Unaudited First Half Financial Report as at June 30, 2018

Contents

Directors and Other Information

Name	Board of Directors
Aidan Williams	Chairman *
Massimiliano Sinagra	Managing Director
Guy Laffineur	Group *
Donal Courtney	Independent non-executive
Jackie Gilroy	Independent non-executive
Attilio Napoli	Group
Andrea Marchetti	Group

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

Company Secretary
Beatrice Rinaldi **
La Touche House
International Financial Services Centre
Dublin 1

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

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

* On 29th Jan 2018 Mr. Aidan Williams was appointed to the role of Chairman. Mr. Guy Laffineur acted as Deputy Chairman up until this date and continues in his role as Director.
** On the 10th Nov 2017 Mrs. Beatrice Rinaldi was appointed to the role of Company Secretary.

Interim Report on Operations

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.

Ownership

The Bank is a wholly-owned subsidiary of UniCredit S.p.A., which is incorporated in Italy. Consolidated financial statements as at 30 June 2018 were prepared by UniCredit S.p.A., which incorporate the results of its subsidiary companies. The Group financial statements of UniCredit S.p.A. are available on the Group website: https://www.unicreditgroup.eu.

Principal Activities

The principal business of the Company relates to the investment in securities and in wholesale lending activities, which are funded through short term secured and unsecured deals and also by medium term notes. The medium term notes are listed on the Luxembourg stock exchange.
In terms of governance reporting line, UniCredit Bank Ireland P.l.c. is fully segmented with a 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.

Financial highlights

- Profit to 30 June 2018 amounted to €28.8 million (30 June 2017: €26.9 million).
- Interest income and similar revenues to 30 June 2018 amounted to €179.8 million (30 June 2017: €257.1 million).
- Interest expense and similar charges to 30 June 2018 amounted to €146.1 million (30 June 2017: €220.5 million).
- Net interest income to 30 June 2018 amounted to €33.7 million (30 June 2017: €36.7 million).
- Net recoveries on impairment on financial assets (€3.7 million) have been recorded in the first half 2018 due to maturity/call of debt securities (write-back of ca. €1.1 million) and the lower PD attributed to Parent Company UniCredit S.p.A. following the upgrade in the internal rating occurred in June 2018 that determined a write-back of more than €1.9 million.
- Total operating income to 30 June 2018 amounted to €38.5 million (30 June 2017: €39.9 million).

The most significant events and transactions for the 6 month financial period ended 30 June 2018 were the following:

1) The Company adopted IFRS9 on the 1st January 2018. IFRS9 introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS39 and introduced a new accounting model of impairment for credit exposures based on (i) an "expected losses" approach replacing the IAS39 one based on the recognition of "incurred losses" and (ii) on the concept of "lifetime" expected loss.
   The impacts on the Bank's financial statements are detailed in the Part A.2: Transition to "IFRS 9: Financial Instruments" of these notes.
2) The Company successfully continued the execution of its strategic plan. Total assets in first half 2018 amounted to €16.3 billion lower than YE 2017 mainly due to the combined effect of the call/maturity of ca.

€1.2 billion of both securities and loans, the spread widening of the Italian government bonds that had a negative impact on the FVOCI assets and the new classification and measurement effects linked to IFRS9 first time adoption. The majority of the Assets were non-Intercompany as at 30 June 2018, and the percentage of Intercompany Assets over Total Assets is expected to continue to reduce.
Total liabilities also decreased since year end 2017 primarily due to decreases in Deposits from customers and matured debt securities in issue.
Net interest income equal to €33.7 million is 8% lower than the same financial period of last financial year, primarily due to the reduction in the FVOCI assets and other assets measured at amortized cost.

3) The 2018 Ex-ante contribution for the Single Resolution Fund Levy, amounting to €4.8 million, has recorded a slight reduction compared to the 2017 levy (30 June 2017: €5.2 million) mostly driven by the reduction in the Bank's liabilities; the levy has been fully accounted as at 30 June 2018 in the 'Other Administrative Expenses' line.
4) The positive opening balance of the IFRS 9 FVOCI Reserve (€132 million) became almost nil at the end of the first half 2018 due to the Italian Government Bond spread widening as a result of the market response to the political crisis in Italy.

Total Shareholders' equity (issued capital, reserves and revaluation reserves) as of June 30, 2018 amounted to €2.3 billion substantially aligned with year-end 2017 figures but slightly lower than IFRS9 opening balances mainly driven by the changes in FVOCI Reserve.

As of 30 June 2018 the fully loaded CET1 was 51.2%; fully loaded meaning the calculation of the CET1 ratio after the expiry of the transitional provisions. With reference to CET1, as of today no transitional provisions are in place.

Principal Risks and Uncertainties

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

Risk factors that could have a material adverse effect on the Company's business, financial condition and results of operations over the next 6 months, are as follows:

- continuing uncertainty of the consequences of the Brexit Referendum, and expected exit of the United Kingdom from EU;
- continuing volatility caused by the political situation in Italy, which, as also highlighted above, can impact adversely the markets in which the Company operates or investments presently held in Other Comprehensive Income portfolio;
- inherent risks from macroeconomic conditions in the Company's and Group's main markets, concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on investments presently held by the Company or on Group business activities and results,
- deterioration in the credit quality of the Company's borrowers/counterparties, as well as difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties that could result in significant increases in the Company's impaired loans and impairment provisions,
- the impact of downgrades in the Group's or the Italian Government's credit ratings,
- the impact of the continuing implementation of significant regulatory developments (Basel III and Capital Requirements Directive (CRD) IV),
- the ability of the Company/Group to generate additional liquidity and/or capital, as required, and

- failures in internal controls and procedures leading to financial loss, reputational damage and/or regulatory sanction.

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

Risk factors mentioned relating to the UK 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 does not have material direct investment in the UK.

Distribution of reserves / Dividends

A distribution of reserves of €23.5 million was approved by the Board on the 2nd May 2018 and paid on the 21st May 2018. In 2017 a dividend of €73 million was paid on 9 November 2017.

Capital Restriction

There is only one class of shares and all of the shares are owned by UniCredit S.p.A. There are no restrictions on the transfer or voting rights of these shares.

Risk Management and Control

The Company, in the normal course of business, is exposed to a number of classes of risk, of which the most significant are credit, market (including interest rate and currency risk), operational, liquidity and funding risk. For detailed information on the risks please refer to the 2017 yearend financial statements available on the Company's website: http://www.unicreditbank.ie. The Company, in preparing the financial statements, follows a documented set of procedures and a control risk framework which is reviewed on a six monthly basis.

