MEDIOBANCA INTERNATIONAL
(LUXEMBOURG)

Interim Report
for the six months ended December 31, 2012

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00
HEAD OFFICE: 4, BOULEVARD JOSEPH II – L-1840 LUXEMBOURG

Board of Directors meeting
February 14, 2013

BOARD OF DIRECTORS

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

LEGAL ADVISOR

BONN & SCHMITT LUXEMBOURG

INDEPENDENT AUDITOR

PWC Luxembourg S.à r.l. LUXEMBOURG

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Mediobanca International (Luxembourg) S.A.
Head Office: 4, Boulevard Joseph II, L-1840 Luxembourg
Mediobanca Banking Group
Share capital: € 10,000,000 fully paid up

FINANCIAL SITUATION AT 31 DECEMBER 2012
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The Bank's results for the six months under review show a net profit of €8,2m (31/12/11: €15,1m).

This decline reflects a decrease of total income, from €23,9m to €14,3m which has been only partially offset by a corresponding decrease of operating costs from € 4,9m to €4,2m. Main income items performed as follows:

- Interest income shows a reduction of 32,5%, from €16,2m to €10,9m, due to a combination of reduced lending volumes and increasing funding costs;
- net fee and commission income decrease by 29,7%, from €6,3m to €4,5m, due to the persisting decline in lending operations which reflects both a sluggish demand and the prudential approach pursued by the Management in respect of the uncertainties about the regulatory and economic scenario.

On the balance-sheet side, loan and advances to customers decreased from €3.217,6m as at 30/06/12 to €2.361,9m while notes worth a total of €271m from €414m (1H11) were issued against the Bank's Issuance Programme and none from €833m (1H11) were issued against its Short Term Programme.

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

- The final FATCA regulations were released by the IRS on Thursday 17 January 2013. These detailed rules set out how FATCA should be implemented to comply with deadlines for end 2013, and will apply to those businesses operating in jurisdictions which have not entered into an Inter Governmental Agreement with the US. Luxembourg's Finance Minister has announced plans to begin negotiations shortly on an inter-governmental agreement between Luxembourg and the United States, implementing the Foreign Account Tax Compliance Act (FATCA); the inter-governmental agreement will serve to enable the Country's financial Institutions to conform in all legal certainty to the new US legislation and to guarantee the competitiveness of the Luxembourg financial sector.
- On 11 December 2012 the CSSF has released the Circular 12/552 on central administration, internal governance and risk management in Banks and investment firms. The purpose of this circular is twofold: (I) to gather all (multiple) former IML/CSSF circulars dealing with central administration, internal control, risk, compliance and governance in one single circular; (II) to transpose in this new circular the Guidelines on Internal Governance of the European Banking Authority (GL44 of September 2011) and the guidelines from the Basel Committee on Banking Supervision on the Internal Audit function in banks of June 2012. The Bank in collaboration with the Parent Company has started a gap analysis in order to better define next steps required to comply.
- On 23 January 2013 the CSSF has released the Circular 13/557 on OTC derivatives, central counterparties and trade repositories which transpose the guidelines included in the regulation EU no. 648/2012 of the European Parliament and of the Council of 4 July 2012 (hereafter EMIR). The purpose of EMIR is to introduce new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR also establishes common organizational, conduct of business and prudential standards for central counterparties as well as organizational and conduct of business standards for trade repositories. The Bank in collaboration with the Parent Company has started the analysis in order to better define technical standards and intragroup exemptions which remains subject to specific authorization from the local Regulators.

- On 6 January 2013 the BIS's Group of Governors and Head of Supervision (GHOS) made revisions to the Basel III Liquidity Coverage Ratio (LCR). The revised LCR standards allow Banks to use a broader range of liquid assets to meet their liquidity buffer and relax some of the run-off assumptions that banks must make in calculating their net cash outflows. The revised standards also clarify that Banks may dip below the minimum LCR requirement during periods of stress. The Basel Committee expects national regulators to implement the LCR on a phased-in basis beginning on January 1, 2015. The Basel Committee will also press ahead with its review of the Basel III Net Stable Funding Ratio ("NSFR").

OUTLOOK AND FORECAST

Despite significant and continuing efforts by European policymakers, which have been essential in addressing investors' biggest fears, the principal risk remains the euro area crisis. Incremental policymaking has been insufficient to fully allay market tensions, despite the recent market rally. The combination of lower risk appetite, a weakened outlook for growth, and persistently volatile and wide spreads in the euro area periphery has led to an increase in macroeconomic risks. Credit risks remain largely unchanged, albeit at high levels, as the renewed deterioration in the banking sector and growing deleveraging and credit pressures in the euro area periphery have been offset by some improvements in corporate and household balance sheets in advanced economies. Within the euro area, capital has continued to move out of the periphery, both to the core and to countries outside of the euro area altogether, as official measures to safeguard integration have so far proved insufficient to offset strong private sector forces for fragmentation.

