,114	331,274
		328,114	**331,274**

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.

Item 80 – Property, plant and equipment

80.1	Property, plant and equipment	Lease Right-of-use asset	Leasehold improvements	Office equipment	Computer equipment	Total
	Cost	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
	At 1 January 2019 (IFRS 16 adoption date)	2,785	1,251	103	473	4,612
	Additions	-	202	97	214	513
	Disposals	-	(1,377)	(65)	(71)	(1,513)
	At 1 January 2020	2,785	76	135	616	3,612
	Additions	112	-	3	120	235
	Disposals	-	-	-	-	-
	At 31 December 2020	2,897	76	138	736	3,847
	Accumulated depreciation	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
	At 1 January 2019	-	1,251	93	357	1,701
	Charge for financial year	306	-	23	93	422
	Disposals	-	(1,175)	(65)	(70)	(1,310)
	At 1 January 2020	306	76	51	380	812
	Charge for financial year	318	-	25	128	471
	Disposals	-	-	-	-	-
	At 31 December 2020	624	76	76	508	1,283
	Net book values					
	At 31 December 2019	**2,479**	**-**	**84**	**236**	**2,799**
	At 31 December 2020	**2,273**	**-**	**62**	**228**	**2,564**

Included in property, plant and equipment is a right-of-use asset of €2.2 million (31 December 2019: €2.5 million) related to the lease contract of the "La Touche House" office space. Included in depreciation charge for financial year is €0.3 million (31 December 2019: €0.3 million) related to the lease right-of-use asset. Refer to Part B: Balance Sheet Notes – Liabilities Item 10D lease liabilities for details on the related lease liability and interest expense.

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Item 90 – Intangible assets

90.1	Intangible assets	Computer software costs	Total
	Cost	**€'000**	**€'000**
	At 1 January 2019	5,453	5,453
	Additions	215	215
	Disposals	(946)	(946)
	At 1 January 2020	4,946	4,946
	Additions	167	167
	Disposals	-	-
	At 31 December 2020	5,113	5,113
	Accumulated amortisation		
	At 1 January 2019	3,160	3,160
	Charge for financial year	837	837
	Disposals	(946)	(946)
	At 1 January 2020	4,126	4,126
	Charge for financial year	704	704
	Disposals	(1)	(1)
	At 31 December 2020	4,829	4,829
	Net book values		
	At 31 December 2019	**821**	**821**
	At 31 December 2020	**285**	**285**

Item 100 – Tax assets

	Tax assets	31 December 2020	31 December 2019
		€'000	**€'000**
100A	Current taxation asset	**304**	**722**
	Reversal of deferred tax liability		
	Deferred taxation asset at 1 January	-	735
	Tax credit arising from positive OCI revaluation reserve	-	(735)
100B	At 31 December	-	-
	Total tax assets	**304**	**722**

Item 120 – Other assets

120.1	Other assets	31 December 2020	31 December 2019
		€'000	**€'000**
	Accounts receivable and prepayments	570	691
		570	**691**

Leasehold improvements of €0.3 million (31 December 2019: 0.3 million) relating to property, plant and equipment that are identifiable but not considered separable are included in other assets.

Included in other assets is an amount of nil (31 December 2019: nil) which is due from UniCredit Banking Group.

E-MARKET SDIR CERTIFIED

Part B: Balance Sheet Notes – Liabilities

Item 10 - Financial liabilities at amortised cost

Item 10A – Deposits from banks

10A.1 Deposits from banks: analysis by remaining maturity	31 December 2020 €'000	31 December 2019 €'000
Remaining maturity		
- 5 financial years or less but over 1 financial year	30,941	780,932
- 1 financial year or less but over 3 months	2,124,958	675,262
- 3 months or less	1,328,273	2,362,300
- Repayable on demand	1,951	39
	3,486,123	**3,818,533**
Of which Intercompany:		
Due to parent company and fellow subsidiaries	**1,090,734**	**1,559,291**

10A.2 Deposits from banks: Fair Value	31 December 2020 €'000	31 December 2019 €'000
Deposits from Banks	3,487,714	3,829,207
	3,487,714	**3,829,207**

Included in deposits from banks are deposits of €2.4 billion (31 December 2019: €2.5 billion) held as security for securities sold under repurchase agreements.

Deposits from banks with a maturity of 3 months or less do not qualify as cash equivalents as they are not held for short term cash commitments.

Item 10B – Deposits from customers

10B.1 Deposits from customers: analysis by remaining maturity	31 December 2020 €'000	31 December 2019 €'000
Remaining maturity		
- 5 financial years or less but over 1 financial year	-	-
- 1 financial year or less but over 3 months	87,128	120,370
- 3 months or less	3,663,164	3,404,737
	3,750,292	**3,525,107**
Of which Intercompany:		
Due to parent company and fellow subsidiaries	**96,467**	**70,218**

10B.2 Deposits from customers: Fair Value	31 December 2020 €'000	31 December 2019 €'000
Deposits from Banks	3,752,478	3,533,281
	3,752,478	**3,533,281**

Included in customer accounts are deposits of €3.6 billion (31 December 2019: €3.3 billion) held as security for securities sold under repurchase agreements.

Deposits from customers with a maturity of 3 months or less do not qualify as cash equivalents as they are not held for short term cash commitments.

E-MARKET SDIR CERTIFIED

Item 10C – Debt securities in issue

10C.1 Debt securities in issue: analysis by remaining maturity	31 December 2020	31 December 2019
	€'000	€'000
Bonds and medium term notes		
Remaining maturity		
- 5 financial years or less but over 1 financial year	205,328	206,984
- 1 financial year or less but over 3 months	2,508	51,958
- 3 months or less	-	29,076
	207,836	**288,018**
Other debt securities in issue		
Remaining maturity		
- 1 financial year or less but over 3 months	-	1,646,283
- 3 months or less	2,466,351	8,890
	2,466,351	**1,655,173**
	2,674,187	**1,943,191**
Of which Intercompany:		
Due to parent company and fellow subsidiaries	**13,949**	**16,371**

10C.2 Debt securities in issue: Fair Value	31 December 2020	31 December 2019
	€'000	€'000
Debt securities in issue	2,694,757	1,957,302
	2,694,757	**1,957,302**

10C.3 Debt securities in issue: by financial instrument	31 December 2020	31 December 2019
	€'000	€'000
Commercial paper	2,466,350	1,655,173
Medium term note	207,837	288,018
	2,674,187	**1,943,191**

During 2020 investors' continued appetite for short term funding in the markets in which the Company operates, allowed the Company to move a larger portion of its funding activities towards short term funding in the form of repurchase agreement funding.

Item 10D – Lease liabilities

10D.1 Lease liabilities: analysis by remaining maturity	31 December 2020	31 December 2019
	€'000	€'000
Lease Liability remaining maturity		
- Over 5 financial years	653	890
- 5 financial years or less but over 1 financial year	1,226	1,226
- 1 financial year or less but over 3 months	230	230
- 3 months or less	77	77
	2,186	**2,423**
Of which Intercompany:		
Due to parent company and fellow subsidiaries	-	-

E-MARKET SDIR CERTIFIED

10D.2 Lease liabilities: Fair Value	31 December 2020	31 December 2019
	€'000	€'000
Lease liability	2,186	2,423
	2,186	**2,423**

Included in Item 10D - Lease Liabilities is a lease liability of €2.2 million (31 December 2019: €2.4 million) related to the lease contract of the "La Touche House" office space. Included in interest expense is €0.04 million (31 December 2019: €0.04 million) related to the lease liability.

Item 20 – Financial liabilities held for trading

20.1 Financial liabilities held for trading	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	€'000	€'000	€'000	€'000
	Fair Value	Nominal	Fair Value	Nominal
Currency forward purchase contracts	6,407	142,613	665	35,749
Interest rate, eonia and cross currency derivatives	3,207	5,550,000	4,337	5,700,000
	9,614	**5,692,613**	**5,002**	**5,735,749**

Included in trading derivatives is an amount of €9.6 million (31 December 2019: €5.0 million) which is due to UniCredit Banking Group. Derivative purchases and maturities resulted in variances of the nominal values during the financial year. For details on derivatives please refer to the notes on derivatives which are included within Part E: Information on risks and hedging policies Section 9 – Market Risk. The derivatives classified in financial liabilities held for trading are entered into for economic hedging purposes including currency and interest rate risk for which IAS 39 hedge accounting requirements have not been fulfilled.

Item 40 – Hedging derivatives

40.1 Hedging derivatives	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	€'000	€'000	€'000	€'000
	Fair Value	Nominal	Fair Value	Nominal
Cross currency swaps	-	-	30,715	161,793
Interest rate swaps	586,094	6,284,486	653,911	6,610,597
	586,094	**6,284,486**	**684,626**	**6,772,390**

Included in hedging derivatives is an amount of €586 million (31 December 2019: €685 million) which is due to UniCredit Banking Group. Derivative purchases and maturities resulted in variances of the nominal values during the financial year. For details on derivatives please refer to the notes on derivatives which are included within Part E: Information on risks and hedging policies Section 9 – Market Risk.

Item 50 – Changes in fair value of portfolio hedged items (+/-)

50.1 Changes in fair value of portfolio hedged items (+/-)	31 December 2020	31 December 2019
	€'000	€'000
Positive changes in fair value of portfolio hedged items	6,432	8,063
	6,432	**8,063**

The above amount relates to changes in portfolio hedged items on deposits from banks and Debt Securities in Issue.

E-MARKET SDIR CERTIFIED

Item 60 – Tax liabilities

	Tax liability	31 December 2020	31 December 2019
		€'000	€'000
60A	Current tax liability	-	-
	Deferred taxation liability at 1 January	8,610	-
	Tax liability from positive/(negative) FVOCI revaluation reserve movement	(1,181)	8,610
60B	At 31 December	7,429	8,610
	Total tax liability	**7,429**	**8,610**

The deferred tax liability fell in 2020 due to the subdued performance of the FVOCI portfolio resulting in a lower FVOCI revaluation reserve.

Item 80 – Other liabilities

80.1	Other liabilities	31 December 2020	31 December 2019
		€'000	€'000
	Creditors	1,030	1,064
	Accruals	4,127	3,487
		5,156	**4,551**

Included in other liabilities is the amount of €0.6 million (31 December 2019: €0.7 million) which is due to UniCredit Banking Group.

Included in other liabilities are costs of €0.4 million (31 December 2019: €0.3 million) related to Equity-Settled Share Based Payments. Refer to *Part F: Description of payment agreements based on parent equity instruments* for further details.

Item 110 – Revaluation reserves through other comprehensive income

110.1	Other comprehensive income revaluation reserve	31 December 2020	31 December 2019
		€'000	€'000
	At 1 January	57,327	(10,054)
	Change in fair value of financials assets at fair value through other comprehensive income		
	- financials assets at fair value through other comprehensive income	(37,409)	91,159
	- hedge	29,076	(14,152)
	Movement in deferred tax	1,042	(9,626)
	At 31 December	**50,036**	**57,327**

The revaluation reserve through the other comprehensive income movement represents the fair value movements in financial assets at fair value through other comprehensive income including related hedge accounting movements and includes the removal of any fair value movement related to any disposals during the financial year.

E-MARKET SDIR CERTIFIED

Item 140 – Reserves

140.1	Reserves	31 December 2020	31 December 2019
		€'000	**€'000**
	a) Capital contribution	753,419	753,419
	b) Other reserves	45,802	45,802
	c) Profit and Loss Account at start of financial year	159,443	168,717
	d) Dividend paid	(32,225)	(41,500)
	g) Net profit for the financial period	42,000	32,225
		968,439	**958,663**

Item 160 – Issued Capital

160.1	Authorised	31 December 2020	31 December 2019
	1,343,118,650 (31 December 2018 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
		1,343,119	**1,343,119**
	Issued and paid up		
	1,343,118,650 (31 December 2018 : 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 financial year.