Arm's Length Transactions

The Directors have established formal procedures to ensure that all transactions with other 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.

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

During the first six months of 2018 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.

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 7 November 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 Board establishes its qualitative and quantitative composition deemed most suitable for achieving the correct performance of the functions assigned to it.

Significant transactions

In March 2018 the Bank sold €690 million of Italy sovereign. The sales were performed to capture sustained spread tightening post Italian election and generated a profit of €8.7 million.

In April and May 2018 the Bank sold a total amount of €475 million of Spanish sovereign bonds realizing a profit of over €5 million and purchased an amount of €625 million of Spanish sovereigns (in addition to €25 million purchased in February, completing the reinvestment of the €400 million of Spanish sovereign bonds sold in October 2017).

In May 2018 the Bank, as partial replacement of the above sell-down, purchased €725 million of Italian sovereign bonds. These purchases captured some of the spread widening caused by Italian political developments (weighted average spread Euribor 3m + spread between 72bps and 95 bps). In the same month the Bank sold €225 million of Italian government bonds for a profit of €0.5 million.

On June 27th, 2018 the Bank repaid a subordinated deposit of GBP 114,975,000 to UniCredit Luxembourg on the basis it no longer qualified as regulatory capital. The terms mirrored a hybrid financial instrument issued by UniCredit Luxembourg which was repaid at the call date (June 27th, 2018). The Bank has been requested by the CBI to provide further evidence of the rational and interpretation of the rule that led to the repayment of the subordinated deposit no longer considered to be eligible as Tier 2 capital. At this time UniCredit Bank Ireland remains in dialogue with the CBI on this matter and is confident that its interpretation of ECB guidelines on capital eligibility is correct. Notwithstanding the repayment of this subordinated deposit UniCredit Bank Ireland capital base remains extremely high.

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

The Directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34 (IAS34) as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

(a) The Directors confirm that to the best of each Director's knowledge and belief the unaudited interim financial statements comprising Balance Sheet, Income Statement, Statement of Other Comprehensive Income, Statement of Changes in Shareholder's Equity and Cash Flow Statement and the related explanatory notes have been prepared in accordance with IAS34 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
- Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transaction that have taken place in the first six month of the current financial year and that have materially affected the financial position and/or the performance of the Bank 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

A. Williams
Chairman
31 July 2018

A. Marchetti
Director
31 July 2018

M. Sinagra
Managing Director
31 July 2018

D. Courtney
Director
31 July 2018

Interim Accounts

Balance Sheet as at 30 June 2018

Balance sheet - Assets	Unaudited 30 June 2018 €'000
20 Financial assets at fair value through the profit and loss:	
a) financial assets held for trading	8,119
c) financial assets mandatorily at fair value	425,909
30 Financials assets at fair value through other comprehensive income	8,576,493
40 Financial assets at amortised cost:	
a) loans and receivables with Banks	5,002,508
b) loans and receivables with Customers	1,856,638
50 Hedging derivatives	56,669
60 Changes in fair value of portfolio hedged items (+/-)	324,245
80 Property, plant and equipment	99
90 Intangible assets	1,862
100 Tax assets	
a) current tax assets	2,875
b) deferred tax assets	-
120 Other assets	300
Total Assets	**16,255,717**

Balance sheet - Liabilities	Unaudited 30 June 2018 €'000
10 Financial liabilities at amortised cost:	
a) deposits from banks	4,265,115
b) deposits from customers	4,068,074
c) debt securities in issue	4,794,330
20 Financial liabilities held for trading	26,009
40 Hedging derivatives	772,347
50 Changes in fair value of portfolio hedged items (+/-)	29,264
60 Tax liabilities	
a) current tax liabilities	
b) deferred tax liabilities	708
80 Other liabilities	3,612
Total Liabilities	**13,959,459**

Balance sheet – Shareholders' equity	Unaudited 30 June 2018 €'000
110 Revaluation reserves through the OCI	46
140 Reserves	
a) Capital contribution	753,419
b) Capital redemption reserve	45,802
c) Profit and loss account - at start of year	143,616
d) Distribution of reserve / Dividend paid	(23,500)
FTA Reserve	4,909
180 Net profit for the financial period	28,847
160 Issued capital	1,343,119
Total Shareholders' Equity	**2,296,258**
Total liabilities and shareholders' equity	**16,255,717**

The notes on pages 17 to 37 form part of these financial statements. All results are from continuing activities.

On behalf of the Board

A. Williams **Chairman** *31 July 2018*	A. Marchetti **Director** *31 July 2018*
M. Sinagra **Managing Director** *31 July 2018*	D. Courtney **Director** *31 July 2018*

Income Statement

Financial Period Ended 30 June 2018

	Unaudited 30 June 2018
Items – Part D	**€'000**
10 Interest income and similar revenues	179,819
20 Interest expense and similar charges	(146,129)
30 Net Interest Income	**33,690**
40 Fee and commission income	-
50 Fee and commission expense	(2,550)
60 Net fees and commissions	**(2,550)**
80 Gains and (Losses) on financial assets and liabilities held for trading	10,159
90 Fair Value adjustments in hedge accounting	(628)
100 Gains/(losses) on disposal of:	
a) financial assets at amortised cost	646
b) financials assets at fair value through other comprehensive income	15,512
c) financial liabilities at amortised cost	(757)
110 Gains/(losses) on:	
a) financial assets/liabilities designated at fair value through profit or loss	-
b) financial assets mandatory at fair value	(17,565)
120 Total operating income	**38,507**
130 Impairment (provisions)/write-back on:	
b) financial assets at amortised cost	3,598
a) financial assets at fair value through other comprehensive income	155
150 Net profit from financial activities	**42,260**
160 Administrative costs	
a) Staff expenses	(2,108)
b) Other administrative expenses	(6,788)
170 Provisions for Risks and Charges	-
180 Depreciation on property, plant and equipment	(45)
190 Amortisation of intangible assets	(531)
200 Other operating income	180
210 Operating costs	**(9,292)**
260 Profit before tax from continuing operations	**32,968**
270 Tax expense related to profit from continuing operations	(4,121)
300 Profit for the financial period (all attributable to shareholders)	**28,847**

Statement of Other Comprehensive Income

Financial Period Ended 30 June 2018

	Unaudited 30 June 2018
	€'000
10 Profit for the financial period	**28,847**
Other comprehensive income after tax	
140 Financial assets at fair value through Other Comprehensive Income	
- Net change in fair value	**(132,199)**
- Net amount transferred to profit or loss	**-**
170 Total of other comprehensive income after tax	**(132,199)**
180 Total comprehensive income after tax	**(103,352)**

The notes on pages 17 to 37 form part of these financial statements. All results are from continuing activities.

