



**Unaudited First Half  
Financial Report  
as at 30 June 2020**



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## Directors and Other Information

<b>Name</b>	<b>Board of Directors</b>
Aidan Williams	Chairman (Independent Non-Executive)
Bernd Broecker *	Managing Director (Group)
Guy Laffineur	Group
Lynda Carroll **	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

\* Bernd Broecker was appointed Managing Director following approval by the Central Bank of Ireland on the 26<sup>th</sup> June 2020 at which point the former Managing Director Massimiliano Sinagra resigned.

\*\* Lynda Carroll was appointed non-executive Director on the 27<sup>th</sup> February 2020.

# 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 2020 are prepared by UniCredit S.p.A., which incorporate the results of its subsidiary companies. The Group financial statements of UniCredit S.p.A. are available on the Group website: <https://www.unicreditgroup.eu>.

## 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 2020 amounted to €14.2 million (30 June 2019: €21.5 million).
- Interest income and similar revenues to 30 June 2020 amounted to €92.9 million (30 June 2019: €145.5 million).
- Interest expense and similar charges to 30 June 2020 amounted to €67.4 million (30 June 2019: €117.6 million).
- Net interest income to 30 June 2020 amounted to €25.5 million (30 June 2019: €27.9 million).
- Net impairments on financial assets of €8.4 million (30 June 2019: €0.6 million) have been recorded in the first half 2020. The Company applied updated macroeconomic scenarios in its Expected Credit Loss “ECL” modelling due to the impact of the COVID pandemic. This resulted in a higher Probability of Default “PD” being attributed to sovereign exposures and intercompany positions which led to an increase in net impairments compared to prior period.
- Total operating income to 30 June 2020 amounted to €35.0 million (30 June 2019: €35.7 million).

The most significant events and transactions for the 6 month financial period ended 30 June 2020 were the following:

- 1) Total assets in first half 2020 amounted to €12.0 billion, which was slightly lower than year end 2019 (€12.4 billion) mainly due to the combined effect of the maturity/sale of ca. €0.6 billion of securities and a reduction in the market value of the Company’s bond portfolio, offset by an increase in lending of ca. €0.2 billion. The majority of the Assets were “non-intercompany” as at 30 June 2020.  
Total liabilities also decreased since year end 2019 primarily due to the maturities of debt securities of ca. €1.5 billion, partially offset by new borrowing of ca. €1.2 billion.

Net interest income equal to €25.5 million is 8% (or €2.3 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 2020 ex-ante contribution to the Single Resolution Fund “SRF” levy, amounting to €4.3 million, has decreased compared to the 2019 levy (30 June 2019: €5.7 million). This decrease was mostly driven by a large decrease in total liabilities between 2017 (the 2019 SRF levy basis) and 2018 (the 2020 SRF levy basis). The levy has been fully paid and accounted as at 30 June 2020 in the ‘Other Administrative Expenses’ line.
- 3) The positive opening balance of the FVOCI Reserve €57.3 million fell to positive €25.1 million at the end of the first half 2020 mainly due to the spreads on Italian and Spanish sovereign bonds widening as a result of the COVID pandemic crisis.

Total Shareholders’ equity (issued capital, reserves and revaluation reserves) as of 30 June 2020 amounted to €2.3 billion substantially aligned with year-end 2019 figures.

As of 30 June 2020 the fully loaded CET1 was 120.5%; fully loaded meaning the calculation of the CET1 ratio after the expiry of the transitional provisions.

### **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 volatility caused by the uncertainty over the consequences of the COVID pandemic on the markets in which the Company operates;
- continuing uncertainty of the consequences of the United Kingdom’s exit from the EU, including the uncertainty over whether the Company’s key Central Counterparty (‘CCP’) for over-the-counter interest rate swaps, London Clearing House (‘LCH’), will retain market access to the EU in the event of a ‘hard’ post Brexit trade deal at the end of the transition period that is due to end 31 December 2020;
- 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 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 €32.2 million was approved by the Board on the 3<sup>rd</sup> February 2020 and paid on the 28<sup>th</sup> May 2020. In 2019 a distribution of reserves of €41.5 million was paid on the 21<sup>st</sup> May 2019.

### **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 2019 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.

### **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](http://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 2020 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 of 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 of two Independent non-executive Director and a Group Director.

### **Remuneration policy**

The Board has approved the Group HR Policy Framework to ensure that all employees are remunerated fairly and to align the business objectives of each Group Company with specific and measurable individual objectives and goals, the business strategy, objectives, and long-term interests of UniCredit 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 October 2019.

