UniCredit Bank
UniCredit Bank Ireland p.l.c.

Unaudited First Half Financial Report as at 30 June 2019

Contents

Directors and Other Information

Name	Board of Directors
Aidan Williams	Chairman (Independent Non-Executive)
Massimiliano Sinagra	Managing Director (Group)
Guy Laffineur	Group
Donal Courtney	Independent Non-Executive
Tara Doyle *	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

* Jackie Gilroy resigned as Independent Non-Executive Director on the 28th April 2019 and was replaced by Tara Doyle on the 8th May 2019.

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 Group.: The Parent Company and its 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 2019 are prepared by UniCredit S.p.A., which incorporate the results of its subsidiary companies. The Group financial statements of UniCredit S.p.A. are available on the Group website: https://www.unicreditgroup.eu.

Principal Activities

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

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

Financial highlights

- Profit to 30 June 2019 amounted to €21.5 million (30 June 2018: €28.8 million).
- Interest income and similar revenues to 30 June 2019 amounted to €145.5 million (30 June 2018: €179.8 million).
- Interest expense and similar charges to 30 June 2019 amounted to €117.6 million (30 June 2018: €146.1 million).
- Net interest income to 30 June 2019 amounted to €27.9 million (30 June 2017: €33.7 million).
- Net impairments on financial assets of €0.6 million have been recorded in the first half 2019 due to higher Probability of Default "PD" attributed to sovereigns and intercompany positions.
- Total operating income to 30 June 2019 amounted to €35.7 million (30 June 2018: €38.5 million).

The most significant events and transactions for the 6 month financial period ended 30 June 2019 were the following:

1) The Company successfully continued the execution of its strategic plan. Total assets in first half 2019 amounted to €14.4 billion, which was slightly lower than YE 2018 (€14.8 billion) mainly due to the combined effect of the maturity/sale of ca. €1 billion of securities, offset by an increase in lending of ca. €0.6 billion. The majority of the Assets were "non-intercompany" as at 30 June 2019.
   Total liabilities also decreased since year end 2018 primarily due to the maturities of debt securities of ca. €1.6 billion, partially offset by new borrowing of ca. €1 billion.
   Net interest income equal to €27.9 million is 17% (or €5.8 million) 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 and a delay in re-investment of sold/matured sovereign bonds.

2) The 2019 ex-ante contribution to the Single Resolution Fund levy, amounting to €5.7 million, has increased compared to the 2018 levy (30 June 2018: €4.8 million). This increase was mostly driven by an increase in the Bank's risk adjustment factor and a fall in the level of qualifying deductions. The levy has been fully paid and accounted as at 30 June 2019 in the 'Other Administrative Expenses' line.
3) The negative opening balance of the FVOCI Reserve (€10.1 million) became positive €10.6 million at the end of the first half 2019 mainly due to the spreads on Italian sovereign bonds tightening as a result of the improved market sentiment.

Total Shareholders' equity (issued capital, reserves and revaluation reserves) as of 30 June 2019 amounted to €2.3 billion substantially aligned with year-end 2018 figures.

As of 30 June 2019 the fully loaded CET1 was 68.6%; 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 on the 31st October 2019;
- continuing volatility caused by the political situation in Italy, which can impact adversely the markets in which the Company operates or investments presently held in Other Comprehensive Income and Loans and Receivable portfolios;
- 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 committee and EU Directives and Regulations);
- 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 €41.5 million was approved by the Board on the 4th February 2019 and paid on the 21st May 2019. In 2018 a distribution of reserves of €23.5 million was paid on the 2nd May 2018.

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 2018 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 2015 (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;
- a remuneration framework that is in line with the risk strategies of the credit institution;

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 2019 the Board met 5 times (including 2 written resolutions).

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 31 July 2018.

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 January 2019 the Bank sold €25 million of Italy sovereign bonds. The sales were performed to capture sustained spread tightening and generated a profit of ca. €0.9 million. The Bank purchased an amount of €250 million Italian sovereign bonds in January 2019.