Statement of Changes in Shareholders' Equity
Financial Period ended 30 June 2018

	Share capital	Capital contribution	Other un-denominated capital	OCI reserve	First Time Adoption Reserve	Profit and Loss account	Total
	€'000	**€,000**	**€'000**	**€'000**	**€'000**	**€'000**	**€,000**
Closing balances at 31 December 2017 under IAS 39	**1,343,119**	**753,419**	**45,803**	**49,033**	**-**	**143,616**	**2,334,990**
First time adoption of IFRS 9 reclassifications	-	-	-	83,212	4,909	-	**88,121**
Opening balances at 1 January 2018 under IFRS 9	**1,343,119**	**753,419**	**45,803**	**132,245**	**4,909**	**143,616**	**2,423,111**
Profit attributable to the equity shareholders	-	-	-	-	-	28,847	28,847
Other comprehensive income							
Change in fair value through other comprehensive income of financial assets							
- other comprehensive income financial assets	-	-	-	(151,834)	-	-	(151,834)
- hedge	-	-	-	750	-	-	750
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-	-
Movement in deferred tax	-	-	-	18,885	-	-	18,885
Total other comprehensive income	**-**	**-**	**-**	**(132,199)**	**-**	**-**	**(132,199)**
Total comprehensive income	**-**	**-**	**-**	**(132,199)**	**-**	**28,847**	**(103,352)**
Distribution of reserves	-	-	-	-	-	**(23,500)**	**(23,500)**
Closing balances as at 30 June 2018	**1,343,119**	**753,419**	**45,803**	**46**	**4,909**	**148,963**	**2,296,258**

Cash Flow Statement (indirect method)

Financial Period Ended 30 June 2018

		30 June 2018 €'000
A.	**Operating Activities**	
	1. Operations	**35,825**
	- profit for the financial period	28,847
	- capital (gains)/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss and financial assets mandatory at fair value	7,406
	- capital (gains)/losses on hedging operations (+/-)	628
	- net write-backs due to impairment (+/-)	(3,753)
	- net write-offs on tangible and intangible assets (+/-)	576
	- tax paid (+/-)	(2,000)
	- Add back tax charge for the financial period	4,121
	2. Liquidity generated/absorbed by financial assets	**1,145,232**
	- financial assets held for trading	2,632
	- financial assets mandatory at fair value	(443,474)
	- financial assets at fair value through other comprehensive income	1,482,467
	- loans and receivables with banks	1,280,211
	- loans and receivables with customers	(891,200)
	- other assets	(285,404)
	3. Liquidity generated/absorbed by financial liabilities	**(1,331,403)**
	- deposits from banks	60,401
	- deposits from customers	(1,190,003)
	- financial liabilities held for trading	18,983
	- other liabilities	(220,784)
	Net liquidity generated/absorbed by operating activities	**(150,346)**
B.	**Investment Activities**	
	1. Net Liquidity by:	
	- tangible and intangible assets	(123)
	Net liquidity generated/absorbed by investment activities	**(123)**
C.	**Financing Activities**	
	- debt certificates including bonds	(462,073)
	- Distribution to Parent Company	(23,500)
	- FTA Reserve	4,909
	Net liquidity generated/absorbed by funding activities	**(480,664)**
	Increase/Decrease in cash and cash equivalents	**(631,133)**
	Cash and cash equivalents at 1 January	813,556
	Cash flow	(631,133)
	Cash and cash equivalents at 30 June	**182,423**

Cash Flow Statement (indirect method) (continued)

Financial Period Ended 30 June 2018

Reconciliation of Cash and Cash Equivalents	**30 June 2018 €'000**
Cash and cash balances	-
Deposit and current accounts with banks	180,813
Deposits with customers	1,610
Cash and cash equivalents total at 30 June	**182,423**

Included in operating activities are the following:	**30 June 2018 €'000**
Interest received	197,543
Interest paid	(162,301)

Explanatory Notes

Part A.1: Accounting Policies

Section 1 - Statement of Compliance with IFRSs

The financial statements have been prepared in accordance with IFRSs as adopted by the EU and applicable at 30 June 2018.

In compliance with IFRS9 paragraph 7.2.16 relating to interim financial reports, the Company has not restated prior periods. Disclosures have been made in Part A.2: Transition to “IFRS9: Financial Instruments” including comparisons between the 30 June 2018 financial statements under IFRS9 and the 31 December 2017 (for Balance Sheet) and 30 June 2017 (for Income Statement) financial statements under IAS39.

The accounting policies and methods of computation disclosed in these financial statements have been disclosed in accordance with IAS34 Interim Financial Reporting. Accounting Policies and related disclosures contained in these financial statements are included on the basis that they are required by IAS34 Interim Financial Reporting. With regard to the classification and measurement criteria of the main items please refer to the 2017 yearend financial statements available on the Company’s website: http://www.unicreditbank.ie.

The same accounting policies and methods of computation have been followed in these financial statements as were followed in the 2017 annual report with the exception of the adoption of IFRS9 and IFRS15 as discussed below;

- Effective from 1 January 2018 IFRS9 Financial Instruments replaced IAS39 Financial Instruments: Recognition and Measurement. The Bank adopted IFRS9 at this date. The impact of the adoption of IFRS9 on the financial statements is detailed in Part A.2: Transition to “IFRS9: Financial Instruments” of these notes;
- IFRS15 Revenue from contracts to customers, superseded the set of international accounting principles and interpretations on revenue recognition and in particular IAS18 Revenue; it became effective on 1 January 2018. Due to the business activities of the Company, which is primarily focused on investment in securities and wholesale lending activities, the impact of IFRS15 on the Company has been assessed to be minimal.

The Directors have considered all other standards and pronouncements newly effective for the financial period ended 30 June 2018 and have concluded that they have no material impact on the financial statements. The financial statements comply with applicable requirements of Irish Statute comprising the Companies Act 2014.

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 2018 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 2018 does not constitute the statutory financial statements of the Company;
- the statutory financial statements for the financial year ended 31 December 2017 have been annexed to the annual return and delivered to the Registrar.

Section 2 - General Basis of Preparation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The 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. There were significant changes to the methodology applied in the calculation of estimates relating to impairments due to the adoption of IFRS9. The impact on the calculation of impairment due to the adoption of IFRS9 is detailed in Part A.2: Transition to "IFRS9: Financial Instruments" of these notes.

