MEDIOBANCA INTERNATIONAL
(LUXEMBOURG) S.A.
A wholly-owned subsidiary of Mediobanca Group

Interim Report
for the six months ended December 31, 2011

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00
HEAD OFFICE: 14, BOULEVARD ROOSEVELT – L-2450 LUXEMBOURG

www.mediobancaint.lu

BOARD OF DIRECTORS

		Term expires	Location
MASSIMO DI CARLO	CHAIRMAN	2014	ITALY
LUCA MACCARI	MANAGING DIRECTOR	2014	LUXEMBOURG
PETER W. GERRARD	»	2014	LUXEMBOURG
DANIEL CARDON DE LICHTBUER	DIRECTOR	2014	BELGIUM
STEFANO PELLEGRINO	»	2014	ITALY
SILVIO PERAZZINI	»	2014	ITALY
FEDERICO POTSIOS	»	2014	ITALY
ALEX SCHMITT	»	2014	LUXEMBOURG

LEGAL ADVISOR

BONN & SCHMITT LUXEMBOURG

APPROVED STATUTORY AUDITOR

ERNST & YOUNG S.A. LUXEMBOURG

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Mediobanca International (Luxembourg) S.A.
Head Office: 14, Boulevard Roosevelt, L-2450 Luxembourg
Mediobanca Banking Group
Share capital: € 10,000,000 fully paid up

FINANCIAL SITUATION AT 31 DECEMBER 2011
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The Bank's results for the six months under review show a net profit of €15,1m (31/12/10: €18,3m). This decline reflects a substantially stable total income, from €23,6m to €23,9m against an increase of operating costs from € 2,4m to €4,9m. Main income items performed as follows:

- Interest income shows an increase of 14,8%, from €14,2m to €16,2m, involving in particular the area of corporate and investment banking (CIB) due to a combination of higher gross returns and reduced funding costs linked to a better mix of sources;
- net fee and commission income decrease by 32%, from €9,3m to €6,3m, due to a drop in loan disbursement.

On the balance-sheet side, loan and advances to customers decreased from €3.863m as at 30/06/11 to €3.555m as a result both of the sluggish demand and the prudential policy due to the uncertainty about the economic and financial scenario. Notes worth a total of €414m from €105m (1H11) were issued against the Bank's Issuance Programme and €833m from €2.172m (1H11) were issued against its Short Term Programme.

Significant events that have taken place during the six months under review include:

- In October 2011 Moody's cuts its rating on Italy to A2 from Aa2, citing weak growth prospects and increasing difficulties to slash its debt. The downgrade has implied a heavier weighting factor for the exposures towards Italian entities with consequent deterioration of the solvency ratio; the Bank opted for a capital increase in the form of a subordinated debt which has been finalized on the 30th December 2011;
- During the 2011 the EU published some drafts of the CRD IV, a major package of reforms to the EU's capital requirements regime for credit institutions and investment firms. CRD IV will recast and replace the existing Capital Requirements Directive (2006/48/EC and 2006/49/EC) with a new directive and regulation, sometimes referred to as the Capital Requirements Regulation (CRR). CRD IV will implement in the EU the key Basel III reforms agreed in December 2010. These include amendments to the definition of capital and counterparty credit risk and the introduction of a leverage ratio and liquidity requirements.
- On 26 October 2011 the EBA proposed a capital package or "capital exercise" that requires Banks to build up additional capital buffers to reach a level of 9% Core Tier 1 ratio by the end of June 2012, after the removal of the prudential filters on sovereign assets in the Available-for-Sale portfolio and prudent valuation of sovereign debt in the Held-to-Maturity and Loans and receivables portfolio, reflecting current market prices. The objective of the capital exercise is to create an exceptional and temporary capital buffer to address current market concerns over sovereign risk. This buffer would explicitly not be designed to cover losses in sovereigns but to provide a reassurance to markets about banks' ability to withstand a range of shocks and still maintain adequate capital. The Mediobanca's Group is not part of the sample of 70 banks already included in the 2011 EU-wide stress test.
- The Foreign Account Tax Compliance Act (FATCA), enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act, is an important development in U.S. efforts to combat tax evasion by U.S. persons holding investments in offshore accounts. Under FATCA, U.S. taxpayers holding financial assets outside the United States will report those assets to the IRS. In addition, FATCA will require foreign financial institutions to report directly to the IRS

certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. However the FATCA law brings problems to financial players worldwide due to its very broad scope and close timeline for implementation (with an effective date of 1 January 2013). The first round of reporting must be made by 30 September 2014 setting out details of specified US persons with respect to identified US accounts. Withholding on US source payments will commence on 1 January 2014. Withholding on all “withholdable payments” will begin on 1 January 2015.

OUTLOOK AND FORECAST

The global economy is at a very difficult juncture. The financial system of the largest economic bloc in the world is threatened by a fiscal and financial crisis that has so far eluded policymakers’ efforts to contain it. The protracted sovereign-debt crisis has taken its toll on confidence affecting investment and consumption. A worsening external economic environment has stalled exports, and the necessary fiscal consolidation is simultaneously restraining domestic demand. The greatest challenge for the global economy in this slow growth environment is to raise productivity without losing job opportunities; the first signs of improvements for GDP are projected only for the second half of 2012; however, this recovery is expected to have a very limited impact on job creation. Continued uncertainty in financial markets relating to the sustainability of public finances in some euro-area economies as well as fears of contagion affecting the core euro-area countries will contribute to subdued growth. According to EU’s forecast, the debt-to-GDP ratio will peak in the EU at around 85% in 2012, and stabilise in 2013. In the euro area, however, the debt ratio will continue to rise slowly and exceed 90% of GDP in 2012.

The main risks the Bank identifies for the coming months are the same that weigh the global economy and the EU economy in particular:

- **continued sovereign-debt-related uncertainty**: In the current economic context, the risk that markets lose confidence in the ability of one or more high-income Countries to repay their debt is very real. The OECD (2012) estimates that high-income countries will need to borrow $10.5 trillion in 2012 (almost twice their borrowing levels in 2005). Moreover, almost 44 percent of the debt in the OECD is relatively short-term debt, meaning that borrowers will have to come repeatedly to the market. Ratings agencies have warned of further downgrades, and although reforms to date have been greeted positively, markets are requiring a significant premium on the debt issues of stressed economies.
- **weakness of the financial industry**: there are uncertainties whether Banks will be able to raise sufficient capital to offset losses from the marking-to-market of their sovereign debt holdings and satisfy increased capital adequacy ratios. In late October the European Banking Authority (EBA) announced new regulations requiring banks to revalue their sovereign bond holdings at the market value of September 2011. The EBA estimates that this mark-to-market exercise will reduce European banks’ capital by €115 billion. In addition, the banks are required to raise their tier1 capital holdings to 9 percent of their risk-weighted loan books. Banks are to meet these new requirements by end of June 2012 and are under strong guidance to do this by raising equity, and selling noncore assets. Banks are being actively discouraged from deleveraging by reducing short-term loan exposures (including trade finance) or loans to small and medium-size enterprises.
- **sluggish world trade**: in particular within the Euro Area, industrial production declined at a 2.2 percent annualized rate during the 3 months ending October 2011 (-4.7 percent saar through November if construction is excluded), and had been declining since June. Declining commodity prices and inflation are further indicators of the real-side effects of recent turmoil. Fluctuations in the business cycle and external factors such as commodity prices can have a significant impact on a country’s fiscal position; in developing countries in particular, tax revenues vary significantly with the business cycle.

These three main risks are strictly connected and there is a possibility of negative dynamics: slower growth could affect sovereign debtors and this, in turn, could deteriorate the condition of the financial sector, which would be unable to support growth.

Despite the significant measures that have been taken, the possibility of a further escalation of the crisis in Europe cannot be ruled out. Should this happen, the ensuing global downturn is likely to be deeper and longer-lasting than the recession of 2008/2009 because countries do not have the fiscal and monetary space to stimulate the global economy or support the financial system to the same degree as they did in 2008/09. While developing countries are in better shape than high-income countries, they too have fewer resources available (especially if international capital is not available to support deficit spending). On the other hand an earlier-than-expected return of confidence could jump-start investment and private consumption. Moreover, an improvement in the external environment such as resumption in global growth, could give new impetus to EU exports. Declining commodity prices would also contribute to more dynamic consumption.
In this current macroeconomic scenario the intention of the Bank is to proceed with its extremely prudential investing policy remaining focused on capital strengthening. Continued sovereign debt uncertainty, and the possibility of further downgrade of Italy's sovereign rating, could affect the risk-weighted loan books with particular reference to the credit exposure with the Parent company.
Further risks (in particular interest rates and forex risks) should not affect the business in a short term perspective since the Bank has already put in place efficient hedging strategies.

RESTATED PROFIT AND LOSS ACCOUNT

Profit and loss account has been restated in the customary way to provide the most accurate reflection of the Bank's operations.

	6 mths to 31/12/2011	6 mths to 31/12/2010	Chg.
	€m	€m	%
Net interest income	16,2	14,2	14,8%
Net trading income	1,4	0,1	1300,0%
Net fee and commission income	6,3	9,3	-32,3%
TOTAL INCOME	**23,9**	**23,6**	**1,3%**
Wages and salaries	-0,4	-0,5	-20,0%
Other administrative expenses	-4,5	-1,9	136,8%
OPERATING COST	**-4,9**	**-2,4**	**-104,1%**
Loans impairment	-0,3	0,2	-250,0%
Provisions for other financial assets	-0,1	-0,1	0,0%
Other profit (losses)	-	-	-
PROFIT BEFORE TAX	**18,6**	**21,2**	**-12,3%**
Fiscal provision	-3,5	-2,9	20,7%
NET PROFIT	**15,1**	**18,3**	**-17,5%**

Net interest income – this item rose by 14,8%, from €14,2m to €16,2m due to increasing spreads realized on the structured finance and corporate lending's activity. During the six months under review the Bank has observed a slightly reduction in the outstanding of lending operations, increasing gross spreads on loans and advances to customers and lower cost of funding mainly due to a more balanced mix between short and long term products.

Net trading income – this heading is made up of € 1,4m (€ 0,1m): dealing profits are € 505,7m (€ 0,7m) mainly realized on unwind of funded derivative transactions which has followed the restructuring of certain structured Notes issued by the Bank and formerly hedged using funded swaps negotiated with the Parent Company; -€ 504,2m (-€ 3,8m) reflect unrealized mark-to-market valuations of financial instruments and is mainly a consequence of the mentioned restructuring; while -€ 0,1m (€ 3,0m) reflect the net result of the Bank's forex exposure.

	6 mths to 31/12/2011	6 mths to 31/12/2010
	€m	€m
Dealing profits	505,7	0,7
Mark to market as at reporting date	-504,2	-3,8
Forex	-0,1	3,0
NET TRADING INCOME	**1,4**	**0,1**

Net fee and commission income – this item, mainly driven by corporate lending, decrease by 32% from € 9,3m to € 6,3m due to a slowdown in contribution given by lending transactions (down 33% from € 8,4m to € 5,6m). A downward trend is recorded also on commissions realized on capital market transactions (down 22%, from € 0,9m to € 0,7m).

	6 mths to 31/12/2011	6 mths to 31/12/2010	Chg.
	€ m	€ m	%
Net lending fees:	5,6	8,4	-33,3%
- Loans and advances rec (+)	*12,0*	*23,8*	-49,6%
- Loans and advances pay (-)	*-5,2*	*-14,2*	-63,4%
- Guarantees given rec (+)	*0,6*	*0,4*	50,0%
- Guarantees received pay (-)	*-1,8*	*-1,6*	12,5%
Other fees (+)	0,7	0,9	-22,2%
Other fees (-)	0,0	0,0	0,0%
Net fee income	6,3	9,3	-32,3%

Operating costs – this item rose by 104%, from € 2,4m to € 4,9m, due to the revision and renewal of service agreements with the Parent Bank; its components have performed as follows:
- wages and salaries totaled € 0,4m (€ 0,5m), during the fiscal year the staff number remained stable;
- other costs amounting to € 4,5m (€ 1,9m) reflect the mentioned renegotiation of contracts and service agreements which has been carried out during the last exercise.

Impairment of loans and advances – from a positive impact of € 0,2m the Bank has registered a negative impact of € 0,3m which mainly reflects a decrease in some corporate ratings of the borrowers. The direct credit risk's in terms of cash exposure, excluding financial guarantees and commitments, passed from € 442,6m as at 30/06/11 to € 445,2m; the majority of loans and advances remains covered by financial guarantees issued by the Parent Bank or public Agencies.

