UniCredit Bank

UniCredit Bank Ireland p.l.c.

Unaudited Half Yearly Financial Statements Financial Period Ended 30 June 2017

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Directors and Other Information

Name	Role	Directorship Type	Nationality	Appointed to Board	Appointed to Role	Audit Committee Member	Risk Committee Member
Directors							
Ronan Molony	Chairman	Independent non-executive	Irish	31/07/2008	31/07/2008	No	No
Massimiliano Sinagra	Managing Director	Executive	Italian	07/07/2014	06/06/2017	No	Yes
Guy Laffineur	Deputy Chairman	Group	French	06/06/2017	06/06/2017	No	No
Donal Courtney		Independent non-executive	Irish	11/03/2010		Yes	Yes
Attilio Napoli		Group	Italian	05/05/2016		Yes	Yes
Jackie Gilroy		Independent non-executive	Irish	29/04/2013		Yes	No
Andrea Marchetti		Group	Italian	06/06/2017		No	No

Director resignations during the financial period

Name	Role	Directorship Type	Nationality	Resigned from Board	Resigned from Role
Andrea Laruccia	Managing Director	Executive	Italian	06/06/2017	06/06/2017
Waleed Bahjat El-Amir	Deputy Chairman	Group	English	28/02/2017	28/02/2017

Registered Office

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

Company Secretary

Simon P Murphy
La Touche House
International Financial Services Centre
Dublin 1

Independent Auditor

Deloitte
Chartered Accountants and Statutory Audit Firm
Hardwicke House
Hatch Street
Dublin 2

Solicitors

McCann FitzGerald
Riverside One
Sir John Rogerson’s Quay
Dublin 2

Directors' Report

The Directors present their report together with the unaudited financial statements for the six month financial period ended 30 June 2017.

Definitions

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

Principal Activities and Review of the Business

The principal business of the Company relates to the investment in securities and in other 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 double reporting line to Group Commercial Investment Banking incorporating third party assets and short term funding, with Group Corporate 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 as part of Group Commercial Banking competence line, in order to deliver a successful Group strategy.

Company Profits	**30 June 2017**	**30 June 2016**
	€'000	**€'000**
Profit for the financial period amounted to:	**26,852**	**29,952**

Dividends

An interim dividend has not been paid to date in 2017 (30 June 2016: €nil). No dividends have been proposed or paid since the 2016 financial year end up to the date of the approval of the unaudited interim financial statements.

Financial and Non-Financial KPI's

Interest income and similar revenues to 30 June 2017 amounted to €257.1 million (30 June 2016: €268.2 million).

Interest expense and similar charges to 30 June 2017 amounted to €220.5 million (30 June 2016: €216.1 million).

Net interest income to 30 June 2017 amounted to €36.7 million (30 June 2016: €52.2 million).

Total operating income to 30 June 2017 amounted to €39.9 million (30 June 2016: €42.5 million).

The ratio of net profit for the financial period in relation to total assets amounted to 0.14% at 30 June 2017 (30 June 2016: 0.13%).

The most significant events for the 6 month financial period ended 30 June 2017 were the following:

1) UniCredit S.p.A. was successful in in raising capital of €13.8 billion in February 2017, with 99.8% subscription to the rights offer. This injection bolsters the Group's capital as well as being a show of confidence in the Group when recent similar attempts to raise capital by Italian Banks have failed to attract investors.

2) The Company successfully continued the execution of its strategic plan with a focus on the reduction of Intercompany exposures, while investing in Italian and Spanish Government Bonds during the first six months of 2017. Total assets decreased by €568 million since year end 2016, driven by sales of Available for Sale securities. Total liabilities also decreased since year end 2016, by €644 million, primarily due to decreases in Deposits from customers. The majority of the Assets were non-Intercompany as at 30 June 2017, and the percentage of Intercompany Assets over Total Assets is expected to continue to reduce.

Directors' Report (continued)

Financial and Non-Financial KPI's (continued)

3) Net interest income equal to €36.6 million is 29.7% lower than the same financial period of last financial year, due primarily to the reduction in the income on Available for Sale assets and Loans and Receivables caused by a significant reduction in holdings of both asset classes.

4) Net fees and commissions amounted to negative €3.4 million, with an improvement of €6.1 million compared to the same financial period of last financial year, as a consequence of the maturity of a number of financial collateral contracts in the second part of 2016.

5) Fair Value Adjustments in Hedge Accounting were €3.9 million, with an improvement of €5.4 million compared to the same financial period of last financial year. This was as a result of less pronounced negative hedge ineffectiveness impact.

6) As reported in the Financial Statements as at 31 December 2016 the implementation of the Single Resolution Fund Levy continued to have a material impact on the company profitability, with the amount of €5.2 million euro (30 June 2016: €5 million) fully accounted as at 30 June 2017 in the 'Other Administrative Expenses' line.

7) The Available for Sale Reserve became positive in the first 6 months of 2017 (€7.6 million), mostly due to the tightening of the credit spreads on investment grade securities during this period.

The Company's total assets at end of 30 June 2017 amounted to €19.4 billion (31 Dec 2016: €20 billion).

Total Shareholders' equity (issued capital, reserves and revaluation reserves) increased to €2.4 billion (31 Dec 2016: €2.3 billion), driven by the increase in the Available for Sale Reserve and the deleveraging which has driven an improvement in the net asset position on the Balance Sheet.

Under the Supervisory review and evaluation process (SREP) The Company is required to keep a Common Equity Tier 1 (CET1) ratio of at least 9.25% from 1 January 2016. As of 30 June 2017 the fully loaded CET1 was 40.68% (fully loaded meaning the calculation of the CET1 ratio after the expiry of the transitional provisions).

Capital Restriction

There is only one class of shares and all of the shares are owned by UniCredit S.p.A. There are no restrictions on the transfer or voting rights of these shares. For further details please refer to Item 190 – Issued capital in the notes to the financial statements on pages 41-42.

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 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:

- continuing uncertainty of the consequences of the Brexit Referendum, and expected exit of the United Kingdom from EU;

Directors' Report (continued)

Principal risks and uncertainties (continued)

- possible volatility caused by the upcoming Federal Election in Germany, which could potentially adversely impact the markets in which the Group operates or investments presently held in Available For Sale 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.

Risk factors mentioned relating to the UK and US are more likely through its 100% subsidiary status within UniCredit Group as a result of market volatility and potential contagion, rather than directly, as the Company do not have material direct investment in the UK or US.

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 note 4 of the 'Other Notes' section of the notes to the financial statements. The Company, in preparing the financial statements, follows a documented set of procedures and a control risk framework which is reviewed on a six monthly basis.

Arm's Length Transactions

The Directors have established formal procedures to ensure that all trading with other members of the ultimate parent undertaking is carried out on an arm's length basis. 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 Directors have reviewed the activities of the Company with the intention of further developing its operations.

Going Concern

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

Directors' Report (continued)

Directors

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

R. Molony - (Chairman, Irish)	Independent non-executive
M. Sinagra – (Appointed 6th June 2017, Managing Director, Italian)	Executive
A. Laruccia – (Resigned 6th June 2017, Managing Director, Italian)	Executive
G. Laffineur – (Appointed 6th June 2017, Deputy Chairman, French)	Group
W. Bahjat El-Amir – (Resigned 28th February 2017, Deputy Chairman, English)	Group
J. Gilroy - (Irish)	Independent non-executive
D. Courtney – (Irish)	Independent non-executive
A. Napoli – (Italian)	Group
A. Marchetti – (Appointed 6th June 2017, Italian)	Group

The Audit Committee comprises of D. Courtney (Chairman), J. Gilroy and A. Napoli. The purpose and scope of the Committee is to assist the Board of Directors in fulfilling their responsibilities for systems of internal control, accounting policies and financial reporting.

The Risk Committee comprises of A. Napoli (Chairman), D.Courtney and M. Sinagra. The purpose and scope of the committee is to assist the Board of Directors in fulfilling their responsibilities in relation to Risk management. A. Laruccia was replaced by M. Sinagra on the Risk Committee on 6th June 2017.

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 proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at La Touche House, IFSC, Dublin 1.

Independent Auditor

On 6 March 2013 Deloitte were appointed as auditors. Deloitte 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.

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 (the "Code") (the Code is available on www.centralbank.ie).

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,

Directors' Report (continued)

Directors (continued)

Corporate Governance Statement (continued)

- 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,

in accordance with law and applicable regulatory requirements.

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

The Board is required to understand the risks to which the bank is exposed and has established a documented risk appetite 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 on compliance with the risk appetite.

During the first six months of 2017 the Board met 3 times.

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,
- 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,
- 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 currently comprises two independent non-executive directors and a group director.

Directors' Report (continued)

Corporate Governance Statement (continued)

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 the Managing Director, one 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 S.p.A. 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 9 May 2017.

Shareholders

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

Board of Directors

The 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 once every three years. The last review of the composition of the Board was completed on the 8th February 2016. The Board establishes its qualitative and quantitative composition deemed most suitable for achieving the correct performance of the functions assigned to it.

Significant transactions:

Between February and March 2017, the Bank liquidated its positions held in Russian securities which formed part of the Available for Sale asset class. The intention was to decrease this geographical exposure, in line with the risk appetite of both the Bank and its Parent Company, whilst market conditions were favourable. In total, exposure to Russia related to three sovereign bonds with different maturities with a value on disposal of approximately €145 million together with corresponding swaps resulting in a realised gain of €2.8 million.

During May of 2017 the Bank initiated and completed the sale of all third-party asset backed securities held in the Loans and Receivables with Customers asset class of the portfolio. This disposal was carried out with the intention of further improving the quality of assets being held in the portfolio. Favourable price movements gave rise to the opportunity to implement these sales without incurring any material impact on the profitability of the Bank. An immaterial loss of €10,000 was realised across all securities sold.