160.2	Regulatory own funds	31 December 2020	31 December 2019
	Common Equity Tier I Own Funds		
	Paid up ordinary share capital – Equity Tier I	1,343,119	1,343,119
	Capital contribution – Equity Tier I	753,419	753,419
	Revenue reserves – Equity Tier I	205,244	214,519
	Dividend	(32,225)	(41,500)
	Foundation internal rating based 'FIRB' Provision Shortfall – Deduction Equity Tier I	(874)	(146)
	Accumulated other comprehensive income	50,036	(57,327
	Additional Value Adjustment	(89)	(128)
	Intangible Assets	(10)	(821)
	Excess of deduction from Additional Tier I items	-	-
	Other Transitional Adjustments to CET1	-	-
	Total Common Equity Tier I Own Funds	**2,318,620**	**2,325,789**
	Additional Tier I Own Funds	-	-
	Tier II Own Funds		
	Subordinated deposit – Tier II – Grandfathered	-	0
	Other transitional adjustments to Tier II Capital	-	-
	Total Tier II Own Funds	**-**	**0**
	Total Own Funds	**2,318,620**	**2,325,789**

Reconciliation between Own Funds and Shareholders' Equity

	31 December 2020	31 December 2019
Total Shareholders' Equity	**2,361,594**	**2,359,109**
(Net Profit of the financial period)	(42,000)	(32,225)
(Filtered Accumulated other comprehensive income)	-	-
(Deductions and Adjustments)	(974)	(1,095)
Tier II Capital	-	0
Total Own Funds	**2,318,620**	**2,325,789**

The above Own Funds are computed in accordance with the EU Capital Requirements Regulation 575/2013.

E-MARKET SDIR CERTIFIED

UniCredit Bank Ireland received from the European Central Bank ('ECB') the joint risk assessment decision that defined UniCredit Bank Ireland prudential requirements on the basis of Article 16 EU Regulation 1024/2013 and it stated a minimum Total Supervisory Capital Ratio of 8.0% for 2020 (2019: 8.0%). The Bank received confirmation from the ECB that the Supervisory review and evaluation process ('SREP') excess requirement for 2020 was 0% (2019: 0%).

The Total Capital Ratio at 31 December 2020 is 81.25% (31 December 2019: 121.65%).

The Common Equity Tier 1 ratio at 31 December 2020 is 81.25% (31 December 2019: 121.65%).

In relation to the Intangible Assets, software assets were only partially deducted against the CET 1 while the remaining amount was risk-weighted in accordance with Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

In relation to the shortfall of Provision against the Internal Ratings Based Expected Loss, it was entirely deducted against CET I.

The Fully Loaded CET1 and Fully Loaded Total Capital ratios as at 31 December 2020 are 81.25% (31 December 2019: 121.65%).

Based on the ECB recommendation letter dated 8 December 2016, UniCredit Bank Ireland is advised to consider fully loaded total capital ratio when establishing a dividend distribution policy.

As per the ECB letter dated 2 December 2019 relating to SREP, the Bank is required to keep a Total Supervisory Capital Ratio of at least 8.0%.

From 1 January 2019 the Bank is required to calculate a capital conservation buffer of 2.5% of Total Risk Exposures. This capital buffer amounts to €71 million as at 31 December 2020 (31 December 2019: €48 million).

Since 1 January 2016 the Bank has also been required to calculate a countercyclical capital buffer requirement based on the weighted average of the buffer rates that apply in the countries where the bank has credit exposures. This capital buffer for 2020 and 2019 is zero.

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Part C: Income Statement Notes

Item 10 - Interest income and similar revenues

10.1	Interest and similar income arising on:	31 December 2020 €'000	31 December 2019 €'000
	Financial assets mandatorily at fair value	103	1,497
	Financial assets at fair value through other comprehensive income	68,227	86,598
	Financial assets at amortised cost	74,807	81,414
	Other assets	6	37
	Interest income on Trading Derivatives	1,558	2,444
	Interest income on Hedging Derivatives	3,960	68,053
	Interest income on Financial Liabilities	31,476	35,603
		180,137	**275,646**
	Of which Intercompany:		
	Due from parent company and fellow subsidiaries	**6,821**	**50,520**

Total interest income on financials assets at fair value through other comprehensive income and financial assets at amortised cost calculated using the effective interest rate method is negative €117 million (31 December 2019: negative €124 million).

Item 20 - Interest expense and similar charges

20.1	Interest expense and similar charges arising on:	31 December 2020 €'000	31 December 2019 €'000
	Financial liabilities at amortised cost	(11,270)	(49,453)
	Other liabilities	(15)	(15)
	Interest expense on Hedging Derivatives	(109,418)	(164,701)
	Interest expense on Trading Derivatives	(3,821)	(3,938)
	Interest expense on Financial Assets	(7,048)	(6,629)
		(131,572)	**(224,736)**
	Of which Intercompany:		
	Due to parent company and fellow subsidiaries	**(192,446)**	**(249,905)**

Total interest expense on financials assets at fair value through other comprehensive income and financial assets at amortised calculated using the effective interest rate method is positive €1 million (31 December 2019: positive €1 million). Included in financial liabilities at amortised cost is interest expense of €0.04 million related to lease liabilities (31 December 2019: €0.04 million).

Item 50 - Fee and commission expense

50.1	Fees and commission expense	31 December 2020 €'000	31 December 2019 €'000
	Brokerage and management fees	(377)	(392)
	Guarantee fees	(370)	(831)
	Securities Borrowing	-	(6,892)
	Other fees	(2,606)	(945)
		(3,353)	**(9,060)**
	Of which Intercompany:		
	Due to parent company and fellow subsidiaries	**(2,499)**	**(7,963)**

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

80.1	Gains/(losses) on financial assets and liabilities held for trading	31 December 2020 €'000	31 December 2019 €'000
	Trading gains/(losses)	366	(920)
	Foreign currency translation (losses)	(229)	(205)
		137	**(1,125)**
	Of which Intercompany:		
	Due from parent company and fellow subsidiaries	**(4,401)**	**(1,926)**

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Trading gains/ (losses) are related to fair value movement of derivatives which are not part of any hedge accounting relationship.

Item 90 – Fair value adjustments in hedge accounting

90.1	Fair Value adjustment	31 December 2020 €'000	31 December 2019 €'000
	Fair value adjustment on hedging derivatives	35,822	29,536
	Fair value adjustment relating to hedged items		
	- OCI Hedge	(34,058)	(43,314)
	- Non-OCI Hedge	-	13,349
		1,764	**(429)**

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

100.1	**Gains/(losses) on disposal of:**	31 December 2020 €'000	31 December 2019 €'000
	a) financial assets at amortised cost	8,708	933
	b) financials assets at fair value through other comprehensive income	11,618	10,355
	c) financial liabilities at amortised cost	(2,705)	(2,568)
		17,621	**8,720**
	Of which Intercompany:		
	Due from parent company and fellow subsidiaries	**-**	**(2,573)**

Item 110 – Gains/(losses) on:

110.1	**Gains/(losses) on:**	31 December 2020 €'000	31 December 2019 €'000
	a) financial assets/liabilities designated at fair value through profit or loss	-	-
	b) financial assets mandatorily at fair value	223	327
		223	**327**
	Of which Intercompany:		
	Due from parent company and fellow subsidiaries	**-**	**(775)**

Item 130 – Impairment (provisions)/write-back

130.1	**Impairment (provisions)/write-back on**	31 December 2020 €'000	31 December 2019 €'000
	a) financial assets at amortised cost	(1,560)	2,344
	b) financial assets at fair value through other comprehensive income	(333)	689
		(1,893)	**3,033**

Net impairment write downs of €1.9 million on financial assets have been recorded in 2020 (31 December 2019: €3.0 million write backs). The Company applied updated macroeconomic scenarios in its Expected Credit Loss "ECL" modelling due to the impact of the COVID-19 pandemic. This resulted in a higher Probability of Default "PD" being attributed to sovereign exposures and intercompany positions which led to an increase in net impairments compared to prior period. Refer to Section 5 Parameters and risk definitions used for calculating value adjustments and stage allocations of Part E: Information on risks and hedging policies for further information on the macroeconomic scenarios used in the Company's Expected Credit Loss "ECL" modelling.

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Item 160 – Administrative costs

160.1 Administrative costs	31 December 2020	31 December 2019
	€'000	€'000
a) Staff expenses	**(5,745)**	**(4,163)**
Wages and salaries	(5,148)	(3,647)
Social security costs	(377)	(317)
Pension costs	(220)	(199)
b) Other administrative expenses	(8,240)	(10,306)
Total Administrative costs	**(13,985)**	**(14,469)**

Auditor's Remuneration excluding VAT (included in other administrative expenses)	31 December 2020 €'000	31 December 2019 €'000
Statutory Audit	(110)	(110)
Other assurance services	(38)	(45)
	(148)	**(155)**

The decrease in other administrative expenses was driven by a decrease in banking levies during the year.

Included in other administrative costs are banking levies totalling €5.6 million (31 December 2019: €7.5 million). Also included in other administrative costs are information, communications and technology ("ICT") related costs totalling €1.2 million (31 December 2019: €1.3 million). Also included in other administrative costs are professional services related costs totalling €0.5 million (31 December 2019: €0.6 million).

The number of people employed directly by the Company at the end of the year is 28 (31 December 2019: 27). The average number of employees for the financial year was 28 (31 December 2019: 28).

There were no other non-audit services or tax services provided by the auditors during the financial year.

Included in staff expenses are costs of €0.2 million (31 December 2019: €0.3 million) related to Equity-Settled and Cash-Settled Share Based Payments. Refer to *Part F: Description of payment agreements based on parent equity instruments* for further details.

Staff costs that have been capitalized during the year were nil (31 December 2019: nil). Staff costs previously capitalized of €0.15 million were expensed during the year (31 December 2019: €0.15).

Item 180 – Depreciation on property, plant and equipment

180.1 Item 200 – Depreciation on property, plant and equipment	31 December 2020	31 December 2019
	€'000	€'000
Depreciation on property, plant and equipment	(471)	(422)
of which: depreciation on right of use asset	*(318)*	*(306)*
	(471)	**(422)**

Item 200 – Other operating income

200.1 Item 200 – Other operating income	31 December 2020	31 December 2019
	€'000	€'000
Other operating income	172	224
	172	**224**

Other operating income of €0.2 million (31 December 2019: €0.2 million) relates to services provided to the ex-Pioneer entities.

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Item 270 – Tax expense

290.1

Tax (expense) income related to profit or loss from continuing operations	31 December 2020 €'000	31 December 2019 €'000
Current tax (charge)	(6,056)	(4,638)
Adjustments in respect of previous financial years	(20)	(9)
	(6,076)	**(4,647)**
Profit before tax	48,076	36,871
Tax calculated at a tax rate of 12.5% (31 December 2019: 12.5%)	(6,010)	(4,609)
Effects of:		
Disallowable items	(53)	(6)
Allowable deductions	57	15
Deferred tax expense (income)	-	-
Depreciation in excess of capital allowances	(40)	(28)
Tax relief at source charge	(10)	(10)
Adjustments in respect of previous financial years	(20)	(9)
Income tax (charge)	**(6,076)**	**(4,647)**

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Part E: Information on risks and hedging policies

Section 1 Introduction

UniCredit Bank Ireland p.l.c is responsible for the management of its own risks and it has consequently set up processes to properly set the risk appetite and the associated data collection, risk measurement and reporting, both for local capital adequacy assessment and at a consolidated level.

The role of the Risk Management function in this context is to design and oversee the Bank's Internal Capital Adequacy Assessment Process "ICAAP" framework, undertaking the following activities:

- identifying which of the Bank's risks are within the scope of the ICAAP;
- designing the structure and key constituents of the risk appetite statement, which also includes developing a process that aligns the business and risk strategy of the bank by linking the Risk Appetite 2020, Budget 2021 and Multi Year Plan 2020-2023; and
- ensuring the local ICAAP framework and its constituent processes and methodologies are both appropriate to local business model requirements (according to the proportionality principal) and consistent with Group ICAAP to allow for consolidated reporting and monitoring and highlight any differences that might exist.