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

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

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

### **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 2020*

T. Doyle  
**Director**  
*31 July 2020*

B. Broeker  
**Managing Director**  
*31 July 2020*

L. Carroll  
**Director**  
*31 July 2020*

## **Interim Accounts**

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## Balance Sheet as at 30 June 2020

	Unaudited 30 June 2020	Audited 31 December 2019
	€'000	€'000
<b>Balance sheet - Assets</b>		
20 Financial assets at fair value through the profit and loss:		
a) financial assets held for trading	3,488	3,809
c) financial assets mandatorily at fair value	28,241	29,739
30 Financials assets at fair value through other comprehensive income	5,400,472	5,994,152
40 Financial assets at amortised cost:		
a) loans and receivables with Banks	2,725,358	2,525,877
b) loans and receivables with Customers	3,474,000	3,435,507
50 Hedging derivatives	28,096	33,824
60 Changes in fair value of portfolio hedged items (+/-)	366,604	331,274
80 Property, plant and equipment	2,732	2,799
90 Intangible assets	493	821
100 Tax assets		
a) current tax assets	1,198	722
b) deferred tax assets	-	-
120 Other assets	519	691
<b>Total Assets</b>	<b>12,031,201</b>	<b>12,359,215</b>
	Unaudited	Audited
	30 June 2020	31 December 2019
	€'000	€'000
<b>Balance sheet - Liabilities</b>		
10 Financial liabilities at amortised cost:		
a) deposits from banks	3,887,343	3,818,533
b) deposits from customers	4,724,128	3,525,107
c) debt securities in issue	433,734	1,943,191
d) other financial liabilities	2,453	2,423
20 Financial liabilities held for trading	6,584	5,002
40 Hedging derivatives	649,786	684,626
50 Changes in fair value of portfolio hedged items (+/-)	7,682	8,063
60 Tax liabilities		
a) current tax liabilities	-	-
b) deferred tax liabilities	4,010	8,610
80 Other liabilities	6,632	4,551
<b>Total Liabilities</b>	<b>9,722,352</b>	<b>10,000,106</b>
	Unaudited	Audited
	30 June 2020	31 December 2019
	€'000	€'000
<b>Balance sheet – Shareholders' equity</b>		
110 Revaluation reserves through the OCI	25,121	57,327
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	159,442	168,717
d) Distribution of reserve / Dividend paid	(32,225)	(41,500)
180 Net profit for the financial period	14,171	32,225
160 Issued capital	1,343,119	1,343,119
<b>Total Shareholders' Equity</b>	<b>2,308,849</b>	<b>2,359,109</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,031,201</b>	<b>12,359,215</b>

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 2020*

T. Doyle  
**Director**  
*31 July 2020*

B. Broeker  
**Managing Director**  
*31 July 2020*

L. Carroll  
**Director**  
*31 July 2020*

## Income Statement

Financial Period Ended 30 June 2020

	Unaudited 30 June 2020	Unaudited 30 June 2019
	€'000	€'000
<b>Items – Part D</b>		
10 Interest income and similar revenues	92,907	145,461
20 Interest expense and similar charges	(67,393)	(117,603)
<b>30 Net Interest Income</b>	<b>25,514</b>	<b>27,858</b>
40 Fee and commission income	-	-
50 Fee and commission expense	(2,153)	(3,852)
<b>60 Net fees and commissions</b>	<b>(2,153)</b>	<b>(3,852)</b>
80 Gains and (Losses) on financial assets and liabilities held for trading	129	1,581
90 Fair Value adjustments in hedge accounting	(79)	(500)
100 Gains/(losses) on disposal of:		
a) financial assets at amortised cost	3,709	933
b) financials assets at fair value through other comprehensive income	9,129	9,883
c) financial liabilities at amortised cost	255	5
110 Gains/(losses) on:		
a) financial assets/liabilities designated at fair value through profit or loss	-	-
b) financial assets mandatory at fair value	(1,508)	(182)
<b>120 Total operating income</b>	<b>34,996</b>	<b>35,726</b>
130 Impairment (provisions)/write-back on:		
b) financial assets at amortised cost	(5,129)	(362)
a) financial assets at fair value through other comprehensive income	(3,225)	(195)
<b>150 Net profit from financial activities</b>	<b>26,642</b>	<b>35,169</b>
160 Administrative costs		
a) Staff expenses	(3,380)	(1,899)
b) Other administrative expenses	(6,519)	(8,148)
170 Provisions for Risks and Charges	-	-
180 Depreciation on property, plant and equipment	(229)	(204)
190 Amortisation of intangible assets	(397)	(428)
200 Other operating income	78	118
<b>210 Operating costs</b>	<b>(10,447)</b>	<b>(10,561)</b>
Gains (losses) on disposal of property, plant and equipment and intangible assets measured at fair value	-	(1)
<b>260 Profit before tax from continuing operations</b>	<b>16,195</b>	<b>24,607</b>
270 Tax expense related to profit from continuing operations	(2,024)	(3,076)
<b>300 Profit for the financial period (all attributable to shareholders)</b>	<b>14,171</b>	<b>21,531</b>