In the latter half of June 2017 the Bank initiated the sale of €500 million of Italian sovereign bonds which are approaching maturity in order to fund the acquisition of longer dated Italian sovereign bonds. All sales were completed before the end of Quarter 2 with a net loss of €0.57 million primarily due to the cost of unwinding the swaps corresponding to the securities. The resulting purchase of longer dated securities is expected to commence in latter half of 2017.

Directors' Report (continued)

On behalf of the Board

J. Gilroy
Director
31st July 2017

S. P. Murphy
Company Secretary
31st July 2017

M. Sinagra
Managing Director
31st July 2017

D. Courtney
Director
31st July 2017

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

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

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

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

- Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- (ii) Regulation 8(3) of the Transparency Directive (Directive 2004/109/EC) Regulations 2007, being related party transaction that have taken place in the first six months of the current financial year and that have materially affected financial position or performance of the entity during that financial period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

J. Gilroy
Director
31st July 2017

S. P. Murphy
Company Secretary
31st July 2017

M. Sinagra
Managing Director
31st July 2017

D. Courtney
Director
31st July 2017

Balance Sheet as at 30 June 2017

	Part B	Unaudited 30 June 2017	Audited 31 December 2016
Items	**Balance sheet - Assets**	**€'000**	**€'000**
20	Financial assets held for trading	1,081	6,344
40	Available-for-sale financial assets	10,229,779	10,807,712
60	Loans and receivables with banks	7,880,139	7,538,322
70	Loans and receivables with customers	1,171,439	1,454,206
80	Hedging derivatives	108,141	137,548
90	Changes in fair value of portfolio hedged items (+/-)	24,481	34,186
120	Property, plant and equipment	166	172
130	Intangible assets	2,352	2,710
140	Tax assets		
	a) Current tax assets	1,747	120
	b) Deferred tax assets	-	5,904
160	Other assets	228	429
	Total Assets	**19,419,553**	**19,987,653**

	Part C	Unaudited 30 June 2017	Audited 31 December 2016
Items	**Balance sheet - Liabilities**	**€'000**	**€'000**
10	Deposits from banks	4,518,382	3,867,209
20	Deposits from customers	5,838,903	6,920,367
30	Debt securities in issue	5,571,488	5,468,227
40	Financial liabilities held for trading	7,895	2,932
60	Hedging derivatives	1,047,051	1,349,874
70	Changes in fair value of portfolio hedged items (+/-)	59,945	80,659
80	Tax liabilities		
	b) Deferred tax liability	1,080	-
100	Other liabilities	6,214	5,533
	Total Liabilities	**17,050,958**	**17,694,801**

		Unaudited 30 June 2017	Audited 31 December 2016
	Balance sheet – Shareholders' equity	**€'000**	**€'000**
140	Revaluation reserve	7,563	(41,328)
170	Reserves		
	(a) Capital contribution	753,419	753,419
	(b) Capital redemption reserve	45,802	45,802
	(c) Profit and Loss Account – at start of the financial period	191,840	197,376
	(d) Dividend paid	-	(79,000)
	(e) Net profit for the financial period	26,852	73,464
190	Issued capital	1,343,119	1,343,119
	Total Shareholders' Equity	**2,368,595**	**2,292,852**
	Total liabilities and shareholders' equity	**19,419,553**	**19,987,653**

The notes on pages 18 to 67 form part of these financial statements.

On behalf of the Board

J. Gilroy
Director
31st July 2017

S. P. Murphy
Company Secretary
31st July 2017

M. Sinagra
Managing Director
31st July 2017

D. Courtney
Director
31st July 2017

Income Statement

Financial Period Ended 30 June 2017

	Unaudited 30 June 2017	Unaudited 30 June 2016
Items – Part D	**€'000**	**€'000**
10 Interest income and similar revenues	257,132	268,234
20 Interest expense and similar charges	(220,472)	(216,078)
30 Net Interest Income	**36,660**	**52,156**
40 Fee and commission income	-	11,126
50 Fee and commission expense	(3,367)	(20,573)
60 Net fees and commissions	**(3,367)**	**(9,447)**
80 Gains and (Losses) on financial assets and liabilities held for trading	894	1,240
90 Fair Value adjustments in hedge accounting	3,867	(1,556)
100 Gains/(losses) on disposal of:		
a) Loans and receivables	(10)	-
b) Available for Sale Financial Assets	2,260	284
c) Financial liabilities held at amortised cost	(358)	(222)
120 Total operating income	**39,946**	**42,455**
130 Impairment (provisions)/write-back on:		
a) Loans and Receivables with Customers	450	700
b) Available for sale financial assets	-	-
140 Net profit from financial activities	**40,396**	**43,155**
180 Administrative costs		
a) Staff expenses	(2,191)	(2,128)
b) Other administrative expenses	(6,948)	(6,252)
190 Provisions for Risks and Charges	-	-
200 Depreciation on property, plant and equipment	(46)	(41)
210 Amortisation of intangible assets	(486)	(478)
230 Operating costs	**(9,671)**	**(8,899)**
280 Profit before tax from continuing operations	**30,725**	**34,256**
290 Tax expense related to profit from continuing operations	(3,873)	(4,304)
320 Profit for the financial period (all attributable to shareholders)	**26,852**	**29,952**

The notes on pages 18 to 67 form part of these financial statements.

All results are from continuing activities.

Statement of Other Comprehensive Income

Financial Period Ended 30 June 2017

	Unaudited 30 June 2017	Unaudited 30 June 2016
	€'000	€'000
10 Profit for the financial period	**26,852**	**29,952**
Other comprehensive income after tax		
20 Available-for-sale financial assets		
- Net change in fair value	**48,891**	**(68,478)**
- Net amount transferred to profit or loss	-	-
60 Cash flow hedges		
- Effective portion of changes in fair value	-	**1,008**
- Net amount transferred to profit or loss	-	-
100 Total of other comprehensive income after tax	**48,891**	**(67,470)**
110 Total comprehensive income after tax	**75,743**	**(37,518)**

The notes on pages 18 to 67 form part of these financial statements.

All results are from continuing activities.

All Other Comprehensive Income will be subsequently reclassified to profit or loss when specific conditions are met.

Statement of Changes in Shareholders' Equity

Financial Period ended 30 June 2017

	Share capital	Capital contribution	Other un-denominated capital	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
	€'000	**€,000**	**€'000**	**€'000**	**€'000**	**€'000**	**€,000**
Opening balances at 1 January 2017	**1,343,119**	**753,419**	**45,802**	**(41,328)**	**-**	**191,840**	**2,292,852**
Profit attributable to the equity shareholders	-	-	-	-	-	26,852	26,852
Other comprehensive income							
Change in fair value of available for sale financial assets							
- available for sale financial assets	-	-	-	(128,319)	-	-	(128,319)
- hedge	-	-	-	184,194	-	-	184,194
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-	-
Movement in deferred tax	-	-	-	(6,984)	-	-	(6,984)
Total other comprehensive income	**-**	**-**	**-**	**48,891**	**-**	**-**	**48,891**
Total comprehensive income	**-**	**-**	**-**	**48,891**	**-**	**26,852**	**75,743**
Dividend distribution	-	-	-	-	-	-	-
Closing balances as at 30 June 2017	**1,343,119**	**753,419**	**45,802**	**7,563**	**-**	**218,692**	**2,368,595**

Statement of Changes in Shareholders' Equity
Financial Period ended 30 June 2016

	Share capital	Capital contribution	Other un-denominated capital	Available for sale reserve	Cash Flow Hedge Reserve	Profit and Loss account	Total
	€'000	**€,000**	**€'000**	**€'000**	**€'000**	**€'000**	**€,000**
Opening balances at 1 January 2016	**1,343,119**	**753,419**	**45,802**	**8,155**	**(2,109)**	**197,376**	**2,345,762**
Profit attributable to the equity shareholders	-	-	-	-	-	29,952	29,952
Other comprehensive income							
Change in fair value of available for sale financial assets							
- available for sale financial assets	-	-	-	121,200	-	-	121,200
- hedge	-	-	-	(199,461)	-	-	(199,461)
Cash flow hedges:							-
- Effective portion of changes in fair value	-	-	-	-	1,152	-	1,152
- Net amount transferred to profit or loss	-	-	-	-	-	-	-
Movement in deferred tax	-	-	-	9,783	(144)	-	9,639
Total other comprehensive income	**-**	**-**	**-**	**(68,478)**	**1,008**	**-**	**(67,470)**
Total comprehensive income	**-**	**-**	**-**	**(68,478)**	**1,008**	**29,952**	**(37,518)**
Dividend distribution	-	-	-	-	-	-	-
Closing balances as at 30 June 2016	**1,343,119**	**753,419**	**45,802**	**(60,323)**	**(1,101)**	**227,328**	**2,308,244**

Cash Flow Statement (indirect method)

Financial Period Ended 30 June 2017

		30 June 2017 €'000	30 June 2016 €'000
A.	**Operating Activities**		
	1. Operations	**20,546**	**28,390**
	- profit for the financial period	26,852	29,951
	- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(894)	(1,240)
	- capital gains/losses on hedging operations (+/-)	(3,867)	1,556
	- net write-offs/write-backs due to impairment (+/-)	(450)	(700)
	- net write-offs/write-backs on tangible and intangible assets (+/-)	532	519
	- tax paid (+/-)	(5,500)	(6,000)
	-Add back tax charge for the financial period	3,873	4,304
	2. Liquidity generated/absorbed by financial assets	**408,553**	**685,504**
	- financial assets held for trading	6,157	2,046
	- available-for-sale financial assets	577,933	(526,240)
	- loans and receivables with banks	(417,241)	1,259,666
	- loans and receivables with customers	194,247	(262,202)
	- other assets	47,457	212,234
	3. Liquidity generated/absorbed by financial liabilities	**(593,325)**	**(1,864,279)**
	- deposits from banks	651,173	(1,961,916)
	- deposits from customers	(1,081,464)	466,201
	- debt certificates including bonds	103,261	(435,984)
	- financial liabilities held for trading	4,963	1,420
	- other liabilities	(271,258)	66,000
	Net liquidity generated/absorbed by operating activities	**(164,226)**	**(1,150,385)**
B.	**Investment Activities**		
	1. Net Liquidity by:		
	- tangible and intangible assets	(168)	(1,079)
	Net liquidity generated/absorbed by investment activities	**(168)**	**(1,079)**
C.	**Financing Activities**		
	Dividend Paid to Parent Company	-	-
	Net liquidity generated/absorbed by funding activities	**-**	**-**
	Increase/Decrease in cash and cash equivalents	**(164,394)**	**(1,151,464)**
	Cash and cash equivalents at 1 January	384,767	1,333,179
	Cash flow	(164,394)	(1,151,464)
	Cash and cash equivalents at 30 June	**220,373**	**181,715**