With lower budget cuts and domestic and euro area–wide policies supporting a further improvement in financial conditions later in 2013, real GDP is projected to stay flat in the first half of 2013 and expand by about 1 percent in the second half. The "core" economies are expected to see low but positive growth throughout 2012–13. Most euro area "periphery" economies are likely to suffer a sharp contraction in 2012, constrained by tight fiscal policies and financial conditions, and to begin to recover only in 2013.

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

- financial stability: government bond yields in Southern Europe have sharply increased, while funding conditions for many European Banks have deteriorated. The beneficial effects of the European Central Bank's extraordinary long-term refinancing operations have decreased in recent months, amid renewed policy uncertainty and growing concerns about the health of Banks. This has led to a substantial flight to safe assets; in plus financial fragmentation has exacerbated the adverse feedback loop between weak Banks and governments, and threatens to undermine the currency union. Private capital outflows have continued to erode the foreign investor base for government debt in countries such as Italy and Spain. Governments have increased their reliance on domestic Banks to finance their public debt. At the same time, these Banks have increasingly turned to the European Central Bank to meet their liquidity needs as wholesale funding markets remain closed to them.

- sovereign and Bank funding pressures: have spilled over to the corporate sector in the periphery of the euro area. These companies have seen rising wholesale funding costs and a drop in Bank lending. They are also facing a large amount of maturing bonds in the near term, which will likely exacerbate their funding squeeze.

- growth prospects: in other advanced economies and emerging markets are a bit weaker. This has left them somewhat more vulnerable to spillovers from the euro area. It also reduces their ability to address home-grown fiscal and financial vulnerabilities. Uncertainties about the fiscal outlook in the United States present a particular latent risk to global financial stability.

Given these risks, increased efforts are needed now to prevent financial conditions from further deteriorating and adversely affecting growth. In the euro area, the measures agreed at the recent European leaders' summit are significant steps to address the immediate crisis. While their timely implementation is essential, further efforts are necessary to break the adverse feedback loop between weak banks and weak sovereigns. In particular, measures are needed to help the euro area to stabilize, integrate, and grow.

In this current macroeconomic scenario the intention of the Bank is to proceed with its extremely prudential investing policy remaining focused on capital strengthening.

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 31/12/2012	**6 mths to 31/12/2011**	**Chg.**
	€m	€m	%
Net interest income	10,9	16,2	-32,7%
Net trading income	-1,1	1,4	-178,6%
Net fee and commission income	4,5	6,3	-28,6%
TOTAL INCOME	**14,3**	**23,9**	**-40,2%**
Wages and salaries	-0,5	-0,4	25,0%
Other administrative expenses	-3,7	-4,5	-17,8%
OPERATING COST	**-4,2**	**-4,9**	**-14,3%**
Loans impairment	0,1	-0,3	-133,3%
Provisions for other financial assets	-0,1	-0,1	–
Other profit (losses)	–	–	–
PROFIT BEFORE TAX	**10,1**	**18,6**	**-45,7%**
Fiscal provision	-1,9	-3,5	-45,7%
NET PROFIT	**8,2**	**15,1**	**-45,7%**

Net interest income – this item decreases by 32,7%, from €16,2m to €10,9m due to decreasing volumes in corporate lending which have been only partially offset by the growth of loans to credit Institutions that runs at lower market spreads. The main factor contributing to such development has been early repayment of loans by corporate borrowers in a context where the Management keeps focusing on capital strengthening. During the six months under review the Bank has observed a slightly reduction of funding cost driven by a more efficient use of collateralized borrowings and by the lowering interests rate's dynamic.

Net trading income – this heading is made up of € -1,1m (€ 1,4m): dealing profits are €0,2m (€505,7m) and are composed of € -0,3m losses on unwind fees of derivative transactions and €0,5m profits on buyback and redemption of notes issued by the Bank. Mark to market valuations on trading financial instruments at the reporting date reflects a loss of -€ 0,7m (-€ 504,2m) while -€ 0,6m (-€ 0,1m) reflect the net result of the Bank's forex exposure.