RESTATED BALANCE SHEET

	31/12/2011	30/06/2011	Chg.
	€m	€m	%
Net treasury investments	59,2	-308,2	-119,2%
Loans and advances	4.724,0	4.080,9	15,7%
Tangible and intangible assets	-	-	-
Equity investments	4,1	-	-
Other assets	10,4	9,1	15,6%
TOTAL ASSETS	**4.797,7**	**3.781,8**	**26,9%**
Funding	4.489,90	3.499,80	28,3%
of which: debt securities in issue	*1.689,60*	*1.553,30*	*8,8%*
Other liabilities	39,6	40	-1,0%
of which: tax liabilities	*29,4*	*30,8*	*-4,5%*
Net equity	202,6	166,5	21,7%
Subordinated debt	50,5	39,3	28,5%
Profit	15,1	36,2	-58,3%
TOTAL LIABILITIES	**4.797,7**	**3.781,8**	**26,9%**

Net treasury investments – the item increases from -€ 308,2m to € 59,2m and includes:

- financial assets held for trading which decrease by 86% from € 936,4m to € 133,4m, due to the redemption of fixed income securities and the unwind of derivatives products registered in connection with the restructuring of several financial structures owned by the Bank;
- net application in treasury funds such as repos, time deposits, etc. which decrease from -€ 2.483,6m to -€ 38,4m due to the fall of medium term funding time deposits with credit institutions which passes from -€ 1.052m to -€ 70m;
- negative value adjustments to derivative contracts which increase from -€ 221,3m to -€ 287,2m.

Loans and advances – this item increased compared to the end of the fiscal year 2011 and has registered a 15,8% growth from € 4.080 to € 4.724m. Credit strategy is managed as part of the broader ALM process; the portfolio is constantly analyzed in order to maintain the accurate balance in terms of risks' exposure. Specific reports are generated and reviewed by management to ensure the achievement and the control of the Bank's loan strategy which is constantly focused on long term credit performance and total return. The goal is adding value through a disciplined approach to credit selection by investing in best risk-weighted opportunities and maintaining the right balance in terms of exposure to markets, geographical areas, industrial sectors, ratings and currencies.
Most of loans are covered by financial guarantees issued by the Parent Bank or public Agencies, while at the reporting date the Bank has a direct credit exposure in terms of cash and amounts disbursed for € 445,2m.
In a scenario that remains challenging non performing loans decrease from € 89m to € 82m representing 2% of total loans.

Other assets – this item increased from € 9,0m to € 10,4m in connection with higher tax advances paid by the Bank following the assessments of the tax Authority.

Funding – this item increases from € 3.539m to € 4.540m mainly driven by the increase registered in long term funding debt securities (which passes from € 1.354,8m to € 1.751,8m), in loans due to Banks which rose from € 1.926,6m to € 2.063,8m and in short term overdraft on current accounts (which passes from €0,05m to € 295,8m). The variation has been partially offset by the decrease registered in short term funding Commercial Papers and French Cd which passes from € 282,2m to € 136,6m.

Other liabilities – this item is stable from € 40,0m to € 39,6m and is mainly composed by the current fiscal liabilities.

Tier2 Capital - A capital increase in the form of subordinated debt has been finalized on 30th December 2011. The Tier2 capital rose from € 39,2m to 50,0m.

pp. BOARD OF DIRECTORS
CHAIRMAN
(Mr. M. Di Carlo)

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the interim accounts of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the "Bank") give a true and fair view of the assets, liabilities, financial position and profit and loss of the Bank in accordance with applicable accounting standards. The Directors' report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the period ended 31 December 2011.

Luxembourg, 10 February 2012

The Board of Directors

Massimo Di Carlo	Luca Maccari	Peter W Gerrard
Silvio Perazzini	Stefano Pellegrino	Federico Potsios
Daniel Cardon de Lichtbuer	Alex Schmitt	

INTERIM ACCOUNTS (*)

(*) limited review audit procedures have been performed by the Indipendent Auditing Firm Ernst & Young S.A.

BALANCE SHEET

	Assets	31/12/2011	30/06/2011
		€	€
10.	Cash and cash balances with Central Banks	17.416.412	17.071.978
20.	Financial assets held for trading	384.853.084	934.375.173
60.	Loans and advances to Credit Institutions (*)	1.811.940.914	779.578.841
70.	Loans and advances to Customers (*)	3.554.864.891	3.862.849.113
80.	Hedging derivatives	201.578.648	95.311.388
100.	Equity investments	4.150.000	2.008
120.	Property, plant and equipment	1.376	-
130.	Tax assets	-	-
	a) current	-	-
	b) deferred	-	-
150.	Other assets	6.996.982	9.224.710
	TOTAL ASSETS	**5.981.802.307**	**5.698.413.211**

	Liabilities and equity	31/12/2011	30/06/2011
		€	€
10.	Amounts due to Credit Institutions (*)	2.494.486.042	3.053.042.231
20.	Amounts due to Customers (*)	1.036.400.049	529.735.048
30.	Debt securities in issue	1.888.482.047	1.636.965.273
40.	Trading liabilities	287.060.075	218.427.347
60.	Hedging derivatives	21.306.321	16.193.251
80.	Tax liabilities	26.019.192	28.865.079
	a) current	*25.155.192*	*28.001.079*
	b) deferred	*864.000*	*864.000*
100.	Other liabilities	10.368.064	12.561.982
160.	Reserves	192.623.000	156.518.524
190.	Share capital	10.000.000	10.000.000
200.	Profit of the period	15.057.517	36.104.476
	TOTAL LIABILITIES AND EQUITY	**5.981.802.307**	**5.698.413.211**

(*) June figures have been reclassified to conform with changes to the current year's presentation for comparative purpose; for details please refer to Part A – Section 4 - Reclassifications of prior year figures.

STATEMENT OF COMPREHENSIVE INCOME

	CAPTION	31/12/2011	31/12/2010
		€	**€**
010.	Interests receivable and similar income	79.738.657	68.455.343
020.	Interests payable and similar charges	-70.127.839	-53.113.817
030.	**Net interest income**	**9.610.818**	**15.341.526**
040.	Fee and commission income	13.353.693	24.820.863
050.	Fee and commission expense	-7.033.011	-15.790.925
060.	**Net fee and commission income**	**6.320.682**	**9.029.938**
080.	Net trading income/expense	8.397.316	-1.588.276
090.	Net hedging income/expense	-137.782	-73.943
100.	Gain or loss on disposal or repurchase of:	-272.397	517.755
	a) loans and receivables	-	-
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) financial liabilities	*-272.397*	*517.755*
120.	**Total income**	**23.918.637**	**23.227.000**
130.	Value adjustments in respect of:	-446.263	106.270
	a) loans and receivables	*-325.100*	*245.392*
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) other financial operations	*-121.163*	*-139.122*
140.	**Net income from the financial management**	**23.472.374**	**23.333.270**
180.	Administrative expenses:	-4.875.646	-2.424.923
	a) personnel costs	*-459.959*	*-530.630*
	b) other administrative expenses	*-4.415.687*	*-1.894.293*
200.	Value adjustments in respect of tangible assets	-633	-732
220.	Other operating income/expense	17.424	335.079
280.	**Profit (loss) of the ordinary activity before tax**	**18.613.519**	**21.242.694**
290.	Income tax on the ordinary activity	-3.556.002	-2.948.893
340.	**Profit (loss) for the year**	**15.057.517**	**18.293.801**
350.	Other comprehensive income, net of tax	-	-
360.	**Total comprehensive income for the year, net of tax**	**15.057.517**	**18.293.801**

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2011 TO 31/12/2011 (in €)

	Balance as of June 30, 2011	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2011
				Changes to valuation reserves	Transactions involving equity			Profit (loss) of the period	
		Reserves	Dividends and other fund applications		New shares issued	Treasury shares derivatives	Stock options and others		
Share capital	**10.000.000**	-	-	-	-	-	-	-	**10.000.000**
a) ordinary shares	10.000.000	-	-	-	-	-	-	-	10.000.000
b) other shares	-	-	-	-	-	-	-	-	-
Profit brought forward	-	-	-	-	-	-	-	-	-
Reserves	**156.518.524**	**36.104.476**	-	-	-	-	-	-	**192.623.000**
a) legal reserve	1.000.000	-	-	-	-	-	-	-	1.000.000
b) free reserve	143.089.774	31.904.476	-	-	-	-	-	-	174.994.250
c) special reserve[1]	12.211.750	4.200.000	-	-	-	-	-	-	16.411.750
d) FTA reserve	217.000	-	-	-	-	-	-	-	217.000
Valuation reserves	-	-	-	-	-	-	-	-	-
a) AFS securities	-	-	-	-	-	-	-	-	-
b) cash flow hedges	-	-	-	-	-	-	-	-	-
c) special laws – others	-	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-
Comprehensive income of the period	**36.104.476**	**-36.104.476**	-	-	-	-	-	**15.057.517**	**15.057.517**
Total equity	**202.623.000**	-	-	-	-	-	-	**15.057.517**	**217.680.517**

[1] As of 31 December 2011 and 2010 the Bank has opted for the exoneration of the net wealth tax charge provided that the following conditions have been respected:
- A reserve equivalent to 5 times the net wealth tax charge is recorded following the decision of the Shareholders meeting;
- The reserve will be maintained for a period at least of five years.

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2010 TO 31/12/2010 (in €)

	Balance as of June 30, 2010	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2010
					Transactions involving equity				
		Reserves	Dividends and other fund applications	Changes to valuation reserves	New shares issued	Treasury shares derivatives	Stock options and others	Profit (loss) of the period	
Share capital	**10.000.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.000.000**
a) ordinary shares	10.000.000	-	-	-	-	-	-	-	10.000.000
b) other shares	-	-	-	-	-	-	-	-	-
Profit brought forward	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**121.226.578**	**35.291.946**	**-**	**-**	**-**	**-**	**-**	**-**	**156.518.524**
a) legal reserve	1.000.000	-	-	-	-	-	-	-	1.000.000
b) free reserve	111.047.828	32.041.946	-	-	-	-	-	-	143.089.774
c) special reserve[1]	8.961.750	3.250.000	-	-	-	-	-	-	12.211.750
d) FTA reserve	217.000	-	-	-	-	-	-	-	217.000
Valuation reserves	-	-	-	-	-	-	-	-	-
a) AFS securities	-	-	-	-	-	-	-	-	-
b) cash flow hedges	-	-	-	-	-	-	-	-	-
c) special laws – others	-	-	-	-	-	-	-	-	-
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income of the period	**35.291.946**	**-35.291.946**	**-**	**-**	**-**	**-**	**-**	**18.293.801**	**18.293.801**
Total equity	**166.518.524**	**-**	**-**	**-**	**-**	**-**	**-**	**18.293.801**	**184.812.325**

[1] As of 31 December 2009 and 2010 the Bank has opted for the exoneration of the net wealth tax charge provided that the following conditions have been respected:
- A reserve equivalent to 5 times the net wealth tax charge is recorded following the decision of the Shareholders meeting;
- The reserve will be maintained for a period at least of five years.

CASH FLOW STATEMENT
(Amount expressed in € k)

		Amount	
A.	**Cash flow from operating activities**	**31/12/2011**	**31/12/2010**
1.	**Operating activities**	**31.838**	**584.567**
	– interest received	105.136	744.531
	– interest paid	-65.391	-165.061
	– net fee and commission received/paid	4.625	8.691
	– cash payments to employees	-266	-388
	– other income (expenses)	-12.266	-3.206
2.	**Cash generated/absorbed by financial assets**	**267.281**	**431.672**
	– amounts due from customers	401.097	-484.145
	– amounts due from banks: on demand	76	724.508
	– amounts due from banks: other	-816.055	89.526
	– other assets	682.163	101.783
3.	**Cash generated/absorbed by financial liabilities**	**-305.717**	**-1.016.239**
	– amounts due to banks: on demand	884	-625.247
	– amounts due to banks: other	-1.001.132	-2.528
	– amounts due to clients	471.428	48.473
	– debt securities in issue	212.703	-370.204
	– other liabilities	10.400	-66.733
	Net cash flow (outflow) from operating activities	**-6.598**	**-**
B.	**Cash flow from investing activities**		
	– acquisitions/disposals of tangible assets	-	-
	– acquisitions/disposals of intangible assets	-	-
	– acquisitions/disposals of subsidiaries or business units	-4.150	-
	Net cash flow (outflow) from investing activities	**-4.150**	**-**
C.	**Financing activities**		
	– issues/purchases of subordinated debts and other equity instruments	10.750	-
	Net cash flow (outflow) from financing activities	**10.750**	**-**
	Net cash flow (outflow) during year	**2**	**-**

RECONCILIATION	**Amount**	
	31/12/2011	**31/12/2010**
Cash and cash equivalents: balance at 1 July	-	1
Total cash flow (outflow) during year	2	-
Cash and cash equivalents: exchange rate effect	-	-
Cash and cash equivalents: balance at 31 December	2	1

NOTES TO THE INTERIM ACCOUNTS

PART A – ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Bank's interim accounts for the period ended 31 December 2011 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) issued by the International Accounting Standards Board (IASB) which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002.

The abridged interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

Section 2

General principles

The interim accounts comprise:

– balance sheet;
– statement of comprehensive income;
– statement of changes in equity;
– cash flow statement (direct method);
– notes to the annual accounts.