The Bank defines Risk Appetite as the variability in results and/or position, on both a short and a long term, which the Bank and its senior executives are prepared to accept in support of a stated strategy. The aim is not to prevent risk taking, but to pursue the execution of the Bank's articulated strategy in a manner that is consistent with the level of risk tolerance set by the Board. In setting the level of Risk Appetite acceptable to the Bank, the Board will take into account factors such as conditions with market environment and regulatory practices, both current and future.

Section 2 Credit Risk general aspects

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. In the course of its credit business activities the Company is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off.

The main reasons for a default lie in the borrower's lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are affecting the debtor's operating and financial condition, such as country risk or the impact of operational risk. Other banking operations, in addition to traditional lending and deposit activities, can expose the Company to other credit risks. For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by the Company could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons. Defaults of a large number of transactions, or one or more large transactions, could have a material adverse impact on the Company's operations, financial condition and operating results. The Company therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, structures and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice, also aimed to extend their effectiveness to all phases of the economic cycle.

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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.

On an annual basis, an Investment Plan and a Funding Plan are presented to the 'Asset and Liability Committee' (ALCO) for approval and are subsequently approved by the Board of Directors as part of the Budget. Then, individual credit limits within the scope of the Plans are proposed to the Credit Committee comprised of the Managing Director, the Chief Risk Officer and the Chief Financial Officer. Credit proposals outside of the Plans may also be considered by the Credit Committee on an exceptional basis and subject to certain limitations.

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 UniCredit Group risk grading framework for Group Wide banks and for Sovereigns consists of eighteen and seventeen grades respectively, reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

Group Wide Bank Rating Scale

Rating scale	S&P	PD average	PD min	PD max
B1	AAA	0.00334%	0.00000%	0.00631%
B2	AA+	0.01192%	0.00631%	0.02251%
B3	AA	0.04250%	0.02251%	0.04923%
B4	AA-	0.05703%	0.04923%	0.06606%
B5	A+	0.07652%	0.06606%	0.08864%
B6	A	0.10267%	0.08864%	0.11687%
B7	A-	0.13303%	0.11687%	0.15143%
B8	BBB+	0.17236%	0.15143%	0.19620%
B9	BBB	0.22332%	0.19620%	0.29297%
B10	BBB-	0.38433%	0.29297%	0.50418%
B11	BB+	0.66140%	0.50418%	0.86766%
B12	BB	1.13824%	0.86766%	1.42179%
B13	BB-	1.77598%	1.42179%	2.21840%
B14	B+	2.77104%	2.21840%	3.46134%
B15	B	4.32361%	3.46134%	6.40283%
B16	B-	9.48194%	6.40283%	14.04180%
B17	C/CCC	20.79449%	14.04180%	99.99990%
B18	Default	100.0000%	100.0000%	100.0000%

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Group Wide Sovereign Rating Scale

Rating Scale	S&P	PD min	PD max	PD average
S1	AAA	0.00000%	0.00041%	0.00015%
S2	AA+	0.00041%	0.00312%	0.00113%
S3	AA	0.00312%	0.01092%	0.00859%
S4	AA-	0.01092%	0.01769%	0.01390%
S5	A+	0.01769%	0.02863%	0.02250%
S6	A	0.02863%	0.04674%	0.03643%
S7	A-	0.04674%	0.07694%	0.05997%
S8	BBB+	0.07694%	0.12665%	0.09871%
S9	BBB	0.12665%	0.20361%	0.16249%
S10	BBB-	0.20361%	0.31966%	0.25512%
S11	BB+	0.31966%	0.50188%	0.40054%
S12	BB	0.50188%	0.74185%	0.62885%
S13	BB-	0.74185%	1.03239%	0.87514%
S14	B+	1.03239%	1.43672%	1.21789%
S15	B	1.43672%	3.63638%	1.69486%
S16	B-	3.63638%	16.73938%	7.80197%
S17	CCC	16.73938%	99.99999%	35.91484%

As part of its credit risk management strategy, the Risk 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.

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

The Risk Management function is responsible for the credit risk reporting at portfolio level, producing reports both recurring and specific (on demand of Senior Management or external entities, e.g. regulators or rating agencies). Credit portfolio performance is analysed with reference to its main risk drivers (such as growth and risk indicators) customer segments, industrial sectors, regions, and impaired credits performance and related coverage.

Country risk is the risk of losses caused by events identified at country level and not at level of specific transaction, counterparty or counterparty group. It is therefore a collection of risks that mainly includes sovereign

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risk, transfer and convertibility risk, delivery risk, risk related business environment and jurisdiction, political and geopolitical risk, and economic risk. Country risk is primarily managed by determining the appropriate group-wide maximum risk levels that can be assumed by the Legal Entities belonging to the Group towards all counterparties (sovereigns, government entities, banks, financial institutions, corporate customers, etc.) residing in or related to the country for cross-border transactions (from the standpoint of the Entity providing the loan).

Country risk management processes are mainly concentrated at UniCredit Group level in terms of both methodological aspects and the decision-making process, in order to ensure a uniform assessment and monitoring approach, particularly for the rating assignment, PD (probability of default) and LGD (loss given default), as well as control of risk concentration.

The Country rating assignment (both in terms of PD and LGD) is performed by using the specific internal rating model. The analysis, focused on both qualitative and quantitative factors, is an integral part of the rating calculation process.

The key objective of the reporting and monitoring of the credit portfolio is to detect any signs of deterioration and, therefore, to take appropriate corrective action by analysing the main components of credit risk such as EAD (Exposure at Default), EL (Expected Loss), Migration, Risk Cost, etc.

Section 3 Risk management organisation, processes and key functions in applying the ECL approach

UniCredit Banking Group, with reference to the Loan Loss Provision process, has the following responsibility;

- for Performing exposures, to define the UniCredit Group guidelines in terms of:
  - impairment methodological Rules in line with the IFRS 9 Standards;
  - expected credit loss measurement;
  - definition of the Transfer logic criteria qualifying the event of significant deterioration in credit risk, either in terms of quantitative and additional criteria for the Stage allocation.

- For Non Performing exposures to define the UniCredit Group guidelines in terms of:
  - identification in line with the most recent Default definition as per Capital Requirements Regulation ('CRR') Article 178 https://www.eba.europa.eu/regulation-and-policy/single-rulebook/interactive-single-rulebook/1738, necessary adjustments in case of impairment;
  - individual and collective assessment for the non performing exposures.

The UniCredit Group Credit Risk Function is responsible for the ECL calculation on the Bank's eligible assets.

As the Company invests in Group wide portfolios, several tasks related to the ECL calculation process are performed at group level in accordance with Group guidelines on the Loan Loss Provisioning process under IFRS 9, such as:

- development and maintenance of the methodologies for estimating the Loan Loss Provisions;
- parameterization for the risk parameters and transfer logic for group wide portfolios;
- performance of internal back testing activities, at Group level, on systems for measuring Expected Loss.

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Section 4 Measurement method for expected losses

The Credit Risk processes described in the previous paragraphs are also the basis for the calculation of impairment of Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures as required by IFRS9.

In order to meet the requirements of the standard, the Company leverages specific models that have been developed at Group level to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulations.

For this purpose the calculation of impairment in accordance with expected credit losses is based on two main pillars:

- the stage allocation of the credit exposure;
- the associated calculation of expected credit loss.

In UniCredit Group the Stage allocation is based on a combination of relative and absolute elements. The main elements are:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due);
- additional internal evidence, including renegotiations of financial instruments due to financial difficulties met by the counterpart (i.e. Forborne classification).

In relation to the staging allocation for Debt Securities, the Company in line with UniCredit Group have opted for the low credit risk exemption as allowed by the IFRS 9 standard on this instrument. Under this option, all debt securities with internally calculated PD of investment grade per the Group master scale (cut off PD 0.5824%) are allocated to Stage 1 (while for all securities not investment grade the normal transfer logic is applied). Currently all securities held by the Bank have an internal PD within the Master scale cut off PD.

The outcome of the stage allocation is the classification of credit exposure in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: includes impaired credit exposures.

The outcome of Stage allocation drives the calculation of impairment. In fact, for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.
For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

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As at 31 December 2020 the Company only had Stage 1 exposures (31 December 2019: The Company only had Stage 1 exposures).

The Stage Allocation model is tested at each reporting date; in order to timely capture both significant deterioration and its reverse in a symmetric way so to correctly allocate each transaction within the proper stage and related expected loss calculation model.

With reference to the calculation of expected credit loss, please note that this amount is based on PD, LGD and EAD parameters adjusted, starting from the parameters used for regulatory purposes, in order to ensure consistency with accounting regulation. The main adjustments performed to the parameters used for regulatory purposes include those adjustments needed to arrive at the calculation of a point-in-time and forward-looking expected credit loss as well as those needed to include multiple scenarios.

Section 5 Parameters and risk definitions used for calculating value adjustments and stage allocations

The Group has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for regulatory purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removing conservatism required for regulatory purposes;
- introducing “point-in-time” adjustments to replace “through-the-cycle” adjustments required for regulatory purposes;
- including “forward looking” information;
- extending credit risk parameters to a multi-year perspective.

With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time and forward-looking forecasts on portfolio default rates. Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove conservatism and to reflect the most updated trend of recovery rates as well as expectations about future trends discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

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With reference to the quantitative component of the model for stage allocation, the Group has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date. The variable objective of the regressive model is thus the change between the PD at the reporting date compared to the one at the date of origination while the explicative variables are factors such as the age of the transaction, the PD at the date of origination, etc.

A key component of the model is the definition of the quantile that identifies the amount of Stage 2 expected on average in the long-run and that affects the determination of the threshold of change in PD after which the transaction is classified in Stage 2. The average quantile in the long run is determined based on the expected average of deterioration of the portfolio determined by the rate of defaults as in any other deterioration stage (i.e. 30 days past due).

The amount of exposures classified in Stage 2 at each reporting date will be around the quantile identified for the long run based on the economic conditions at the time and on the future expectations about the evolution of the economic cycle.

With reference to Stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS /2013/03/rev1 7/24/2014), in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates.

In particular EBA has defined as "Non-Performing" the exposures that meet one or both of the following criteria:

- material exposures with more than 90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and
- realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

The expected credit loss either one year or lifetime depending on the stage considers "forward looking" information and macroeconomic forecasts under the baseline scenario through a direct adjustment of the credit risk parameters while the multiple scenarios effect is captured through the application of an overlay factor directly applied to the portfolio expected credit loss.

The process defined to include macroeconomic scenarios is fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also takes advantage of independent UniCredit Research function. The starting point is therefore fully aligned while the application is differentiated in order to comply with different requirements using internal scenarios.

In relation to the impact of COVID-19, the latest Stress test reflect the updated macro-economic situation as of October 2020 for the period 2021-23 (2020 GDP growth for Italy expected to close at -10% and +4.7% for 2021). Brexit is included in the short term macro-economic scenario variable and climate change, while considered a principal uncertainty is not explicitly considered in the macro-economic situation, in a context of three year time horizon scenario.

According to IFRS 9, paragraph B5.5.22, the credit risk on a financial instrument is considered low if:

- the financial instrument has a low risk of default;

- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

In order to perform stage allocation on debt securities, the Bank is required to identify the unit of account. The unit of account has been defined as the Tranche level, which means that if the Bank buys the same security at 2 different points in time, each position would need to be individually assessed for stage allocation.

However, UniCredit Group after taking into account the:

- current legacy system which manages debt securities (i.e. CAD);
- implementation costs and timing required to change the current legacy system, thus allowing the management of the tranche level for debt securities; and
- application of practical expedient on debt securities by other banking counterparts .

has opted for the low credit risk exemption provided by the principle on debt securities perimeter classified at AC or FVOCI .

Upon the application of the low credit risk exemption for debt securities, however, even if the Bank buys the same security at 2 different points in time, the stage allocation will be first of all assessed at security code level (i.e. ISIN code/Unit of Account level). At the same time also LLP will be calculated on aggregated level, based on the average price used for carrying value calculation.

The stage allocation approach for debt securities requires assessing whether the debt security is investment grade or not.

If the debt security is Investment Grade, then all the positions shall be allocated in Stage 1.