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.

Section 3 - 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.

IAS34 requires segmental information such as a measure of segment profit and loss to be included in the interim financial report when IFRS8 Operating Segments required the disclosure of segment information in the entities prior annual report. For detail on these disclosures please see Notes to the Financial Statements, Selected Explanatory Notes. There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss since the 2017 annual report.

Section 4 – Financial Instruments Fair Value

Fair value of financial assets and liabilities held for trading, financial assets mandatorily at fair value, financial assets at fair value through other comprehensive income, fair value of loans and receivables securities and hedging derivatives.

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

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

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

Fair value of financial assets and liabilities held for trading, financial assets mandatory at fair value, financial assets at fair value through other comprehensive income, fair value of loans and receivables securities and hedging derivatives (continued).

Asset Backed Securities ('ABS')

- Where actively traded the closing bid prices are utilised.
- Where the securities are not quoted in an active market, the Company uses valuation techniques which include external ratings and market information to assess the pricing procedure. The prices are reviewed by a UniCredit 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 Balance Sheet fair value measurements are disclosed by the source of inputs, using the following three level hierarchies:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are 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 (non-observable inputs).

For details of these disclosure requirements in accordance with IFRS7 and IFRS13 please see the Fair Value Disclosures section.

Part A.2: Transition to “IFRS 9: Financial Instruments”

Section 1 – Summary of impacts

As of 1 January 2018, the Company adopted the accounting standard “IFRS9: Financial instruments”. The adoption of the standard is the result of a project aimed at creating reporting and risk monitoring methods, which is aligned with UniCredit S.p.A. approach and ensures full compliance with the standard and updated governance and monitoring processes in light of the new rules. The project was organized locally as follows;

- “Classification and Measurement” aimed at reviewing financial instruments classification in line with new IFRS9 criteria;
- “Impairment” aimed at developing and implementing models and methods for calculating impairment.

The project was developed with the involvement of all the relevant departments of the Company and with the active oversight of the Board of Directors and Senior Management.

With reference to “Classification and Measurement”, the Company has:

- identified the criteria, based on the new business model and on the features of the associated contractual cash flows, for the classification of financial instruments in the new categories foreseen by the accounting standard;
- applied the criteria identified for the classification of the existing portfolio.

The analysis of the business model has been performed by mapping the business areas composing the Company and by attributing them a specific business model.

In this regard, a “held to collect” or “held to collect and sell” business model has been attributed to the business areas composing the banking portfolio of the Company in relation to the reasons why the instrument has been acquired or originated and to the expected turnover of financial instruments.

In this context, possible sales of financial instruments are considered as compliant with a “held to collect” business model in case of

(a) sales determined by adverse change in the credit risk of the counterparty,
(b) sales that are infrequent or not significant to be evaluated case by base.

For the classification of financial assets in the new IFRS9 categories, the analysis of the business model is complemented by the analysis of the contractual cash flows (“SPPI Test”).

In this regard, the Company has developed processes that also leverage on Group systems aimed at analysing the portfolio of securities and loans so to assess whether the features of their contractual cash flows allows their measurement at amortized cost (“held to collect” portfolio) or at fair value through comprehensive income (“held to collect and sell” portfolio”). This analysis is performed contract by contract, defined on the basis of the features of the asset.

With reference to the “Impairment” calculation, the Company’s impairment models have been adapted to comply with the new accounting requirements, and following the “Guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses” issued by EBA.

The portfolio of assets subject to the expected loss calculation includes all financial assets at amortized cost, applicable off balance sheet exposures and all credit exposures assets classified at Fair Value through Other Comprehensive Income. The Company did not have any off-balance sheet exposures as at 30 June 2018.

The Company's IFRS9 ECL modelling framework leverages UniCredit S.p.A. methodologies and systems to ensure that the requirements of IFRS9 are met.

Expected loss calculation and parameters are being adjusted to reflect the specific characteristics of the local portfolio. Specific adjustments have been developed on Probability of Default (PD) and Loss Given Default (LGD) parameters to compound the Expected Credit Loss (ECL), and a new model has been developed to assess the stage allocation on non-defaulted assets, at transaction level, between Stage 1 and Stage 2 depending on their credit quality. Stage 1 assets require a 12 month ECL, while for stage 2 assets a full lifetime ECL is recorded.

On assets represented by securities, the Company has opted, fully in compliance with applicable standard, to apply the "low credit risk exemption" on investment rate securities.

In relation to hedge accounting the Company has elected to keep applying the existing hedge accounting requirements in IAS39 for all hedge accounting until the IASB will complete its project on accounting for macro hedging.

The Company has decided to exploit the option provided by the accounting standard not to restate comparative figures of previous years, consequently, for UniCredit Bank Ireland P.l.c., the first time adoption of the new standard is 1 January 2018.

EU Regulation n. 2017-2395, issued on 27 December 2017, allows, as an option, financial institutions to adopt a transitional regime where the additional Loan Loss Provisions could be included in CET1 with a "phase-in" mechanism over 5 years starting from 2018. The Company will not adopt this transitional regime.

Section 2 – Balance Sheet comparatives

The Company's Balance Sheet as at 30 June 2018 under IFRS9 is presented along the Company's Balance Sheet as at 31 December 2017 under IAS39 for comparison:

	AMOUNTS AS AT	
	Unaudited 30 June 2018	**Audited 31 December 2017**
Balance sheet - Assets	**€'000**	**€'000**
20 Financial assets at fair value through the profit and loss:		
a) financial assets held for trading	8,119	-
c) financial assets mandatory at fair value	425,909	-
Financial assets held for trading (ex IAS 39 Item N. 20)	-	592
30 Financials assets at fair value through other comprehensive income	8,576,493	-
Available-for-sale financial assets (ex IAS 39 Item N. 40)	-	10,055,362
40 Financial assets at amortised cost:		
a) loans and receivables with Banks	5,002,508	-
b) loans and receivables with Customers	1,856,638	-
Loans and receivables with banks (ex IAS 39 Item N. 60)	-	6,773,114
Loans and receivables with customers (ex IAS 39 Item N. 70)	-	1,106,021
50 Hedging derivatives	56,669	79,210
60 Changes in fair value of portfolio hedged items (+/-)	324,245	14,743
80 Property, plant and equipment	99	119
90 Intangible assets	1,862	2,295
100 Tax assets		
a) current tax assets	2,875	4,996
b) deferred tax assets	-	-
120 Other assets	300	365
Total Assets	**16,255,717**	**18,036,817**