In February 2019 the Bank sold a total amount of €500 million of Spanish sovereign bonds realizing a profit of ca. €5.8 million and purchased an amount of €100 million of Italian sovereign bonds.

In April 2019 the Bank sold €541 million of Italy sovereign bonds. The sales were performed to capture sustained spread tightening and generated a profit of ca. €2.4 million.

The Bank purchased an amount of €400 million Italian sovereign bonds in May 2019.

In June 2019 the Bank sold €195 million of Spanish sovereign bonds. The sales were performed to capture sustained spread tightening and generated a profit of ca. €1.7 million.

During the first 6 months of the year ca. €1.6 billion of medium term notes and commercial paper notes matured and were replaced by intragroup funding of ca. €1 billion.

Statement of Directors' Responsibilities in respect of the Unaudited First Half Financial Report

The Directors are responsible for preparing the Unaudited First Half Financial 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 First Half Financial Report 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 2019

A. Marchetti
Director
31 July 2019

M. Sinagra
Managing Director
31 July 2019

D. Courtney
Director
31 July 2019

Interim Accounts

Balance Sheet as at 30 June 2019

Balance sheet - Assets	Unaudited 30 June 2019 €'000	Audited 31 December 2018 €'000
20 Financial assets at fair value through the profit and loss:		
a) financial assets held for trading	9,468	2,206
c) financial assets mandatorily at fair value	47,419	48,343
30 Financials assets at fair value through other comprehensive income	6,331,057	8,147,196
40 Financial assets at amortised cost:		
a) loans and receivables with Banks	4,851,940	4,520,239
b) loans and receivables with Customers	2,780,911	1,713,221
50 Hedging derivatives	35,591	55,838
60 Changes in fair value of portfolio hedged items (+/-)	352,048	313,788
80 Property, plant and equipment	2,860	126
90 Intangible assets	1,096	1,443
100 Tax assets		
a) current tax assets	1,119	695
b) deferred tax assets	-	735
120 Other assets	580	621
Total Assets	**14,414,089**	**14,804,451**

Balance sheet - Liabilities	Unaudited 30 June 2019 €'000	Audited 31 December 2018 €'000
10 Financial liabilities at amortised cost:		
a) deposits from banks	6,818,583	5,942,460
b) deposits from customers	3,956,575	3,630,799
c) debt securities in issue	540,035	2,148,820
20 Financial liabilities held for trading	3,568	1,318
40 Hedging derivatives	768,022	753,973
50 Changes in fair value of portfolio hedged items (+/-)	17,883	23,333
60 Tax liabilities		
a) current tax liabilities	-	-
b) deferred tax liabilities	2,215	-
80 Other liabilities	5,523	2,745
Total Liabilities	**12,112,404**	**12,503,448**

Balance sheet – Shareholders' equity	Unaudited 30 June 2019 €'000	Audited 31 December 2018 €'000
110 Revaluation reserves through the OCI	10,598	(10,054)
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	163,807	143,616
d) Distribution of reserve / Dividend paid	(41,500)	(23,500)
FTA Reserve	4,909	4,909
180 Net profit for the financial period	21,531	43,692
160 Issued capital	1,343,119	1,343,119
Total Shareholders' Equity	**2,301,685**	**2,301,003**
Total liabilities and shareholders' equity	**14,414,089**	**14,804,451**

The notes on pages 17 to 22 form part of these financial statements. All results are from continuing activities.