	6 mths to 31/12/2012	6 mths to 31/12/2011	Chg.
	€m	€m	%
Dealing profits	0,2	505,7	-100,0%
Mark to market of financial instruments	-0,7	-504,2	-99,9%
Forex	-0,6	-0,1	500,0%
Net trading income	**-1,1**	**1,4**	**-178,6%**

Net fee and commission income – this item, mainly driven by corporate lending, decrease by 28,6% from € 6,3m to € 4,5m due to a slowdown in contribution given by lending transactions (down 36,5% from € 7,4m to € 4,7m). Other commissions amount - € 0,2m (- € 1,1m) and are composed by fees on securities transaction (down 28,6% from € 0,7m to € 0,5m) and commissions paid on guarantee received (down 61,1% from - €1,1m to - €0,7m).

	6 mths to 31/12/2012	6 mths to 31/12/2011	Chg.
	€m	€m	%
Net commission income (lending)	4,7	7,4	-36,5%
Net commission income (other)	-0,2	-1,1	-81,8%
Net commission income	**4,5**	**6,3**	**-28,6%**

Operating costs – this item decrease by 14,3%, from € 4,9m to € 4,2m, as a consequence of lower provisions for the service agreement which offset the increase in wages and salaries. The components performed as follows:

- wages and salaries totaled € 0,5m (€ 0,4m), from July 1, 2012 one of the two Managing Directors has been directly included on the Bank’s payroll;
- other costs amounting to € 3,7m (€ 4,5m) reflect the mentioned decrease in provision accounted for service agreement with the Parent Company.

Impairment of loans and advances – the item passed from a negative impact of - € 0,3m to an income of € 0,1m due to decreasing volume in corporate lending. The Bank has a direct cash exposure in loans and receivables for € 394,7m (€ 442,6m); the remaining part of the portfolio is covered by financial guarantees issued either by the Parent Bank or public Agencies.

RESTATED BALANCE SHEET

	31/12/2012	30/06/2012	Chg.
	€m	€m	%
Net treasury investments	733,0	805,0	-8,9%
Fixed financial assets (HTM & LRO)	193,8	–	–
Loans and advances	2.672,8	3.839,7	-30,4%
Tangible and intangible assets	–	–	–
Equity investments	4,2	4,2	–
Other assets	13,9	8,1	71,6%
TOTAL ASSETS	**3.617,7**	**4.657,0**	**-22,3%**
Funding	3.347,4	4.397,2	-23,9%
of which: debt securities in issue	*1.236,0*	*1.562,3*	*-20,9%*
Other liabilities	31,0	28,8	7,6%
of which: tax liabilities	*19,1*	*20,3*	*-5,9%*
Net equity	231,1	202,6	14,1%
Profit	8,2	28,4	-71,1%
TOTAL LIABILITIES	**3.617,7**	**4.657,0**	**-22,3%**

Net treasury investments – the item decrease by 8,9% from € 805m to € 733m and includes:

- financial assets held for trading which increase by 292,3% from € 19,5m to € 76,5m, boosted by the purchase of corporate loan held for trading which passed from an outstanding amount of € 5,2m to € 66,1m.
- net application in treasury funds such as repos, time deposits, etc. which decrease by 21,1% from € 776,7m to € 641,6m driven by the lowering of current accounts. In accordance with the financial situation the Bank has changed its funding strategy focusing more on long term funding (such as notes, collateralized borrowing, etc.) than short term money market deals (such as time deposits).
- value adjustments on derivative contracts increase by 67,4% from € 8,9m to € 14,9m.

Fixed financial assets – this portfolio brings together the Bank's holding in securities issued by the Parent Company and classified under IAS 39 as Loan and Receivables.

Loans and advances – this item decreased by 30,4% from € 3.839,7 to € 2.672,8m and reflect both the early repayment of loans by corporate clients and the regulatory capital strengthening pursued by the Management. Impaired assets (which include non performing, restructured and past due counterparts) increased by 101,4% from € 86,4m to € 174m and remains fully covered by standby letters of credit. 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. At the reporting date the Bank has a direct cash exposure in loans and receivables for € 394,6m (€ 394,2m) and an exposure for guarantees and commitments for € 169,8m (€126,5m).

Other assets – this item increased by 71,6% from € 8,1m to € 13,9m due to increasing transitory accounts which have been cleared in January 2013.

Funding – this item decrease by 23,9% from € 4.397,2m to € 3.347,4m driven both by the decrease in borrowing from Credit Institutions, down 37,9% from € 2.095,1m to € 1.302,1m, and by the decrease of debt securities issued down 12,6% from € 1.679,5m to € 1.468,3m.