	AMOUNTS AS AT	
	Unaudited	**Audited**
	30 June	**31 December**
Balance sheet - Liabilities	**€'000**	**€'000**
10 Financial liabilities at amortised cost:		
a) deposits from banks	4,265,115	-
b) deposits from customers	4,068,074	-
c) debt securities in issue	4,794,330	-
Deposits from banks (ex IAS 39 Item N. 10)	-	4,204,714
Deposits from customers (ex IAS 39 Item N. 20)	-	5,258,077
Debt securities in issue (ex IAS 39 Item N. 30)	-	5,256,403
20 Financial liabilities held for trading	26,009	-
Financial liabilities held for trading (ex IAS 39 Item N. 40)	-	7,027
40 Hedging derivatives	772,347	923,162
50 Changes in fair value of portfolio hedged items (+/-)	29,264	43,015
60 Tax liabilities		
b) deferred tax liability	708	7,005
80 Other liabilities	3,612	2,425
Total Liabilities	**13,959,459**	**15,701,828**

	Unaudited	**Audited**
	30 June	**31 December**
	2018	**2017**
Balance sheet – Shareholders' equity	**€'000**	**€'000**
110 Revaluation reserves through the OCI	46	49,033
140 Reserves		
a) Capital contribution	753,419	753,419
b) Capital redemption reserve	45,802	45,802
c) Profit and loss account - at start of year	143,616	191,840
d) Distribution of Reserve/Dividend	(23,500)	(73,000)
IFRS9 FTA Reserve	4,909	-
180 Net profit for the financial period	28,847	24,776
160 Issued capital	1,343,119	1,343,119
Total Shareholders' Equity	**2,296,258**	**2,334,989**
Total liabilities and shareholders' equity	**16,255,717**	**18,036,817**

Section 3 – Income Statement comparatives

The Company's Income Statement for the financial period ended 30 June 2018 under IFRS9 is presented along the Company's Income Statement for the financial period ended 30 June 2017 under IAS39 for comparison:

Income Statement

Financial Period Ended 30 June 2018 and 30 June 2017 respectively

	Unaudited 30 June 2018	Unaudited 30 June 2017
Items – Part D	**€'000**	**€'000**
10 Interest income and similar revenues	179,819	257,132
20 Interest expense and similar charges	(146,129)	(220,472)
30 Net Interest Income	**33,690**	**36,660**
40 Fee and commission income	-	-
50 Fee and commission expense	(2,550)	(3,367)
60 Net fees and commissions	**(2,550)**	**(3,367)**
80 Gains and (Losses) on financial assets and liabilities held for trading	10,159	
Gains (Losses) on financial assets and liabilities held for trading (ex IAS 39 Item N. 80)	-	894
90 Fair Value adjustments in hedge accounting	(628)	3,867
100 Gains/(losses) on disposal of:		
a) financial assets at amortised cost	646	-
b) financials assets at fair value through other comprehensive income	15,512	-
c) financial liabilities at amortised cost	(757)	-
Gains (Losses) on disposal and repurchase of: (ex IAS 39 Item N. 100)		
a) loans	-	(10)
b) available-for-sale financial assets	-	2,260
c) held-to-maturity investments	-	(358)
110 Gains/(losses) on:		
a) financial assets/liabilities designated at fair value through profit or loss	-	-
b) financial assets mandatory at fair value	(17,565)	-
Gains (Losses) on financial assets/liabilities at fair value through profit or loss (ex IAS 39 Item N. 110)	-	-
120 Total operating income	**38,507**	**39,946**
130 Impairment (provisions)/write-back on:		
a) financial assets at amortised cost	3,598	-
b) financial assets at fair value through other comprehensive income	155	-
c) other transactions	-	-
Net losses/recoveries on impairment: (ex IAS 39 Item N. 130)		
a) loans	-	450
b) available-for-sale financial assets	-	-
150 Net profit from financial activities	**42,260**	**40,396**
160 Administrative costs		
a) Staff expenses	(2,108)	(2,191)
b) Other administrative expenses	(6,788)	(6,948)
170 Provisions for Risks and Charges	-	-
180 Depreciation on property, plant and equipment	(45)	(46)
190 Amortisation of intangible assets	(531)	(486)
200 Other operating income	180	-
210 Operating costs	**(9,292)**	**(9,671)**
260 Profit before tax from continuing operations	**32,968**	**30,725**
270 Tax expense related to profit from continuing operations	(4,121)	(3,873)
300 Profit for the financial period (all attributable to shareholders)	**28,847**	**26,852**

Section 4 – Statement of Other Comprehensive Income comparatives

Statement of Other Comprehensive Income

Financial Period Ended 30 June 2018 and 30 June 2017 respectively

	Unaudited 30 June 2018	Unaudited 30 June 2017
	€'000	**€'000**
10 Profit for the financial period	**28,847**	**26,852**
Other comprehensive income after tax		
140 Financial assets at fair value through Other Comprehensive Income		
- Net change in fair value	**(132,199)**	**-**
- Net amount transferred to profit or loss	**-**	**-**
Available-for-sale financial assets:(ex IAS 39 Item N. 100)	**-**	**48,891**
170 Total of other comprehensive income after tax	**(132,199)**	**48,891**
180 Total comprehensive income after tax	**(103,352)**	**75,743**

Section 5 – Classification and Measurement

As a result of the entry into force of the new accounting standard, the Company has reclassified financial assets as at 1 January 2018 into the new categories.

In this regard, it should be noted that this classification is based on the business model and characteristics of the contractual cash flows. The analysis of the business model was conducted by assessing the individual assets of the Company and by allocating a specific business model to each of them.

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

For the purposes of classifying financial instruments in the new categories envisaged by IFRS9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

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

The analysis in question was carried out contract by contract locally analysing the contract features with respect to IFRS9 requirements, and/or by using external data providers.

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

Asset item 20 a) Financial assets held for trading

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

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is a derivative contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those valued at fair value with recognition of income effects through profit or loss.

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

After initial recognition these financial assets are measured at their fair value through profit or loss.

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

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

Asset item 20 c) Other financial assets mandatorily at fair value

A financial asset is classified as a financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.
Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest and have therefore passed the SPPI test;

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

Asset item 30 Financial assets at fair value through Comprehensive income

A financial asset is classified as at fair value through comprehensive income if:

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

On initial recognition, and at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and revenues directly attributable to the instrument.
After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortized cost criterion. The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under *item 110. Revaluation reserves* in shareholders' equity.