KEY: (+) generated; (-) absorbed

Cash Flow Statement (indirect method) (continued)

Financial Period Ended 30 June 2017

Reconciliation of Cash and Cash Equivalents	30 June 2017 €'000	30 June 2016 €'000
Cash and cash balances	-	30,366
Deposit and current accounts with banks	53,502	22,991
Deposits with customers	166,871	128,358
Cash and cash equivalents total at 31 December	**220,373**	**181,715**

Included in operating activities are the following:	30 June 2017 €'000	30 June 2016 €'000
Interest received	250,852	159,533
Interest paid	230,331	27,651

Notes to the Financial Statements

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

A) Accounting Policies
B) Balance Sheet Notes – Assets
C) Balance Sheet Notes - Liabilities
D) Income Statement Notes
E) Other Notes

A) Accounting Policies

Statement of Compliance

The financial statements as set out on pages 10 to 67 have been prepared in accordance with IFRSs as adopted by the EU and applicable at 30 June 2017.

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement, it is effective from 1 January 2018 as confirmed by the IASB. It is noted that this standard has been endorsed by the EU on 22nd November 2016. The final version of the standard was published on 24 July 2014. The Company is currently considering the implications of the new standard. A project lead has been appointed to oversee the qualitative and quantitative impacts of IFRS 9 at this stage. Based on initial qualitative assessment, the Company expects the new standard to impact on classification and measurement of the portfolio of assets due to the new criteria for selection of designation. The credit risk provision is also expected to increase significantly with the broadening of the scope of the calculation of loan loss provisions. It is impracticable to quantify the impact of IFRS 9 at this stage. In addition, the Company does not intend to avail of any exemptions in relation to the new standard.

The half yearly financial information is considered non-statutory financial statements for the purposes of the Companies Act 2014 and in compliance with section 340(4) of that Act we state that:

- the financial information for the financial period to 30 June 2017 has been prepared to meet our obligation to do so under the listing rules of the main securities market of the Irish Stock Exchange and S.I. No. 277 of 2007;

- the financial information for the financial period to 30 June 2017 does not constitute the statutory financial statements of the company;

- the statutory financial statements for the financial year ended 31 December 2016 have been annexed to the annual return and delivered to the Registrar;

The Directors have considered all other standards and pronouncements newly effective for the financial period ended 30 June 2017 and have concluded that they have no material impact on the financial statements. The financial statements also comply with applicable requirements of Irish Statute comprising the Companies Act 2014.

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 estimates 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. A description of these estimates and judgments is set out on pages 25-26 and also the assumption or estimate that certain markets were not active allowing the Company to avail of the amendment to IAS 39 and reclassify certain instruments from trading to loans and receivables in 2008.

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Basis of Preparation (continued)

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 Statement of Financial Position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Interest Income and Expense

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

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

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

Fee and Commission Income and Expense

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

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Financial Assets

The Company classifies its financial assets in the following categories:

- Financial assets held for trading;
- Available for sale financial assets;
- Loans and receivables.

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

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

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

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

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

Available for Sale

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

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

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

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Financial Assets (continued)

Loans and Receivables

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Impairment of Financial Assets (continued)

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

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

Financial Liabilities

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

The Company classifies its financial liabilities in the following categories:

- Liabilities, deposits and debt securities in issue;
- Financial liabilities held for trading.

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

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

b) <u>Financial liabilities held for trading</u>

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

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

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Offsetting Financial Instruments

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

Financial Guarantees

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

Sale and Repurchase Agreements

Securities may be lent or sold subject to a commitment to repurchase them ("repos"). Such securities are retained on the Statement of Financial Position when substantially all the risks and rewards of ownership remain with the Company. The liability to the counterparty is included separately on the Statement of Financial Position 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 Statement of Financial Position. 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 period 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, using the Statement of Financial Position liability method, on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the Statement of Financial Position date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Property, Plant and Equipment

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

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

Leasehold improvements	5 financial years
Computer equipment	3 financial years or 5 financial years
Office equipment	3 financial 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 financial years or 5 financial years, subject to the associated useful life, 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 Statement of Financial Position.

Share Capital

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

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

Pension Obligations

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Segmental Reporting

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

IFRS 8 Operating Segments requires the disclosure of revenues from external customers for each product and service, or each group of similar products and services. IFRS 8 also requires disclosures based on geographical information. For detail on these disclosures please see Notes to the Financial Statements, Other Notes, Note 3 Segmental reporting on pages 47 and 48.

Accounting Estimates

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

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

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

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or

- national or local economic conditions that correlate with defaults on the assets in the group.

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Accounting Estimates (continued)

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

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

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

The collective provision as at 30 June 2017 is €0.45 million (31 Dec 2016: €0.9 million). The specific provision as at 30 June 2017 is €1.435 million (31 Dec 2016: €1.435 million).

Key judgements

Key judgements include valuation techniques (e.g. Net Present Value of cash flows) employed in determination of fair values and determination of IFRS 7 levels. Refer to 'Other Notes' 4 Financial risk management note for further details.

Derivative Financial Instruments and Hedge Accounting

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

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

All derivatives are held on the Statement of Financial Position 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.

Hedging

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

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

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

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

The Company currently has two types of hedging instruments:

Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability.

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

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

The fair value changes recorded in item 140 “Revaluation reserve” are also disclosed in the statement of Other Comprehensive Income.

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

Fair value of financial assets and liabilities held for trading, available for sale financial assets, fair value of loans and receivables securities and hedging derivatives.

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

Instrument : Method of Valuation

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

Where quoted in an active market, the previous day’s closing exit prices are utilised where available.

Notes to the Financial Statements (continued)

A) Accounting Policies (continued)

Fair value of financial assets and liabilities held for trading, available for sale financial assets, fair value of loans and receivables securities and hedging derivatives (continued)

Asset Backed Securities ('ABS')

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

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

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

Valued using discounted cash flow analysis. 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 Euribor/Libor curves as at 30 June 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 Statement of Financial Position fair value measurements are disclosed by the source of inputs, using the following three level hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

- Level 3: Inputs for the asset or liability that is not based on observable market data (observable inputs).

For details of these disclosure requirements please see Note 4 of the Other Notes sections of the financial statements in accordance with the amended IFRS 13.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Assets

Item 20 – Financial assets held for trading

2.1

Financial assets held for trading: product breakdown	30 June 2017 €'000	31 Dec 2016 €'000
Derivative assets	1,081	6,344
	1,081	**6,344**

In 2008 the Company availed of an amendment on IAS 39 made by the IASB on 13 October 2008 permitting the reclassification of certain financial assets classified as held for trading to loans and receivables. For details on this reclassification please see Note 5 of the Other Notes section of the Notes to the Financial Statements on page 66.

Derivatives held for trading	30 June 2017 €'000	30 June 2017 €'000	31 Dec 2016 €'000	31 Dec 2016 €'000
	Fair Value	Nominal	Fair Value	Nominal
Eonia swaps	426	10,900,000	394	5,137,000
Forward currency sales	-	-	567	34,411
Forward currency purchases	655	90,209	5,383	307,058
	1,081	**10,990,209**	**6,344**	**5,478,469**

Included in derivatives held for trading is a fair value carrying amount of €1.08 million (31 Dec 2016: €6.3 million) due from UniCredit S.p.A. Group.

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

Item 40 – Available for sale financial assets

4.1

Available for sale financial assets: product breakdown	30 June 2017 €'000	31 Dec 2016 €'000
Issued by public bodies		
- Government debt securities	8,992,887	9,484,765
- Other public sector debt securities	180,507	184,842
Other securities		
- Other debt securities	1,056,385	1,138,105
	10,229,779	**10,807,712**
Amounts include:		
UniCredit S.p.A. Group available for sale financial assets	-	-

Available for sale fair value assets of €8.8 billion (31 Dec 2016: €8.3 billion) have been pledged to third parties in sale and repurchase agreements.

Included within available for sale assets is €32.9 million (31 Dec 2016: €31.5 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Assets (continued)

Item 40 – Available for sale financial assets (continued)

4.2	**Available for sale financial assets: analysis by remaining maturity**	**30 June 2017 €'000**	**31 Dec 2016 €'000**
	- over 5 financial years	3,586,180	4,572,494
	- 5 years or less but over 1 financial year	6,460,258	6,056,071
	- 1 financial year or less but over 3 months	-	101,244
	- 3 months or less	183,341	77,903
		10,229,779	**10,807,712**

4.3	**Available for sale financial assets: listing status**	**30 June 2017 €'000**	**31 Dec 2016 €'000**
	Analysis by listing status		
	- Listed	10,229,779	10,807,712
		10,229,779	**10,807,712**

4.4	**Available for sale financial assets: annual changes**	**30 June 2017 €'000**	**31 Dec 2016 €'000**
	At 1 January	10,807,712	11,060,715
	Additions	457,536	2,555,388
	Disposals and maturities	(837,378)	(2,773,980)
	Exchange differences	(52,934)	90,282
	Changes in fair value	(138,428)	(124,428)
	Interest receivable	(6,729)	(265)
	At 30 June	**10,229,779**	**10,807,712**

Notes to the Financial Statements (continued)

B) Balance Sheet Notes - Assets (continued)

Item 60 – Loans and receivables with banks

6.1

Loans and receivables with banks: analysis by remaining maturity	30 June 2017 €'000	31 Dec 2016 €'000
Loans and receivables : Remaining maturity		
- over 5 financial years	893,500	1,128,500
- 5 financial years or less but over 1 financial year	167,606	153,216
- 1 financial year or less but over 3 months	434	-
- 3 months or less	746,460	110,588
- Repayable on demand	1,702	18,338
	1,809,702	**1,410,642**
Loans and receivables with customers collective impairment	(384)	-
	1,809,318	**1,410,642**
Unquoted securities : Remaining maturity		
- over 5 financial years	3,726,275	3,732,188
- 5 financial years or less but over 1 financial year	1,844,587	2,329,145
- 1 financial year or less but over 3 months	484,039	66,347
- 3 months or less	15,920	-
	6,070,821	**6,127,680**
	7,880,139	**7,538,322**
Amounts include:		
Due from parent company and fellow subsidiaries	**7,210,067**	**6,893,780**

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 Dec 2016: €0.3 billion).