Other liabilities – this item increase by 7,6% from € 28,8m to € 31m and is mainly composed by tax provisions and invoices payables.

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 2012.

Luxembourg, 14 February 2013

The Board of Directors

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

INDIPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Report on review of interim financial information

To the Management of

Mediobanca International (Luxembourg) S.A.

We have reviewed the accompanying Mediobanca Banca di Credito Financiario SpA ("Mediobanca SpA") special purpose financial information for Mediobanca International (Luxembourg) S.A. ("Bank") expressed in EUR as of 31 December 2012 and for the six-month period then ended. This special purpose financial information has been prepared solely to enable Mediobanca SpA to prepare interim consolidated financial statements and not to report on the Bank as a separate entity. Management is responsible for the preparation and presentation of this special purpose financial information in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union relating to interim financial information (IAS 34). Our responsibility is to express a conclusion on this special purpose financial information based on our review.

Scope

We conducted our review in accordance with International Standard on Review engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention, that causes us to believe that the accompanying special purpose financial information for the Bank as of 31 December 2012 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union relating to interim financial information.

Emphasis of matter – Basis of preparation

Without qualifying our conclusion, we draw attention to the fact that the accompanying special purpose financial information has been prepared for purposes of providing information to Mediobanca SpA to enable it to prepare interim consolidated financial statements of the Group. As a result, the special purpose financial information is not a complete set of financial statements of the Bank presented in accordance with and does not include all the information required to be disclosed by International Financial Reporting Standards. Accordingly, the accompanying special purpose financial information is not intended to give a true and fair view of the financial position of the Bank as of 31 December 2012, or the results of its operations for the six-month period then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 6 February 2013

Pierre Krier

INTERIM ACCOUNTS

STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2012	30/06/2012
		€	€
10.	Cash and cash balances with Central Banks	1.502.741	1.844.341
20.	Financial assets held for trading	401.410.043	340.150.975
60.	Loans and advances to Credit Institutions	1.185.921.630	1.711.734.131
70.	Loans and advances to Customers	2.361.859.926	3.217.618.546
80.	Hedging derivatives	232.890.928	227.082.436
100.	Equity investments	4.150.000	4.150.000
120.	Property, plant and equipment	30.113	38.348
130.	Intangible assets	3.175	4.613
	of which: goodwill	–	–
140.	Tax assets	66.485	38.412
	a) current	*66.485*	*38.412*
	b) deferred	–	–
160.	Other assets	19.551.178	7.948.889
	TOTAL ASSETS	**4.207.386.219**	**5.510.610.691**

	Liabilities and equity	31/12/2012	30/06/2012
		€	€
10.	Amounts due to Credit Institutions	1.313.155.301	2.415.871.845
20.	Amounts due to Customers	834.574.437	717.077.133
30.	Debt securities in issue	1.468.349.978	1.788.101.846
40.	Trading liabilities	310.066.505	311.825.782
60.	Hedging derivatives	18.604.319	17.962.876
80.	Tax liabilities	11.349.142	20.288.072
	a) current	*10.485.142*	*19.424.072*
	b) deferred	*864.000*	*864.000*
100.	Other liabilities	12.079.969	8.431.702
160.	Reserves	221.051.434	192.623.000
190.	Share capital	10.000.000	10.000.000
200.	Profit of the period	8.155.134	28.428.435
	TOTAL LIABILITIES AND EQUITY	**4.207.386.219**	**5.510.610.691**

STATEMENT OF COMPREHENSIVE INCOME

	CAPTION	31/12/2012	31/12/2011
		€	**€**
010.	Interests receivable and similar income	55.626.448	79.738.657
020.	Interests payable and similar charges	-46.370.099	-70.127.839
030.	**Net interest income**	**9.256.349**	**9.610.818**
040.	Fee and commission income	6.361.496	13.353.693
050.	Fee and commission expense	-1.945.910	-7.033.011
060.	**Net fee and commission income**	**4.415.586**	**6.320.682**
080.	Net trading income/expense	-14.752	8.397.316
090.	Net hedging income/expense	90.268	-137.782
100.	Gain or loss on disposal or repurchase of:	503.297	-272.397
	a) loans and receivables	*-5.378*	–
	b) financial assets available for sale	–	–
	c) financial assets held to maturity	–	–
	d) financial liabilities	*508.675*	*-272.397*
120.	**Total income**	**14.250.748**	**23.918.637**
130.	Value adjustments in respect of:	32.598	-446.263
	a) loans and receivables	*159.008*	*-325.100*
	b) financial assets available for sale	–	–
	c) financial assets held to maturity	–	–
	d) other financial operations	*-126.410*	*-121.163*
140.	**Net income from the financial management**	**14.283.346**	**23.472.374**
180.	Administrative expenses:	-4.164.938	-4.875.646
	a) personnel costs	*-541.627*	*-459.959*
	b) other administrative expenses	*-3.623.311*	*-4.415.687*
200.	Value adjustments in respect of tangible assets	-9.552	-633
210.	Value adjustments in respect of intangible assets	-1.438	–
220.	Other operating income/expense	10.525	17.424
280.	**Profit (loss) of the ordinary activity before tax**	**10.117.943**	**18.613.519**
290.	Income tax on the ordinary activity	-1.962.809	-3.556.002
340.	**Profit (loss) for the year**	**8.155.134**	**15.057.517**
350.	Other comprehensive income, net of tax	–	–
360.	**Total comprehensive income for the year, net of tax**	**8.155.134**	**15.057.517**