On behalf of the Board

A. Williams
Chairman
31 July 2019

A. Marchetti
Director
31 July 2019

M. Sinagra
Managing Director
31 July 2019

D. Courtney
Director
31 July 2019

Income Statement

Financial Period Ended 30 June 2019

Items – Part D		Unaudited 30 June 2019 €'000	Unaudited 30 June 2018 €'000
10	Interest income and similar revenues	145,461	179,819
20	Interest expense and similar charges	(117,603)	(146,129)
30	**Net Interest Income**	**27,858**	**33,690**
40	Fee and commission income	-	-
50	Fee and commission expense	(3,852)	(2,550)
60	**Net fees and commissions**	**(3,852)**	**(2,550)**
80	Gains and (Losses) on financial assets and liabilities held for trading	1,581	10,159
90	Fair Value adjustments in hedge accounting	(500)	(628)
100	Gains/(losses) on disposal of:		
	a) financial assets at amortised cost	933	646
	b) financials assets at fair value through other comprehensive income	9,883	15,512
	c) financial liabilities at amortised cost	5	(757)
110	Gains/(losses) on:		
	a) financial assets/liabilities designated at fair value through profit or loss	-	-
	b) financial assets mandatory at fair value	(182)	(17,565)
120	**Total operating income**	**35,726**	**38,507**
130	Impairment (provisions)/write-back on:		
	b) financial assets at amortised cost	(362)	3,598
	a) financial assets at fair value through other comprehensive income	(195)	155
150	**Net profit from financial activities**	**35,169**	**42,260**
160	Administrative costs		
	a) Staff expenses	(1,899)	(2,108)
	b) Other administrative expenses	(8,148)	(6,788)
170	Provisions for Risks and Charges	-	-
180	Depreciation on property, plant and equipment	(204)	(45)
190	Amortisation of intangible assets	(428)	(531)
200	Other operating income	118	180
210	**Operating costs**	**(10,561)**	**(9,292)**
230	Gains (losses) on disposal of property, plant and equipment and intangible assets measured at fair value	(1)	-
260	**Profit before tax from continuing operations**	**24,607**	**32,968**
270	Tax expense related to profit from continuing operations	(3,076)	(4,121)
300	**Profit for the financial period (all attributable to shareholders)**	**21,531**	**28,847**

Statement of Other Comprehensive Income

Financial Period Ended 30 June 2019

		Unaudited 30 June 2019 €'000	Unaudited 30 June 2018 €'000
10	**Profit for the financial period**	**21,531**	**28,847**
	Other comprehensive income after tax		
140	**Financial assets at fair value through Other Comprehensive Income**		
	- Net change in fair value	20,652	(132,199)
170	**Total of other comprehensive income after tax**	**20,652**	**(132,199)**
180	**Total comprehensive income after tax**	**42,183**	**(103,352)**

The notes on pages 17 to 22 form part of these financial statements. All results are from continuing activities.

Statement of Changes in Shareholders' Equity

Financial Period ended 30 June 2019

	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**
Opening balances at 1 January 2019	**1,343,119**	**753,419**	**45,802**	**(10,054)**	**4,909**	**163,807**	**2,301,002**
Profit attributable to the equity shareholders	-	-	-	-	-	21,531	21,531
Other comprehensive income							
Change in fair value through other comprehensive income of financial assets							
- other comprehensive income financial assets	-	-	-	83,697	-	-	83,697
- hedge	-	-	-	(60,095)	-	-	(60,095)
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-	-
Movement in deferred tax	-	-	-	(2,950)	-	-	(2,950)
Total other comprehensive income	-	-	-	**20,652**	-	-	**20,652**
Total comprehensive income	-	-	-	**20,652**	-	**21,531**	**42,183**
Distribution of reserves	-	-	-	-	-	**(41,500)**	**(41,500)**
Closing balances as at 30 June 2019	**1,343,119**	**753,419**	**45,802**	**10,598**	**4,909**	**143,838**	**2,301,685**

Statement of Changes in Shareholders' Equity

Financial Year Ended 31 December 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**	**45,802**	**49,033**	**-**	**143,616**	**2,334,989**
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**	**45,802**	**132,245**	**4,909**	**143,616**	**2,423,110**
Profit attributable to the equity shareholders	-	-	-	-	-	43,692	43,692
Other comprehensive income							
Change in fair value through other comprehensive income of financial assets							
- other comprehensive income financial assets	-	-	-	(146,368)	-	-	(146,368)
- hedge	-	-	-	(16,261)	-	-	(16,261)
Cash flow hedges:							
- Effective portion of changes in fair value	-	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-	-
Movement in deferred tax	-	-	-	20,329	-	-	20,329
Total other comprehensive income	**-**	**-**	**-**	**(142,300)**	**-**	**-**	**(142,300)**
Total comprehensive income	**-**	**-**	**-**	**(142,300)**	**-**	**43,692**	**(98,608)**
Distribution of reserves	-	-	-	-	-	**(23,500)**	**(23,500)**
Closing balances as at 31 December 2018	**1,343,119**	**753,419**	**45,802**	**(10,054)**	**4,909**	**163,808**	**2,301,002**