These instruments are tested for impairment as illustrated in the specific section. Impairment losses are recorded in the income statement with contra-entry in the statement of comprehensive income and also shown *under item 110. Revaluation reserves* in shareholders' equity.
In the event of disposal, the accumulated profits and losses are recorded in the income statement.

Asset item 40 Financial assets at amortised cost

A financial asset is classified within the financial assets measured at amortised cost if:

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

On initial recognition, and at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument. After initial recognition at fair value, these assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan.

Liability item 20 Financial liabilities held for trading

Financial liabilities held for trading include:

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

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction.
Any derivative that had been designated as hedging instrument under IAS39 but upon adoption of IFRS9 due to reclassifications of the underlying hedged item, there was no longer the possibility for that hedging instrument to be designated as hedging, the hedging relationship was terminated and the derivative becomes ‘ held for trading’.
Upon adoption of IFRS9 the Company terminated the hedging relationships associated to any financial asset that was reclassified to *Asset item 20 c) Other financial assets mandatorily at fair value*, which resulted in reclassifications of the derivatives from Liability *item 40 Hedging derivatives* to the *Liability item 20 financial liabilities held for trading*.
There is no other change to the Company’s classifications and measurement of financial liabilities under IFRS9, other than the change resulting from the termination of the hedging relationships as detailed above.

Section 6 – Impairment

Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are tested for impairment as required by IFRS9.

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

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

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

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

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

As at 30 June 2018 the Company only had Stage 1 exposures.

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

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

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

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

Section 7 (a) Balance sheet at First Time Adoption date: January 1st, 2018

Amounts in '€'000

ASSETS	AMOUNTS AS AT 01.01.2018	31.12.2017
10. Cash and cash balances	-	-
20. Financial assets at fair value through profit or loss:	466,840	
a) financial assets held for trading	592	
b) financial assets designated at fair value	-	
c) other financial assets mandatorily at fair value	466,248	
Financial assets held for trading (ex IAS 39 Item N. 20)		592
Financial assets at fair value through profit or loss (ex IAS 39 Item N. 30)		-
30. Financial assets at fair value through other comprehensive income	8,984,899	
Available-for-sale financial assets (ex IAS 39 Item N. 40)		10,055,362
40. Financial assets at amortised cost:	8,247,583	
a) loans and advances to banks	6,355,307	
b) loans and advances to customers	1,892,276	
Held-to-maturity investments (ex IAS 39 Item N. 50)		-
Loans and receivables with banks (ex IAS 39 Item N. 60)		6,773,114
Loans and receivables with customers (ex IAS 39 Item N. 70)		1,106,021
50. Hedging derivatives	79,210	79,210
60. Changes in fair value of portfolio hedged items (+/-)	351,102	14,743
70. Equity investments	-	-
80. Property, plant and equipment	119	119
90. Intangible assets	2,295	2,295
of which: goodwill	-	-
100. Tax assets:	4,294	4,996
a) current	4,294	4,996
b) deferred	-	-
120. Other assets	365	365
Total assets	**18,136,707**	**18,036,817**

Amounts in '€'000

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 01.01.2018	31.12.2017
10. Financial liabilities at amortised cost:	14,719,194	
a) deposits from banks	4,204,714	
b) deposits from customers	5,258,077	
c) debt securities in issue	5,256,403	
Deposits from banks (ex IAS 39 Item N. 10)		4,204,714
Deposits from customers (ex IAS 39 Item N. 20)		5,258,077
Debt securities in issue (ex IAS 39 Item N. 30)		5,256,403
20. Financial liabilities held for trading	27,645	
Financial liabilities held for trading (ex IAS 39 Item N. 40)		7,027
30. Financial liabilities designated at fair value	-	
Financial liabilities at fair value through profit or loss (ex IAS 39 Item N. 50)		-
40. Hedging derivatives	902,544	923,162
50. Value adjustment of hedged financial liabilities (+/-)	43,015	43,015
60. Tax liabilities:	18,772	7,005
a) current	-	-
b) deferred	18,772	7,005
70. Liabilities associated with assets classified as held for sale	-	-
80. Other liabilities	2,425	2,425
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	-	-
a) committments and guarantees given	-	
b) post-retirement benefit obligations	-	-
c) other provisions for risks and charges	-	-
110. Valuation reserves	132,246	49,033
120. Redeemable shares	-	-
130. Equity instruments	-	-
140. Reserves	922,971	918,061
150. Share premium	-	-
160. Share capital	1,343,119	1,343,119
170. Treasury shares (-)	-	-
180. Profit (Loss) for the period (+/-)	24,776	24,776
Total liabilities and shareholders' equity	**18,136,707**	**18,036,817**

Section 7 (b) – Impacts from adoption of IFRS9 on shareholders' equity

The adoption of IFRS9 on the 1 January 2018 had an overall positive effect on equity, net of the taxes, of €88.1 million.

In particular, this effect stems from:

- a positive impact of €4.9 million due to the creation of the First Time Adoption ('FTA') reserve. The FTA reserves components are as follows:
    - reclassifications of financial instruments from *Available-for-sale financial assets (ex IAS39Item N. 40)* and *Loans and receivables with banks (ex IAS39 Item N. 60)* to asset *item 20 c) financial assets mandatory at fair value;* positive impact of €11.6 million;
    - the recognition of the IFRS9 compliant impairment amount as at 1 January 2018; negative impact of €6.5 million;
    - the reversal of the IAS39 impairment amount as at 31 December 2017; positive impact of €0.5 million;
    - the recognition of the corporation tax amount relating to the creation of the FTA reserve; negative impact of €0.7 million.

- a positive impact of €83.2 million from changes in the revaluation reserves reported in liability *item 120* which is attributable to assets reclassified from *Available-for-sale financial assets (ex IAS39 Item N. 40)* to the following:
    - *item 20 c) financial assets mandatory at fair value* (due to the failure of the SPPI test); negative impact of €2.4 million gross;
    - *item 40 c) loans and receivables with Governments* (This is due to the change of the related business model.); negative impact of €253.2 million gross;
    - related hedge accounting reclassifications; positive impact of €349.8 million gross;
    - related net deferred tax reclassifications; negative impact of €11.8 million;
    - recognition of IFRS9 compliant impairment amount related to asset *item 30. Financials assets at fair value through other comprehensive income;* positive impact of €0.8 million.