Balance sheet and statement of changes in equity have been compared with figures as at June 30, 2011 while the statement of comprehensive income and the cash flow statement are compared with the corresponding figures for the first half of the previous exercise.

This first half financial report is subject to a limited audit of the accounts by Ernst & Young S.A.

Section 3

Basis of preparation

The interim accounts are prepared on the historical cost basis except for financial instruments held for trading, for derivatives concluded for hedging purposes, which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The balance sheet, statement of comprehensive income and the statement of changes in equity are presented in Euro (€). Cash flow statement and notes to the interim accounts are presented in € k unless otherwise stated.

The preparation of interim accounts in accordance with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Section 4

Accounting policies

The same accounting policies and methods of computation have been followed in the interim financial statement as compared with the annual accounts except for the accounting treatment of transferred assets (refer to the paragraph "reclassification of prior year figures").

At the reporting date the Bank has entered into the following new transactions:

Repurchase agreements and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position as assets pledged as collateral.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held–for–trading' and measured at fair value with any gains or losses included in 'Net trading income'.

Equity investments

The Bank considers as equity investments:

– subsidiaries, defined as companies where the Bank has the power to govern the financial and operating policies so as to obtain benefits from its activities;

– associates, defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;

– jointly-controlled companies;

– other investments of negligible value.

Equity investments at the interim date consist of a subsidiary fully owned by the Bank and initially accounted at cost and adjusted thereafter. Generally stated cost includes the purchase price and other costs directly attributable to the acquisition or issuance of the asset. Where there is objective evidence that the value of the investment may be impaired, estimates are made of its current value using market prices if possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through the profit and loss account.

Reclassifications of prior year figures

Transferred assets

Securities lending and borrowing transactions are usually collateralised by securities or cash. Formerly the Bank has accounted amounts receivables upon transfers of non-cash collateral (such as debt or equity instruments) in loan and advances to either Banks or customers; with the new approach the accounting for collateral depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has defaulted.

- When acting as transferee: the Bank does not recognize the transferred assets as its assets and only underwriting commitments are accounted. If the Bank uses its right (by contract or custom) to sell or repledge a collateral asset, it recognizes the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral. If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, the Bank either recognizes the collateral as its assets originally measured at fair value, either – if it has already sold the collateral – derecognizes its obligation to return the collateral. Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

- When acting as transferor: to the extent that a transfer of a financial asset does not qualify for derecognition, the Bank reclassifies the assets in its balance sheet (e.g. as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

The following table shows the nature and the amount of reclassification performed on June 2011 figures:

FINANCIAL STATEMENT REOPENING BALANCE AS OF 1ST JULY 2011

	Assets	30/06/2011	Write-off	01/07/2011
		€	€	€
60.	Loans and advances to Credit Institutions	855.553.860	-75.975.019	779.578.841
70.	Loans and advances to Customers	3.881.812.149	-18.963.036	3.862.849.113

	Liabilities and equity	30/06/2011	Write-off	01/07/2011
		€	€	€
10.	Amounts due to Credit Institutions	3.129.017.250	-75.975.019	3.053.042.231
20.	Amounts due to Customers	548.698.084	-18.963.036	529.735.048

Section 5

Significant accounting estimates and judgement

In the process of applying the Bank’s accounting policies, management makes estimates and assumptions concerning the future and the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Bank's Board of Directors has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the interim accounts continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for structured securities. The valuation of financial instruments is described in more detail in Section 4.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data. The impairment loss on loans and advances is disclosed in more detail in Section 4.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

PART B – NOTES TO THE BALANCE SHEET

ASSETS

Section 1

Heading 10: Cash and cash balances with Central Banks

1.1 Cash and cash balances with Central Banks (in € k)

	31/12/2011	30/06/2011
a) Cash	2	—
b) Demand deposit held at Central Banks	17.415	17.072
Total	**17.417**	**17.072**

Credit institutions established in Luxembourg are required to hold a minimum reserve with the Luxembourg Central Bank. These deposits represent 2% of some of their liabilities. Compliance with the reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period, thus reserves of credit institutions can vary from one day to another following their treasury management, the money market or their expectations in interest rates.

Mandatory reserve deposits with the central Bank are not used in the Bank's day to day operations.

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition (in € k)

Item/Value	31/12/2011			30/06/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	5.079	—	—	122.640	—	—
1.1 Structured	5.079	—	—	5.100	—	—
1.2 Other debt securities	—	—	—	117.540	—	—
2. Equities	—	—	—	—	—	—
3. OICR units	—	14.511	—	—	15.428	—
4. Loans and advances	—	1.607	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	1.607	—	—	—	—
Total A	**5.079**	**16.118**	**—**	**122.640**	**15.428**	**—**
B. Derivative products						
1. Financial derivatives	—	202.817	100.127	—	364.882	98.993
1.1 Trading	—	53.134	—	—	301.895	—
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	149.683	100.127	—	62.987	98.993
2. Credit derivatives	—	60.712	—	—	332.432	—
2.1 Trading	—	28.848	—	—	263.726	—
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	31.864	—	—	68.706	—
Total B	**—**	**263.529**	**100.127**	**—**	**697.314**	**98.993**
Total (A+B)	**5.079**	**279.647**	**100.127**	**122.640**	**712.742**	**98.993**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2.3 Financial assets held for trading: by borrower/issuer (in € k)

Item/Value	31/12/2011	30/06/2011
A. CASH ASSETS		
1. Debt securities	5.079	122.640
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	5.079	122.640
2. Equities	—	—
a. Banks	—	—
b. Other issuers	—	—
- insurances	—	—
- financial companies	—	—
- non-financial companies	—	—
- others	—	—
3. OICR units	14.511	15.428
4. Loans and advances	1.607	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	1.607	—
5. Impaired assets	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
6. Assets sold but not derecognized	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total A	**21.197**	**138.068**
B. DERIVATIVE PRODUCTS		
a. Banks	358.363	791.074
b. Customers	5.293	5.233
Total B	**363.656**	**796.307**
Total A+B	**384.853**	**934.375**

As at December 31, 2011 the Bank does not own any direct cash sovereign debt exposure. Issuing of Credit Linked Notes allows the Bank to buy credit protection on the Italian Sovereign Debt which has been offset selling protection to other credit institutions using credit derivative transactions.

2.4 Financial assets held for trading: derivative products (in € k)

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		31/12/2011		30/06/2011	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
A) Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total A	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
B) Unlisted derivative products												
1) Financial derivatives:	928.765	183.714	—	—	555.267	119.230	—	—	1.484.032	302.944	1.442.597	463.875
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	13.838	124
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—	—	—	—	—	13.838	124
– without exchange of principal	928.765	183.714	—	—	555.267	119.230	—	—	1.484.032	302.944	1.428.759	463.751
– options bought	—	—	—	—	247.155	1.743	—	—	247.155	1.743	228.740	22.005
– other derivatives	928.765	183.714	—	—	308.112	117.487	—	—	1.236.877	301.201	1.200.019	441.746
2) Credit derivatives:	—	—	—	—	—	—	1.356.925	60.712	1.356.925	60.712	1.400.220	332.432
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	1.356.925	60.712	1.356.925	60.712	1.400.220	332.432
Total B	**928.765**	**183.714**	**—**	**—**	**555.267**	**119.230**	**1.356.925**	**60.712**	**2.840.957**	**363.656**	**2.842.817**	**796.307**
Total (A+B)	**928.765**	**183.714**	**—**	**—**	**555.267**	**119.230**	**1.356.925**	**60.712**	**2.840.957**	**363.656**	**2.842.817**	**796.307**

2.5 Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period (in € k)

	Debt securities	Equities	OICR units	Loans and advances	31/12/2011	30/06/2011
A. Balance at start of period	**122.640**	**—**	**15.428**	**—**	**138.068**	**282.651**
B. Additions	162.157	—	—	8.607	170.764	38.777
B.1 Acquisitions	154.815	—	—	8.600	163.415	16.300
B.2 Increases in fair value	6.490	—	—	—	6.490	12.790
B.3 Other increases	852	—	—	7	859	9.687
C. Reductions	279.718	—	917	7.000	287.635	183.360
C.1 Disposals	262.911	—	—	6.600	269.511	19.358
C.2 Redemptions	7.697	—	—	—	7.697	108.502
C.3 Reductions in fair value	6.870	—	917	400	8.187	34.498
C.4 Transfers to other portfolios	—	—	—	—	—	—
C.5 Other reductions	2.240	—	—	—	2.240	21.002
D. Balance at end of period	**5.079**	**—**	**14.511**	**1.607**	**21.197**	**138.068**

Section 6

Heading 60 – Loans and advances to credit institutions

6.1 Loans and advances to credit institutions: composition (in € k)

Type of transactions/Value	31/12/2011	30/06/2011 (*)
1. Current accounts and demand deposits	114.776	512.729
1.1 current accounts	33.606	419.848
1.2 stock lending deposits[1]	81.170	92.881
1.3 others deposits on demand	—	—
2. Term deposits	106.634	43.887
3. Other receivables:	1.590.531	298.938
3.1 amounts due under repo agreements	402.748	—
3.2 amounts due under finance leases	—	—
3.3 amounts due under stock lending transactions	33	32
3.4 other amounts due	1.187.750	222.931
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
Total book value	**1.811.941**	**779.579**
Total fair value	**1.811.141**	**779.578**

None of the loans and borrowings of the Bank is hedged with financial instruments. The Bank does not book any receivable under the terms of finance lease (IAS 17).

[1] As a part of the securities lending agreement, the Bank has received cash as collateral.

(*) For a comparison to be meaningful, 2011 figures have been reclassified as explained in Part A – Section 4 "Reclassification of prior year figures".

Section 7

Heading 70: Loans and advances to customers

7.1 Loans and advances to customers: composition (in € k)

Type of transactions/Value	31/12/2011	30/06/2011 (*)
1. Current accounts	—	—
2. Amounts due under repo agreements	—	—
3. Loans	3.554.857	3.862.841
4. Credit cards, personal loans and salary – guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	8	8
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Assets sold but not derecognized	—	—
Total book value	**3.554.865**	**3.862.849**
Total fair value	**3.415.203**	**3.851.165**

(*) For a comparison to be meaningful, 2011 figures have been reclassified as explained in Part A – Section 4 “Reclassification of prior year figures”.

7.2 Loans and advances to customers: by borrower/issuer (in € k)

Type of transactions/Value	31/12/2011		30/06/2011 (*)	
	Performing	**Non-performing**	**Performing**	**Non-performing**
1. Debt securities:	—	—	—	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	—	—	—	—
- non-financial undertakings	—	—	—	—
- financial companies	—	—	—	—
- insurances	—	—	—	—
- other entities	—	—	—	—
2. Loans and advances to:	3.472.495	82.370	3.773.724	89.125
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	3.472.495	82.370	3.773.724	89.125
- non-financial undertakings	2.183.059	27.686	2.452.903	51.118
- financial companies	1.289.436	54.684	1.320.821	38.007
- insurances	—	—	—	—
- other entities	—	—	—	—
Total	**3.472.495**	**82.370**	**3.773.724**	**89.125**

As at December 31, 2011 the Bank does not own any sovereign debt exposure classified as loans and receivables.

(*) For a comparison to be meaningful, 2011 figures have been reclassified as explained in Part A – Section 4 “Reclassification of prior year figures”.

7.3 Loans and advances to customers: assets subject to specific hedging (in € k)

Type of transactions/Value	31/12/2011	30/06/2011
1. Items subject to specific fair value hedges for:	385.445	371.982
a) interest rate risk	385.445	371.982
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**385.445**	**371.982**

The Bank does not book any receivable under the terms of finance lease (IAS 17).

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by type of hedging and levels (in € k)

	31/12/2011 *Fair value*			**Notional value**	**30/06/2011** *Fair value*			**Notional value**
	level 1	**level 2**	**level 3**		**level 1**	**level 2**	**level 3**	
A. Financial derivatives	—	201.579	—	534.292	—	95.311	—	326.903
1) Fair value	—	201.579	—	534.292	—	95.311	—	326.903
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**201.579**	**—**	**534.292**	**—**	**95.311**	**—**	**326.903**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs having a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

8.2 Hedging derivatives: by type of contract and underlying asset (in € k)

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		31/12/2011		30/06/2011	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
A) Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total A	—	—	—	—	—	—	—	—	—	—	—	—
B) Unlisted derivative products												
1) Financial derivatives:	534.292	201.579	—	—	—	—	—	—	534.292	201.579	326.903	95.311
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	534.292	201.579	—	—	—	—	—	—	534.292	201.579	326.903	95.311
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	534.292	201.579	—	—	—	—	—	—	534.292	201.579	326.903	95.311
2) Credit derivatives:	—	—	—	—	—	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
Total B	**534.292**	**201.579**	—	—	—	—	—	—	**534.292**	**201.579**	**326.903**	**95.311**
Total (A+B)	**534.292**	**201.579**	—	—	—	—	—	—	**534.292**	**201.579**	**326.903**	**95.311**

8.3 Hedging derivatives: by portfolio hedged and hedge type (in € k)

31/12/2011 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Amounts due to Banks/Customers	182.836	—	—	—	—	—	—
2. Debt securities in issue	18.743	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	**201.579**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL	**201.579**	**—**	**—**	**—**	**—**	**—**	**—**

30/06/2011 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Amounts due to Banks/Customers	79.452	—	—	—	—	—	—
2. Debt securities in issue	15.859	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	**95.311**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL	**95.311**	**—**	**—**	**—**	**—**	**—**	**—**

Section 10

Heading 100: Equity investments

10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholding

Equity Investments	**Registered office**	**Type of relationship**	**% Shareholding**
COMPANIES 1. MEDIOBANCA INTERNATIONAL IMMOBILIERE S.A R.L.	Luxembourg	Subsidiary	100%

Equity investments are initially recorded at cost which includes the purchase price and other cost directly attributable to the acquisition.