If the debt security is Not Investment Grade, considering that the legacy system which manages debt securities may not be the same across all Legal Entities in the Group, with a different granularity level of information available, the Bank must assess its local capacity to apply the “regular” Transfer Logic approach applied to Loans perimeter (on rated portfolio). In particular:

a) if the Bank, given its current local legacy system and data availability, can retrieve and distinguish the inception date and the inception PD of each tranche, then the Bank shall apply for these debt securities the “regular” Transfer Logic applied on loans, assessed at single Transaction level;
b) if, given its current local legacy system and data availability, cannot retrieve and distinguish the PD at inception by each tranche, but it’s able to statistically demonstrate that in the majority of cases the tranches for each debt security (at security code level) are purchased within a short time frame, so that they all have almost the same inception PD, the Bank is allowed to apply the “regular” Transfer Logic applied on loans, but assessed at Security Code level (instead of at Tranche level);
c) if, given its current local legacy system and data availability, cannot apply neither of the two cases described above, then all the positions shall be allocated in Stage 2;

Option a) is the one currently applied within the model used by the Bank.

When applying the low credit risk exemption, it should be highlighted that in case the Bank has already assessed through group internal rating models the riskiness (rating/PD) of the security counterpart (issuer), the Bank will

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use the internally measured PD mapped into the Group Master-Scale to assess the Stage allocation. On the other hand, if an internal rating is not available, the Bank will use the one available and provided by external agencies.

Credit spread sensitivity

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp in the credit spread curves.
These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows banking book sensitivities by sector:

Amount as at 31 December 2020				
Risk Factor	**Financials (€,000)**	**Governments & Supranationals (€,000)**	**Municipals & Local Authorities (€,000)**	**Sovereign (€,000)**
CS01 1y	(14)	(5)	-	(23)
CS01 3y	(67)	(4)	-	(557)
CS01 5y	(18)	-	-	(1,239)
CS01 7y	-	-	-	-
CS01 >7y	-	-	-	(604)
Delta Total	**(99)**	**(9)**	**-**	**(2,422)**

Amount as at 31 December 2019				
Risk Factor	**Financials (€,000)**	**Governments & Supranationals (€,000)**	**Municipals & Local Authorities (€,000)**	**Sovereign (€,000)**
CS01 1y	(4)	(4)	-	(10)
CS01 3y	(60)	(10)	-	(597)
CS01 5y	(89)	-	(5)	(1,071)
CS01 7y	-	-	-	(1,026)
CS01 >7y	-	-	-	(578)
Delta Total	**(153)**	**(9)**	**(5)**	**(3,281)**

Stress test

Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

The description of the scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors is as follows:

W-Recovery:

It is assumed that Europe will face a further wave of the pandemic at the beginning of 2021, while the US will have to deal with a persistently high number of infections that will force the new administration to introduce tight restrictions to mobility and business activity. Economies start reopening in spring 2021 as milder weather conditions allow governments to relax some of the containment measures. However, the roll-out of vaccines is slower than assumed in the baseline scenario, initially due to bottlenecks in the process and, later on, because a relatively large share of the population is reluctant to get their shot. Therefore, herd immunity is only reached towards the end of the three-year forecasting horizon. Given these assumptions, the COVID-19 crisis dampens private demand by more than assumed in the baseline scenario, and scarring effects are larger. Governments will continue to push ahead with expansionary policies to mitigate the effects of the pandemic and to preserve social

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stability. The ECB is expected to remain in the market with the Pandemic Emergency Purchase Programme (‘PEPP’) and targeted longer-term refinancing operations (‘TLTRO’) with generous conditions throughout 2023. This allows preserving generally favourable financial conditions despite the further build-up of debt in the public and private sectors.

After contracting by about 7.5% in 2020, Eurozone GDP would increase by 1.5% in 2021 (-3.5pp compared to baseline), followed by an expansion of 3% in 2022 (+0.3pp) and 2.1% in 2023 (-0.1pp). By the end of 2023, Eurozone GDP would remain below its pre-crisis level.

W-Recovery trade and sovereign tensions:

It is assumed that Europe will face a further wave of the pandemic at the beginning of 2021, while the US will have to deal with a persistently high number of infections that will force the new administration to introduce tight restrictions to mobility and business activity. The roll-out of vaccines takes longer and is substantially less effective than assumed in the baseline scenario, possibly due to bottlenecks in the production and distribution process, virus mutations, short-lived immunity, and a relatively high number of adverse reactions that make a large share of the population reluctant to get their shot. Given these assumptions, the COVID-19 crisis dampens private demand significantly more severely and for longer than in the baseline scenario. In turn, this causes meaningful scarring effects. Governments will have no choice but to continue to push ahead with strongly expansionary policies to mitigate the pace of job-shedding, to slow the rise in corporate defaults and to preserve social stability. The ECB is expected to remain in the market with the PEPP and TLTRO with generous conditions throughout the three-year horizon. Despite ongoing large-scale ECB intervention, the further build-up of public sector debt and prospects of a slow recovery put downward pressure on the sovereign rating of the weakest Eurozone countries. It is assumed that at least one rating agency downgrades Italy in the first part of 2021, although not to junk territory.

In this context, after contracting by about 7.5% in 2020, Eurozone GDP would stagnate in 2021 (-5pp compared to baseline), followed by an expansion of only 1.5% in 2022 (-1.2pp) and 2.0% in 2023 (-0.2pp). By the end of 2023, no Eurozone country would recover its pre-crisis level of economic activity.

Potential reductions in term of Market Risk positions resulting from these stress tests scenarios are estimated below:

(€ million)	**Amount as at 31 December 2020**	**Amount as at 31 December 2019**
W-Recovery	(173)	(295)
W-Recovery Trade and Sovereign Tensions	(340)	(468)

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Section 6 Credit Risk tables

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

31 December 2020 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
Sovereign	2,605,140	-	-	3,501,844	-	6,106,984
Stage 1 impairment	*(1,202)*	-	-	-	-	(1,202)
Asset backed securities	-	-	29,956	-	-	29,956
Stage 1 impairment	-	-	-	-	-	-
Financial companies/Investment banks	591,312	-	-	189,697	-	781,009
Stage 1 impairment	*(330)*	-	-	-	-	(330)
Insurance	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Municipals/Other General Government	-	-	-	171,746	-	171,746
Stage 1 impairment	-	-	-	-	-	-
Leasing companies	-	-	-	-	-	-
Stage 1 impairment		-	-	-	-	-
Banks	-	4,862,223	-	582,738	25,986	5,470,947
Stage 1 impairment		*(1,689)*				(1,689)
Non-Financial	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Total	**3,194,920**	**4,860,534**	**29,956**	**4,446,025**	**25,986**	**12,557,421**

31 December 2019 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
Sovereign	2,708,046	-	-	4,905,532	-	7,613,578
Stage 1 impairment	*(447)*	-	-	-	-	(447)
Asset backed securities	-	-	29,739	-	-	29,739
Stage 1 impairment	-	-	-	-	-	-
Financial companies/Investment banks	728,295	-	-	192,052	-	920,347
Stage 1 impairment	*(387)*	-	-	-	-	(387)
Insurance	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Municipals/Other General Government	-	-	-	175,566	-	175,566
Stage 1 impairment	-	-	-	-	-	-
Leasing companies	-	-	-	-	-	-
Stage 1 impairment		-	-	-	-	-
Banks	-	2,526,752	-	721,002	37,633	3,285,387
Stage 1 impairment		*(875)*				(875)
Non-Financial	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Total	**3,435,507**	**2,525,877**	**29,739**	**5,994,152**	**37,633**	**12,022,908**

The total of the exposure broken down by industry table €12.6 billion (31 December 2019: €12.0 billion) is represented in lines 10-50 of the Balance Sheet.

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Included in the total amount of €12.6 billion (31 December 2019: €12.0 billion) for exposures broken down by industry is an amount of €5.0 billion (31 December 2019: €2.9 billion) which is due from UniCredit Banking Group.

Stage 1 impairments related to financial assets at fair value through other comprehensive income of €0.9 million (31 December 2019: €0.6 million) are excluded from the table above. Impairments related to financial assets at fair value through other comprehensive income are included in shareholders equity 'Revaluation reserves through the other comprehensive income'.

There were no stage 2 impairment or stage 3 impairment exposures as at 31 December 2020 and 31 December 2019.

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

31 December 2020 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
European Union Including:	**3,194,920**	**4,859,766**	**29,956**	**4,446,025**	**25,986**	**12,556,653**
Ireland	-	118,918	-	-	-	118,918
Stage 1 impairment	-	-	-	-	-	-
Italy	2,419,527	4,221,994	29,956	1,784,396	25,986	8,481,859
Stage 1 impairment	*(1,445)*	*(1,689)*	-	-	-	*(3,134)*
Spain	776,925	-	-	1,082,938	-	1,859,863
Stage 1 impairment	*(87)*	-	-	-	-	*(87)*
United Kingdom	-	1,403	-	40,443	-	41,846
Stage 1 impairment		-	-	-	-	-
Germany	-	512,910	-	-	-	512,910
Stage 1 impairment		-	-	-	-	-
Rest of Europe	-	6,230	-	1,538,248	-	1,544,478
Stage 1 impairment		-	-	-	-	-
Non EU	-	-	-	-	-	-
Stage 1 impairment		-				-
North America	-	768	-	-	-	768
Stage 1 impairment	-	-	-	-	-	-
Total	**3,194,920**	**4,860,534**	**29,956**	**4,446,025**	**25,986**	**12,557,421**

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31 December 2019 Exposure broken down by geographical area

Geographical area	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
European Union Including:	**3,435,507**	**2,525,002**	**29,739**	**5,994,152**	**37,633**	**12,022,033**
Ireland	-	110,058	-	-	-	110,058
Stage 1 impairment	-	-	-	-	-	-
Italy	2,657,839	1,780,900	29,739	2,653,763	32,404	7,154,645
Stage 1 impairment	*(814)*	*(875)*	-	-	-	*(1,689)*
Spain	778,502	-	-	1,466,176	-	2,244,678
Stage 1 impairment	*(20)*	-	-	-	-	*(20)*
United Kingdom	-	-	-	41,971	-	41,971
Stage 1 impairment		-	-	-	-	-
Germany	-	607,305	-	-	5,229	612,534
Stage 1 impairment		-	-	-	-	-
Rest of Europe	-	27,614	-	1,832,242	-	1,859,856
Stage 1 impairment		-	-	-	-	-
Non EU	-	-	-	-	-	-
Stage 1 impairment		-				-
North America	-	875	-	-	-	875
Stage 1 impairment	-	-	-	-	-	-
Total	**3,435,507**	**2,525,877**	**29,739**	**5,994,152**	**37,633**	**12,022,908**

The total of the exposure broken down by geographical area table above €12.6 billion (31 December 2019: €12.0 billion) is represented in lines 10-50 of the Balance Sheet.

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.