Section 8 – Reclassifications of financial assets and liabilities

With reference to the reclassifications of financial assets and liabilities in application of the new accounting standard, the following tables show separately for financial assets and liabilities:

a) the portfolio under IAS39 and the related closing balance as of 31 December 2017;
b) the reclassification of this balance in the various IFRS9 portfolios;
c) the effects from application of the measurement criteria of IFRS9;

the opening IFRS9 balance as of 1 January 2018.

Section 8 (a) – Reclassifications of financial assets tables

Amounts in €/'000

IAS39 Category		New IFRS9 Category														
Asset	**IAS39 Book value at 31/12/2017**	**Financial assets held for trading**			**Financial assets mandatory at fair value**			**Financial assets at FVTOCI***			**Financial assets at Amortized Cost***			**Total**		
		A	**B**	**C**	**A**	**B**	**C**	A	B	C	A	B	C	**A**	**B**	**C**
Financial assets held for trading	592	592	-	592	-	-	-	-	-	-	-	-	-	592	-	592
Available for sale financial assets	10,055,362	-	-	-	30,243	-	30,243	8,984,899	-	8,984,899	1,040,220	(253,165)	787,055	10,055,362	(253,165)	9,802,197
Loans to Banks*	6,773,590	-	-	-	413,442	22,562	436,004	-	-	-	6,360,148	-	6,360,148	6,773,590	22,562	6,796,152
Loans to Customers*	1,106,091	-	-	-	-	-	-	-	-	-	1,106,091	-	1,106,091	1,106,091	-	1,106,091
	IFRS 9 total			**592**			**466,248**			**8,984,899**			**8,253,294**			

* gross of impairment

Legend
A: Reclassification of former IAS39 book value
B: Change in measurement
C: New book value as per IFRS9

Nine securities were reclassified due to the adoption of IFRS9 and in detail:

- FE Mortgage 30/10/43 failed the SPPI test and was reclassified from *Available-for-sale financial assets (ex IAS39 Item N. 40)* to *item 20 c). Financial assets mandatorily at fair value*. There was no change in measurement as fair value was applied under both classifications, however the gain of €2.4 million previously classified in *item 140. AFS Revaluation reserves* was crystallised in the FTA reserve upon adoption.
- Four securities were assessed as having a "held to collect" business model and were reclassified from *Available-for-sale financial assets (ex IAS39 Item N. 40)* to *item 40 c). Financial assets at amortised cost: loans and receivables with Governments*. There was a change in measurement as fair value was applied under IAS39 whereas amortised cost is applied under IFRS9. This reclassification also resulted in the simultaneous reversal of previously recognized revaluation reserves. The amounts reversed from IAS39 liability *item 140. AFS Revaluation reserves* totalled negative €253.2 million gross. Due to retrospective application also the hedge accounting relationship related to these four securities was also reclassified from IAS39 liability *item 140. AFS Revaluation reserves* to IFRS9 asset *item 60. Changes in fair value of portfolio hedged items.* The amounts reversed from IAS39 liability *item 140. AFS Revaluation reserves* in relation to historical hedge accounting totalled positive €349.8 million gross of tax. The overall impact to IAS39 liability *item 140. AFS Revaluation reserves* due to these reclassifications are positive €96.6 million gross of tax.
- Four securities failed the SPPI test and were reclassified from *Loans and receivables with banks (ex IAS39 Item N. 60)* to *item 20 c). Financial assets mandatorily at fair value.* There was a change in measurement as amortised cost was applied under IAS39 whereas fair value is applied under IFRS9. The change in measurement is positive €22.5 million and was crystallised in the FTA reserve upon adoption. The historical hedge accounting resulting from the fair value movement of the hedging derivatives related to these four securities, amounting to negative €13.4 million, was also reclassified (due to retrospective application) from IAS39 asset *item 60. Changes in fair value of portfolio hedged items* to the FTA reserve. The hedge accounting relationship was terminated and the fair value of the former hedging derivatives amounting to €20.6 million was reclassified under liability *item 20. Financial liabilities held for trading*.

Section 8 (b) – Reclassifications of financial liabilities tables

Amounts in €/'000

IAS39 Category		New IFRS9 Category														
Liability	IAS39 Book value at 31/12/2017	Financial liabilities at amortized cost a) Deposits from banks			Financial liabilities at amortized cost b) Deposits from customers			Financial liabilities at amortized cost c) Debt securities in issue			Financial liabilities held for trading			Total		
		A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Deposits from banks	4,204,714	4,204,714	-	4,204,714	-	-	-	-	-	-	-	-	-	**4,204,714**	-	**4,204,714**
Deposits from customers	5,258,077	-	-	-	5,258,077	-	5,258,077	-	-	-	-	-	-	**5,258,077**	-	**5,258,077**
Debt securities in issue	5,256,403	-	-	-	-	-	-	5,256,403	-	5,256,403	-	-	-	**5,256,403**	-	**5,256,403**
Financial liabilities held for trading	7,027	-	-	-	-	-	-	-	-	-	7,027	-	7,027	**7,027**	-	**7,027**
Hedging derivatives	923,162	-	-	-	-	-	-	-	-	-	20,618	-	20,618	**902,544**	-	**902,544**
IFRS9 total				**4,204,714**			**5,258,077**			**5,256,403**			**27,645**			

Legend

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New book value as per IFRS9

The reclassification of financial liabilities under IFRS9 shows a substantial continuity of the classification compared to those applied according to IAS39.

As mentioned in previous section the termination of the hedging relationship determined the reclassification of the former hedging instruments to the trading liabilities.

Section 9 – Impairment tables

With reference to impairment, the following table shows, as at 1 January 2018, the gross exposure and value adjustments broken down by accounting portfolio and by classification stage.

	Gross Amount			Loan Loss Provisions			Net exposure		
Amounts in '€/'000	S1	S2	S3	S1	S2	S3	S1	S2	S3
Item 30. Financial assets at fair value through other comprehensive income	8,985,719	-	-	(820)	-	-	8,984,899	-	-
Debt securities	8,985,719	-	-	(820)	-	-	8,984,899	-	-
Loans and advances with banks	-	-	-	-	-	-	-	-	-
Loans and advances with customers	-	-	-	-	-	-	-	-	-
Item 40. Financial assets measured at amortized cost	8,241,871	-	-	(5,711)	-	-	8,236,161	-	-
Debt securities	5,502,780	-	-	(4,886)	-	-	5,497,895	-	-
Loans and advances with banks	1,634,525	-	-	(63)	-	-	1,634,462	-	-
Loans and advances with customers	1,104,566	-	-	(763)	-	-	1,103,803	-	-

The Company did not have off-balance sheet exposures as at 1 January 2018.