Section 12

Heading 120: Property, plant and equipment

12.1 Movements in tangible assets (in € k)

Tangible assets	Gross value at the beginning of the period	Additions	Disposals	Gross value at the end of the period	Accumulated depreciation	Net carrying amount as at 31/12/2011	Net carrying amount as at 30/06/2011
Tangible assets	88	—	—	88	-87	1	2
<u>of which</u>:							
Other fixtures and fittings, tools and equipment	88	—	—	88	-87	1	2

12.2 Breakdown of tangible assets (in € k)

	31/12/2011			30/06/2011		
A. Core assets	**Gross**	**Amortisation**	**Net**	**Gross**	**Amortisation**	**Net**
1.1 owned	**88**	**-87**	**1**	**88**	**-86**	**2**
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
c) furniture	38	-37	1	38	-37	1
d) electronic equipments	50	-50	—	50	-49	1
e) others	—	—	—	—	—	—
1.2 acquired under finance leases	**—**	**—**	—	**—**	**—**	—
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
c) furniture	—	—	—	—	—	—
d) electronic equipments	—	—	—	—	—	—
e) others	—	—	—	—	—	—
TOTAL A	**88**	**-87**	**1**	**88**	**-86**	**2**
B. Assets held for investment purposes						
2.1 owned	**—**	—	—	**—**	—	—
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
2.2 acquired under finance leases	**—**	—	—	**—**	—	—
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
TOTAL B	—	—	—	—	—	—
TOTAL (A+B)	**88**	**-87**	**1**	**88**	**-86**	**2**

Section 13

Heading 130: Tax assets

13.1 Changes in deferred tax assets during the period (in € k)

Deferred tax assets	**31/12/2011**	**30/06/2011**
1. Initial amount	—	123.469
1.1 Initial amount	—	123.469
2. Additions	—	—
2.1 Deferred tax originating during the period	—	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other addition	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	—	123.469
3.1 Deferred tax reversed during the period	—	123.469
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	—	123.469
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	**—**	—

Section 15

Heading 150: Other assets

15.1 Other assets (in € k)

	31/12/2011	**30/06/2011**
- Withholding tax	—	—
- Value added tax	—	—
- Upfront premiums	—	2.058
- Commissions receivable	6.920	7.066
- Other	77	101
Total	**6.997**	**9.225**

Commissions receivable refer to amounts due from third parties in connection with the corporate lending and the depositary Bank activities.

Liabilities

Section 1

Heading 10: Amounts due to credit institutions

1.1 Amounts due to credit institutions: composition (in € k)

Type of transaction/amounts	31/12/2011	30/06/2011 (*)
1. Due to central Banks	—	—
2. Due to Banks	3.129.017	3.129.017
2.1 Current accounts and demand deposits	74.385	74.385
2.2 Term deposits	1.052.081	1.052.081
2.3 Borrowings	2.002.551	2.002.551
2.3.1 Leasing & stock lending	75.975	—
2.3.2 Others	1.926.576	1.926.576
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	—	—
Total book value	**3.129.017**	**3.053.042**

(*) For a comparison to be meaningful, figures for the year ended 30 June 2011 have been reclassified as explained in Part A – Section 4 “Reclassification of prior year figures”.

1.2 Breakdown of Heading 10: “Amounts due to credit institutions” - subordinated debt

Subordinated liabilities included - under the heading *Due to Banks* – nominal amount of € 50.000.000 referring to subordinated debt assimilated to Tier2 capital on the basis of the current regulatory requirements.

1.3 Amounts due to credit institutions: items subject to specific hedges (in € k)

	31/12/2011	30/06/2011
1. Items subject to specific fair value hedges for:	230.730	155.727
a) interest rate risk	230.730	155.727
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**230.730**	**155.727**

Items subject to micro fair value hedge are Schuldscheins subscribed by third credit institutions.

Section 2

Heading 20: Amounts due to customers

2.1 Amounts due to customers: composition (in € k)

Type of transaction/amounts	31/12/2011	30/06/2011 (*)
1. Current accounts and demand deposits	16.378	18.546
2. Term deposits	528.767	452.065
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	491.255	59.124
4.1 leasing	—	—
4.2 others	491.255	59.124
5. Amounts due under commitments to buyback own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	—	—
6.1 Amounts due under reverse repo agreements	—	—
6.2 Others	—	—
7. Other amounts due	—	—
Total book value	**1.036.400**	**529.735**

(*) For a comparison to be meaningful, figures for the year ended 30 June 2011 have been reclassified as explained in Part A – Section 4 "Reclassification of prior year figures".

2.2 Amounts due to customers: items subject to specific hedges (in € k)

	31/12/2011	30/06/2011
1. Items subject to specific fair value hedges for:	90.546	59.124
a) interest rate risk	90.546	59.124
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**90.546**	**59.124**

Items subject to micro fair value hedge are Schuldscheins subscribed by non-financial corporate entities.

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition (in € k)

Type of transaction/amounts	31/12/2011		30/06/2011	
	Book value	Fair Value[1]	Book value	Fair Value[1]
A. Listed securities	1.610.691	1.652.012	1.356.049	1.365.641
1. notes	1.474.092	1.515.413	1.073.880	1.083.472
1.1 structured	924.647	932.187	898.466	907.293
1.2 others	549.445	583.226	175.414	176.179
2. other securities [A]	136.599	136.599	282.169	282.169
2.1 structured	—	—	—	—
2.2 others	136.599	136.599	282.169	282.169
B. Unlisted securities	277.791	279.993	280.916	283.281
1. notes	277.791	279.993	280.916	283.281
1.1 structured	257.234	257.363	260.776	260.816
1.2 others	20.557	22.630	20.140	22.465
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
Total	**1.888.482**	**1.932.005**	**1.636.965**	**1.648.922**

[1] Fair value does not include issuer risk; if issuer risk was considered, the fair value of debt securities issued would reduce by € 175m approximately.
[A] "Certificats de dépôt" and commercial papers programs obtained the Step Market (short-term euro commercial paper) label.

3.2 Debt securities: items subject to specific hedging (in € k)

Type of transaction/amounts	31/12/2011	30/06/2011
A. Securities subject to specific fair value hedges	591.287	509.767
1. Interest rate risk	584.480	503.603
2. Currency risk	6.807	6.164
3. Other risks	—	—
B. Securities subject to specific cash flow hedges	—	—
1. Interest rate risk	—	—
2. Currency risk	—	—
3. Other risks	—	—
Total	**591.287**	**509.767**

3.3 Debt securities: items measured at amortised cost (in € k)

Type of transaction/amounts	31/12/2011	30/06/2011
A. Debt securities	1.160.596	845.029
1. Structured	379.885	764.356
2. Other	780.711	80.673
B. Other financial instruments	136.599	282.169
1. Structured	—	—
2. Other	136.599	282.169
Total	**1.297.195**	**1.127.198**

Section 4

Heading 40: Financial liabilities held for trading

4.1 Financial liabilities held for trading: composition (in € k)

Type of transaction/amounts	31/12/2011			30/06/2011		
	FV			FV		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash liabilities	—	—	—	—	—	—
1. Amount due to Banks	—	—	—	—	—	—
2. Amount due to customers	—	—	—	—	—	—
3. Debt securities	—	—	—	—	—	—
B. Derivatives instruments	—	186.933	100.127	—	119.435	98.992
1. Financial derivatives	—	155.859	100.127	—	90.319	98.992
1.1 Trading derivatives	—	7.415	—	—	27.653	—
1.2 Linked to FV option	—	—	—	—	—	—
1.3 Other	—	148.444	100.127	—	62.666	98.992
2. Credit derivatives	—	31.074	—	—	29.116	—
2.1 Trading derivatives	—	22.175	—	—	25.209	—
2.2 Linked to FV option	—	—	—	—	—	—
2.3 Other	—	8.899	—	—	3.907	—
Total	**—**	**186.933**	**100.127**	**—**	**119.435**	**98.992**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs having a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The issue of Credit Linked Notes allows the Bank to buy credit protection on the Italian Sovereign Debt which has been offset selling protection to other credit institutions using credit derivative transactions. Amounts referencing to the CDS where the Bank is protection-seller as at December 31, 2011 are as follows (in € k):

Notional amount	Reference obligation	FV
10.000	US465410AH18	20
32.000	IT0004284334	746

4.3 Financial liabilities held for trading: derivative products (in € k)

	Interest rate		Foreign currency/gold		Equity		Credit		31/12/2011		30/06/2011	
Type of transaction/amounts	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**
A. Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
B. Unlisted derivative products												
1. Financial derivatives	483.746	137.996	—	—	555.109	117.990	—	—	1.038.855	255.986	1.046.715	189.311
1.1 With exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
1.2 Without exchange of principal	483.746	137.996	—	—	555.109	117.990	—	—	1.038.855	255.986	1.046.715	189.311
- options issued	—	—	—	—	247.155	1.743	—	—	247.155	1.743	228.739	22.005
- other derivatives	483.746	137.996	—	—	307.954	116.247	—	—	791.700	254.243	817.976	167.306
2. Credit derivatives	—	—	—	—	—	—	1.345.797	31.074	1.345.797	31.074	1.050.915	29.116
2.1 With exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Without exchange of principal	—	—	—	—	—	—	1.345.797	31.074	1.345.797	31.074	1.050.915	29.116
Total	**483.746**	**137.996**	**—**	**—**	**555.109**	**117.990**	**1.345.797**	**31.074**	**2.384.652**	**287.060**	**2.097.630**	**218.427**

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of hedging/underlying levels (in € k)

	31/12/2011 Fair value			Notional value	30/06/2011 Fair value			Notional value
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivates	—	21.306	—	508.285	—	16.193	—	676.254
1) *Fair value*	—	21.306	—	508.285	—	16.193	—	676.254
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) *Fair value*	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**21.306**	**—**	**508.285**	**—**	**16.193**	**—**	**676.254**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs having a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

6.2 Hedging derivatives: by portfolio hedged/hedge type (in € k)

Hedged items	Fair value hedges					Cash flow hedge			
	Specific								
	Interest Risk	**Exchange rate**	**Credit risk**	**Other**	**Generic**	**Specific**	**General**	**31/12/2011**	**30/06/2011**
1. AFS Securities	—	—	—	—	—	—	—	—	—
2. Loans and advances	18.156	—	—	—	—	—	—	18.156	4.502
3. Financial assets HTM	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL ASSETS	**18.156**	**—**	**—**	**—**	**—**	**—**	**—**	**18.156**	**4.502**
1. Amounts due	—	—	—	—	—	—	—	—	—
2. Financial liabilities	2.285	865	—	—	—	—	—	3.150	11.691
3. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL LIABILITIES	**2.285**	**865**	**—**	**—**	**—**	**—**	**—**	**3.150**	**11.691**
TOTAL	**20.441**	**865**	**—**	**—**	**—**	**—**	**—**	**21.306**	**16.193**

Section 8

Heading 80: Tax liabilities

8.1 Tax liabilities: current tax liabilities (in € k)

	31/12/2011	30/06/2011
Corporate income tax (IRC)	19.075	21.512
Municipal business tax (ICC)	6.080	6.489
Other	—	—
Total	**25.155**	**28.001**

The Bank is liable for all taxes to which the credit institutions are subject to in Luxembourg. The Bank opts for the exoneration of the net wealth tax charge of € 823.945 (2010: € 645.000) provided the following conditions are fulfilled:

(1) A reserve equivalent to 5 times the net wealth tax liability is created. A new reserve has to be created each year. This requires a decision of the general shareholders' meeting and this reserve has to appear in the balance sheet. If the profit of the year is not sufficient to create the reserve, it is possible to transfer the profit of the preceding years to create such reserve.

(2) This reserve is maintained for a period of at least 5 years after the year of the credit.

The amount of net wealth tax that can be reduced is the lower of net wealth tax and corporate income tax before tax credits, and the reduction will be equalled to one fifth of the reserve booked.

Current tax liabilities decreased following the assessments received during the semester.