6.2

Loans and receivables with banks: fair value	30 June 2017 €'000	31 Dec 2016 €'000
Loans and receivables with banks	7,731,194	7,234,103
	7,731,194	**7,234,103**

Notes to the Financial Statements (continued)

B) Balance Sheet Notes - Assets (continued)

Item 70 – Loans and receivables with customers

7.1

Loans and receivables with customers: analysis by remaining maturity	30 June 2017 €'000	31 Dec 2016 €'000
Loans and receivables: Remaining maturity		
- over 5 financial years	-	345,166
- 5 financial years or less but over 1 financial year	467,856	423,734
- 1 financial year or less but over 3 months	491,775	349,578
- 3 months or less	166,871	254,289
	1,126,502	**1,372,767**
Loans and receivables with customers collective impairment	(66)	(900)
	1,126,436	**1,371,867**
Unquoted securities : Remaining maturity		
- over 5 financial years	45,003	49,648
- 5 financial years or less but over 1 financial year	-	6,239
- 1 financial year or less but over 3 months	-	348
- 3 months or less	-	26,104
	45,003	**82,339**
	1,171,439	**1,454,206**
Amounts include:		
Due from parent company and fellow subsidiaries	**700,538**	**725,595**

Included in the total of loans and receivables with customers are securities of €nil which have been pledged to third parties in sale and repurchase agreements (31 Dec 2016: €14 million).

Loans and receivables with customers with customers: analysis by remaining maturity

Included within loans and receivables with customers is €nil (31 Dec 2016: €57 million) of asset backed securities. Management has considered the financial impact of collateral held within securities and considers it to be sufficient to recover the carrying value of such assets.

7.2

Loans and receivables with customers: Fair value	30 June 2017 €'000	31 Dec 2016 €'000
Loans and receivables with customers	1,185,685	1,454,728
	1,185,685	**1,454,728**

7.3 Loans and receivables with customers: Reclassification

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

The carrying value of assets which were reclassified in 2008 from held for trading to loans and receivables with customers at June 2017 is €nil as the positions were disposed of during the period (31 Dec 2016: €57 million).

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Assets (continued)

Item 80 – Hedging derivatives

8.1

Hedging derivatives	30 June 2017 €'000	30 June 2017 €'000	31 Dec 2016 €'000	31 Dec 2016 €'000
	Fair Value	**Nominal**	**Fair Value**	**Nominal**
Cross currency swaps	45,455	306,496	49,698	325,229
Interest rate swaps	62,686	1,939,673	87,850	2,054,902
Currency forward sale contracts	-	-	-	-
	108,141	**2,246,169**	**137,548**	**2,380,131**

Included in hedging derivatives is an amount of €108 million (31 Dec 2016: €138 million) which is due from UniCredit S.p.A. Group.

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

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

9.1

Changes in fair value of portfolio hedged items (+/-)	30 June 2017 €'000	31 Dec 2016 €'000
Positive changes in fair value of portfolio hedged items	24,481	34,186
	24,481	**34,186**

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

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Assets (continued)

Item 120 – Property, plant and equipment

12.1

Property, plant and equipment	Leasehold improvements	Office equipment	Computer equipment	Total
Cost	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2016	1,299	87	335	1,721
Additions	-	-	171	171
Disposals	-	-	-	-
At 1 January 2017	1,299	87	506	1,892
Additions	-	-	40	40
Disposals	(48)	-	(137)	(185)
At 30 June 2017	1,251	87	409	1,747
Accumulated depreciation	€'000	€'000	€'000	€'000
At 1 January 2016	1,264	76	298	1,638
Charge for financial period	22	5	55	82
Disposals	-	-	-	-
At 1 January 2017	1,286	81	353	1,720
Charge for financial period	6	3	37	46
Disposals	(48)	-	(137)	(185)
At 30 June 2017	1,244	84	253	1,581
Net book values				
At 31 December 2016	13	6	153	172
At 30 June 2017	7	3	156	166

Notes to the Financial Statements (continued)

B) Balance Sheet Notes – Assets (continued)

Item 130 – Intangible assets

13.1

Intangible assets	Computer software costs	Total
Cost	**€'000**	**€'000**
At 1 January 2016	3,636	3,636
Additions	1,371	1,371
Disposals	-	-
At 31 December 2016	5,007	5,007
Additions	128	128
Disposals	(100)	(100)
At 30 June 2017	5,035	5,035
Accumulated amortisation		
At 1 January 2016	1,348	1,348
Charge for financial period	949	949
Disposals	-	-
At 31 December 2016	2,297	2,297
Charge for financial period	486	486
Disposals	(100)	(100)
At 30 June 2017	2,683	2,683
Net book values		
At 31 December 2016	**2,710**	**2,710**
At 30 June 2017	**2,352**	**2,325**

Item 140 – Tax assets

14.1

Tax assets	30 June 2017	31 Dec 2016
	€'000	€'000
Reversal of deferred tax liability	-	(894)
Deferred taxation asset at 1 January		
Tax credit arising from negative AFS revaluation reserve	-	6,798
At 30 June	-	**5,904**
Current taxation asset	1,747	120
Total tax assets	**1,747**	**6,024**

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

Item 160 – Other assets

16.1

Other assets	30 June 2017	31 Dec 2016
	€'000	€'000
Accounts receivable and prepayments	228	429
	228	**429**

Included in other assets is the amount of €nil (31 Dec 2016: €0.1 million) which is due from UniCredit S.p.A. Group

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities

Item 10 – Deposits from banks

1.1 Deposits from banks: analysis by remaining maturity	30 June 2017 €'000	31 Dec 2016 €'000
Remaining maturity		
- Over 5 financial years	-	30,938
- 5 financial years or less but over 1 financial year	885,023	1,005,114
- 1 financial year or less but over 3 months	153,316	30,089
- 3 months or less	3,479,998	2,797,073
- Repayable on demand	45	3,995
	4,518,382	**3,867,209**
Amounts include:		
Due to parent company and fellow subsidiaries	**1,035,377**	**807,181**

Included in deposits from banks are deposits of €3.6 billion (31 Dec 2016: €3.2 billion) held as security for securities sold under repurchase agreements.

Included in deposits from banks are two Tier II deposits which are included within Regulatory Capital in Item 19.2 page 40.

1.2 Deposits from banks: Fair Value	30 June 2017 €'000	31 Dec 2016 €'000
Deposits from Banks	4,571,639	3,900,089
	4,571,639	**3,900,089**

Item 20 – Deposits from customers

2.1 Deposits from customers: analysis by remaining maturity	30 June 2017 €'000	31 Dec 2016 €'000
Remaining maturity		
- 5 financial years or less but over 1 financial year	55,847	-
- 1 financial year or less but over 3 months	280,097	458,445
- 3 months or less	5,502,959	6,461,922
	5,838,903	**6,920,367**
Amounts include:		
Due to parent company and fellow subsidiaries	**4,434**	**13,112**

Included in customer accounts are deposits of €5.6 billion (31 Dec 2016: €6.8 billion) held as security for securities sold under repurchase agreements.

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities (continued)

Item 20 – Deposits from customers (continued)

2.2	Deposits from customers: Fair Value	30 June 2017	31 Dec 2016
		€'000	€'000
	Deposits from Banks	5,840,628	6,926,191
		5,840,628	**6,926,191**

Item 30 – Debt securities in issue

3.1	Debt securities in issue: analysis by remaining maturity	30 June 2017	31 Dec 2016
		€'000	€'000
	Bonds and medium term notes		
	Remaining maturity		
	- over 5 financial years	206,027	205,323
	- 5 financial years or less but over 1 financial year	2,085,598	997,382
	- 1 financial year or less but over 3 months	878,908	2,124,922
	- 3 months or less	87,738	0
		3,258,271	**3,327,627**
	Other debt securities in issue		
	Remaining maturity		
	- 1 financial year or less but over 3 months	2,076,166	2,115,599
	- 3 months or less	237,051	25,001
		2,313,217	**2,140,600**
		5,571,488	**5,468,227**
	Amounts include:		
	Due to parent company and fellow subsidiaries	**-**	**60,350**

3.2	Debt securities in issue: Fair Value	30 June 2017	31 Dec 2016
		€'000	€'000
	Debt securities in issue	5,582,352	5,357,309
		5,582,352	**5,357,309**

3.3	Debt securities in issue: by financial instrument	30 June 2017	31 Dec 2016
		€'000	€'000
	Certificate of deposit	50,032	-
	Commercial paper	2,263,186	2,140,600
	Medium term note	3,258,270	3,327,627
		5,571,488	**5,468,227**

During 2016 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 commercial paper.