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2012 TO 31/12/2012 (in €)

	Balance as of June 30, 2012	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2012
					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	**192.623.000**	**28.428.435**	–	–	–	–	–	–	**221.051.435**
a) legal reserve	1.000.000	–	–	–	–	–	–	–	1.000.000
b) free reserve	175.211.250	23.378.435	–	–	–	–	–	–	198.589.685
c) special reserve[1]	16.411.750	5.050.000	–	–	–	–	–	–	21.461.750
d) FTA reserve	–	–	–	–	–	–	–	–	–
Valuation reserves	–	–	–	–	–	–	–	–	–
a) AFS securities	–	–	–	–	–	–	–	–	–
b) cash flow hedges	–	–	–	–	–	–	–	–	–
c) special laws – others	–	–	–	–	–	–	–	–	–
Own shares	–	–	–	–	–	–	–	–	–
Comprehensive income of the period	**28.428.435**	**-28.428.435**	–	–	–	–	–	**8.155.134**	**8.155.134**
Total equity	**231.051.435**	–	–	–	–	–	–	**8.155.134**	**239.206.569**

[1] As of 31 December 2012 and 2011 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 01/07/2011 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
					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	**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.

CASH FLOW STATEMENT

(Amount expressed in € k)

	Amount	
	31/12/2012	**31/12/2011**
A. OPERATING ACTIVITIES		
1. Operations	**-1.921**	**31.838**
– interest received	80.717	105.136
– interest paid	-76.269	-65.391
– net fee and commission received/paid	–	4.625
– net premium income	6.177	–
– dividends and similar income	–	–
– cash payments to employees	-503	-266
– other income (expenses)	-1.086	-5.811
– tax income	-10.957	-6.455
2. Cash generated/absorbed by financial assets	**1.381.114**	**267.281**
– amounts due from customers	833.265	401.097
– amounts due from banks: on demand	-95813	76
– amounts due from banks: other	176.482	-816.055
– financial assets measured at fair value	467.133	682.155
– other assets	47	8
3. Cash generated/absorbed by financial liabilities	**-1.379.193**	**-294.967**
– amounts due to banks: on demand	2.936	884
– amounts due to banks: other	-676.523	-1.001.132
– amounts due to clients	116.787	471.428
– debt securities in issue	-288.866	223.453
– financial liabilities measured at fair value	-533.527	10.400
– other liabilities	–	–
Net cash flow (outflow) from operating activities	**–**	**4.152**
B. INVESTMENT ACTIVITIES		
– acquisitions/disposals of tangible assets	-1	–
– acquisitions/disposals of intangible assets	–	–
– acquisitions/disposals of subsidiaries or business units	–	-4.150
Net cash flow (outflow) from investing activities	**-1**	**-4.150**
C. FUNDING ACTIVITIES		
– distribution of dividends and other scopes	–	–
– issues/purchases of subordinated debts and other equity instruments	–	–
Net cash flow (outflow) from financing activities	**–**	**–**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**-1**	**2**

RECONCILIATION	Amount	
	31/12/2012	**31/12/2011**
Cash and cash equivalents: balance at 1 July	1	–
Total cash flow (outflow) during year	-1	2
Cash and cash equivalents: exchange rate effect	–	–
Cash and cash equivalents: balance at 31 December	–	**2**

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 2012 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, 2012 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 PWC Luxembourg S.à r.l.

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 as at 30 June 2012.

Section 5

Significant accounting estimates and judgment

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.

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.