On adoption of IFRS9 the Company reversed any collective impairment that existed at 31 December 2017. The collective impairment as at 31 December 2017 on *Loans and receivables with banks (ex IAS39 Item N. 60)* was €0.48 million and on *Loans and receivables with customers (ex IAS39 Item N. 70)* was €0.07 million.

Section 10 – Further reclassifications made as at 1 January 2018 in compliance with IFRS9

The widespread impact of the introduction of the IFRS9 principle is further demonstrated by the fact that the impacts arising from this adoption have determined effects not only on the single financial asset and liabilities but also on related other items.

In this regard we highlight the followings:

- asset *item 60. Changes in fair value of portfolio hedged items* as of 31 December 2017 under IAS39 was equal to €14.7 million and post adoption of IFRS9 became €351.1 million. Positive €349.8 million of the variance relates to the reclassification of historical hedge accounting related to securities that were reclassified from IAS39 liability *item 140. AFS Revaluation reserves* to asset *item 40 c). Financial assets at amortised cost: loans and receivables with Governments*. Negative €13.4 million of the variance relates to the reclassification of historical hedge accounting related to securities reclassified from *Loans and receivables with banks (ex IAS39 Item N. 60)* to asset *item 20 c). Financial assets mandatorily at fair value* on which the related hedging relationship was terminated.

- Current Tax assets as of 31 December 2017 were equal to €5.0 million and post adoption of IFRS9 became equal to €4.3 million as a result of tax effects on the accounting changes resulting from IFRS9 application.

- Deferred Tax liabilities as of 31 December 2017 were equal to €7.0 million and post adoption of IFRS9 became equal to €18.8 million as a result of tax effects on the reclassification of assets (including the hedge accounting reclassifications) from IAS39 liability *item 140. AFS Revaluation reserves* to IFRS9 asset *item 20 c) financial assets mandatorily at fair value* and IFRS9 asset *item 40 c) loans and receivables with Governments*.

Section 11 – Impacts on regulatory capital arising from the application of IFRS9

The following table illustrates the capital adequacy as of 1 January 2018 arising from the application of IFRS9 and the published amounts as of 31 December 2017 (IAS39);

	IFRS 9	IAS 39
	01-Jan-18	31-Dec-17
Regulatory own funds	€'000	€'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	242,552	237,643
Dividend	(73,000)	(73,000)
IRB Shortfall – Deduction Equity Tier I	(306)	(4,588)
Accumulated other comprehensive income	132,244	49,033
Intangible Assets	(2,295)	(2,295)
Additional Value Adjustment	(483)	(483)
Excess of deduction from AT1 items	(149,042)	(149,042)
Other Transitional Adjustments to CET1	(26,418)	(9,348)
Total Common Equity Tier I Own Funds	**2,219,790**	**2,144,458**
Additional Tier I Own Funds		
Tier II Own Funds		
Subordinated deposits – Tier 2 – Grandfathered	338,406	338,406
Collective Impairment Provisioning - Standardised		
Other transitional adjustments to T2 Capital	(16,591)	(17,019)
Total Tier II Own Funds	**321,815**	**321,387**
Total Own Funds	**2,541,605**	**2,465,845**

Reconciliation between Own Funds and Shareholders' Equity

	01-Jan-18	31-Dec-17
	€'000	€'000
Total Shareholders' Equity	**2,423,110**	**2,334,988**
(Net Profit of the period)	(24,776)	(24,776)
(Filtered Accumulated other comprehensive income)	(132,244)	(134,768)
(Deductions and Adjustments)	(46,300)	(30,988)
Tier II Capital	321,815	321,387
Total Own Funds	**2,541,605**	**2,465,845**

Note: This table illustrates the impact of the application of IFRS 9. Any other regulatory changes that take effect from the 1 January 2018 have not been considered.

The Total Capital Ratio arising from the application of IFRS9 on the 1 January 2018 was 45.68% versus 44.32% under IAS39.

The Common Equity Tier 1 Ratio arising from the application of IFRS9 on the 1 January 2018 was 39.90% versus 38.54% under IAS39.

The Fully Loaded CET1 and Fully Loaded Total Capital ratios arising from the application of IFRS9on the 1 January 2018 was 40.07% versus 38.41% under IAS39.

Part B: Selected Explanatory Notes

Section 1 - 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.

The Company has two reporting lines Commercial Investment Banking (‘CIB’) and Group Corporate Centre. The general criteria of the Segmentation is to report our portfolios under CIB, 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 2018 €,000	Coporate Centre 30 June 2018 €,000	30 June 2018 Total €,000
Net Interest Income	31,153	2,537	33,690
Net Fees and Commissions	(629)	(1,921)	(2,550)
Trading Income	8,808	(1,441)	7,367
Total Revenues	**39,332**	**(825)**	**38,507**

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

Section 2 - Fair Value Disclosures

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

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

Fair Value Disclosure by Valuation Hierarchy Level

Assets measured at fair value	Level 1 €'000 30 June 2018	Level 2 €'000 30 June 2018	Level 3 €'000 30 June 2018	Total €'000 30 June 2018
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*		8119	-	**8,119**
c) financial assets mandatory at fair value*	19,522	406,387	-	**425,909**
30 Financials assets at fair value through other comprehensive income*	8,560,437	16,056	-	**8,576,493**
40 Financial assets at amortised cost:				-
a) loans and receivables with Banks	-	4,777,041	-	**4,777,041**
b) loans and receivables with Customers	980,957	1,067,552	-	**2,048,509**
50 Hedging derivatives*	-	56,669	-	**56,669**
Total	**9,560,916**	**6,331,824**	-	**15,892,740**
Liabilities measured at fair value	**Level 1 €'000 30 June 2018**	**Level 2 €'000 30 June 2018**	**Level 3 €'000 30 June 2018**	**Total €'000 30 June 2018**
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	4,298,166	-	**4,298,166**
b) deposits from customers	-	4,069,692	-	**4,069,692**
c) debt securities in issue	-	5,525,328	-	**5,525,328**
20 Financial liabilities held for trading*	-	26,009	-	**26,009**
40 Hedging derivatives*	-	772,347	-	**772,347**
Total	-	**14,691,542**	-	**14,691,542**

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

Section 3 - Subsequent Events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as of June 30, 2018.

Section 4 - Related party transactions

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

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

For details on the related party transactions please refer to the 2017 yearend financial statements available on the Company's website: http://www.unicreditbank.ie.

Section 5 - Approval of financial statements

The Directors approved the financial statements on the 31 July 2018.