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities (continued)

Item 40 – Financial liabilities held for trading

4.1

Financial liabilities held for trading	30 June 2017 €'000	30 June 2017 €'000	31 Dec 2016 €'000	31 Dec 2016 €'000
	Fair Value	Nominal	Fair Value	Nominal
Currency forward purchase contracts	6,866	292,832	22	4,656
Currency forward sale contracts	114	33,970	683	90,501
Interest rate, eonia and cross currency derivatives	915	4,400,000	2,227	8,136,199
	7,895	**4,726,802**	**2,932**	**8,231,356**

Included in trading derivatives is an amount of €7.89 million (31 Dec 2016: €2.9 million) which is due to UniCredit S.p.A. Group. Derivative purchases and maturities resulted in variances of the nominal values during the financial period. For detail on derivatives please refer to the notes on derivatives which is included within the market risk portion of 'Other Notes' note 4. The derivatives classified in financial liabilities held for trading are for economic hedging purposes.

Item 60 – Hedging derivatives

6.1

Hedging derivatives	30 June 2017 €'000	30 June 2017 €'000	31 Dec 2016 €'000	31 Dec 2016 €'000
	Fair Value	Nominal	Fair Value	Nominal
Cross currency swaps	72,606	447,752	121,686	551,303
Interest rate swaps	974,445	9,268,651	1,228,188	9,717,408
Currency forward sale contracts	-	-	-	-
	1,047,051	**9,716,403**	**1,349,874**	**10,268,711**

Included in hedging derivatives is an amount of €1,040 million (31 Dec 2016: €1,261 million) which is due to UniCredit S.p.A. Group. Derivative purchases and maturities resulted in variances of the nominal values during the financial period. For detail on derivatives please refer to the notes on derivatives which is included within the market risk note in 'Other Notes' note 4.

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

7.1

Changes in fair value of portfolio hedged items (+/-)	30 June 2017 €'000	31 Dec 2016 €'000
Positive/(Negative) changes in fair value of portfolio hedged items	59,945	80,659
	59,945	**80,659**

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

Item 80 – Tax liabilities

8.1

Tax liability	30 June 2017 €'000	31 Dec 2016 €'000
Deferred taxation liability at 1 January	-	864
Tax liability arising from positive AFS revaluation reserve	1,080	(864)
At 30 June	1,080	-
Current tax liability	-	-
Total tax liability	**1,080**	-

There is no current tax liability as the bank paid preliminary corporation tax of €5.5m during June 2017.

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities (continued)

Item 100 – Other liabilities

10.1

Other liabilities	30 June 2017 €'000	31 Dec 2016 €'000
Creditors and accruals	6,214	5,533
	6,214	**5,533**

Included in other liabilities is the amount of €4.9 million which is due to UniCredit S.p.A. Group

Item 140 – Revaluation reserve

14.1

Available for sale reserve	30 June 2017 €'000	31 Dec 2016 €'000
At 1 January	(41,328)	8,155
Change in fair value of available for sale financial assets		
- available for sale financial assets	(128,319)	(46,695)
- hedge	184,194	(9,857)
Movement in deferred tax	(6,984)	7,069
At 30 June	**7,563**	**(41,328)**

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

14.2

Cash flow hedge reserve	30 June 2017 €'000	31 Dec 2016 €'000
At 1 January	-	(2,109)
Effective portion of changes in fair value	-	-
Net amount transferred to profit or loss	-	2,409
Movement in deferred tax	-	(300)
At 30 June	-	-
Total revaluation reserve	**7,563**	**(41,328)**

Item 170 – Reserves

17.1

Reserves	30 June 2017 €'000	31 Dec 2016 €'000
a) Capital contribution	753,419	753,419
b) Capital Redemption Reserve	45,802	45,802
c) Profit and Loss Account at start of financial year	191,840	197,376
d) Dividend paid	-	(79,000)
e) Net profit for the financial period	26,852	73,464
	1,017,913	**991,061**

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital

19.1

Issued capital Authorised	30 June 2017 €'000	31 Dec 2016 €'000
1,343,118,650 (31 Dec 2016 : 1,343,118,650) ordinary shares of one Euro each	1,343,119	1,343,119
	1,343,119	**1,343,119**
Issued and paid up		
1,343,118,650 (31 Dec 2016 : 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 period.

19.2

Regulatory own funds	30 June 2017 €'000	31 Dec 2016 €'000
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	237,643	243,179
Dividend	-	(79,000)
Firb Provision Shortfall – Deduction Equity Tier I	(3,326)	(3,869)
Accumulated other comprehensive income	(1,504)	(1,625)
Additional Value Adjustment	(2,352)	(1,060)
Intangible Assets	(472)	(2,710)
Excess of deduction from Additional Tier I items	(146,057)	(135,685)
Other Transitional Adjustments to CET1	632	1,424
Total Common Equity Tier I Own Funds	**2,181,102**	**2,117,192**
Additional Tier I Own Funds	**-**	**-**
Tier II Own Funds		
Subordinated deposits – Tier II – Grandfathered	338,406	406,087
Collective Impairment Provisioning - Standardised		459
Other transitional adjustments to Tier II Capital	(16,561)	(34,254)
Total Tier II Own Funds	**321,845**	**372,292**
Total Own Funds	**2,502,947**	**2,489,484**

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

UniCredit Bank Ireland received from the European Central Bank 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 9.5% for 2017.

The Total Capital Ratio at 30 June 2017 is 47.05% (31 Dec 2016: 43.67%).

Notes to the Financial Statements (continued)

C) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital (continued)

The Common Equity Tier 1 ratio at 30 June 2017 is 41% (31 Dec 2016: 37.14%).

Reconciliation between Own Funds and Shareholders' Equity

	30 June 2017 €'000	31 Dec 2016 €'000
Total Shareholders' Equity	**2,368,595**	**2,292,852**
(Net Profit of the financial period)	(26,852)	(73,464)
(Filtered Accumulated other comprehensive income)	(9,067)	39,703
(Deductions and Adjustments)	(151,574)	(141,899)
Tier II Capital	321,845	372,292
Total Own Funds	**2,502,947**	**2,489,484**

The subordinated deposits are related to two subordinated undated items with UniCredit Bank International Luxembourg, which have been grandfathered.

The notional amounts are the following:

- 115 million GBP, with call date at 27 June 2018;
- 383 million Euro, with call date at 10 December 2019.

In relation to the Additional Tier I Subordinated Exposures above the 10% CET1 threshold, an 80% deduction was applied at CET 1 while the residual 20% was deducted 50% against the Common Equity Tier I and 50% against Tier II.

In relation to the Intangible Assets, they were fully deducted against the CET1.

In relation to the shortfall of Provision against the Internal Ratings Based Expected Loss, it was 80% deducted against CET I while the residual amount was split 50% against CET I and 50% against Tier II.

In relation to the gains and losses of the other comprehensive income, all gains and losses in relation to the Government portfolio were filtered, and all gains in relation to non-government portfolio were filtered too in line with Article 467 EU 575/2013.

The Fully Loaded CET1 and Fully Loaded Total Capital ratios as at 30 June 2017 are 40.68% (31 Dec 2016: 36.53%).

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 8 December 2016 relating to SREP, from 1 January 2017 the Bank has been required to keep a Total Supervisory Capital Ratio of at least 9.5%.

The grandfathering rule on subordinated deposits lead to a decrease in Tier 2 capital of €68m between 2016 and 2017.

From 1 January 2017 the Bank is required to calculate a capital conservation buffer of 1.25% of Total Risk Exposures. This capital buffer amounts to €67m.

Notes to the Financial Statements

C) Balance Sheet Notes – Liabilities (continued)

Item 190 – Issued Capital (continued)

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 Q2 2017 is zero.

D) Income Statement Notes

Item 10 - Interest income and similar revenues

1.1 Interest and similar income arising on:	30 June 2017 €'000	30 June 2016 €'000
Loans and receivables with banks	34,612	55,224
Loans and receivables with customers	4,166	5,436
Financial assets held for trading	3,053	4,898
Available for sale financial assets	95,937	132,283
Hedging derivatives	119,364	70,393
	257,132	**268,234**
Amounts include:		
Due from parent company and fellow subsidiaries	**71,047**	**55,855**

Total interest income exclusive of financial assets at fair value through profit or loss calculated using the effective interest rate method is €135 million (30 June 2016: €193 million).

Item 20 - Interest expense and similar charges

2.1 Interest expense and similar charges arising on:	30 June 2017 €'000	30 June 2016 €'000
Deposits from banks	(22,119)	(35,432)
Deposits from customers	(146)	18
Debt securities in issue	(20,081)	(29,774)
Financial liabilities held for trading	(890)	(3,288)
Repos	11,705	(7,832)
Hedging derivatives	(188,916)	(139,681)
Other liabilities	(25)	(89)
	(220,472)	**(216,078)**
Amounts include:		
Due to parent company and fellow subsidiaries	**(288,555)**	**(54,934)**

Total interest expense exclusive of financial liabilities at fair value through profit or loss calculated using the effective interest rate method is €31 million (30 June 2016: €73 million).

Notes to the Financial Statements (continued)

D) Income Statement Notes (continued)

Item 30 - Net interest income

3.1	**Net interest income**	**30 June 2017**	**30 June 2016**
		€'000	**€'000**
	Net interest income	36,660	52,156
		36,660	**52,156**

Item 40, 50 and 60 - Fee and commission income and expense

4.1	**Fees and commission income**	**30 June 2017**	**30 June 2016**
		€'000	**€'000**
	Guarantee fees	-	11,126
		-	**11,126**
	Amounts include:		
	Due from parent company and fellow subsidiaries	-	**11,126**

5.1	**Fees and commission expense**	**30 June 2017**	**30 June 2016**
		€'000	**€'000**
	Brokerage and management fees	(219)	(210)
	Guarantee fees	(1,620)	(17,374)
	Securities Borrowing	(777)	(2,333)
	Other fees	(751)	(656)
		(3,367)	**(20,573)**
	Amounts include:		
	Due to parent company and fellow subsidiaries	(2,611)	(19,863)

6.1	**Net fees and commissions**	**30 June 2017**	**30 June 2016**
		€'000	**€'000**
	Net fees and commissions	(3,367)	(9,447)
		(3,367)	**(9,447)**

The reduction in the net fees and commission expense is driven by the closing of all outstanding financial guarantee contracts in the third quarter of 2016. This nil balance remains unchanged at 30 June 2017. For more details see note 1 in 'Other Notes' section.