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)

	31/12/2012	30/06/2012
a) Cash	—	1
b) Demand deposit held at Central Banks	1.503	1.843
Total	**1.503**	**1.844**

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	31/12/2012			30/06/2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	—	—	—	—	—	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	—	—	—	—	—	—
2. Equities	—	—	—	—	—	—
3. OICR units	—	10.334	—	—	14.324	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	66.122	—	—	5.180	—
Total A	**—**	**76.456**	**—**	**—**	**19.504**	**—**
B. Derivative products						
1. Financial derivatives	—	182.265	104.366	—	171.923	103.274
1.1 Trading	—	17.838	2.201	—	7.177	—
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	164.427	102.165	—	164.746	103.274
2. Credit derivatives	8.462	29.861	—	—	45.450	—
2.1 Trading	8.462	29.861	—	—	45.450	—
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	**8.462**	**212.126**	**104.366**	**—**	**217.373**	**103.274**
Total (A+B)	**8.462**	**288.582**	**104.366**	**—**	**236.877**	**103.274**
Total level 1, Level 2 and Level 3			**401.410**			**340.151**

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	**31/12/2012**	**30/06/2012**
A. CASH ASSETS		
1. Debt securities	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
2. Equities	—	—
a. Banks	—	—
b. Other issuers	—	—
- insurances	—	—
- financial companies	—	—
- non-financial companies	—	—
- others	—	—
3. OICR units	10.334	14.324
4. Loans and advances	66.122	5.180
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	66.122	5.180
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	**76.456**	**19.504**
B. DERIVATIVE PRODUCTS		
a. Banks	324.954	315.354
b. Customers	—	5.293
Total B	**324.954**	**320.647**
Total A+B	**401.410**	**340.151**

As at December 31, 2012 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		31/12/2012		30/06/2012	
	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:	959.288	157.363	153.166	641	350.345	128.627	—	—	1.462.799	286.631	1.228.242	275.197
– with exchange of principal	—	—	153.166	641	—	—	—	—	153.166	641	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	153.166	641	—	—	—	—	153.166	641	—	—
– without exchange of principal	959.288	157.363	—	—	350.345	128.627	—	—	1.309.633	285.990	1.228.242	275.197
– options bought	—	—	—	—	42.482	8.801	—	—	42.482	8.801	3.999	—
– other derivatives	959.288	157.363	—	—	307.863	119.826	—	—	1.267.151	277.189	1.224.243	275.197
2) Credit derivatives:	—	—	—	—	—	—	956.816	38.323	956.816	38.323	1.574.012	45.450
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	956.816	38.323	956.816	38.323	1.574.012	45.450
Total B	**959.288**	**157.363**	**153.166**	**641**	**350.345**	**128.627**	**956.816**	**38.323**	**2.419.615**	**324.954**	**2.802.254**	**320.647**
Total (A+B)	**959.288**	**157.363**	**153.166**	**641**	**350.345**	**128.627**	**956.816**	**38.323**	**2.419.615**	**324.954**	**2.802.254**	**320.647**

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	31/12/2012	30/06/2012
A. Balance at start of period	**—**	**—**	**14.324**	**5.180**	**19.504**	**138.068**
B. Additions	—	—	298	66.604	66.902	21.886
B.1 Acquisitions	—	—	—	66.413	66.413	21.089
B.2 Increases in fair value	—	—	256	98	354	140
B.3 Other increases	—	—	42	93	135	657
C. Reductions	—	—	4.288	5.661	9.949	140.450
C.1 Disposals	—	—	4.288	5.360	9.648	115.814
C.2 Redemptions	—	—	—	47	47	15.140
C.3 Reductions in fair value	—	—	—	183	183	1.154
C.4 Transfers to other portfolios	—	—	—	—	—	—
C.5 Other reductions	—	—	—	71	71	8.342
D. Balance at end of period	**—**	**—**	**10.334**	**66.123**	**76.457**	**19.504**

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	31/12/2012	30/06/2012
1. Current accounts and demand deposits	261.681	554.283
1.1 current accounts	261.681	461.600
1.2 stock lending deposits	—	92.683
1.3 others deposits on demand	—	—
2. Term deposits	—	108.646
3. Other receivables	730.393	1.048.805
3.1 amounts due under repo agreements	400.922	409.259
3.2 amounts due under finance leases	—	—
3.3 amounts due under stock lending transactions	—	—
3.4 other amounts due	329.471	639.546
4. Debt securities	193.848	—
Total book value	**1.185.922**	**1.771.734**
Total fair value	**1.185.922**	**1.771.733**

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).