8.2 Current tax liabilities: composition (in € k)

	IRC	ICC	Total
Balance at the beginning of the year			
A. Current fiscal liabilities (+)	22.952	6.939	29.891
B. Advances paid (-)	1.440	450	1.890
A.1 Fiscal liabilities: increase (+)	**2.756**	**844**	**3.600**
- provisions of the year	2.756	844	3.600
- transfers	—	—	—
- others	—	—	—
A.2 Fiscal liabilities: decrease (-)	**-3.833**	**-1.127**	**-4.960**
- payments of the year	-3.833	-1.127	-4.960
- transfers	—	—	—
- others	—	—	—
B.1 Advances paid: increase (+)	**2.000**	**325**	**2.325**
- payments/advances	2.000	325	2.325
- transfers	—	—	—
- others	—	—	—
B.2 Advances paid: decrease (-)	**-640**	**-200**	**-840**
- payments of the year	-640	-200	-840
- transfers	—	—	—
- others	—	—	—
Total A. Fiscal liabilities	**21.875**	**6.656**	**28.531**
Total B. Advances paid	**2.800**	**575**	**3.375**
Current fiscal liabilities (A-B)	**19.075**	**6.081**	**25.156**

In 2011 the solidarity surcharge due by companies has been increased by 1%, from 4% to 5%. As a consequence the corporate income tax rate (including the contribution to the employment fund) has been increased from 21,84% to 22,05%. Taking into consideration the municipal business tax, which amounts to 6,75% for the City of Luxembourg, the overall nominal income tax rate for corporations amounts to 28,80% (28,59% in 2010).

8.3 Changes in deferred tax liabilities during the period (in € k)

Deferred tax liabilities	**31/12/2011**	**30/06/2011**
1. Initial amount	864	124.740
1.1 Initial amount	864	124.740
2. Additions	—	6
2.1 Deferred tax originating during the period	—	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other addition	—	—
2.2 New taxes or increases in tax rates	—	6
2.3 Other additions	—	—
3. Reductions	—	123.882
3.1 Deferred tax reversed during the period	—	123.882
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	—	123.882
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	**864**	**864**

Deferred tax assets and liabilities have been released following the assessments received during the fiscal year from the Tax Authority.

8.4 Deferred tax assets and liabilities by financial statement captions (in € k)

	31/12/2011			30/06/2011		
	Deferred tax assets	Deferred tax liabilities	Tax rate 28,80%	Deferred tax assets	Deferred tax liabilities	Tax rate 28,59%
Cash and cash equivalent	—	—	—	—	—	—
Financial assets hft	—	—	—	—	—	—
Loans and advances	—	—	—	—	—	—
Hedging derivatives	—	—	—	—	—	—
Other assets	—	—	—	—	—	—
Total assets	**—**	**—**	**—**	**—**	**—**	**—**
Amounts due	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Financial liabilities hft	—	—	—	—	—	—
Hedging derivatives	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—
Shareholders' equity	—	-3.000	-864	—	-3.000	-864
Total liabilities	**—**	**-3.000**	**-864**	**—**	**-3.000**	**-864**

Section 10

Heading 100: Other liabilities

10.1 Other liabilities (in € k)

	31/12/2011	30/06/2011
1. Pending invoices	7.328	6.801
2. Wages accrued, contributions and amounts withheld from staff for payment	15	4
3. Impairment guarantees and commitments	469	348
4. Prepaid expenses other than capitalized expenses on related financial assets	21	21
5. Deferred income	—	—
6. Upfront premiums	195	2.912
7. Amounts payable on loans and receivables	2.340	2.476
8. Other items	—	—
Total	**10.368**	**12.562**

Upfront premiums refer to payments received on derivatives negotiated among the trading portfolio of the Bank, which have been capitalized and will be reversed on a prorate basis to the comprehensive income.

Section 16

Heading 160: Reserves

16.1 Reserves (in € k)

Under Luxembourg law an amount equal to at least 5% of the net profit must be allocated to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividends distribution and has been already fully provisioned on the previous exercises.

As of June 30, 2011 the Bank has taken up the option to credit net wealth tax against the tax itself, provided that the following conditions have been respected:

- The IRC (corporate income tax) charge must be at least equal to the IF (net wealth tax) charge in order to credit the entire amount of the IF, if not only the amount of IF equivalent to the IRC charge can be credited;
- The Bank has to book a reserve for an amount at least 5 times the IF tax charge due for the financial year 2011;
- This reserve will be maintained for a minimum period of 5 years.

(in € k)	**31/12/2011**	**30/06/2011**
A. Reserves	192.623	156.519
A.1 legal reserve	1.000	1.000
A.2 free reserve	174.994	143.090
A.3 special reserve(1)	16.412	12.212
A.4 FTA reserve	217	217

(1) Reserve linked to the exoneration of net wealth tax charge.

Section 19

Heading 190: Share capital

19.1 Share capital

As of 31 December 2011, the issued capital of the Bank amounts to EUR 10.000.000 and is divided into 1 million shares with a par value of EUR 10 each.

Authorised capital and issue share capital coincide.

Other information

1. Guarantees and commitments (in € k)

	31/12/2011	**30/06/2011**
1. Financial guarantees given to:	96.813	83.959
a) Banks	-	-
b) Customers	96.813	83.959
2. Commercial guarantees given to:	-	-
a) Banks	-	-
b) Customers	-	-
3. Irrevocable commitments to lend funds:	1.483.056	1.642.511
a) Banks	-	-
b) Customers	1.483.056	1.642.511
4. Commitment underlying credit derivatives: hedge sales	1.373.497	1.634.982
Total	**2.953.366**	**3.361.452**

Amounts are shown net of collective or specific impairment booked at the reporting date.

The Bank is a member of the non-profit making organisation "Association pour la Garantie des Dépôts, Luxembourg" (AGDL) that was established on 25 September 1989. The AGDL has as its sole objective the establishment of a mutual system for the guarantee of cash deposits for the benefit of customers of the member credit institutions of the Association and for claims arising from investment transactions in favour of investors with the credit institutions and investment firms which are members of the Association.

The guarantee of cash deposits and of claims arising from investment transactions in favour of clients, individuals and certain companies as defined by the regulations is limited to a maximum amount fixed at the equivalent value in all currencies of € 100.000 per cash deposit and € 20.000 per claim arising out of investment transactions. If the guarantee is called, the annual payment to be made by each member is limited to 5% of Shareholders' equity.

5. Assets managed and traded on behalf of customers: Banking Group

	31/12/2011	30/06/2011
1. Securities traded on behalf of customers	-	-
a) Purchases	-	-
b) Disposals	-	-
2. Asset management	-	-
3. Securities under custody/managed on a non-discretionary basis:	1.166.741	133.542
a) Customers securities held on deposit (excluding asset management):	599.389	-
b) Customers securities held on deposit with other Credit Institutions	543.950	-
c) Own securities held on deposit with other Credit Institutions	23.402	133.542
4. Other transactions	-	-
Total	**1.166.741**	**133.542**

PART C – NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition (in € k)

	Performing assets			6 mths to 31/12/2011	6 mths to 31/12/2010
	Debt securities	Loans	Other financial assets		
1. Financial assets held for trading	2.196	—	—	2.196	12.338
2. Financial assets at fair value	—	—	—	—	—
3. AFS securities	—	—	—	—	—
4. Financial assets held to maturity	—	—	—	—	—
5. Loans and advances to credit institutions	—	11.777	—	11.777	6.780
6. Loans and advances to customers	—	50.000	—	50.000	29.771
7. Hedging derivatives	—	—	15.766	15.766	17.581
8. Financial assets sold but not derecognized	—	—	—	—	—
9. Other assets	—	—	—	—	—
Total	**2.196**	**61.777**	**15.766**	**79.739**	**66.470**

1.2 Interest and similar income: differences arising on hedging transactions (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
A. Positive differences on transactions involving:	15.766	13.641
A.1 Specific fair value hedge of assets	4.367	1.925
A.2 Specific fair value hedge of liabilities	11.399	11.716
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedge of assets	—	—
A.5 Specific cash flow hedge of liabilities	—	—
A.6 General cash flow hedge	—	—

1.3 Interest and similar income: other information (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
1.3.1 Interests receivable on financial assets denominated in currencies other than Euro	11.281	15.909
1.3.2 Interests receivable in respect of financial leasing transactions	—	—
1.3.3 Interests income on receivables involving customers' funds held on a non discretionary basis	—	—

1.4 Interest expense and similar charges: composition (in € k)

	Payables	Notes	Other liabilities	6 mths to 31/12/2011	6 mths to 31/12/2010
1. Amount due to Banks	-26.883	—	—	-26.883	-18.110
2. Amount due to customers	-4.913	—	—	-4.913	-1.449
3. Debt securities	—	-25.643	—	-25.643	-24.538
4. Trading liabilities	—	—	—	—	—
5. Liabilities at fair value	—	—	—	—	—
6. Liabilities in respect of assets sold but not yet derecognized	—	—	—	—	—
7. Other liabilities	—	—	—	—	—
8. Hedging derivatives	—	—	-12.689	-12.689	-9.017
Total	**-31.796**	**-25.643**	**-12.689**	**-70.128**	**-53.114**

1.5 Interest expense and similar charges: differences arising on hedging transactions (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
A. Negative differences on transactions involving:	-12.689	-9.017
A.1 Specific fair value hedge of assets	-6.018	-4.480
A.2 Specific fair value hedge of liabilities	-6.671	-4.537
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedge of assets	—	—
A.5 Specific cash flow hedge of liabilities	—	—
A.6 General cash flow hedge	—	—

1.6 Interest expense and similar charges: other information (in € k)

	6 mths to 31/12/2011	**6 mths to 31/12/2010**
1.6.1 Interests payable on financial liabilities denominated in currencies other than Euro	-7.977	-10.037
1.6.2 Interests payable on liabilities in respect of financial leasing transactions	—	—
1.6.3 Interests payable on customers' funds held on a non discretionary basis	—	—

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition (in € k)

	6 mths to 31/12/2011	**6 mths to 31/12/2010**
a) guarantees given	615	383
b) credit derivates	—	—
c) management, trading and advisory services:	700	—
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	600	665
6. securities placing	100	—
7. procurement of orders	—	—
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization servicing	—	—
f) factoring servicing	—	—
g) tax collection and receipt services	—	—
h) lending services	12.039	23.733
Total	**13.354**	**24.821**

2.2 Fee and commission expense (in € k)

	6 mths to 31/12/2011	**6 mths to 31/12/2010**
a) guarantees received	-1.757	-1.200
b) credit derivatives	—	—
c) management and services:	—	—
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 clients' portfolios	—	—
4. securities custody and non-discretionary management	—	—
5. securities placing	—	—
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	—	—
e) lending services	-5.276	-14.591
Total	**-7.033**	**-15.791**

Section 3

Heading 80: Net trading income (expense)

3.1 Net trading income (expense): composition (in € k)

	Value increases	Dealing profits	Value reductions	Dealing losses	6 mths to 31/12/2011	6 mths to 31/12/2010
1. Trading assets	10	687	-1.142	-6.260	**-6.705**	**-14.906**
1.1 Debt securities	—	509	-224	-6.147	**-5.862**	**-14.906**
1.2 Equities	—	—	—	—	—	—
1.3 OICR units	—	—	-918	—	**-918**	—
1.4 Loans and receivables	10	178	—	-113	**75**	—
1.5 Others	—	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Payables	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
3. Other financial assets and liabilities: difference arising on exchange rates	78.114	—	-79.555	—	**-1.441**	**29.955**
4. Derivative products	172.261	549.091	-675.178	-29.631	**32.240**	**-16.637**
4.1 Financial derivatives:	123.478	254.899	-349.738	-547	**28.092**	**-23.281**
– on debt securities/interest rates	10.039	254.218	-237.292	-547	**26.418**	**-4.093**
– on equities/share indexes	113.329	—	-112.446	—	**883**	**-309**
– on foreign currency/gold	110	681	—	—	**791**	**-18.879**
– others	—	—	—	—	—	—
4.2 Credit derivatives	48.783	294.192	-325.440	-29.084	**11.549**	**-21.825**
Total	**250.385**	**549.778**	**-755.875**	**-35.891**	**8.397**	**-3.640**

Section 4

Heading 90: Net hedging income (expense)

4.1 Net hedging income (expense): composition (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
A. Income from:		
A.1 Fair value hedge derivatives	117.300	163.430
A.2 Financial assets hedged (fair value)	9.756	1.271
A.3 Financial liabilities hedged (fair value)	2.503	19.478
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	**129.559**	**184.179**
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-13.532	-161.292
B.2 Financial assets hedged (fair value)	—	-17.303
B.3 Financial liabilities hedged (fair value)	-116.165	-5.658
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	**-129.697**	**-184.253**
C. Net hedging income (A-B)	**-138**	**-74**