Notes to the Financial Statements (continued)

D) Income Statement Notes (continued)

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

8.1

Gains/(losses) on financial assets and liabilities held for trading	**30 June 2017 €'000**	**30 June 2016 €'000**
Trading gains	979	(161)
Foreign currency translation (losses)	(85)	1,401
	894	**1,240**
Amounts include:		
Due from parent company and fellow subsidiaries	**(10,677)**	**(6,306)**

Item 90 – Fair value adjustments in hedge accounting

9.1

Fair Value adjustment	**30 June 2017 €'000**	**30 June 2016 €'000**
Fair value adjustment on hedging derivatives	253,327	(164,081)
Fair value adjustment relating to hedged items		
- AFS Hedge	(249,930)	143,850
- Non-AFS Hedge	470	18,675
Cash-flow hedging derivatives ineffectiveness	-	-
	3,867	**(1,556)**
Amounts include:		
Due from parent company and fellow subsidiaries	**234,483**	**(326,204)**

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

10.1

Gains/(losses) on disposal of:	**30 June 2017 €'000**	**30 June 2016 €'000**
a) Loans and receivables	(10)	-
b) Available-for-sale financial assets	2,260	284
c) Financial liabilities at amortised cost	(358)	(222)
	1,892	**62**
Amounts include:		
Due from parent company and fellow subsidiaries	-	-

Notes to the Financial Statements (continued)

D) Income Statement Notes (continued)

Item 130 – Impairment (provisions)/write-back on:

13.1

Impairment (provisions)/write-back on	30 June 2017 €'000	30 June 2016 €'000
a) Loans and receivables with Banks	384	700
b) Loans and receivables with Customers	66	-
c) Available for sale financial assets	-	-
	450	**700**

The €0.45 million (30 June 2016: €0.7 million) write back to impairment on loans in 2017 is a decrease in the collective impairment on loans and receivables with customers with the current balance now split between loans and receivables with customers and loans and receivables with banks. There was no adjustment to the impairment on Available for sale financial assets in the first half of 2017 (30 June 2016: nil). The collective provision as at 30 June 2017 is €0.45 million (30 June 2016: €0.6 million). The specific provision as at 30 June 2017 is €1.4 million (30 June 2016: €1.4 million).

Item 180 – Administrative costs

18.1

Administrative costs	30 June 2017 €'000	30 June 2016 €'000
a) Staff expenses	**(2,191)**	**(2,128)**
Wages and salaries	(1,805)	(1,739)
Social security costs	(202)	(200)
Pension costs	(124)	(129)
Directors' fees	(60)	(60)
b) Other administrative expenses	**(6,948)**	**(6,252)**
Total Administrative costs	**(9,139)**	**(8,380)**

Auditor's Remuneration excluding VAT (included in other administrative expenses)	30 June 2017 €'000	30 June 2016 €'000
Statutory Audit	(77)	(77)
Other non-audit services	-	-
	(77)	(77)

All directors' fees represent remuneration in respect of services rendered in their capacity as directors. The increase in other administrative expenses was driven by the increased payments to the Single Resolution Fund related levy, an increase in IT servicing costs and consulting costs during the period.

Included in wages and salaries, social security costs and pension costs are directors' emoluments in connection with management of the company. The number of people employed directly by the Company at the end of the period is 34 (31 Dec 2016: 36). The average number of employees for the financial period was 35 (31 Dec 2016: 36).

Notes to the Financial Statements (continued)

D) Income Statement Notes (continued)

Item 190 – Provision for Risks and Charges

19.1

Provision for Risks and Charges	30 June 2017 €'000	30 June 2016 €'000
Provisions for Risks and Charges	-	-
	-	-

Item 200 – Depreciation on property, plant and equipment

20.1

Item 200 – Depreciation on property, plant and equipment	30 June 2017 €'000	30 June 2016 €'000
Depreciation on property, plant and equipment	(46)	(41)
	(46)	(41)

Item 210 – Amortisation of intangible assets

21.1

Item 210 – Amortisation of intangible assets	30 June 2017 €'000	30 June 2016 €'000
Amortisation of intangible assets	(486)	(478)
	(486)	(478)

Item 290 – Tax expense

29.1

Tax (expense) income related to profit or loss from continuing operations	30 June 2017 €'000	30 June 2016 €'000
Current tax (charge)	(3,873)	(4,304)
Adjustments in respect of previous financial years	-	-
	(3,873)	(4,304)
Profit before tax	30,725	34,256
Tax calculated at a tax rate of 12.5% (30 June 2016: 12.5%)	(3,841)	(4,282)
Effects of:		
Disallowable items	(4)	(24)
Allowable deductions	1	3
Capital allowances in excess of depreciation	(40)	21
Tax relief at source charge	11	(22)
Adjustments in respect of previous financial years	-	-
Income tax (charge)	**(3,873)**	**(4,304)**

Notes to the Financial Statements (continued)

E) Other Notes

1 Contingent liabilities and commitments	30 June 2017 €'000	31 Dec 2016 €'000
Financial Collateral	-	-
	-	-

The Company has €nil (31 Dec 2016: €59 million) in securities lending transactions and €360 million (31 Dec 2016: €1.4 billion) in securities borrowing. These transactions were entered into in order to take advantage of different national funding platforms and rules within the European Union.

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 €0.12 million (30 June 2016: €0.13 million) in relation to pension contributions. Included in Other liabilities in the balance sheet is an amount of €16,400 (31 Dec 2016: €4,100) in relation to accruals for pension contributions.

3 Segmental reporting

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

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

Detail regarding revenues by product type can be found in the income statement notes for Item 10 and Item 40 on pages 42-43.

The Company has one customer whose revenue exceeds 10%. This customer is UniCredit S.p.A. and fellow subsidiaries. Total revenues for this customer amount to €71.0 million (30 June 2016: €67.0 million). Included in revenue relating to UniCredit S.p.A are Interest Income and Fees and Commission Income. The decrease between June 2017 and June 2016 relates to a marked decrease in Interest Income on Available for Sale assets and Loans and receivables with Bank assets.

During 2016, the Company aligned itself with the Group in relation to our reporting lines. The general criteria of the Segmentation is to report our portfolios under (CIB) Commercial Investment Banking, incorporating third party assets and short term funding, with Group Corporate centre focused on group assets and medium term liabilities.

Total Revenues relating to the split are the following:

Revenue Item	CIB (Markets) 30 June 2017 €,000	Coporate Centre 30 June 2017 €,000	30 June 2017 Total €,000	CIB (Markets) 30 June 2016 €,000	Coporate Centre 30 June 2016 €,000	30 June 2016 Total €,000
Net Interest Income	33,910	2,750	36,660	45,647	6,509	52,156
Net Fees and Commissions	(1,248)	(2,119)	(3,367)	(5,174)	(4,273)	(9,447)
Trading Income	4,954	1,699	6,653	-	(254)	(254)
Total Revenues	**37,616**	**2,330**	**39,946**	**40,473**	**1,982**	**42,455**

Notes to the Financial Statements (continued)

E) Other Notes (continued)

3 Segmental reporting (continued)

The below table shows a breakdown of external revenues by geographical location as at 30 June 2017 and as at 30 June 2016.

30 June 2017	Ireland €'000	Italy €'000	United Kingdom €'000	Spain €'000
External Revenues	27,308	171,217	20,645	8,546
Total	**27,308**	**171,217**	**20,645**	**8,546**
30 June 2017	**Austria €'000**	**France €'000**	**Luxembourg €'000**	**Poland €'000**
External Revenues	-	8,825	5,535	4,375
Total	**-**	**8,825**	**5,535**	**4,375**
30 June 2017	**America €'000**	**Rest of Europe €'000**	**Rest of World €'000**	**Total €'000**
External Revenues	513	8,433	1,735	257,132
Total	**513**	**8,433**	**1,735**	**257,132**

30 June 2016	Ireland €'000	Italy €'000	United Kingdom €'000	Spain €'000
External Revenues	86	213,468	9,673	6,557
Total	**86**	**213,468**	**9,673**	**6,557**
30 June 2016	**Austria €'000**	**France €'000**	**Luxembourg €'000**	**Poland €'000**
External Revenues	16,664	8,942	6,699	4,801
Total	**16,664**	**8,942**	**6,699**	**4,801**
30 June 2016	**America €'000**	**Rest of Europe €'000**	**Rest of World €'000**	**Total €'000**
External Revenues	600	8,377	3,493	279,360
Total	**600**	**8,377**	**3,493**	**279,360**

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

4 Financial risk management

Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Collective impairment provisions on loans and receivables of €0.45 million have been provided for the financial period ended 30 June 2017 (31 Dec 2016: €0.9 million).

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (Continued)

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 risk grading framework consists of eighteen grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

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

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

As part of its credit risk management strategy, the 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.

UniCredit Bank Ireland p.l.c. has no past due assets and one specifically impaired asset in the Balance Sheet for the financial period ended 30 June 2017 (31 Dec 2016: no past due assets and one specifically impaired asset).