Section 7

Heading 70: Loans and advances to customers

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

Type of transactions/Value	31/12/2012	30/06/2012
1. Current accounts	—	—
2. Amounts due under repo agreements	—	—
3. Loans	2.361.860	3.217.611
4. Credit cards, personal loans and salary – guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	—	8
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Assets sold but not derecognized	—	—
Total book value	**2.361.860**	**3.217.619**
Total fair value	**2.296.712**	**3.088.833**

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

Type of transactions/Value	31/12/2012		30/06/2012	
	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:	2.187.839	174.021	3.131.187	86.432
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	2.187.839	174.021	3.131.187	86.432
- non-financial undertakings	1.502.023	115.440	2.040.488	29.799
- financial companies	685.816	58.581	1.090.699	56.633
- insurances	—	—	—	—
- other entities	—	—	—	—
Total	**2.187.839**	**174.021**	**3.131.187**	**86.432**

As at December 31, 2012 the Bank does not own any sovereign debt exposure classified as loans and receivables.

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

Type of transactions/Value	31/12/2012	30/06/2012
1. Items subject to specific fair value hedges for:	168.225	383.532
a) interest rate risk	168.225	383.532
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	**168.225**	**383.532**

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)

	31/12/2012			Notional value	30/06/2012			Notional value
	Fair value				*Fair value*			
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	232.891	—	478.279	—	227.082	—	540.475
1) Fair value	—	232.891	—	478.279	—	227.082	—	540.475
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	**232.891**	—	**478.279**	—	**227.082**	—	**540.475**

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		31/12/2012		30/06/2012	
	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:	478.279	232.891	—	—	—	—	—	—	478.279	232.891	540.475	227.082
– with exchange of principal	1.801	23	—	—	—	—	—	—	1.801	23	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	1.801	23	—	—	—	—	—	—	1.801	23	—	—
– without exchange of principal	476.478	232.868	—	—	—	—	—	—	476.478	232.868	540.475	227.082
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	476.478	232.868	—	—	—	—	—	—	476.478	232.868	540.475	227.082
2) Credit derivatives:	—	—	—	—	—	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
Total B	**478.279**	**232.891**	—	—	—	—	—	—	**478.279**	**232.891**	**540.475**	**227.082**
Total (A+B)	**478.279**	**232.891**	—	—	—	—	—	—	**478.279**	**232.891**	**540.475**	**227.082**

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

31/12/2012 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**	**—**	**—**	**—**	**—**	**—**	**—**

30/06/2012 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	—	—	—	—	—	—	—
2. Debt securities in issue	232.891	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	**232.891**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL	**232.891**	**—**	**—**	**—**	**—**	**—**	**—**

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 Tangible assets stated at cost (in € k)

Assets/value	31/12/2012	30/06/2012
A. Core assets		
1.1 owned by the Group	30	38
a) land	—	—
b) buildings	—	—
c) furniture and fitting	5	5
d) electronic equipment	—	—
e) other assets	25	33
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	**30**	**38**
B. Assets held for investment purposes		
2.1 owned by the Group:	—	—
a) land	—	—
b) buildings	—	—
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	**—**	**—**
Total (A+B)	**30**	**38**

12.2 Core tangible assets: movements during the period (in € k)

	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Other assets**	**Total**
A. Gross opening balance	—	—	43	—	36	79
A.1 Total net value reductions	—	—	-38	—	-3	-41
A.2 Net opening balance	—	—	5	—	33	38
B. Additions:	—	—	—	—	2	2
B.1 Purchases	—	—	—	—	2	2
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
B.3 Write-backs	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	—	—	—
C. Reductions:	—	—	—	—	-10	-10
C.1 Disposals	—	—	—	—	—	—
C.2 Depreciation charges	—	—	—	—	-10	-10
C.3 Value adjustments for impairment:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	—	—	5	—	25	30
D.1 Total net value reductions	—	—	-38	—	-13	-51
D.2 Gross closing balance	—	—	43	—	38	81

Section 13

Heading 130: Intangible assets

13.1 Intangible assets (in € k)

Assets/ amounts	31/12/2012		30/06/2012	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	—	—	—
A.1.1 attributable to the Group	—	—	—	—
A.1.2 attributable to third parties	—	—	—	—
A.2 Other intangible assets	3	—	5	—
A.2.1 Recognized at cost:	3	—	5	—
a) intangible assets generated internally	—	—	—	—
b) other assets	3	—	5	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	**3**	**—**	**5**	**—**