Section 5

Heading 100: Gain (or loss) on disposal or repurchase

5.1 Gains (losses) on disposals/repurchases: composition (in € k)

	6 mths to 31/12/2011			6 mths to 31/12/2010		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from Banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	—	—	—	—	—	—
3.1 Debt securities	—	—	—	—	—	—
3.2 Equities	—	—	—	—	—	—
3.3 UCITS units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	—	—	—	—	—
Total assets	—	—	—	—	—	—
Financial liabilities						
1. Due to Banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	—	-272	-272	1.371	-853	518
Total liabilities	—	-272	-272	1.371	-853	518

Section 6

Heading 130: Adjustments for impairment

6.1 Adjustments for impairment: lending portfolio (in € k)

Transactions/Income-linked components	Value adjustments			Amounts recovered				6 mths to 31/12/2011	6 mths to 31/12/2010
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from Banks	—	—	—	—	—	—	—	—	—
B. Due from customers	—	—	-671	—	—	—	346	-325	245
C. Total	**—**	**—**	**-671**	**—**	**—**	**—**	**346**	**-325**	**245**

Legend

A = interests

B = other amounts recovered

6.2 Adjustments for impairment: other financial transactions (in € k)

Transactions/Income-linked components	Value adjustments			Amounts recovered				6 mths to 31/12/2011	6 mths to 31/12/2010
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	-8	—	—	—	2	-6	-9
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	-201	—	—	—	86	-115	-130
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	**—**	**—**	**-209**	**—**	**—**	**—**	**88**	**-121**	**-139**

Legend

A = interest

B = other amounts recovered

Section 7

Heading 180: Administrative expenses

7.1 Personnel cost: composition (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
1.Employees	-218	-186
a) wages and salaries	-193	-166
b) social security charges	-10	-8
c) severance indemnities	—	—
d) pension contributions	-15	-12
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	—	—
– defined contribution	—	—
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	—
i) other staff benefits	—	—
2. Other staff	-122	-265
3. Board members	-120	-80
Total	**-460**	**-531**

7.2 Other administrative expenses: composition (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
– outside consultants' fees	-128	-129
– legal fees due in respect of credit recovery	—	—
– share and bond administration	-33	-29
– advertising	—	—
– insurance	-1	-1
– software	-70	-77
– rents and leases	-102	-77
– maintenance, repairs and refurbishment	-9	-1
– service providers	—	—
– financial information subscriptions	—	—
– stationery and printing	-2	-2
– membership subscriptions	—	-1
– postal, telephone, fax and telex charges	-10	-10
– newspapers, magazines and library acquisitions	-1	—
– other staff expenses	-10	-8
– utilities	—	—
– EDP costs	-220	-199
– Bank charges	-7	-7
– travel and secondment	-27	-16
– outsourced activities	-3.262	-1.249
– other expenses	-4	-5
Total other expenses	**-3.886**	**-1.811**
– indirect and other taxes	-529	-83
Total indirect tax	**-529**	**-83**
Total other administrative expenses	**-4.415**	**-1.894**

Section 8

Heading 200: Net adjustments to tangible assets

8.1 Net adjustments to tangible assets: composition (in € k)

	Depreciation	Adjustments for impairment	Amounts recoveries	6 mths to 31/12/2011	6 mths to 31/12/2010
A. Tangible assets					
A.1 Owned:	-1	—	—	-1	-1
– Core	-1	—	—	-1	-1
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Core	—	—	—	—	—
– Investment	—	—	—	—	—
Total	**-1**	**—**	**—**	**-1**	**-1**

Section 9

Heading 220: Other operating income (expenses)

9.1 Other operating income (expenses): composition (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
A. Other income (expenses) – other	17	335
– Sundry other expense reimbursements	—	—
– Direct debit expense reimbursements	—	—
– Release provision	—	—
– Other income	17	335
– Other charges	—	—
B. Other income (expenses) – amounts recovered	—	—
– withholding tax	—	—
– Amounts recovered from staff	—	—
– Amounts recovered from clients	—	—
–Other amounts recovered	—	—
Total	**17**	**335**

Section 10

Heading 290: Income tax on the ordinary activity

10.1 Income tax on the ordinary activity: composition (in € k)

	6 mths to 31/12/2011	6 mths to 31/12/2010
1. Current taxes	-3.556	-3.731
2. Changes in current tax for previous financial years	—	—
3. Decrease in current tax for period	—	—
4. Changes in deferred tax assets	—	-4.930
4.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	-123.469
4.2 generated in the fiscal exercise	—	118.539
5. Changes in deferred tax liabilities	—	5.712
5.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	124.740
5.2 generated in the fiscal exercise	—	-119.028
Total	**-3.556**	**-2.949**

PART D – OPERATING SEGMENT INFORMATION

A. PRIMARY SEGMENT REPORTING

The Bank does not run separate accounts or reporting for individual divisions or other business segments, primary because the business is essentially focused on wholesale banking. Upper management uses specific markets segment reporting (i.e. geographical, economic sector, ratings) to evaluate segment's income, expenses, assets, liabilities and so on in order to assess profitability and riskiness of the business. The Bank’s segmental reporting is based on the following operating segments: corporate lending, export finance, leverage acquisition, project finance, other.

A.1 Financial statement by business segment (in € k)

		CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
10.	Cash and cash equivalent	10.113	163	6.143	997	2
20.	Financial assets held for trading	77.399	1.248	47.022	7.631	251.553
60.	Loans and advances to credit institutions	1.004.932	16.206	610.521	99.079	81.203
70.	Loans and advances to customers	2.064.084	33.287	1.253.982	203.504	8
80.	Hedging derivatives	117.044	1.888	71.107	11.540	-
100.	Equity investments	—	—	—	—	4.150
120.	Tangible assets	—	—	—	—	1
150.	Other assets	4.063	66	2.468	401	—
	Total assets 31/12/2011	**3.277.635**	**52.858**	**1.991.243**	**323.152**	**336.917**
	Total assets 30/06/2011	**2.974.294**	**26.734**	**1.998.772**	**419.648**	**373.904**
10.	Amount due to Banks	-15.108	-244	-9.178	-1.490	—
20.	Amount due to customers	-1.410.748	-22.751	-857.064	-139.090	-64.834
30.	Debt securities in issue	-592.263	-9.551	-359.815	-58.393	-16.378
40.	Financial liabilities held for trading	-1.096.524	-17.683	-666.165	-108.110	—
60.	Hedging derivatives	-21.337	-344	-12.963	-2.104	-250.313
80.	Tax liabilities	-12.371	-200	-7.516	-1.220	—
100.	Other liabilities	-5.906	-95	-3.588	-582	-196
160.	Shareholders’ equity	-117.651	-1.897	-71.476	-11.600	—
	Total liabilities 31/12/2011	**-3.271.908**	**-52.765**	**-1.987.765**	**-322.589**	**-331.721**
	Total liabilities 30/06/2011	**-2.954.207**	**-26.554**	**-1.985.274**	**-416.814**	**-374.399**

A.2 Comprehensive income data by business segment (in € k)

		CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
010.	Interests receivable and similar income	43.096	486	30.128	5.785	244
020.	Interests payable and similar charges	-37.811	-427	-26.434	-5.076	-380
030.	**Net interest income**	**5.285**	**59**	**3.694**	**709**	**-136**
040.	Fee and commission income	6.860	77	4.796	921	700
050.	Fee and commission expense	-3.813	-43	-2.665	-512	—
060.	**Net fee and commission income**	**3.047**	**34**	**2.131**	**409**	**700**
080.	Net trading income/expense	4.571	52	3.196	614	-35
090.	Net hedging income/expense	-75	-1	-52	-10	—
100.	Gain or loss on disposal or repurchase of:	-148	-2	-103	-20	—
	a) loans and receivables	—	—	—	—	—
	b) financial assets available for sale	—	—	—	—	—
	c) financial assets held to maturity	—	—	—	—	—
	d) financial liabilities	*-148*	*-2*	*-103*	*-20*	—
120.	**Total income**	**12.680**	**142**	**8.866**	**1.702**	**529**
130.	Value adjustments	-242	-3	-169	-32	—
140.	**Net income from the financial management**	**12.438**	**139**	**8.697**	**1.670**	**529**
180.	Administrative expenses	-2.643	-30	-1.848	-355	-
200.	Value adjustments in respect of tangible assets	—	—	—	—	-1
220.	Other operating income/expense	—	—	—	—	18
280.	**Profit (loss) of the ordinary activity before tax**	**9.795**	**109**	**6.849**	**1.315**	**546**
290.	Income tax on the ordinary activity	-1.928	-22	-1.348	-259	—
340.	**Profit (loss) for the year**	**7.867**	**87**	**5.501**	**1.056**	**546**
350.	Other comprehensive income, net of tax	—	—	—	—	—
360.	**Total comprehensive income for the year, net of tax**	**7.867**	**87**	**5.501**	**1.056**	**546**

Assets have been allocated on the basis of the originator business unit, while break down of liabilities has been performed following criteria of economic pertinence.

B. SECONDARY SEGMENT REPORTING

B.1 Income statement figures by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	REST OF THE WORLD
Net interest income	-17.065	21.212	5.254	210
Net fee and commission income	559	2.640	3.122	—
Net trading income/expense	29.910	-19.895	-1.617	—
Net hedging income/expense	-6.523	6.383	—	—
Gain or loss on disposal or repurchase	-272	—	—	—
Value adjustments	14	-103	-357	—
Administrative expenses	-1.349	-3.527	—	—
Value adjustments on tangible assets	-1	—	—	—
Other operating income (expenses)	11	7	—	—
Income tax	-3.556	—	—	—
Total	**1.728**	**6.717**	**6.402**	**210**

B.2 Financial statement data by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	REST OF THE WORLD
Cash and cash balances with Central Banks	17.416	—	—	—
Financial assets held for trading	307.183	77.670	—	—
Loans and advances to Credit Institutions	424	1.811.517	—	—
Loans and advances to Customers	497.102	2.599.693	450.847	7.223
Hedging derivatives	—	201.759	—	—
Equity investments	1	—	—	—
Property, plant and equipment	4.150	—	—	—
Tax assets	3.375	—	—	—
Other assets	215	6.252	529	—
A. Total assets 31/12/2011	**829.866**	**4.696.891**	**451.376**	**7.223**
A. Total assets 30/06/2011	**779.990**	**4.698.243**	**308.305**	**6.813**
Amount due to Banks	—	-2.494.486	—	—
Amount due to customers	-16.369	-1.020.031	—	—
Debt securities in issue	-1.464.825	-423.657	—	—
Financial liabilities held for trading	-16.831	-270.229	—	—
Hedging derivatives	—	-21.306	—	—
Tax liabilities	-29.394	—	—	—
Other liabilities	-1.018	-9.254	-276	—
Shareholders' equity	-202.623	—	—	—
B. Total liabilities 31/12/2011 (1)	**-1.731.060**	**-4.238.963**	**-276**	**—**
B. Total liabilities 30/06/2011 (1)	**-1.830.429**	**-3.926.696**	**-122**	**—**

(1) Profit for the period excluded

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to (or protected from) the risk of default of the underlying entity referenced by the derivative.

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Risk management unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. Risk management is controlled by the Parent Bank and is divided into the following units: enterprise risk management, credit risk management and market risk management. Credit risk management unit is responsible for executing the credit risk analysis entailed by lending and market transactions, and for assigning credit ratings to the counterparties in these transactions.

During the year there were no significant changes in the Bank's objectives, policies and process for managing credit risk.

Corporate banking

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls (i.e. covenants). Any deterioration in the risk profile of a loan is brought swiftly to the attention of head of the operating unit and management.

Leverage finance

As a part of its corporate lending activity the Bank takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flows over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure and borrowing is commensurate with future cash flow levels. The purpose of such transactions is never for Mediobanca International (Luxembourg) S.A. to acquire target companies, as the majority stakes are held directly by the private equity funds.

Loan impairment provisions

The Bank assumes directly the credit risk for some exposures, under the aim to advance the core business taking into account the positive relation between risk and profitability. The Risk Committee defines the positions and the risks that can be taken based on a credit portfolio analysis in order to pursue an optimal diversification among geographical areas, industry sector and class of rating.

The Bank maintains partial or complete guarantees on certain exposures, depending on the creditworthiness, market sector and nature of each loan. Such guarantees are issued by the Parent Bank or public agencies (i.e. SACE, UFK, Hermes).