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

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

30 June 2017 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
Sovereign	-	36,026	8,810,442	-	8,846,468
Asset backed securities	-	-	32,937	-	32,937
Financial companies/Investment banks	1,126,502	-	262,996	-	1,389,498
Insurance	45,003	-	-	-	45,003
Municipals/Other General Government	-	-	180,507	-	180,507
Leasing companies	-	-	-	-	-
Banks	-	7,844,497	942,897	109,222	8,896,616
Non-Financial	-	-	-	-	-
Collective Impairment	(66)	(384)	-	-	(450)
Total	**1,171,439**	**7,880,139**	**10,229,779**	**109,222**	**19,390,579**

31 December 2016 Exposure broken down by industry

Industry	Loans and receivables with customers €,000	Cash and cash balances and Loans and receivables with banks €,000	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
Sovereign	-	35,299	9,143,692	-	9,178,991
Asset backed securities	57,309	-	31,575	-	88,884
Financial companies/Investment banks	1,327,761	-	282,165	-	1,609,926
Insurance	45,006	-	-	-	45,006
Municipals/Other General Government	-	-	167,571	-	167,571
Leasing companies	25,030	-	-	-	25,030
Banks	-	7,503,023	1,165,438	143,892	8,812,353
Non-Financial	-	-	17,271	-	17,271
Collective Impairment	(900)	-	-	-	(900)
Total	**1,454,206**	**7,538,322**	**10,807,712**	**143,892**	**19,944,132**

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by industry table €19.4 billion (31 Dec 2016: €19.9 billion) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €19.4 billion (31 Dec 2016: €19.9 billion) for exposures broken down by industry is an amount of €7.9 billion (31 Dec 2016: €7.8 billion) which is due from UniCredit S.p.A. Group.

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

30 June 2017 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	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
European Union Including:	**1,171,505**	**7,880,357**	**10,125,993**	**109,222**	**19,287,077**
Ireland	-	166,001	-	-	166,001
Italy	1,154,135	6,547,559	5,918,148	109,222	13,729,064
Spain	-	-	2,110,989	-	2,110,989
United Kingdom	17,370	81,206	44,335	-	142,911
Germany	-	788,934	-	-	788,934
Rest of Europe	-	296,657	2,052,521	-	2,349,178
Non EU	-	-	53,233	-	53,233
North America	-	166	50,553	-	50,719
Collective Impairment	(66)	(384)	-	-	(450)
Total	**1,171,439**	**7,880,139**	**10,229,779**	**109,222**	**19,390,579**

31 December 2016 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	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
European Union Including:	**1,455,106**	**7,538,322**	**10,609,352**	**143,892**	**19,746,672**
Ireland	348	35,299	-	-	35,647
Italy	1,405,257	5,990,383	6,649,063	143,892	14,188,595
Spain	25,474	-	1,778,154	-	1,803,628
United Kingdom	24,027	66,038	283,732	-	373,797
Germany	-	1,027,500	-	-	1,027,500
Rest of Europe	-	419,102	1,898,403	-	2,317,505
Non EU	-	-	144,776	-	144,776
North America	-	-	53,584	-	53,584
Collective Impairment	(900)	-	-	-	(900)
Total	**1,454,206**	**7,538,322**	**10,807,712**	**143,892**	**19,944,132**

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

The total of the exposure broken down by geographical area table above €19.4 billion (31 Dec 2016: €19.9 billion) is represented in lines 10-80 of the Balance Sheet.

Included in the total amount of €19.4 billion (31 Dec 2016: €19.9 billion) for exposure broken down by geographical area is an amount of €7.9 billion (31 Dec 2016: €7.8 billion) which is due from UniCredit S.p.A. Group.

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

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

30 June 2017 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	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
B1 to B3	-	-	**1,040,285**	-	**1,040,285**
- Group	-	-	-	-	-
- Non-group	-	-	1,040,285	-	1,040,285
B4 to B6	**17,370**	**322,047**	**750,956**	-	**1,090,373**
- Group	-	-	-	-	-
- Non-group	17,370	322,047	750,956	-	1,090,373
B7 to B9	**453,597**	**7,529,640**	**8,342,190**	**109,222**	**16,434,649**
- Group	-	7,123,136	-	109,222	7,232,358
- Non-group	453,597	406,503	8,342,190	-	9,202,290
B10 to B12	**700,538**	**28,822**	**96,348**	-	**825,708**
- Group	700,538	-	-	-	700,538
- Non-group	-	28,822	96,348	-	125,170
B13 & B14	-	-	-	-	-
- Group	-	-	-	-	-
- Non-group	-	-	-	-	-
B15 to B17	-	-	-	-	-
- Non-group	-	-	-	-	-
Unrated	-	**13**	-	-	**13**
- Group	-	-	-	-	-
- Non-group	-	13	-	-	13
Collective Impairment	(66)	(384)	-	-	(450)
Total	**1,171,439**	**7,880,139**	**10,229,779**	**109,222**	**19,390,579**

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

31 December 2016 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	Investment securities €,000	Derivatives and Held for Trading €,000	Total €,000
B1 to B3	**23,968**	-	**1,060,844**	-	**1,084,812**
- Group	-	-	-	-	-
- Non-group	23,968	-	1,060,844	-	1,084,812
B4 to B6	**97,550**	**367,223**	**785,795**	-	**1,250,568**
- Group	-	54,367	-	-	54,367
- Non-group	97,550	312,856	785,795	-	1,196,201
B7 to B9	**633,024**	**7,171,099**	**8,682,422**	**143,892**	**16,630,437**
- Group	25,030	5,822,762	-	143,892	5,991,684
- Non-group	607,994	1,348,337	8,682,422	-	10,638,753
B10 to B12	**700,564**	-	**275,338**	-	**975,902**
- Group	700,564	-	-	-	700,564
- Non-group	-	-	275,338	-	275,338
B13 & B14	-	-	**3,313**	-	**3,313**
- Group	-	-	-	-	-
- Non-group	-	-	**3,313**	-	**3,313**
B15 to B17	-	-	-	-	-
- Non-group	-	-	-	-	-
Unrated	-	-	-	-	-
- Group	-	-	-	-	-
- Non-group	-	-	-	-	-
Collective Impairment	(900)	-	-	-	(900)
Total	**1,454,206**	**7,538,322**	**10,807,712**	**143,892**	**19,944,132**

The total of the exposure broken down by rating category above €19.4 billion (31 Dec 2016: €19.9 billion) is represented in lines 10-80 of the Balance Sheet.

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

Maximum credit risk exposure	30 June 2017 €’000	31 Dec 2016 €’000
Loans and receivables with customers	1,171,439	1,454,206
Loans and receivables banks	7,880,139	7,538,322
Investment securities	10,229,779	10,807,712
Derivatives	109,222	143,892
Contingent liabilities and commitments	-	-
	19,390,579	**19,944,132**

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

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

Fair Value €'000	Collateral-Value €'000	Net Amount €'000
(945,724)	857,799	(87,925)

The Bank has in place netting agreements with major counterparties in order to mitigate the Counterparty Risk for both Credit Risk and Regulatory purposes. In June 2016, a netting arrangement agreement was signed with UniCredit S.p.A which resulted in an increase in our overall collateral value amount.

Sovereign Exposures

Breakdown of Sovereign Debt Securities by Country and Portfolio

The below table provides an overview of the Company's sovereign exposures' as at 30 June 2017 and 31 December 2016.

Country/Portfolio	30 June 2017 €'000	30 June 2017 €'000	31 Dec 2016 €'000	31 Dec 2016 €'000
	Nominal Value	Fair Value	Nominal Value	Fair Value
-Belgium	**20,000**	**22,595**	**20,000**	**23,301**
Available for sale financial assets	20,000	22,595	20,000	23,301
- Czech Republic	**342,500**	**405,470**	**342,500**	**417,772**
Available for sale financial assets	342,500	405,470	342,500	417,772
- Italy	**4,966,254**	**5,745,748**	**5,465,484**	**6,453,345**
Available for sale financial assets	4,966,254	5,745,748	5,465,484	6,453,345
- Poland	**256,698**	**295,437**	**134,152**	**159,940**
Available for sale financial assets	256,698	295,437	134,152	159,940
- Portugal	**35,000**	**39,693**	**35,000**	**40,006**
Available for sale financial assets	35,000	39,693	35,000	40,006
- Russia	**-**	**-**	**133,328**	**144,776**
Available for sale financial assets	-	-	133,328	144,776
- Slovakia	**229,199**	**265,372**	**236,983**	**277,752**
Available for sale financial assets	229,199	265,372	236,983	277,752
- Spain	**1,710,000**	**2,036,127**	**1,385,000**	**1,626,800**
Available for sale financial assets	1,710,000	2,036,127	1,385,000	1,626,800
Total	**7,559,651**	**8,810,442**	**7,752,447**	**9,143,692**

Loans are not included in the above table.

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Credit Risk (continued)

Sovereign Debt Securities and Loans – Weighted Tenor.

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

Country	Financial Period end	Financial Year end
	30 June 2017	31 Dec 2016
- Belgium	5.98	6.48
- Czech Republic	4.85	5.34
- Italy	4.45	4.76
- Poland	3.72	5.78
- Portugal	2.96	3.46
- Russia	-	4.70
- Slovakia	5.67	6.17
- Spain	5.38	5.63

Sovereign Debt Securities – Classification

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

	Amount as at 30 June 2017	Amount as at 31 December 2016
	Available for sale financial assets	Available for sale financial assets
Fair Value	8,810,441,818	9,217,447
% Portfolio	86%	85%

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 €36 million (31 Dec 2016: €35.3 million). The full amount of €36 million (31 Dec 2016: €35.3 million) is with the Central Bank of Ireland in relation to the minimum reserve requirement and the deposit protection agreement.

Liquidity Risk

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

Liquidity risk at UniCredit Bank Ireland is monitored on a daily basis in compliance with regulatory rules and its liquidity risk policies. 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.

Liquidity risk is calculated using all known flows and assumptions that assume the worst case. The Bank’s short-term liquidity limits seek to ensure that the bank has at least enough liquidity at its disposal to meet all of our liquidity needs in the short term (3 months).

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

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

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

Liquidity risk ratios	30 June 2017	31 Dec 2016
Sight to 8 days	172%	141%
8 days to 1 months	136%	148%

In addition to Central Bank's rules, the Bank also communicates its liquidity figures to UniCredit S.p.A. Group Finance Department, which coordinates the monitoring of liquidity risk for all group banks against Board approved limits. Limits are set for both short term liquidity and structural liquidity. The short term liquidity management aims to ensure that the Bank remains in a position to fulfill its cash payment obligations, whether expected or unexpected, for the following 3 months and is monitored by the Company's Risk Management. The structural liquidity management aims to ensure the financial stability of the Bank with respect to maturities exceeding 1 financial year. Structural liquidity for UniCredit Bank Ireland p.l.c. is monitored by its Risk Management in line with its liquidity risk policies. The Company's structural liquidity management aims to ensure the financial stability of the structure with respect to maturities exceeding one financial year. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims to avoid pressures on short-term sources, whether present or future.