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31 December 2020 Exposure broken down by rating category

Rating category	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
B1 to B3	-	-	-	**526,589**	-	**526,589**
- Group	-	-	-	-	-	-
- Non-group	-	-	-	526,589	-	526,589
Stage 1 impairment	-	-	-	-	-	-
B4 to B6	-	**27,338**	**29,956**	**901,599**	-	**958,893**
- Group	-	-	-	-	-	0
- Non-group	-	27,338	29,956	901,599	-	958,893
Stage 1 impairment	-	-	-	-	-	-
B7 to B9	**3,194,920**	**4,833,196**	-	**3,017,837**	**25,986**	**11,071,939**
- Group	300,110	4,734,904	-	-	25,986	5,061,000
- Non-group	2,896,342	99,982	-	3,017,837	-	6,014,161
Stage 1 impairment	*(1,532)*	*(1,689)*	-	-	-	*(3,221)*
B10 to B12	-	-	-	-	-	-
- Group	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
B13 & B14	-	-	-	-	-	-
- Group	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	
B15 to B17	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	
Unrated	-	-	-	-	-	-
- Group	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Total	**3,194,920**	**4,860,534**	**29,956**	**4,446,025**	**25,986**	**12,557,421**

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31 December 2019 Exposure broken down by rating category

Rating category	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Financial assets mandatorily at fair value €,000	Financial assets at fair value through other comprehensive income €,000	Derivatives and Held for Trading €,000	Total €,000
B1 to B3	-	-	-	**1,003,402**	-	**1,003,402**
- Group	-	-	-	-	-	-
- Non-group	-	-	-	1,003,402	-	1,003,402
Stage 1 impairment	-	-	-	-	-	-
B4 to B6	-	**137,660**	**29,739**	**662,843**	**37,633**	**867,876**
- Group	-	-	-	-	37,633	37,633
- Non-group	-	137,660	29,739	662,843	-	830,243
Stage 1 impairment	-	-	-	-	-	-
B7 to B9	**3,435,507**	**2,388,217**	-	**1,654,078**	-	**7,477,802**
- Group	450,458	2,386,000	-	-	-	2,836,458
- Non-group	2,985,883	3,092	-	1,654,078	-	4,643,053
Stage 1 impairment	*(834)*	*(875)*	-	-	-	*(1,709)*
B10 to B12	-	-	-	**2,673,829**	-	**2,673,829**
- Group	-	-	-	-	-	-
- Non-group	-	-	-	2,673,829	-	2,673,829
Stage 1 impairment	-	-	-	-	-	-
B13 & B14	-	-	-	-	-	-
- Group	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	
B15 to B17	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	
Unrated	-	-	-	-	-	-
- Group	-	-	-	-	-	-
- Non-group	-	-	-	-	-	-
Stage 1 impairment	-	-	-	-	-	-
Total	**3,435,507**	**2,525,877**	**29,739**	**5,994,152**	**37,633**	**12,022,909**

The total of the exposure broken down by rating category above €12.6 billion (31 December 2019: €12.0 billion) is represented in lines 10-50 of the Balance Sheet.

For details on derivatives please refer to the notes on derivatives which are included within the market risk note in Part E: Information on risks and hedging policies Section 9 – Market Risk.

Maximum Credit Risk Exposure

Maximum credit risk exposure	31 December 2020 €'000	31 December 2019 €'000
Loans and receivables with customers	3,194,920	3,435,507
Loans and receivables banks	4,860,534	2,525,877
Financial assets mandatorily at fair value	29,956	29,739
Financial assets at fair value through other comprehensive income	4,446,025	5,994,152
Derivatives	25,986	37,633
	12,557,421	**12,022,908**

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Derivatives subject to Netting arrangements and similar Agreements:
Amounts not set off on the Statement of Financial Position:

Accounting classification:	31 December 2020 €'000
Fair Value:	
Financial assets held for trading	3,617
Hedging derivatives	22,369
Financial liabilities held for trading	(9,614)
Hedging derivatives	(586,094)
Collateral held at amortised cost:	
Loans and receivables with group banks (collateral related to cleared swaps)	59,000
Loans and receivables with group banks (collateral related to non-cleared swaps)	517,650
Net amount	**6,928**

Derivatives subject to Netting arrangements and similar Agreements:
Amounts not set off on the Statement of Financial Position:

Accounting classification:	31 December 2019 €'000
Fair Value:	
Financial assets held for trading	3,809
Hedging derivatives	33,824
Financial liabilities held for trading	(5,002)
Hedging derivatives	(684,626)
Collateral held at amortised cost:	
Loans and receivables with group banks (collateral related to cleared swaps)	72,000
Loans and receivables with group banks (collateral related to non-cleared swaps)	606,720
Net amount	**26,725**

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Repo's subject to Netting arrangements and similar Agreements:
Amounts not set off on the Statement of Financial Position:

Accounting classification:	31 December 2020 €'000
Repo's held at amortised cost:	
Loans and receivables from group banks	573,583
Deposits from non-group banks	(2,394,512)
Deposits from non-group customers	(3,613,410)
Collateral held at amortised cost:	
Loans and receivables with group banks	3,410
Loans and receivables with non-group banks	11,842
Loans and receivables with non-group customers	161,160
Net amount	**(5,257,927)**

Repo's subject to Netting arrangements and similar Agreements:
Amounts not set off on the Statement of Financial Position:

Accounting classification:	31 December 2019 €'000
Repo's held at amortised cost:	
Deposits from group banks	(278,005)
Deposits from non-group banks	(2,259,240)
Deposits from non-group customers	(3,321,942)
Collateral held at amortised cost:	
Loans and receivables with group banks	-
Loans and receivables with non-group banks	170,884
Loans and receivables with non-group customers	29,819
Net amount	**(5,658,484)**

The Bank has in place netting agreements with major counterparties in order to mitigate the Counterparty Risk for both Credit Risk and Regulatory purposes.

Within treasury operations the Bank employs bi-lateral close out netting agreements (ISDA netting agreements and some Credit Support Annexes) for its OTC derivative trading activity and Global Master Repo Agreements 'GMRA' for its repo and reverse repo trades. As at 31 December 2020 and the Bank had €0.6 billion reverse repo trades (31 December 2019: zero reverse repo trades). The Bank did not hold any collateral as security or have any other ECL credit enhancements in place as at 31 December 2020 and 31 December 2019.

Repo and reverse repo trades are market standard sale and repurchase agreements governed by a GMRA or cleared through a central counterparty and governed by a clearing agreement.

One counterparty agrees the sell and simultaneously repurchase a security at a later date. The difference in the proceeds received and paid representing the agreed cost of financing. All economic exposure to the underlying securities remains with the repo seller (except in the event of default of the repo seller). The issuer of the security is not party to the sale and repurchase agreement.

Included in the fair value amount is asset item 20 a) financial assets held for trading, asset item 50 hedging derivatives, liability item 20 financial liabilities held for trading and liability item 40 hedging derivatives.

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Included in collateral amount are the derivative margins which are classified under asset item 40 financial assets at amortised cost.

31 December 2020 Exposures outside the scope of the expected credit loss model

Asset item 20 c) financial assets mandatorily at fair value	Currency	Maturity date	Product	Type	Notional €,000	Fair value €,000
FE MORTGAGE 30/10/43	EUR	02 May 2023	BOND	ABS	32,289	29,956

31 December 2019 Exposures outside the scope of the expected credit loss model

Asset item 20 c) financial assets mandatorily at fair value	Currency	Maturity date	Product	Type	Notional €,000	Fair value €,000
FE MORTGAGE 30/10/43	EUR	02 May 2023	BOND	ABS	32,289	29,739

The Bank did not hold collateral as security related to asset item 20 c) financial assets mandatorily at fair value as at 31 December 2020 or as at 31 December 2019.

Section 7 Sovereign Exposures

Breakdown of Sovereign Debt Securities by Country and Portfolio

The below tables provide an overview of the Company's sovereign exposures' as at 31 December 2020 and 31 December 2019:

Country/Portfolio	31 December 2020 €'000	31 December 2020 €'000
	Nominal Value	Fair Value
-Belgium	**20,000**	**21,720**
Financial assets at fair value through other comprehensive income	20,000	21,720
- Czech Republic	**342,500**	**370,691**
Financial assets at fair value through other comprehensive income	342,500	370,691
- Italy	**3,438,986**	**3,596,137**
Financial assets at fair value through other comprehensive income	1,650,000	1,767,923
Loans and receivables with customers	1,788,986	1,828,215
- Poland	**100,000**	**112,113**
Financial assets at fair value through other comprehensive income	100,000	112,113
- Slovakia	**135,000**	**151,761**
Financial assets at fair value through other comprehensive income	135,000	151,761
- Spain	**1,625,000**	**1,854,561**
Financial assets at fair value through other comprehensive income	930,000	1,077,636
Loans and receivables with customers	695,000	776,925
Total	**5,661,486**	**6,106,983**

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Country/Portfolio	31 December 2019 €'000 Nominal Value	31 December 2019 €'000 Fair Value
-Belgium	**20,000**	**22,169**
Financial assets at fair value through other comprehensive income	20,000	22,169
- Czech Republic	**342,500**	**384,510**
Financial assets at fair value through other comprehensive income	342,500	384,510
- Italy	**4,354,031**	**4,840,652**
Financial assets at fair value through other comprehensive income	2,450,000	2,637,076
Loans and receivables with customers	1,904,031	2,203,576
- Poland	**152,046**	**171,217**
Financial assets at fair value through other comprehensive income	152,046	171,217
- Portugal	**35,000**	**36,753**
Financial assets at fair value through other comprehensive income	35,000	36,753
- Slovakia	**230,692**	**256,164**
Financial assets at fair value through other comprehensive income	230,692	256,164
- Spain	**1,885,000**	**2,177,247**
Financial assets at fair value through other comprehensive income	1,190,000	1,397,643
Loans and receivables with customers	695,000	779,605
Total	**7,019,269**	**7,888,712**

Sovereign Debt Securities and Loans – Weighted Tenor

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

Country	Financial Year end 31 December 2020 Years	Financial Year end 31 December 2019 Years
- Belgium	2.47	3.48
- Czech Republic	1.34	2.34
- Italy	4.23	4.55
- Poland	2.05	2.46
- Portugal	-	0.46
- Slovakia	2.76	3.19
- Spain	3.74	4.63

Sovereign Debt Securities – Classification

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

	Amount as at 31 December 2020	Amount as at 31 December 2020
	Financial assets at fair value through other comprehensive income (€,000)	Loans and receivables with customers (€,000)
Fair Value	3,501,844	2,605,140
% Portfolio	79%	82%

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	Amount as at 31 December 2019	Amount as at 31 December 2019
	Financial assets at fair value through other comprehensive income (€,000)	Loans and receivables with customers (€,000)
Fair Value	4,905,532	2,983,180
% Portfolio	82%	87%

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 UniCredit Bank Ireland is €19 million (31 December 2019: €110 million). The full amount of €19 million (31 December 2019: €110 million) is with the Central Bank of Ireland in relation to the minimum reserve requirement and the deposit protection agreement.

Section 8 Liquidity Risk

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

The main goal of the Bank's overall liquidity management is to maintain an adequate liquidity and funding position to allow the Bank to meet its payment obligations not only on an on-going basis, but also in case of market tensions without jeopardizing its brand's name, keeping the refinancing risk at a manageable level. The going concern management of liquidity articulates in short-term liquidity, medium-long term liquidity and intragroup liquidity. With reference to the end of 2020, the Bank's liquidity profile is deemed adequate, with all metrics monitoring the short term profile (Operative Maturity Ladder (OML), Liquidity Coverage Ratio (LCR)) and long term structure (Net Stable Funding Ratio (NSFR), Adjusted NSFR >3y and >5y and Structural FX Gaps) compliant with set of thresholds in the Risk Appetite Framework (RAF) 2020 and Granular Limit 2020.

UniCredit Bank Ireland regularly monitors its liquidity risk profile in compliance with Supervisory and Group rules and EBA guidelines with daily, weekly and monthly frequency. UniCredit Bank Ireland is part of the Liquidity Reference Bank, UniCredit S.p.A. of the UniCredit Group where liquidity management is centralised and in which the Company's liquidity ladder is included. In fact, with its liquidity profile consolidated in the Liquidity Reference Bank Italy, UC Ireland is responsible to preserve a positive liquidity position in the 3-month horizon by setting a limit at €0.

A set of limits and triggers on the liquidity metrics ensures that the Bank maintains liquidity and funding position sufficiently sound to endure possible effects of adverse scenarios. The system of restrictions set at Group and Bank level is articulated in the RAF and the Granular limits. RAF is annually approved by the Board of Directors which, in case triggers and/or limits breaches, is immediately informed and also, in case of limit breach, is required to approve the remedy action. However, the granular limits derive from the RAF and its setting, approval and escalation process involves mainly the local ALCO and Group ALCO. In case of breaches on RAF and/or Granular limits, the relevant Group functions are immediately informed.