According to the IAS 39, the Bank regularly reviews its loan portfolios to assess for impairment. Impairment provisions are established to recognize incurred impairment losses in loan portfolios carried at amortized cost. In determining whether an impairment has occurred at the balance sheet date, the Bank considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on loan repayment obligations. Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

Quantitative information

A.1.1 *Financial assets by portfolio and credit quality (in € k)*

Portfolio/Quality	Non-performing	Performing	31/12/2011	30/06/2011
1. Financial assets held for trading	—	370.342	370.342	918.946
Banks	—	—	—	—
Customers	—	6.686	6.686	122.640
Derivative instruments	—	363.656	363.656	796.306
2. AFS securities	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
3. Financial assets held to maturity	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
4. Due from Banks	—	1.829.356	1.829.356	855.554
5. Due from customers	82.370	3.472.494	3.554.864	3.881.812
6. Financial assets recognized at fair value	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
7. Financial assets being sold	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
8. Hedging derivatives	—	201.579	201.579	95.311
Total	**82.370**	**5.873.771**	**5.956.141**	**5.751.623**

A.1.2 *Financial assets by portfolio and credit quality (in € k)*

Portfolio/Quality	Impaired assets			Other assets			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	370.342	—	370.342	370.342
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from Banks	—	—	—	1.829.356	—	1.829.356	1.829.356
5. Due from customers	82. 370	—	82.370	3.474.152	-1.658	3.472.494	3.554.864
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	201.579	—	201.579	201.579
Total at 31/12/2011	**82.730**	**—**	**82.730**	**5.875.429**	**-1.658**	**5.873.771**	**5.956.141**
Total at 30/06/2011	**89.125**	**—**	**89.125**	**5.680.902**	**-1.333**	**5.679.569**	**5.768.694**

A.1.3 *Cash and off balance sheet exposures to credit institutions (in € k)*

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	31/12/2011	30/06/2011
A. CASH EXPOSURES					
a) Non-performing	—	—	—	—	—
e) Other assets	1.829.356	—	—	1.829.356	872.625
Total A	**1.829.356**	**—**	**—**	**1.829.356**	**872.625**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	—	—	—	—	—
b) Other assets	1.678.831	—	—	1.678.831	2.002.888
Total B	**1.678.831**	**—**	**—**	**1.678.831**	**2.002.888**

A.1.4 *Cash and off balance sheet exposures to customers (in € k)*

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	31/12/2011	30/06/2011
A. CASH EXPOSURES					
a) Non-performing	82.730	—	—	82.730	89.125
c) Other assets	3.480.838	—	-1.658	3.479.180	3.915.327
Total A	**3.563.568**	**—**	**-1.658**	**3.561.910**	**4.004.452**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	3.652	—	—	3.652	3.973
b) Other assets	1.730.952	—	-469	1.730.483	1.727.729
Total B	**1.734.604**	**—**	**-469**	**1.734.135**	**1.731.702**

A.1.5 *Cash exposure to customers: trends in gross impaired positions/accounts (in € k)*

Description/Category	31/12/2011		30/06/2011	
	Non performing	Restructured	Non performing	Restructured
A. Gross exposure at start of period	10.593	78.532	111.160	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	69	11.035	54.780	81.890
B.1 transfers from performing loans	—	—	47.611	33.301
B.2 transfer from other categories of impaired assets	—	—	—	43.646
B.3 other additions	69	11.035	7.169	4.943
C. Reductions	-10.662	-7.197	-155.347	-3.358
C.1 transfer to performing loans	—	—	—	—
C.2 amounts written off	—	—	—	—
C.3 amounts collected	—	—	-111.701	-3.358
C.4 amounts realized on disposal	-10.662	—	—	—
C.5 transfers to other categories of impaired assets	—	—	-43.646	—
C.6 other reductions	—	-7.197	—	—
D. Gross exposure at end of period	—	82.370	10.593	78.532
of which: accounts sold but not derecognized	—	—	—	—

A.1.6 *Cash exposure to customers: trends in value adjustments (in € k)*

	Non-performing	Restructured	Performing
A. Adjustments at start of period	—	—	-1.333
of which: accounts sold but not derecognized	—	—	—
B. Additions	—	—	-671
B.1 value adjustments	—	—	-432
B.2 transfers from other categories of impaired assets	—	—	—
B.3 other additions	—	—	-239
C. Reductions	—	—	346
C.1 writebacks based on valuations	—	—	—
C.2 writebacks due to amounts collected	—	—	274
C.3 amounts written off	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—
C.5 other reductions	—	—	72
D. Adjustments at end of period	—	—	-1.658
of which: accounts sold but not derecognized	—	—	—

1.2 MARKET RISK

1.2.1 Interest rate risk – regulatory trading book

QUALITATIVE INFORMATION

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's policy is to monitor positions on a regular basis and to offset the overall risk exposure using appropriate hedging and ALM strategies.

According to the CSSF Circular 06/273 as amended, the Bank performs semi-annually a "test d'endurance en matière de risque de taux d'intérêt" based on two interest rate curves scenarios (+200 bps and -200 bps) defined by the Regulator.

Interest rate risk is controlled on an ongoing basis by the Management using peculiar risk management reports. The gap analysis report is available every day, showing the sensitivity of the balance sheet for a 1 basis point shift of the interest rate curve. A monthly ALM Report points out the mismatching of the balance sheet in terms of maturity and rate re-fixing. Based on reporting evidences, the Management of the Bank – in coordination with the Treasury Department of the Parent company – decides on possible remedial measures (if needed) concerning the "mix" of funding (Notes, overdraft on current account, time deposits, loans, etc) in order to obtain a better matching with the lending.

According to the part VIII of the Circular CSSF 08/338, an "endurance test" of interest rate risk was carried out as at 31 December 2011. The simulation was based on two different scenarios (parallel shift of the interest rate curve +200 and -200 bps). The results achieved are described herein after:

- Scenario +200 bps: - € 12.092.453
- Scenario -200 bps: € 9.360.112

Fair value hedge

Fair value hedges are used to neutralize exposure to interest rate or price risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties; all structured notes issues are fair value hedged as to the interest rate component. Fair value hedges are also used in corporate finance for certain bilateral, fixed rate transactions.

During the year there were no significant changes in the Bank's objectives, policies and process for managing interest rate risk.

QUANTITATIVE INFORMATION

1. *Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products (in € k)*

Type/Residual duration*	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	1.607	5.079	—	—	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	5.079	—	—	—	—	—
1.2 Loans to Banks	—	—	—	—	—	—	—	—
1.3 Loans to customers	—	1.607	—	—	—	—	—	—
Total 30/06/2011	—	—	—	70.286	52.354	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Amounts due to Banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	—	—	—	—	—	—	—
Total 30/06/2011	—	—	—	—	—	—	—	—
3. Financial derivatives	—	160.234	765.262	1.499.462	30.064	—	10.000	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	160.234	765.262	1.499.462	30.064	—	10.000	—
+ Long positions	—	90.234	373.531	749.731	9.015	—	10.000	—
+ Short positions	—	70.000	391.731	749.731	21.049	—	—	—
Total 30/06/2011	—	479.424	729.762	98.019	1.091.091	—	—	—

*All amounts refer to 31 December 2011 except for subtotals which refer to 30 June 2011 and have been included only for comparative purposes.

2. *Regulatory banking book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products (in € k)*

Type/Residual duration*	**On demand**	**Up to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 year to 5 years**	**From 5 years to 10 years**	**Over 10 years**	**Not specified**
1. Cash assets	114.776	4.007.691	524.604	513.645	199.584	34.727	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to Banks	114.776	957.010	238.829	499.340	21.429	—	—	—
1.3 Loans to customers	—	3.050.681	285.775	14.305	178.155	34.727	—	—
Total 30/06/2011	713.988	2.495.156	809.591	471.709	434.902	28.600	—	—
2. Cash liabilities	-377.002	-3.608.815	-169.527	-680.711	-331.599	—	-251.715	—
2.1 Amounts due to customers	-16.378	-528.767	-67.638	-400.709	—	—	-22.908	—
2.2 Amounts due to Banks	-360.624	-1.853.376	-39.723	-11.956	—	—	-228.807	—
2.3 Debt securities in issue	—	-1.226.672	-62.166	-268.046	-331.599	—	—	—
Total 30/06/2011	-305.468	-4.024.409	-175.766	-182.699	-357.989	—	-173.412	—
3. Financial derivatives	—	811.901	82.934	163.170	902.337	180.000	304.812	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	811.901	82.934	163.170	902.337	180.000	304.812	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	811.901	82.934	163.170	902.337	180.000	304.812	—
+ Long positions	—	409.264	8.979	132.585	366.937	—	304.812	—
+ Short positions	—	402.637	73.955	30.585	535.400	180.000	—	—
Total 30/06/2011	—	379.859	200.857	398.063	912.725	180.000	334.812	—

*All amounts refer to 31 December 2011 except for subtotals which refer to 30 June 2011 and have been included only for comparative purposes.

1.2.2 Financial derivative products

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments may involve a degree of leverage and are volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over–the–counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk. During the year there were no significant changes in the Bank's objectives, policies and process for managing those risks.

A. FINANCIAL DERIVATIVES

A.1 *Regulatory trading book: average and reporting date notional values (in € k)*

Type of transactions	31/12/2011		30/06/2011	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	1.232.511	—	1.185.310	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	841.828	—	804.328	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	—	—	13.838	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**2.074.339**	—	**2.003.476**	—
Average values	**1.707.111**	—	**1.566.262**	—

A.2 *Regulatory banking book: average and reporting date notional values (in € k)*

A.2.1 *Hedging derivatives*

Type of transactions	**31/12/2011**		**30/06/2011**	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	1.033.598	—	994.848	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	180.000	—	200.000	—
2. Equities and share indexes				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	8.979	—	8.310	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**1.222.577**	**—**	**1.203.158**	**—**
Average values	**1.182.642**	**—**	**1.083.699**	**—**

A.2.2 *Other derivatives*

Type of transactions	31/12/2011		30/06/2011	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	347.675	—	347.006	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**347.675**	**—**	**347.006**	**—**
Average values	**347.675**	**—**	**343.524**	**—**

A.3 *OTC financial derivatives: positive fair value (in € k)*

Type of transactions	Positive fair value			
	31/12/2011		30/06/2011	
	Over the counter	Listed	Over the counter	Listed
A. Regulatory trading book	55.938	—	304.529	—
a) Options	4.547	—	24.640	—
b) Interest Rate Swap	51.391	—	279.765	—
c) Cross Currency Swap	—	—	124	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	333.902	—	157.977	—
a) Options	—	—	—	—
b) Interest Rate Swap	201.579	—	95.311	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	132.323	—	62.666	—
C. Banking book: Others derivatives	114.683	—	96.679	—
a) Options	114.683	—	96.679	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**504.523**	**—**	**559.185**	**—**

A.4 *OTC financial derivatives: negative fair value – financial risk (in € k)*

Type of transactions	Negative fair value			
	31/12/2011		**30/06/2011**	
	Over the counter	**Listed**	**Over the counter**	**Listed**
A. Regulatory trading book	-121.004	—	-124.010	—
a) Options	-115.186	—	-118.362	—
b) Interest Rate Swap	-5.818	—	-5.648	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-153.629	—	-78.859	—
a) Options	—	—	—	—
b) Interest Rate Swap	-20.441	—	-14.672	—
c) Cross Currency Swap	-865	—	-1.521	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	-132.323	—	-62.666	—
C. Banking book: Others derivatives	-2.804	—	-2.635	—
a) Options	-2.804	—	-2.635	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**-277.437**	**—**	**-205.504**	**—**

A.5 *Regulatory trading book: counterparty and financial risks – OTC financial derivatives without collateral offsetting (in € k)*

Contracts not forming part of netting arrangements	31/12/2011							30/06/2011
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	482.780	—	—	349.731	—	1.185.310
- positive fair value	—	—	46.098	—	—	5.293	—	279.766
- negative fair value	—	—	-5.818	—	—	—	—	-5.648
- future exposure[1]	—	—	605	—	—	—	—	6.132
2. Equities and share indexes								
- notional value	—	—	841.828	—	—	—	—	773.743
- positive fair value	—	—	4.547	—	—	—	—	24.640
- negative fair value	—	—	-115.186	—	—	—	—	-118.362
- future exposure[1]	—	—	56.848	—	—	—	—	33.813
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	13.838
- positive fair value	—	—	—	—	—	—	—	124
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	138
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

[1] Counterparty credit exposure on OTC derivatives is computed using the "current exposure method"; potential future credit exposure is determined by multiplying the notional principal amount of each of these contracts irrespective of whether the contract has a zero, positive or negative MTM value by the relevant add-on factor indicated below according to the nature and residual maturity of the instrument.