## Statement of Other Comprehensive Income

Financial Period Ended 30 June 2020

	Unaudited 30 June 2020	Unaudited 30 June 2019
	€'000	€'000
<b>10 Profit for the financial period</b>	<b>14,171</b>	<b>21,531</b>
Other comprehensive income after tax		
<b>140 Financial assets at fair value through Other Comprehensive Income</b>		
- Net change in fair value	(32,206)	20,652
<b>170 Total of other comprehensive income after tax</b>	<b>(32,206)</b>	<b>20,652</b>
<b>180 Total comprehensive income after tax</b>	<b>(18,035)</b>	<b>42,183</b>

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 2020

	Share capital	Capital contribution	Other un- denominated capital	OCI reserve	Profit and Loss account	Total
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Opening balances at 1 January 2020</b>	<b>1,343,119</b>	<b>753,419</b>	<b>45,802</b>	<b>57,327</b>	<b>159,442</b>	<b>2,359,109</b>
Profit attributable to the equity shareholders	-	-	-	-	14,171	14,171
<b>Other comprehensive income</b>						
Change in fair value through other comprehensive income of financial assets						
- other comprehensive income financial assets	-	-	-	(42,869)	-	(42,869)
- hedge	-	-	-	6,062	-	6,062
Cash flow hedges:						
- Effective portion of changes in fair value	-	-	-	-	-	-
- Net amount transferred to profit or loss	-	-	-	-	-	-
Movement in deferred tax	-	-	-	4,601	-	4,601
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,206)</b>	<b>-</b>	<b>(32,206)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,206)</b>	<b>14,171</b>	<b>(18,035)</b>
Distribution of reserves	-	-	-	-	(32,225)	(32,225)
<b>Closing balances as at 30 June 2020</b>	<b>1,343,119</b>	<b>753,419</b>	<b>45,802</b>	<b>25,121</b>	<b>141,388</b>	<b>2,308,849</b>

## Statement of Changes in Shareholders' Equity

Financial Year Ended 31 December 2019

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

## Cash Flow Statement (indirect method)

Financial Period Ended 30 June 2020 and Financial Year Ended 31 December 2019

	30 June 2020	31 December 2019
	€'000	€'000
<b>A. Operating Activities</b>		
<b>1. Operations</b>	<b>24,133</b>	<b>30,825</b>
- profit for the financial year	14,171	32,225
- fair value losses/(gains) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss and financial assets mandatory at fair value	1,379	798
- capital (gains)/losses on hedging operations (+/-)	79	429
- net write-backs due to impairment (+/-)	8,354	(3,033)
- net write-offs on tangible and intangible assets (+/-)	626	1,259
- tax paid (+/-)	(2,500)	(5,500)
- Add back tax charge for the financial year	2,024	4,647
<b>2. Liquidity generated/absorbed by financial assets</b>	<b>171,354</b>	<b>2,497,422</b>
- financial assets held for trading	450	(2,728)
- financial assets mandatory at fair value	(10)	18,931
- financial assets at fair value through other comprehensive income	590,455	2,153,733
- loans and receivables with banks	(271,848)	2,044,203
- loans and receivables with customers	(117,709)	(1,721,452)
- other assets	(29,984)	4,736
<b>3. Liquidity generated/absorbed by financial liabilities</b>	<b>1,200,386</b>	<b>(2,232,018)</b>
- deposits from banks	68,810	(2,123,927)
- deposits from customers	1,199,021	(105,650)
- financial liabilities held for trading	1,582	3,684
- other liabilities	(69,027)	(6,125)
<b>Net liquidity generated/absorbed by operating activities</b>	<b>1,395,873</b>	<b>296,229</b>
<b>B. Investment Activities</b>		
<b>1. Net Liquidity by:</b>		
- purchases of tangible assets	(229)	(513)
- purchases of intangible assets	(397)	(215)
<b>Net liquidity generated/absorbed by investment activities</b>	<b>(625)</b>	<b>(728)</b>
<b>C. Financing Activities</b>		
- debt certificates including bonds	(1,509,457)	(205,629)
of which: related to non-cashflow changes	5,336	521
- lease liabilities	(20)	(42)
- distribution to Parent Company	(32,225)	(41,500)
<b>Net liquidity generated/absorbed by financing activities</b>	<b>(1,541,702)</b>	<b>(247,171)</b>
<b>Increase/Decrease in cash and cash equivalents</b>	<b>(146,454)</b>	<b>48,330</b>
Cash and cash equivalents at 1 January	399,925	351,595
Cash flow	(146,454)	48,330
<b>Cash and cash equivalents at 31 December</b>	<b>253,471</b>	<b>399,925</b>