Cash Flow Statement (indirect method)

Financial Period Ended 30 June 2019

		30 June 2019	31 December 2018
		€'000	**€'000**
A.	**Operating Activities**		
	1. Operations	**21,397**	**55,378**
	- profit for the financial period	21,531	43,692
	- 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	(1,399)	10,020
	- capital (gains)/losses on hedging operations (+/-)	500	2,022
	- net write-backs due to impairment (+/-)	557	(832)
	- net write-offs on tangible and intangible assets (+/-)	632	1,168
	- tax paid (+/-)	(3,500)	(7,000)
	- Add back tax charge for the financial period	3,076	6,308
	2. Liquidity generated/absorbed by financial assets	**353,014**	**2,758,350**
	- financial assets held for trading	(5,681)	11,628
	- financial assets mandatory at fair value	742	(71,605)
	- financial assets at fair value through other comprehensive income	1,815,777	1,907,345
	- loans and receivables with banks	(398,726)	1,656,741
	- loans and receivables with customers	(1,040,936)	(471,374)
	- other assets	(18,161)	(274,385)
	3. Liquidity generated/absorbed by financial liabilities	**1,238,817**	**(144,282)**
	- deposits from banks	876,123	1,737,746
	- deposits from customers	325,776	(1,627,278)
	- financial liabilities held for trading	2,250	(5,708)
	- other liabilities	34,668	(249,042)
	Net liquidity generated/absorbed by operating activities	**1,613,228**	**2,669,446**
B.	**Investment Activities**		
	1. Net Liquidity by:		
	- tangible and intangible assets	(3,020)	(324)
	Net liquidity generated/absorbed by investment activities	**(3,020)**	**(324)**
C.	**Financing Activities**		
	- debt certificates including bonds	(1,608,785)	(3,107,583)
	- Distribution to Parent Company	(41,500)	(23,500)
	Net liquidity generated/absorbed by funding activities	**(1,650,285)**	**(3,131,083)**
	Increase/Decrease in cash and cash equivalents	**(40,077)**	**(461,961)**
	Cash and cash equivalents at 1 January	351,595	813,556
	Cash flow	(40,077)	(461,961)
	Cash and cash equivalents at 30 June and 31 December	**311,518**	**351,595**

KEY: (+) generated; (-) absorbed

Cash Flow Statement (indirect method) (continued)

Financial Period Ended 30 June 2019

Reconciliation of Cash and Cash Equivalents	30 June 2019 €'000	31 December 2018 €'000
Cash and cash balances	-	-
Deposit and current accounts with banks	6,102	73,127
Deposits with customers	305,417	278,468
Cash and cash equivalents at 30 June and 31 December	**311,518**	**351,595**

Included in operating activities are the following:	30 June 2019 €'000	31 December 2018 €'000
Interest received	192,495	410,826
Interest paid	123,887	325,715

Explanatory Notes

Part A: 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 2019.

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 2018 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 2018 annual report with the exception of the adoption of IFRS 16 as discussed below;

- Effective starting from 1 January 2019 modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17. IFRS 16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor;
- With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract;
- At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS 16, IAS 38 or by IAS 40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable. The Company has, as required by the standard, not capitalised short term leases, lower than 12 months, and low value assets leases;
- The Company decided not to restate comparatives and chose, for First Time Adoption purposes, to put the value of right of use equal to the lease liability;
- The adoption of IFRS 16 as at 1 January 2019 resulted in the recognition of a right-of-use asset linked to the lease contract of the "La Touche House" office space of ca. €3 million and the connected lease liability.