In term of liquidity structural profile, the growth of assets is financed through appropriate funding, by identifying the most appropriate mix of instruments and maturities during the funding and investment plan process, with the aim of ensuring an adequate level of maturity transformation of the banking activity. The financial stability of the balance sheet and of the medium/long term funding sources aims to avoid excessive and unexpected pressures on the funding requirements in the short term liquidity position, and to optimize the cost of funding.
The Bank's resilience in a situation of contingency is regularly guarded and tested by a set of processes, like the liquidity stress testing, which simulates the effect of a crisis on the different clusters of the balance sheet under

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different scenarios; the liquidity reverse stress testing, which aims to identify the conditions that would threaten the Bank's viability, starting from a predefined outcome. The contingency liquidity management framework instead provides a set of rules and a dedicated funding contingency plan, independently reviewed by the risk function, to be activated in case of stress to preserve the Bank's ability to meet its payment obligations.

Analysis of financial liabilities by remaining contractual maturity – 31 December 2020

	Repayable on demand	3 months or less	1 financial year or less but over 3 months	5 financial years or less but over 1 year	over 5 financial years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Deposits from banks	1,951	1,327,649	2,124,127	31,598	-	**3,485,324**
Deposits from customers	-	3,662,091	87,026	-	-	**3,749,117**
Debt securities in issue	-	2,465,914	9,706	211,551	-	**2,687,172**
Financial liabilities held for trading*	-	5,404	2,454	1,916	-	**9,774**
Hedging derivatives**	-	73,614	137,920	537,321	191,378	**940,233**
Other liabilities	-	-	5,307	7,429	-	**12,736**
Undrawn commitments	-	-	-	-	-	-
Total	**1,951**	**7,534,673**	**2,366,540**	**789,815**	**191,378**	**10,884,356**

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

Analysis of financial liabilities by remaining contractual maturity – 31 December 2019

	Repayable on demand	3 months or less	1 financial year or less but over 3 months	5 financial years or less but over 1 year	over 5 financial years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Deposits from banks	39	2,361,669	676,910	783,198	-	**3,821,816**
Deposits from customers	-	3,365,536	158,457	-	-	**3,523,992**
Debt securities in issue	-	21,958	1,720,450	220,471	-	**1,962,879**
Financial liabilities held for trading*	-	4,474	10,018	6,410	-	**20,901**
Hedging derivatives**	-	78,315	244,159	942,414	235,944	**1,500,833**
Other liabilities	-	-	4,552	8,610	-	**13,162**
Undrawn commitments	-	-	-	-	-	-
Total	**39**	**5,831,953**	**2,814,545**	**1,961,104**	**235,944**	**10,843,584**

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

Liquidity Coverage Ratio (LCR)

The LCR was introduced to improve the short-term resilience of the liquidity risk profile of institutions, requiring them to hold a buffer of "high quality" liquid assets to match net liquidity outflows during a 30-day period of stress. The Liquidity Coverage Ratio requires financial institutions to hold a sufficient level of high quality liquid assets to sustain a stressed 30 day cash flow scenario.
The ratio became a mandatory regulatory requirement in October 2015 with a minimum ratio requirement of 60% at this date. At the balance sheet date the mandatory regulatory requirement was 100% (31 December 2019: 100%).

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LCR	31 December 2020	31 December 2019
LCR	241%	2,635%
Minimum Requirement	100%	100%
Liquidity Buffer surplus	€1.1 billion	€3.3 billion

At the 31 December 2020 the LCR of UniCredit Ireland p.l.c. was 241% (31 December 2019: 2,635%), maintaining a significant surplus above the minimum requirement.

Net Stable Funding Ratio (NSFR)

The Basel Committee for Banking Supervision (BCBS) introduced the NSFR with the objective to reduce funding risk over a longer time horizon by requiring banks to finance their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. In short, the NSFR limits over-reliance on short-term wholesale funding.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required ("Required stable funding") of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures.

Although at the present time there is no EU regulatory requirement to maintain a minimum ratio, the NSFR should be equal to at least 100% on an on-going basis. UniCredit Bank Ireland monitors the ratio on a monthly basis in compliance with its Risk Appetite Framework.

At the 31 December 2020 the NSFR of UniCredit Ireland p.l.c. was 119% (31 December 2019: 130%).

Section 9 – 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 p.l.c. 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.

The UniCredit Bank Ireland p.l.c. Chief Risk Officer (CRO) department is directly involved in the measuring and monitoring process of the market risk profile of the Bank. The Banks CRO ensures daily that all relevant information and sensitivities (Basis Point Value "BPV" and Credit Point Value "CPV") generated by the portfolio are correctly captured by the system in terms of market risk exposures.

At 31 December 2020, the sensitivity of interest income to an immediate and parallel shift of +1bp was negative €0.723 million (31 December 2019: negative €0.457 million). The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was negative €47.2 million as at 31 December 2020 (31 December 2019: negative €27.1 million).

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

- Re-pricing Risk, driven by re-pricing 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 off balance sheet (OBS) portfolios.

Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (assuming constant balance sheet positions during the period) and then performing an impact simulation on interest income for the current period. The simulation includes the analysis of the impact on income from different parallel shocks of interest rates (+100bp, -30bps and ±200bps). Additional scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks. The interest rate risk is monitored daily in terms of Economic Value sensitivity for an instantaneous and parallel shock of +1 basis point value of the interest rate term structure. On a monthly basis the Economic Value sensitivity for larger parallel (±200bps) and non-parallel shocks (steepening, flattening, etc. in line with European Banking Authority guidelines on Supervisory Outlier Testing) in the interest rate term structure and Net Interest Income Sensitivity are measured.

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 predefined period of time (called holding period) of 1 day and with a 99% confidence interval. The VaR model is based on historical behaviour using 250 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 or 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 Banking Book portfolio, 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 financial assets at fair value through other comprehensive income.

The below table shows the total VaR of the Company which includes interest rate risk, foreign exchange risk and credit risk factor scenarios.

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31 December 2020 in €	Average €	Maximum €	Minimum €	2019 Average €
42,769,354	51,639,767	88,470,593	20,948,298	46,546,130

31 December 2019 in €	Average €	Maximum €	Minimum €	2018 Average €
30,531,032	46,546,130	55,099,364	30,531,032	38,081,370

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 triggers and 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 might propose to the ALCO any sub-allocation of limits to individual desk or cluster of portfolios.

Management of Market Risk - Derivative financial instruments

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.

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 values of derivative contracts are accounted in the following items:

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

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 financial assets at fair value through other comprehensive income.

All hedging derivatives entered into seek to replicate each essential element of the liability or asset to be hedged

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

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. Changes in fair value of the hedged item (i.e. bonds) must be measured with using EURIBOR discount curves while the hedging instruments (i.e. derivatives) are required to be measured with a using overnight indexed swap ("OIS") discount curves for collateralized derivatives, resulting in ineffectiveness being recorded in the income statement.

The Company has begun an analysis to identify relevant positions and transition to alternative benchmark rates or alternative near risk-free reference rates ("RFRs) where necessary. This process is expected to be completed in 2021 for EUR LIBOR and by June 2023 for USD LIBOR. The Company completed a €STR trade in the fourth quarter of 2020.

The Company has 18 interest rate swaps based on either EUR or USD LIBOR and which are used as hedging instruments for 2 Italian sovereign bond investments. The Company expects to transition these trades to RFRs or EURIBOR before the publication of the LIBOR will cease at the end 2021 (EUR LIBOR) and June 2023 (USD LIBOR).

The Company has assessed the extent of risk exposure resulting from interest rate benchmark reform and related amendments to IFRS 9, IAS 39 and IFRS 7, including the potential accounting consequences of amending the contractual terms of the hedging instrument and the related impact on the effectiveness of the hedging relationship. The Company has not noted any material pre-replacement issues in 2020 in relation to the replacement of LIBOR. The Company does expect material replacement issues related to IFRS 9, IAS 39 and IFRS 7 disclosures in 2021 as a result of the expected replacement of these 18 interest rate swaps during 2021.

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 financial years. The Company had no cash flow hedges during 2020 or 2019.

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

IAS 39 Hedge accounting Quantitative information

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2020**				
End-of-period residual life - fair value	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	20	2,662	-	2,683
Asset item 50 Hedging derivatives	*Cross Currency Swap*	-	-	19,687	-	19,687
Asset Total		**-**	**20**	**22,349**	**-**	**22,369**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	1,336	7,838	346,667	230,252	586,094
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	-	-	-	-
Liability Total		**1,336**	**7,838**	**346,667**	**230,252**	**586,094**

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2020**				
End-of-period residual life - notional amounts	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	2,500	94,566	-	97,066
Asset item 50 Hedging derivatives	*Cross Currency Swap*	-	-	138,863	-	138,863
Asset Total		**-**	**2,500**	**233,430**	**-**	**235,930**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	40,000	392,000	5,464,500	387,986	6,284,486
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	-	-	-	-
Liability Total		**40,000**	**392,000**	**5,464,500**	**387,986**	**6,284,486**

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2020**				
Hedging ineffectiveness as per Income Statement line item 90 - breakdown	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	- -	5	- -	5
Asset item 50 Hedging derivatives	*Cross Currency Swap*	-	- -	88	- -	88
Asset Total		**-**	**- -**	**93**	**- -**	**93**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	1	9	709	1,138	1,857
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	-	-	-	-
Liability Total		**1**	**9**	**709**	**1,138**	**1,857**

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2019**				
End-of-period residual life - fair value	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	475	3,572	9,022	13,070
Asset item 50 Hedging derivatives	*Cross Currency Swap*	225	-	20,529	-	20,754
Asset Total		**225**	**475**	**24,102**	**9,022**	**33,824**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	-	7,337	404,634	241,940	653,911
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	2,391	28,324	-	30,715
Liability Total		**-**	**9,728**	**432,958**	**241,940**	**684,626**

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2019**				
End-of-period residual life - notional amounts	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	68,000	135,000	886,000	1,089,000
Asset item 50 Hedging derivatives	*Cross Currency Swap*	12,462	-	138,198	-	150,660
Asset Total		**12,462**	**68,000**	**273,198**	**886,000**	**1,239,660**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	-	235,000	5,097,566	1,278,031	6,610,597
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	56,525	105,268	-	161,793
Liability Total		**-**	**291,525**	**5,202,835**	**1,278,031**	**6,772,391**

Hedging Derivatives - fair value hedge		**Amount as at 31 December 2019**				
Hedging ineffectiveness as per Income Statement line item 90 - breakdown	***Swap type***	**3 months or less €'000**	**1 financial year or less but over 3 months €'000**	**5 years or less but over 1 financial year €'000**	**over 5 financial years €'000**	**Total €'000**
Asset item 50 Hedging derivatives	*Interest Rate Swap*	-	-	2	8	10
Asset item 50 Hedging derivatives	*Cross Currency Swap*	-	-	79	-	79
Asset Total		**-**	**-**	**81**	**8**	**89**
Liability item 40 Hedging derivatives	*Interest Rate Swap*	-	(6)	(124)	652	522
Liability item 40 Hedging derivatives	*Cross Currency Swap*	-	(3)	-	-	(3)
Liability Total		**-**	**(10)**	**(124)**	**652**	**518**

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Hedging Derivatives - fair value hedge		Amount as at 31 December 2020	
Hedge Accounting - Macro and Micro	***Risk type***	**Carrying amount of hedged items *€'000***	**Hedge Accounting €'000**
Asset item 30 Financials assets at fair value through other comprehensive income (Macro Hedge Accounting)	*Interest Rate Risk*	*4,323,424*	(118,396)
Gain/Loss on hedged item accounted for through Revaluation reserves through the OCI			168,432
Liability item 110 - Revaluation reserves through the OCI *			**50,036**
Asset item 20B Loans and receivables with Customers at amortised cost (Macro Hedge Accounting)	*Interest Rate Risk*	*772,986*	328,114
Asset item 60 - Changes in fair value of portfolio hedged items (+/-) **			**328,114**
Asset item 20B Loans and receivables with Customers at amortised cost (Micro Hedge Accounting)	*Interest Rate Risk*	*1,617,981*	16,019
Asset item 20B Loans and receivables with Customers at amortised cost ***			**16,019**
Liability item 10C Debt securities in issue at amortised cost (Macro Hedge Accounting)	*Interest Rate Risk*	*205,601*	6,432
Liability item 50 Changes in fair value of portfolio hedged items (+/-) ****			**6,432**
Total carrying amounts of hedged items recognised in the statement of financial position - Asset		**6,714,391**	
Total carrying amounts of hedged items recognised in the statement of financial position - Liability		**205,601**	
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position - Asset (Micro Hedge Accounting)			**16,019**