KEY: (+) generated; (-) absorbed



## Cash Flow Statement (indirect method) (continued)

Financial Period Ended 30 June 2020

<b>Reconciliation of Cash and Cash Equivalents</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>€'000</b>	<b>€'000</b>
Cash and cash balances	-	-
Deposit and current accounts with banks	51,754	122,092
Deposits with customers	201,717	277,833
<b>Cash and cash equivalents at 30 June and 31 December</b>	<b>253,471</b>	<b>399,925</b>
<b>Included in operating activities are the following:</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>€'000</b>	<b>€'000</b>
Interest received	115,886	294,118
Interest paid	71,948	240,444

# 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 2020.

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 2019 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 2019 annual report.

The Directors have considered all other standards and pronouncements newly effective for the financial period ended 30 June 2020 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 2020 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 2020 does not constitute the statutory financial statements of the Company;
- the statutory financial statements for the financial year ended 31 December 2019 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 2019 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 2020 €,000	Coporate Centre 30 June 2020 €,000	30 June 2020 Total €,000
Net Interest Income	29,721	(4,208)	25,514
Net Fees and Commissions	(680)	(1,473)	(2,153)
Trading Income	13,245	(1,611)	11,634
Other Operating Income	-	78	78
<b>Total Revenues</b>	<b>42,287</b>	<b>(7,214)</b>	<b>35,072</b>

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

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
<b>Total Revenues</b>	<b>41,984</b>	<b>(6,258)</b>	<b>35,726</b>

\* 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

<b>Assets measured at fair value</b>	Level 1 €'000 30 June 2020	Level 2 €'000 30 June 2020	Level 3 €'000 30 June 2020	Total €'000 30 June 2020
10 Cash and Cash Balances	-	-	-	-
20 Financial assets at fair value through the profit and loss:				
a) financial assets held for trading*		3,488	-	3,488
c) financial assets mandatory at fair value*	-	28,241	-	28,241
30 Financials assets at fair value through other comprehensive income*	5,384,013	16,459	-	5,400,472
40 Financial assets at amortised cost:				
a) loans and receivables with Banks	-	2,560,131	-	2,560,131
b) loans and receivables with Customers	2,881,556	852,307	-	3,733,863
50 Hedging derivatives*	-	28,096	-	28,096
<b>Total</b>	<b>8,265,569</b>	<b>3,488,721</b>	<b>-</b>	<b>11,754,291</b>
<b>Liabilities measured at fair value</b>	Level 1 €'000 30 June 2020	Level 2 €'000 30 June 2020	Level 3 €'000 30 June 2020	Total €'000 30 June 2020
10 Financial liabilities at amortised cost:				
a) deposits from banks	-	3,890,186	-	3,890,186
b) deposits from customers	-	4,725,068	-	4,725,068
c) debt securities in issue	-	446,440	-	446,440
20 Financial liabilities held for trading*	-	6,584	-	6,584
40 Hedging derivatives*	-	649,786	-	649,786
<b>Total</b>	<b>-</b>	<b>9,718,064</b>	<b>-</b>	<b>9,718,064</b>

\*Measured at Fair Value on the Statement of Financial Position

### Fair Value Disclosure by Valuation Hierarchy Level

<b>Assets measured at fair value</b>	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
<b>Total</b>	<b>8,219,634</b>	<b>5,844,893</b>	<b>-</b>	<b>14,064,527</b>
<b>Liabilities measured at fair value</b>	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
<b>Total</b>	<b>-</b>	<b>12,117,717</b>	<b>-</b>	<b>12,117,717</b>

\*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 2020.

### ***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 2019 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 2020.