The Directors have considered all other standards and pronouncements newly effective for the financial period ended 30 June 2019 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 2019 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 2019 does not constitute the statutory financial statements of the Company;

- the statutory financial statements for the financial year ended 31 December 2018 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.

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 2018 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 Groups Independent Pricing Valuation department.

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 Groups Independent Pricing Valuation department.

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 the period-end 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 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 is segmented between Corporate & Investment Banking ('CIB') and Corporate Centre. The general criteria of the segmentation is to report our revenues derived from portfolios under CIB, incorporating third party assets and short term funding, with Corporate Centre revenues derived from Group assets and medium term liabilities.

Total Revenues relating to the split are the following:

Revenue Item	CIB (Markets) 30 June 2019 €,000	Coporate Centre 30 June 2019 €,000	30 June 2019 Total €,000
Net Interest Income	33,073	(5,215)	27,858
Net Fees and Commissions	(3,332)	(520)	(3,852)
Trading Income	12,243	(523)	11,720
Total Revenues	**41,984**	**(6,258)**	**35,726**

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

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 Disclosure

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, which 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 2019	Level 2 €'000 30 June 2019	Level 3 €'000 30 June 2019	Total €'000 30 June 2019
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*		9,468	-	**9,468**
c) financial assets mandatory at fair value*	18,830	28,589	-	**47,419**
30 Financials assets at fair value through other comprehensive income*	6,314,719	16,338	-	**6,331,057**
40 Financial assets at amortised cost:				
a) loans and receivables with Banks	-	4,633,435	-	**4,633,435**
b) loans and receivables with Customers	1,886,085	1,121,471	-	**3,007,556**
50 Hedging derivatives*	-	35,591	-	**35,591**
Total	**8,219,634**	**5,844,893**	-	**14,064,527**
Liabilities measured at fair value	**Level 1 €'000 30 June 2019**	**Level 2 €'000 30 June 2019**	**Level 3 €'000 30 June 2019**	**Total €'000 30 June 2019**
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	6,833,560	-	**6,833,560**
b) deposits from customers	-	3,956,575	-	**3,956,575**
c) debt securities in issue	-	555,992	-	**555,992**
20 Financial liabilities held for trading*	-	3,568	-	**3,568**
40 Hedging derivatives*	-	768,022	-	**768,022**
Total	**2,019**	**12,117,717**	**2,019**	**12,121,755**

*Measured at Fair Value on the Statement of Financial Position

Fair Value Disclosure by Valuation Hierarchy Level

Assets measured at fair value	Level 1 €'000 31 December 2018	Level 2 €'000 31 December 2018	Level 3 €'000 31 December 2018	Total €'000 31 December 2018
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*	-	2,206	-	**2,206**
c) financial assets mandatory at fair value*	-	48,343	-	**48,343**
30 Financials assets at fair value through other comprehensive income*	8,131,086	16,110	-	**8,147,196**
40 Financial assets at amortised cost:				
a) loans and receivables with Banks	-	4,300,029	-	**4,300,029**
b) loans and receivables with Customers	1,114,420	513,713	-	**1,628,133**
50 Hedging derivatives*	-	55,838	-	**55,838**
Total	**9,245,506**	**4,936,238**	-	**14,181,745**
Liabilities measured at fair value	**Level 1 €'000 31 December 2018**	**Level 2 €'000 31 December 2018**	**Level 3 €'000 31 December 2018**	**Total €'000 31 December 2018**
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	5,956,178	-	**5,956,178**
b) deposits from customers	-	3,632,376	-	**3,632,376**
c) debt securities in issue	-	2,162,636	-	**2,162,636**
20 Financial liabilities held for trading*	-	1,318	-	**1,318**
40 Hedging derivatives*	-	753,973	-	**753,973**
Total	-	**12,506,480**	-	**12,506,480**

*Measured 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 30 June 2019.

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 Group Transfer Pricing Policies and Guidelines which are grounded in the OECD Transfer Pricing Guidelines.

For details on the related party transactions please refer to the 2018 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 2019.