* gains and losses on hedged items classified as 'Asset item 30 - FVOCI' and the related hedge accounting are accounted for in 'Liability item 110 Revaluation reserves through the OCI'

** the Macro hedge accounting related to hedged items classified as 'Asset item 20 40B Loans and receivables with Customers' is accounted for in 'Asset item 60 Changes in fair value of portfolio hedged items (+/-)'

*** the Micro hedge accounting related to hedged items classified as 'Asset item 20 40B Loans and receivables with Customers' is included in the carrying amount of the hedged item

**** the hedge accounting related to hedged items classified as 'Liability item 10C. Debt securities in issue' is accounted for in 'Liability item 50 Changes in fair value of portfolio hedged items (+/-)'

Hedging Derivatives - fair value hedge		Amount as at 31 December 2019	
Hedge Accounting - Macro and Micro	***Risk type***	**Carrying amount of hedged items *€'000***	**Hedge Accounting €'000**
Asset item 30 Financials assets at fair value through other comprehensive income (Macro Hedge Accounting)	*Interest Rate Risk*	*5,853,932*	(143,839)
Gain/Loss on hedged item accounted for through Revaluation reserves through the OCI			201,165
Liability item 110 - Revaluation reserves through the OCI *			**57,327**
Asset item 20B Loans and receivables with Customers at amortised cost (Macro Hedge Accounting)	*Interest Rate Risk*	*788,031*	331,274
Asset item 60 - Changes in fair value of portfolio hedged items (+/-) **			**331,274**
Asset item 20B Loans and receivables with Customers at amortised cost (Micro Hedge Accounting)	*Interest Rate Risk*	*1,611,442*	5,302
Asset item 20B Loans and receivables with Customers at amortised cost ***			**5,302**
Liability item 10C Debt securities in issue at amortised cost (Macro Hedge Accounting)	*Interest Rate Risk*	*256,453*	8,063
Liability item 50 Changes in fair value of portfolio hedged items (+/-) ****			**8,063**
Total carrying amounts of hedged items recognised in the statement of financial position - Asset		**8,253,405**	
Total carrying amounts of hedged items recognised in the statement of financial position - Liability		**256,453**	
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position - Asset (Micro Hedge Accounting)			**5,302**

* gains and losses on hedged items classified as 'Asset item 30 - FVOCI' and the related hedge accounting are accounted for in 'Liability item 110 Revaluation reserves through the OCI'

** the Macro hedge accounting related to hedged items classified as 'Asset item 20 40B Loans and receivables with Customers' is accounted for in 'Asset item 60 Changes in fair value of portfolio hedged items (+/-)'

*** the Micro hedge accounting related to hedged items classified as 'Asset item 20 40B Loans and receivables with Customers' is included in the carrying amount of the hedged item

**** the hedge accounting related to hedged items classified as 'Liability item 10C. Debt securities in issue' is accounted for in 'Liability item 50 Changes in fair value of portfolio hedged items (+/-)'

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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 in 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.

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

Section 10 – Operational Risk

Operational risk is the risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to the company's physical assets, business disruption, system failures and process management.

UniCredit Bank Ireland monitors operational risk exposure in accordance with UniCredit Group policies and procedures which aim to assure the effectiveness of control over operational risk, the reduction of operational risk losses and introduction of risk mitigation measures for the Bank. UniCredit Bank Ireland has been approved for Pillar I purposes to use the Advanced Measurement Approach (AMA) to Operational Risk. With AMA the capital requirement is calculated with the Bank's internal operational risk measurement model, based on the four quantitative elements: internal and external loss data, scenario analysis and key risk indicators.

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During 2020 and 2019 the Bank didn't suffer any material operational risk loss events and we don't foresee any changes in our operational risk profile over the next year.

Section 11 - Fair Value Disclosures

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

- 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).

Fair Value Disclosure by Valuation Hierarchy Level as at 31 December 2020

Assets measured at fair value	Level 1 €'000 31 December 2020	Level 2 €'000 31 December 2020	Level 3 €'000 31 December 2020	Total €'000 31 December 2020
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*	-	3,617	-	**3,617**
c) financial assets mandatory at fair value*	-	29,956	-	**29,956**
30 Financials assets at fair value through other comprehensive income*	4,429,551	16,474	-	**4,446,025**
40 Financial assets at amortised cost:				-
a) loans and receivables with Banks	-	4,807,961	-	**4,807,961**
b) loans and receivables with Customers	2,910,070	595,802	-	**3,505,872**
50 Hedging derivatives*	-	22,369	-	**22,369**
Total	**7,339,622**	**5,476,179**	-	**12,815,800**
Liabilities measured at fair value	**Level 1 €'000 31 December 2020**	**Level 2 €'000 31 December 2020**	**Level 3 €'000 31 December 2020**	**Total €'000 31 December 2020**
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	3,487,714	-	**3,487,714**
b) deposits from customers	-	3,752,478	-	**3,752,478**
c) debt securities in issue	-	2,694,757	-	**2,694,757**
20 Financial liabilities held for trading*	-	9,614	-	**9,614**
40 Hedging derivatives*	-	586,094	-	**586,094**
Total	-	**10,530,657**	-	**10,530,657**

***Carried at Fair Value on the Statement of Financial Position**

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Fair Value Disclosure by Valuation Hierarchy Level as at 31 December 2019

Assets measured at fair value	Level 1 €'000 31 December 2019	Level 2 €'000 31 December 2019	Level 3 €'000 31 December 2019	Total €'000 31 December 2019
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*	-	3,809	-	**3,809**
c) financial assets mandatory at fair value*	-	29,739	-	**29,739**
30 Financials assets at fair value through other comprehensive income*	5,977,466	16,686	-	**5,994,152**
40 Financial assets at amortised cost:				-
a) loans and receivables with Banks	-	2,413,149	-	**2,413,149**
b) loans and receivables with Customers	2,983,180	739,157	-	**3,722,337**
50 Hedging derivatives*	-	33,824	-	**33,824**
Total	**8,960,646**	**3,236,363**	-	**12,197,010**

Liabilities measured at fair value	Level 1 €'000 31 December 2019	Level 2 €'000 31 December 2019	Level 3 €'000 31 December 2019	Total €'000 31 December 2019
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	3,829,207	-	**3,829,207**
b) deposits from customers	-	3,533,281	-	**3,533,281**
c) debt securities in issue	-	1,957,302	-	**1,957,302**
20 Financial liabilities held for trading*	-	5,002	-	**5,002**
40 Hedging derivatives*	-	684,626	-	**684,626**
Total	-	**10,009,418**	-	**10,009,418**

***Carried at Fair Value on the Statement of Financial Position**

During the financial year no financial assets and financial liabilities were considered Level 3. There have been no transfers between the levels during the year.

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.

Financial Assets at fair value through other comprehensive income, Hedging Derivatives Assets and Liabilities and Trading Derivatives Assets and Liabilities are valued at fair value using either quoted prices or observable inputs. Loans and Receivable Assets, Deposit Liabilities and Debt in Issue are valued at amortised cost. For the purposes of the Fair Value Disclosure we used either quoted prices or observable inputs in order to arrive at a fair value for Loans and Receivable Assets, Deposit Liabilities and Debt in Issue.

Fair Value sensitivity analysis detailing the potential impact on the carrying value of asset items carried at fair value of 1%, 10% and 20% deterioration in valuations.

Fair Value Sensitivity Analysis Disclosure

Assets measured at fair value	Fair Value €'000 31 December 2020	1% decrease €'000 31 December 2020	10% decrease €'000 31 December 2020	20% decrease €'000 31 December 2020
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading	3,617	3,581	3,255	2,894
c) financial assets mandatory at fair value	29,956	29,656	26,960	23,965
30 Financials assets at fair value through other comprehensive income	4,446,025	4,401,565	4,001,423	3,556,820
50 Hedging derivatives	22,369	22,145	20,132	17,895
Total	**4,501,967**	**4,456,948**	**4,051,771**	**3,601,574**

Assets measured at fair value	Fair Value €'000 31 December 2019	1% decrease €'000 31 December 2019	10% decrease €'000 31 December 2019	20% decrease €'000 31 December 2019
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading	3,809	3,771	3,428	3,047
c) financial assets mandatory at fair value	29,739	29,442	26,765	23,791
30 Financials assets at fair value through other comprehensive income	5,994,152	5,934,210	5,394,737	4,795,322
50 Hedging derivatives	33,824	33,486	30,442	27,059
Total	**6,061,524**	**6,000,909**	**5,455,372**	**4,849,219**

The impact of deterioration in valuations related to asset item 30 financial assets at fair value through other comprehensive income will result in item liability item 110 revaluation reserves through the OCI reducing by an equivalent amount. The deterioration will not result in an impact in the income statement other than when the financial asset is disposed. Due to the interest rate risk hedging strategies used by the Company in relation to financial assets classified under asset item 30 financial assets at fair value through other comprehensive income, the combined fair value movement of the hedged item and hedging instrument due to unfavourable interest rate movements in item 110 revaluation reserves through the OCI will be offset.

Due to the application of hedge accounting the impact of deterioration in valuations related asset item 50 Hedging derivatives will result in the hedged item (financial liability) carrying value reducing by an equivalent amount. The deterioration will not result in an impact in the income statement other than when the hedged financial liability is disposed.

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Part F: Description of payment agreements based on parent equity instruments

Eligible Group executives that are employed directly by UniCredit Bank Ireland may be included in the Group Executive Incentive System. The Group Executive Incentive System is managed at Group level and any expense related to the outstanding instruments are allocated to the Group entity at which the Group executive is directly employed.

Outstanding instruments
UniCredit Banking Group's Medium & Long Term Incentive Plan for selected employees include Equity-Settled Share Based Payments.

Equity-Settled Share Based Payments includes the following:

- **Group Executive Incentive System (Bonus Pool)** that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of ranging from 1 to 6 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to Group malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level) and individual malus/claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);

It is also noted that the equity-settled share based payments, represented by deferred payments in UniCredit S.p.A ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

As at 31 December 2020, €0.36 million (31 December 2019: €0.18 million) in equity-settled based payments are outstanding towards UniCredit S.p.A and €0.16 million (31 December 2019: €0.15 million) in cash-settled share based payments are outstanding towards employees.

Measurement model

Group Executive Incentive System (Bonus pool)
The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

Group Executive Incentive System "Bonus pool 2019" – Shares
The plan is divided into clusters, each of which can have three or four installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2019				
	INSTALLMENT (2021)	INSTALLMENT (2022)	INSTALLMENT (2023)	INSTALLMENT (2024)	INSTALLMENT (2025)
Date of bonus opportunity economic value granting	Feb-06-2019	Feb-06-2019	Feb-06-2019	Feb-06-2019	Feb-06-2019
Date of Board resolution (to determine number of shares)	Mar-05-2020	Mar-05-2020	Mar-05-2020	Mar-05-2020	Mar-05-2020
Vesting period start date	Jan-01-2019	Jan-01-2019	Jan-01-2019	Jan-01-2019	Jan-01-2019
Vesting period end date	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023
UniCredit share market price [€]	12.984	12.984	12.984	12.984	12.984
Economic value of vesting conditions [€]	-0.631	-1.235	-1.852	-2.494	-3.455
Performance shares' fair value per unit at grant date	**12.353**	**11.749**	**11.132**	**10.490**	**9.529**

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Group Executive Incentive System 2020 (Bonus Pool)

The new Group Incentive System 2020 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit or loss and net equity effects related to the plan will be booked during the vesting period.