Residual Maturity	**Credit Conversion Factor**				
	Interest rate contracts	**Exchange rate & gold**	**Equity**	**Precious metals**	**Goods other than metals**
One year or less	0%	1%	6%	7%	10%
Over one year to five years	0,5%	5%	8%	7%	12%
Over five years	1,5%	7,5%	10%	8%	15%

A.6 *Regulatory banking book: counterparty and financial risks – OTC financial derivatives without collateral offsetting (in € k)*

Contracts not forming part of netting arrangements	**31/12/2011**							**30/06/2011**
	Governments and central Bank	**Other public agencies**	**Banks**	**Financial companies**	**Insurances**	**Non-Financial companies**	**Other counterparties**	
1. Debt securities and interest rates								
- notional value	—	—	1.213.598	—	—	—	—	1.194.848
- positive fair value	—	—	333.902	—	—	—	—	157.977
- negative fair value	—	—	-152.764	—	—	—	—	-77.338
- future exposure[1]	—	—	8.253	—	—	—	—	5.983
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	8.979	—	—	—	—	8.310
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	-865	—	—	—	—	-1.521
- future exposure[1]	—	—	449	—	—	—	—	415
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

[1] See table A.5

B. CREDIT DERIVATIVES

B.1 *Credit derivatives: average and reporting date notional values (in € k)*

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	95.643	1.000.000	212.083	11.500
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2011	**95.643**	**1.000.000**	**212.083**	**11.500**
Average values	43.974	524.457	192.808	11.500
Total at 30/06/2011	**112.799**	**500.000**	**191.854**	**11.500**
2. Hedge sales				
a) Credit default	212.083	11.500	119.914	1.030.000
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2011	**212.083**	**11.500**	**119.914**	**1.030.000**
Average values	192.754	11.500	119.914	1.012.059
Total at 30/06/2011	**184.768**	**261.500**	**149.914**	**1.038.800**

B.2 *Credit derivatives: positive fair value (in € k)*

Transaction categories	Positive FV	
	31/12/2011	**30/06/2011**
1. Regulatory trading book		
a) Credit default	15.046	260.530
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	45.666	71.902
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—

B.3 *Credit derivatives: negative fair value (in € k)*

Transaction categories	Negative FV	
	31/12/2011	**30/06/2011**
1. Regulatory trading book		
a) Credit default	-22.175	-24.841
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	-8.899	-4.275
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—

B.4 *Credit derivatives: counterparty and financial risks – OTC financial derivatives without collateral offsetting (in € k)*

	31/12/2011							30/06/2011
	Governments and central Banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties	
Regulatory trading book								
1. Hedge buys								
- notional value	—	—	1.095.643	—	—	—	—	612.799
- positive fair value	—	—	8.669	—	—	—	—	7.842
- negative fair value	—	—	-7.248	—	—	—	—	-20.862
- future exposure[1]	—	—	54.782	—	—	—	—	31.538
2. Hedge sales								
- notional value	—	—	223.583	—	—	—	—	446.268
- positive fair value	—	—	6.377	—	—	—	—	252.688
- negative fair value	—	—	-14.927	—	—	—	—	-3.979
- future exposure[1]	—	—	11.179	—	—	—	—	22.313
Banking book								
1. Hedge buys								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
2. Hedge sales								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

[1] Counterparty credit exposure on OTC derivatives is computed using the "current exposure method"; potential future credit exposure is determined by multiplying the notional principal amount of each of these contracts irrespective of whether the contract has a zero, positive or negative MTM value by the relevant add-on factor indicated below according to the nature of the reference obligation:

- 5% in case of qualified reference obligation;
- 10% in the other cases.

1.3 Liquidity risk

QUALITATIVE INFORMATION

Liquidity risk is measured through indicators based on definite cash inflows and outflows to take place in the months to come, and also on the basis of data which includes estimates of:

- — new loans/repayments/renewals for lending;
- — new issues/early redemptions for funding;
- — any significant extraordinary items.

The Bank has conducted liquidity stress tests following the CEBS guidelines on Liquidity Buffers & Survival Period (December 2009) and the CEBS guidelines on Stress Testing (December 2009).

The liquidity stress tests performed allow the Bank to assess the potential impact of extreme but plausible stress scenarios on their liquidity positions and their current or contemplated mitigants. The management of the Bank was highly involved in the discussions of the stress tests. The result has been formalized into the '*Liquidity stress tests methodology'* document.

The Bank approach regarding liquidity stress tests can be summarized as follows:

- ▶ **Analysis of risk factors generating liquidity risk:** as liquidity risk is a 'consequential risk' or 'secondary risk' generated by other risks types, the Bank performed an analysis assessing the primary risks impacting the liquidity.

- ▶ **Liquidity stress testing methodology**

The Bank has combined the liquidity risk leading practices applicable to its liquidity profile and therefore built a tailor-made approach in line with the nature and complexity of its business activities. The approach consists of:

- The **historical analysis of the cash flows** during 2010 and 2011 to identify common patterns

- The analysis of both **balance and off-balance sheet items** to understand the liquidity generating capacity (inflows) and the liquidity consumption (outflows) as well as any liquidity inter-relations between assets and liabilities. This assessment is in line with the CSSF 09/403 Annex 1 – Recommendation 6.

- The creation of a tailor-made indicator, which reflects the exposure of the Bank towards liquidity. The **Operating Indicator** (OI) is built based on:
    - the historical analysis of the inflows / outflows,
    - the Asset Liability Management (ALM) analysis,
    - the historical analysis of the balance sheet of 2010 and 2011 and finally,
    - the future cash inflows and outflows scheduled.

The evolution of the indicator is monitored on a monthly basis by the Bank's management and discussed with the Parent company.

- The **stress testing framework** has been elaborated based on the indicator to better represent the liquidity evolution of the Bank. In building the stress tests, the Bank has considered idiosyncratic scenarios, market scenarios and a combination of them;
- A reverse stress test scenario has been included in the analysis.

Contingency Funding Plan (CFP)

The Bank has elaborated the Contingency Funding Plan (CFP), both for preparing for and dealing with a liquidity crisis. The management of the Bank was highly involved in the discussions of the CFP. The plan is customized to the liquidity risk profile of the Bank (principle of proportionally).

During the year there were no significant changes in the Bank's objectives, policies and process for managing liquidity risk.

QUANTITATIVE INFORMATION

1.a *Financial assets and liabilities by outstanding life as at 31/12/2011 (in € k)*

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	102.686	8.136	8.256	182.006	168.863	312.857	1.047.621	3.444.346	160.404
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	306	—	—	5.098
A.3 Other debt securities	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	102.686	8.136	8.256	182.006	168.863	312.551	1.047.621	3.444.346	155.306
– to Banks	114.776	—	—	30.999	32.469	263.133	767.988	619.366	—
– to customers	-12.090	8.136	8.256	151.007	136.394	49.418	279.633	2.824.980	155.306
Cash liabilities	-377.002	-19.095	-87.176	-55.590	-520.059	-98.591	-483.920	-2.852.010	-724.359
B.1 Deposits	-377.002	-18.976	-65.261	-13.005	-502.276	-961	-709	-1.777.348	-587.760
– to Banks	-360.624	-18.976	-47.085	-3.973	—	—	—	-1.777.348	-145.805
– to customers	-16.378	—	-18.176	-9.032	-502.276	-961	-709	—	-441.955
B.2 Debt securities	—	-119	-21.915	-42.585	-17.783	-97.630	-483.211	-1.074.662	-136.599
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	56.919	187	1.594	5.834	13.122	8.505	23.909	18.515	—
C.1 Financial derivatives with exchange of principal	—	—	—	46	—	38	76	18.515	—
– long positions	—	—	—	—	—	—	—	8.979	—
– short positions	—	—	—	46	—	38	76	9.536	—
C.2 Financial derivatives without exchange of principal	56.919	187	1.594	5.788	13.122	8.467	23.833	—	—
– long positions	51.246	—	1.471	2.635	3.874	4.496	15.396	—	—
– short positions	5.673	187	123	3.153	9.248	3.971	8.437	—	—
C.3 Financial guarantees given	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—

1.b *Financial assets and liabilities by outstanding life as at 30/06/2011 (in € k)*

Type	**On demand**	**From 1 days to 7 days**	**From 7 days to 15 days**	**From 15 days to 1 month**	**From 1 month to 3 months**	**From 3 months to 6 months**	**From 6 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**
Cash assets	437.377	77.249	164.539	287.869	136.702	236.073	428.143	2.768.397	384.840
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	1.448	—	67.213	50.580	5.000
A.3 Other debt securities	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	437.377	77.249	164.539	287.869	135.254	236.073	360.930	2.717.817	379.840
– to Banks	436.919	—	93.051	30.048	13.857	3.493	223.436	91	—
– to customers	458	77.249	71.488	257.821	121.397	232.580	137.494	2.717.726	379.840
Cash liabilities	-305.468	-918.142	-159.859	-284.488	-200.403	-77.800	-205.067	-2.927.924	-132.107
B.1 Deposits	-305.468	-918.142	-97.591	-268.340	-17.334	-11.625	-23.138	-1.769.044	-132.107
– to Banks	-45.213	-774.919	-74.340	-238.297	-3.494	-11.625	-19.193	-1.727.090	-132.107
– to customers	-260.255	-143.223	-23.251	-30.043	-13.840	—	-3.945	-41.954	—
B.2 Debt securities	—	—	-62.268	-16.148	-183.069	-66.175	-181.929	-1.158.880	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	285.413	1.127	142	3.507	31.463	13.460	125.292	17.846	—
C.1 Financial derivatives with exchange of principal	—	—	40	—	27.824	48	93	17.846	—
– long positions	—	—	—	—	13.838	—	—	8.310	—
– short positions	—	—	40	—	13.986	48	93	9.536	—
C.2 Financial derivatives without exchange of principal	285.413	1.127	102	3.507	3.639	13.412	27.899	—	—
– long positions	279.765	997	—	1.136	1.800	9.664	12.267	—	—
– short positions	5.648	130	102	2.371	1.839	3.748	15.632	—	—
C.3 Financial guarantees given	—	—	—	—	—	—	—	—	—

PART F – OTHER INFORMATION

Staff number

As at December 2011 the Bank's staff is as follows:

	31/12/2011	**30/06/2011**
Management–Senior	2	2
Management–Middle	3	3
Other staff	3	3
Total	**8**	**8**

The Bank's Senior Management consists of 2 Managing Directors, who are not included on the Bank's payroll. Also, 1 member of the Middle Management is not included directly on the Bank's payroll but is on secondment from the Parent company.

PART G – SUBSEQUENT EVENTS

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 31 December 2011 and the date when the present annual accounts were authorized for issue.

PART H – INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Section 1

Statement of conformity with IAS/IFRS

The Bank's interim accounts for the period ended 31 December 2011 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) issued by the International Accounting Standards Board (IASB) which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002.

The abridged interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

Section 2

2.1 Consolidated balance sheet

	Assets	31/12/2011
		€
10.	Cash and cash balances with Central Banks	17.416.412
20.	Financial assets held for trading	384.853.084
60.	Loans and advances to Credit Institutions	1.811.963.361
70.	Loans and advances to Customers	3.554.864.891
80.	Hedging derivatives	201.578.648
100.	Equity investments	—
120.	Property, plant and equipment	4.122.326
130.	Tax assets	—
	a) current	—
	b) deferred	—
150.	Other assets	6.997.173
	TOTAL ASSETS	**5.981.795.895**

	Liabilities and equity	31/12/2011
		€
10.	Amounts due to Credit Institutions	2.494.486.042
20.	Amounts due to Customers	1.036.400.049
30.	Debt securities in issue	1.888.482.047
40.	Trading liabilities	287.060.075
60.	Hedging derivatives	21.306.321
80.	Tax liabilities	26.015.616
	a) current	25.151.616
	b) deferred	864.000
100.	Other liabilities	10.369.644
160.	Reserves	192.635.063
190.	Share capital	10.000.000
200.	Profit of the period	15.041.038
	TOTAL LIABILITIES AND EQUITY	**5.981.795.895**

2.2 Consolidated comprehensive income

	CAPTION	31/12/2011
		€
010.	Interests receivable and similar income	79.738.657
020.	Interests payable and similar charges	-70.127.839
030.	**Net interest income**	**9.610.818**
040.	Fee and commission income	13.353.693
050.	Fee and commission expense	-7.033.011
060.	**Net fee and commission income**	**6.320.682**
080.	Net trading income/expense	8.397.316
090.	Net hedging income/expense	-137.782
100.	Gain or loss on disposal or repurchase of:	-272.397
	a) loans and receivables	—
	b) financial assets available for sale	—
	c) financial assets held to maturity	—
	d) financial liabilities	*-272.397*
120.	**Total income**	**23.918.637**
130.	Value adjustments in respect of:	-446.263
	a) loans and receivables	*-325.100*
	b) financial assets available for sale	—
	c) financial assets held to maturity	—
	d) other financial operations	*-121.163*
140.	**Net income from the financial management**	**23.472.374**
180.	Administrative expenses:	-4.880.848
	a) personnel costs	*-459.959*
	b) other administrative expenses	*-4.396.889*
200.	Value adjustments in respect of tangible assets	-29.683
220.	Other operating income/expense	21.421
280.	**Profit (loss) of the ordinary activity before tax**	**18.607.264**
290.	Income tax on the ordinary activity	-3.566.226
340.	**Profit (loss) for the year**	**15.041.038**
350.	Other comprehensive income, net of tax	—
360.	**Total comprehensive income for the year, net of tax**	**15.041.038**

Section 3

Accounting policies

Please refer to Part A – Section 4, the same accounting policies and methods of computation have been followed in the interim consolidated financial statement except for the following:

Property and equipment

Property and equipment (including costs directly attributable as improvements) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings (including works and improvements): 25 to 40 years;
- Computer hardware: 3 years;
- Other furniture and equipment: 2 to 10 years.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition. The Bank does not recognized any goodwill on business combinations.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.