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

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 30 June 2017

	Repayable on demand €'000	3 months or less €'000	1 financial year or less but over 3 months €'000	5 financial years or less but over 1 year €'000	over 5 financial years €'000	Total €'000
Deposits from banks	46	3,479,668	22,399	1,014,194	-	**4,516,307**
Deposits from customers	-	5,467,110	272,305	63,305	-	**5,802,720**
Debt securities in issue	-	324,780	3,017,805	2,094,209	213,400	**5,650,194**
Financial liabilities held for trading*	99,680	234,285	333	-	-	**334,298**
Hedging derivatives**	-	15,656	195,441	709,547	561,138	**1,481,782**
Other liabilities	-	-	-	-	-	-
Undrawn commitments	-	-	-	-	-	-
Total	**99,726**	**9,521,499**	**3,508,283**	**3,881,255**	**774,538**	**17,785,301**

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

UniCredit Bank
UniCredit Bank Ireland p.l.c.

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity – 31 December 2016

	Repayable on demand €'000	3 months or less €'000	1 financial year or less but over 3 months €'000	5 financial years or less but over 1 year €'000	over 5 financial years €'000	Total €'000
Deposits from banks	3,995	2,838,201	124,484	954,518	19,859	**3,941,057**
Deposits from customers	-	6,589,508	259,209	-	-	**6,848,717**
Debt securities in issue	-	95,003	2,760,333	2,384,471	210,458	**5,450,265**
Financial liabilities held for trading*	-	91,666	6339	-	-	**98,005**
Hedging derivatives**	-	36,653	18,867	853,311	924,608	**1,833,439**
Other liabilities	-	-	5,533	-	-	**5,533**
Undrawn commitments	-	-	-	-	-	-
Total	**3,995**	**9,651,031**	**3,174,765**	**4,192,300**	**1,154,925**	**18,177,016**

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

** Cross currency swaps do not settle net.

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Liquidity Risk (continued)

Liquidity Coverage Ratio (LCR)

The LCR is 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 70%.

	30 June 2017	31 Dec 2016
LCR Ratio	330%	309%
Minimum Requirement	80%	70%
Liquidity Buffer surplus	€1.7 billion	€2.1 billion

The minimum requirement increased 80% at January 2017 and will increase 100% in January 2018. At the 30 June 2017 the LCR of UniCredit Ireland p.l.c. was 330% (31 Dec 2016: 309%), maintaining a significant surplus above the minimum requirement.

The bank is currently monitoring and reporting Net Stable Funding Ratio (NSFR). The NSFR establishes a minimum acceptable amount of stable funding based on the liquidity characteristics over a one year horizon.

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.

Organisational Structure

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

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

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk Banking Book (continued)

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

- 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 OBS portfolios.

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

VaR Banking Book

30 June 2017 in €	Average €	Maximum €	Minimum €	2016 Average €
3,197,587*	4,782,247*	6,575,514*	3,122,032*	1,751,527

31 Dec 2016 in €	Average €	Maximum €	Minimum €	2015 Average €
1,669,258*	1,751,527*	2,546,462*	1,322,782*	1,343,875*

* IRRBB VaR for 2016 based on new VaR Model introduced during December 2015

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk - Derivative financial instruments

a) *Hedging Policy*

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

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

- Currency and interest rate swaps which are commitments to exchange one set of cash flows for another.

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

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

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

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

b) *IAS 39 Hedge accounting*

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

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

Management of Market Risk - Derivative financial instruments (continued)

b) IAS 39 Hedge accounting (continued)

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

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

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

Consistency of all essential contractual elements in a hedged item and a hedging instrument seeks to ensure full effectiveness of the hedging relationship. The consistency is:
- initially verified at the beginning of the hedge relationship; and
- periodically verified through retrospective hedge effectiveness testing.

c) Economically hedge derivatives

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

For this purpose the following types of financial instruments have been designated as economically hedging instruments:
- interest rate swap;
- cross currency swaps;
- eonia swaps.

d) Sensitivity Analysis and Stress Testing

Independent Price Verification Process

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

- 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;

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Market Risk (continued)

d) Sensitivity Analysis and Stress Testing

- 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.

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.

During 2016 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.

Fair Value Disclosures

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

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosure by Valuation Hierarchy Level

Assets measured at fair value	Level 1 €'000 30 June 2017	Level 2 €'000 30 June 2017	Level 3 €'000 30 June 2017	Total €'000 30 June 2017	Level 1 €'000 31 Dec 2016	Level 2 €'000 31 Dec 2016	Level 3 €'000 31 Dec 2016	Total €'000 31 Dec 2016
Cash and Cash Balances	-	-	-	-	-	-	-	-
Financial assets held for trading*								
-Trading derivatives*	-	1,081	-	**1,081**	-	6,344	-	**6,344**
Loans and Receivables - Banks	-	7,731,194	-	**7,731,194**	-	7,234,103	-	**7,234,103**
Loans and Receivables - Customers	-	1,185,685	-	**1,185,685**	-	1,454,728	-	**1,454,728**
Available-for sale financial assets*	10,179,912	46,445	3,422	**10,229,779**	10,722,876	84,836	-	**10,807,712**
Hedging derivatives*	-	108,141	-	**108,141**	-	137,548	-	**137,548**
Total	**10,179,912**	**9,072,546**	**3,422**	**19,255,880**	**10,722,876**	**8,917,559**	**-**	**19,640,435**
Liabilities measured at fair value	**Level 1 €'000 30 June 2017**	**Level 2 €'000 30 June 2017**	**Level 3 €'000 30 June 2017**	**Total €'000 30 June 2017**	**Level 1 €'000 31 Dec 2016**	**Level 2 €'000 31 Dec 2016**	**Level 3 €'000 31 Dec 2016**	**Total €'000 31 Dec 2016**
Deposits from Banks	-	4,571,639	-	**4,571,639**	-	3,900,089	-	**3,900,089**
Deposits from Customers	-	5,840,628	-	**5,840,628**	-	6,926,191	-	**6,926,191**
Debt Securities in issue	-	5,582,352	-	**5,582,352**	-	5,357,909	-	**5,357,909**
Financial liabilities held for trading*								
-Trading derivatives*	-	7,895	-	**7,895**	-	2,932	-	**2,932**
Hedging derivatives*	-	1,047,051	-	**1,047,051**	-	1,349,874	-	**1,349,874**
Total	**-**	**17,049,565**	**-**	**17,049,565**	**-**	**17,536,995**	**-**	**17,536,995**

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

Notes to the Financial Statements (continued)

E) Other Notes (continued)

4 Financial risk management (continued)

Fair Value Disclosures

Reconciliation of Level 3 Fair Values

Assets measured at fair value based on Level 3	Available-for-sale financial assets 30 June 2017 €'000	Total 30 June 2017 €'000	Available-for-sale financial assets 31 Dec 2016 €'000	Total 31 Dec 2016 €'000
Opening balance	-	-	**30,688**	**30,688**
Total gains or losses	109	109	-	-
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements	-	-	-	-
Transfers into and (out) of Level 3	3,313	3,313	(30,688)	(30,688)
Closing balance	**3,422**	**3,422**	-	-
Total gains or losses for the financial period included in profit or loss for assets held at the end of the reporting period	109	109	-	-

During the financial period one asset backed security within the available-for-sale portfolio was deemed to be measured at fair value based on Level 3.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, if the annual default rate (1%) of the underlying portfolio doubles there would be the following effect:

Assets measured at fair value based on Level 3	Available-for-sale financial assets 30 June 2017 €'000	Total 30 June 2017 €'000	Available-for-sale financial assets 31 Dec 2016 €'000	Total 31 Dec 2016 €'000
Fair value if annual default rate doubles	3,388	3,388	-	-

Available-for-Sale Financial Assets, 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.

Notes to the Financial Statements (continued)

E) Other Notes (continued)

5 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 banks and with customers. The transferred financial assets continue either to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Bank transfers financial assets primarily through the following transactions:

- sale and repurchase agreements;
- securities lending.

Sale and repurchase agreements

Sale and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Bank continues to recognise the securities in their entirety in the balance sheet because it retains substantially all the risks and rewards of ownership.

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

30 June 2017	Available-for-sale financial assets €'000	Loans and receivables with banks €'000	Loans and receivables with customers €'000
Carrying amount of assets	8,819,354	-	-

31 Dec 2016	Available-for-sale financial assets €'000	Loans and receivables with banks €'000	Loans and receivables with customers €'000
Carrying amount of assets	8,826,544	358,076	13,976

Securities lending

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 Dec 2016: €59 million) in securities lending transactions and €360 million (31 Dec 2016: €1.4 billion) in securities borrowing. These transactions supported collateral requirements for the bank funding operation.

Notes to the Financial Statements (continued)

E) Other Notes (continued)

6 Related party transactions

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

Details of UniCredit S.p.A. Group balances have been disclosed in Balance Sheet Notes Assets: Items 10, 20, 40, 60, 70, 80, 90, 120, 130, 140 and 160, Balance Sheet Notes Liabilities: Items 10, 20, 30, 40, 60, 70, 100, 140, 170 and 190 and Income Statement Notes: Items 10, 20, 30, 40, 50, 80, 90, 100, 130, 180, 190, 200, 210 and 290.

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

7 Post balance sheet events

No dividends have been proposed or paid since the 2016 financial year end up to the date of the approval of the unaudited interim financial statements. There were no other subsequent events.

8 Approval of financial statements

The Directors approved the financial statements on the 31st July 2017.