Long Term Incentive 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2020-2023

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. The plan is divided into clusters, based on the beneficiary position, each of which can have from one to five installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED LONG TERM INCENTIVE PLAN 2020-2023				
	INSTALLMENT (2025)	INSTALLMENT (2026)	INSTALLMENT (2027)	INSTALLMENT (2028)	INSTALLMENT (2029)
Date of bonus opportunity economic value granting	Jan-14-2020	Jan-14-2020	Jan-14-2020	Jan-14-2020	Jan-14-2020
Date of Board resolution (to determine number of shares)	Jan-14-2020	Jan-14-2020	Jan-14-2020	Jan-14-2020	Jan-14-2020
Vesting period start date	Jan-01-2020	Jan-01-2020	Jan-01-2020	Jan-01-2020	Jan-01-2020
Vesting period end date	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
UniCredit share market price [€]	13.305	13.305	13.305	13.305	13.305
Economic value of vesting conditions [€]	-3.436	-4.385	-5.333	-6.277	-7.216
Performance shares' fair value per unit at grant date [€]	**9.869**	**8.920**	**7.972**	**7.028**	**6.089**

Effects on Profit or Loss

Financial statement presentation related to share based payments	31 December 2020 €'000		31 December 2019 €'000	
	Total	Vested Plans	Total	Vested Plans
Costs	(189)		(329)	
- connected to Equity Settled Plans	(182)		(177)	
- connected to Cash	(7)		(153)	
- Paid amount to UniCredit S.p.A. related to vested plans		-		-
- Paid amount to employees related to Cash		-		(119)
- Accrued Debts towards UniCredit S.p.A.	(182)	-	(177)	-
- Accrued Debts towards employees related to Cash	(7)		(153)	

* During 2020 €0.2 million (2019: €0.3 million) was accrued under long term incentive plans representing deferred payments in both cash and shares.

* During 2020 €0.0 million (2019: €0.1 million) in share based payments were paid to employees.

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Part G: Segmental Reporting

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

IFRS 8 requires entity wide disclosures about product and services and about geographical areas. It also requires a disclosure about the extent of the Company's reliance on major external customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, this fact must be disclosed. Detail regarding revenues by product type can be found in the income statement notes for Item 10 and Item 200.

The Company does not have a customer whose revenue exceeds 10% as at 31 December 2020. The Company had one customer whose revenue exceeds 10% as at 31 December 2019. This customer is UniCredit S.p.A. and fellow subsidiaries. Total revenues for this customer amounted to €1.6 million as at 31 December 2020 (31 December 2019: €41.7 million). Included in revenue relating to UniCredit S.p.A are Interest Income and Fees and Commission Income. The decrease in total revenues related to this customer is mostly due to the levels of remuneration (including negative rate related remuneration) received in relation to UniCredit S.p.A Loans and Receivables held by The Company falling year on year.

The Company has two segments Corporate & Investment Banking ('CIB') and Group Corporate Centre. The general criteria of the Segmentation is to report our revenues derived from portfolios under CIB, incorporating third party assets and short term funding, with Group Corporate Centre revenues derived from group assets and medium term liabilities. The chief operating decision maker of both segments is the Managing Director of the Company.

Total Revenues relating to the split are the following:

Revenue Item	CIB (Markets) 31 December 2020 €'000	Coporate Centre 31 December 2020 €'000	Total 31 December 2020 €'000
Net Interest Income	57,538	(8,973)	48,565
Net Fees and Commissions	(961)	(2,392)	(3,353)
Trading Income	22,691	(2,946)	19,745
Other operating income	-	172	172
Total Revenues*	**79,268**	**(14,139)**	**65,129**

* Total Revenues above represents Total operating income per the Income Statement

Revenue Item	CIB (Markets) 31 December 2019 €'000	Coporate Centre 31 December 2019 €'000	Total 31 December 2019 €'000
Net Interest Income	60,683	(9,773)	50,910
Net Fees and Commissions	(7,731)	(1,329)	(9,060)
Trading Income	7,482	11	7,493
Other operating income	-	224	224
Total Revenues*	**60,434**	**(10,866)**	**49,567**

* Total Revenues above represents Total operating income per the Income Statement

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Total Assets relating to the split are the following:

	Balance sheet - Assets	CIB (Markets) 31 December 2020 €'000	Coporate Centre 31 December 2020 €'000	Total 31 December 2020 €'000
20	Financial assets at fair value through the profit and loss:			
	a) financial assets held for trading	2,262	1,355	**3,617**
	c) financial assets mandatorily at fair value	-	29,956	**29,956**
30	Financial assets at fair value through other comprehensive income	4,446,025	-	**4,446,025**
40	Financial assets at amortised cost:			
	a) loans and receivables with banks	2,648,150	2,212,384	**4,860,534**
	b) loans and receivables with customers	2,895,138	299,781	**3,194,920**
50	Hedging derivatives	-	22,369	**22,369**
60	Changes in fair value of portfolio hedged items (+/-)	-	328,114	**328,114**
80	Property, plant and equipment	-	2,564	**2,564**
90	Intangible assets	-	285	**285**
100	Tax assets			
	a) current tax assets	-	304	**304**
	b) deferred tax assets	-	-	**0**
120	Other assets	-	570	**570**
	Total assets	9,991,576	2,897,682	**12,889,258**

	Balance sheet - Assets	CIB (Markets) 31 December 2019 €'000	Coporate Centre 31 December 2019 €'000	Total 31 December 2019 €'000
20	Financial assets at fair value through the profit and loss:			
	a) financial assets held for trading	3,588	221	**3,809**
	c) financial assets mandatorily at fair value	-	29,739	**29,739**
30	Financial assets at fair value through other comprehensive income	5,994,152	-	**5,994,152**
40	Financial assets at amortised cost:			
	a) loans and receivables with banks	825,710	1,700,167	**2,525,877**
	b) loans and receivables with customers	2,707,599	727,908	**3,435,507**
50	Hedging derivatives	-	33,824	**33,824**
60	Changes in fair value of portfolio hedged items (+/-)	-	331,274	**331,274**
80	Property, plant and equipment	-	2,799	**2,799**
90	Intangible assets	-	821	**821**
100	Tax assets			
	a) current tax assets	-	722	**722**
	b) deferred tax assets	-	-	**0**
120	Other assets	-	691	**691**
	Total assets	9,531,048	2,828,166	**12,359,214**

The below table shows a breakdown of external revenues by geographical location as at 31 December 2020 and as at 31 December 2019:

31 December 2020	Ireland €'000	Italy €'000	United Kingdom €'000	Spain €'000
External Revenues	1,580	120,401	1,546	11,701
Total	**1,580**	**120,401**	**1,546**	**11,701**
31 December 2020	**Germany €'000**	**France €'000**	**Luxembourg €'000**	**Poland €'000**
External Revenues	6,410	17,090	3,841	2,848
Total	**6,410**	**17,090**	**3,841**	**2,848**
31 December 2020	**America €'000**	**Rest of Europe €'000**	**Rest of World €'000**	**Total €'000**
External Revenues	-	14,720	0	180,137
Total	**-**	**14,720**	**0**	**180,137**

31 December 2019	Ireland €'000	Italy €'000	United Kingdom €'000	Spain €'000
External Revenues	2,942	202,105	789	14,626
Total	**2,942**	**202,105**	**789**	**14,626**
31 December 2019	**Germany €'000**	**France €'000**	**Luxembourg €'000**	**Poland €'000**
External Revenues	4,652	19,827	5,492	6,466
Total	**4,652**	**19,827**	**5,492**	**6,466**
31 December 2019	**America €'000**	**Rest of Europe €'000**	**Rest of World €'000**	**Total €'000**
External Revenues	-	18,747	0	275,646
Total	**-**	**18,747**	**0**	**275,646**

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

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Part H: 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 securities, and loans and receivables with customers. The transferred financial assets continue to be recognised in their entirety.

The Bank transfers financial assets primarily through the following transactions:

- sale and repurchase agreements;
- securities lending 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. As the Bank has agreed to repurchase the sold security it remains exposed to fluctuations in the fair value of the sold securities. The collateral pledged to third parties can be used in the event of the Bank's default and non-repayment of the Banks related liabilities with each counterparty, in order to offset each counterparty's exposure to the Bank.

The table below sets out an overview of carrying amounts related to transferred financial assets that are not derecognized;

31 December 2020	Financials assets at fair value through other comprehensive income €'000	Loans and receivables with banks €'000	Loans and receivables with customers €'000
Carrying amount of assets recognised on balance sheet	3,300,683	-	1,900,039
Carrying amount of the original assets pre transfer	3,331,488		1,878,672

31 December 2020	Deposits from Banks €'000	Deposits from Customers €'000
Carrying amount of associated liabilities	2,394,512	3,198,237

31 December 2019	Financials assets at fair value through other comprehensive income €'000	Loans and receivables with banks €'000	Loans and receivables with customers €'000
Carrying amount of assets recognised on balance sheet	4,468,656	-	2,020,839
Carrying amount of the original assets pre transfer	4,458,265		1,242,445

31 December 2019	Deposits from Banks €'000	Deposits from Customers €'000
Carrying amount of associated liabilities	2,357,486	3,326,001

Securities lending agreements are transactions in which the Bank lends or borrows securities for a fee. For securities loaned the Bank continues to recognise the securities in their entirety in the balance sheet because it retains substantially all of the risks and rewards of ownership. For securities borrowed the securities remain off balance sheet as substantially all of the risks and rewards of ownership are not transferred.

The Company has nil (31 December 2019: nil) in securities lending transactions and €0.55 billion (31 December 2019: €0.20 billion) in securities borrowing. These transactions supported collateral requirements for the bank funding operation. These transactions were entered into in order to take advantage of different national funding platforms and rules within the European Union.

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Part I: Other Explanatory Notes

Section 1 Contingent liabilities and commitments

The Company has nil contingent liabilities (31 December 2019: nil). The Company has nil commitments (31 December 2019: nil) other than disclosed under *Part H: Transfer of Financial Assets*.

Section 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 financial year in which the contributions are made. Included in staff expenses in the income statement is an amount of €0.22 million (31 December 2019: €0.20 million) in relation to pension contributions. Included in Other liabilities in the balance sheet is an amount of €0.02 million (31 December 2019: €0.02 million) in relation to accruals for pension contributions.

Section 3 Subsequent Events

No material non-adjusting events have occurred after the balance sheet date that would make it necessary to change any of the information given in these financial statements as of 31 December 2020. The Directors propose a final dividend for the financial year ended 31 December 2020 of €42.0 million to be paid to UniCredit S.p.A. by the end of May 2021.

Section 4 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. Transactions with group companies are priced on an arm's length basis in accordance with Transfer Pricing Group Policies.

Details of UniCredit Banking Group balances have been disclosed in Balance Sheet Notes Assets: Items 20, 40, 50, Balance Sheet Notes Liabilities: Items 10, 20, 40, 80, 100, 140 and 160 and Income Statement Notes: Items 10, 20, 30, 40, 50, 80, 90, 100, 110, 130, 160, and 200.

Directors' remuneration
Key management personnel comprise the members of the Board of Directors. A listing of the Board of Directors is provided on page 2. In 2020 the total short term remuneration of the Directors was €738,303 (2019: €454,872).

Payments made on behalf of Directors in respect of other benefits was €191,391 (2019: €450,115). Share based payments and pension contributions made and accrued to Directors are included in other benefits. Refer to *Part F: Description of payment agreements based on parent equity instruments* for details of share based payments that are accruing to Directors as at 31 December 2020.

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A breakdown of total key management personnel compensation is included below;

Type of Benefit	31 December 2020 €'000	31 December 2019 €'000	Notes
a) Short Term Employee Benefit	738	455	Includes all salaries/bonuses and taxable benefits paid via payroll system.
b) Post-Employment Benefits	11	2	Includes post-employment payments made by UC Ireland.
c) Other Long Term Benefits	188	448	Includes all equity based payments made or accrued by UC Ireland.
d) Termination Payments	-	-	No termination payments made by UC Ireland.
e) Share Based Payments	-	-	No share based payments made by UC Ireland.

There have been no loans provided to key management personnel or any connected person (2019: Nil).

Section 5 Approval of financial statements

The Directors approved the financial statements on the 5 February 2021.