13.2 Intangible assets: movements during the period (in € k)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	6	—	6
A.1 Total net value reductions	—	—	—	-1	—	-1
A.2 Net opening balance	—	—	—	5	—	5
B. Additions	—	—	—	—	—	—
B.1 Purchases	—	—	—	—	—	—
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	-2	—	-2
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	-2	—	-2
– amortization	—	—	—	-2	—	-2
– write-downs	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	—	—	—	3	—	3
D.1 Total net value adjustments	—	—	—	-3	—	-3
E. Gross closing balance	—	—	—	6	—	6
F. Stated at cost	—	—	—	—	—	—

Section 14

Heading 140: Tax assets

14.1 Tax assets (in € k)

In Luxembourg taxable person may partially recover VAT charged on goods and services supplied within Luxembourg or self-assessed on intra-Community acquisition. The general principle applicable consists in deducting VAT levied on the goods and services needed to run the business; where the good or service is not allocated exclusively to the business, VAT can be only partially deducted. Nevertheless a pro rata rate of deduction has been established in order to permit to taxable person to partially recover the VAT payables.

	31/12/2012	**30/06/2012**
- VAT credit	66	38
Total	**66**	**38**

Section 16

Heading 160: Other assets

16.1 Other assets (in € k)

	31/12/2012	**30/06/2012**
- Gold, silver and precious metal	—	—
- Accrued income other than capitalized income	1.960	2.708
- Trade receivables or invoice to be issued	4.187	5.090
- Amount due from tax revenue Authorities (not recorded under heading 140)	16	16
- Other	13.388	135
Total	**19.551**	**7.949**

The item “other” includes € 13.383k of cash collateral temporary pledged under a collateralized borrowing transaction; the amount has been fully collected in January 2013.

Liabilities

Section 1

Heading 10: Amounts due to credit institutions

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

Type of transaction/amounts	31/12/2012	30/06/2012
1. Due to central Banks	—	—
2. Due to Banks	1.313.156	2.415.872
2.1 Current accounts and demand deposits	4.035	306.942
2.2 Term deposits	6.613	13.809
2.3 Borrowings	1.302.056	2.095.121
2.3.1 Leasing & stock lending	—	—
2.3.2 Others	1.302.056	2.095.121
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	452	—
Total book value	**1.313.156**	**2.415.872**

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)

	31/12/2012	30/06/2012
1. Items subject to specific fair value hedges for:	244.601	237.488
a) interest rate risk	244.601	237.488
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	**244.601**	**237.488**

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	31/12/2012	30/06/2012
1. Current accounts and demand deposits	—	20.633
2. Term deposits	29.222	191.011
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	805.352	505.433
4.1 leasing	—	—
4.2 others	805.352	505.433
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	**834.574**	**717.077**

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

	31/12/2012	30/06/2012
1. Items subject to specific fair value hedges for:	100.615	97.011
a) interest rate risk	100.615	97.011
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	**100.615**	**97.011**

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	31/12/2012		30/06/2012	
	Book value	**Fair Value[1]**	**Book value**	**Fair Value**
A. Listed securities	1.227.309	1.282.514	1.528.406	1.565.043
1. notes	1.227.309	1.282.514	1.419.764	1.456.401
1.1 structured	579.949	586.177	908.892	915.485
1.2 others	647.360	696.337	510.872	540.916
2. other securities [A]	—	—	108.642	108.642
2.1 structured	—	—	—	—
2.2 others	—	—	108.642	108.642
B. Unlisted securities	241.041	244.544	259.696	263.764
1. notes	241.041	244.544	259.696	263.764
1.1 structured	191.776	192.744	218.125	220.257
1.2 others	49.265	51.800	41.571	43.507
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
Total	**1.468.350**	**1.527.058**	**1.788.102**	**1.828.807**

[1] Fair value does not include issuer risk; if issuer risk was considered, the fair value of debt securities issued would reduce by € 64m 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	31/12/2012	30/06/2012
A. Securities subject to specific fair value hedges	420.872	558.058
1. Interest rate risk	420.872	558.058
2. Currency risk	—	—
3. Other risks	—	—
B. Securities subject to specific cash flow hedges	—	—
1. Interest rate risk	—	—
2. Currency risk	—	—
3. Other risks	—	—
Total	**420.872**	**558.058**

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

Type of transaction/amounts	31/12/2012	30/06/2012
A. Debt securities	1.047.478	1.121.402
1. Structured	437.079	720.666
2. Other	610.399	400.736
B. Other financial instruments	—	108.642
1. Structured	—	—
2. Other	—	108.642
Total	**1.047.478**	**1.230.044**

Section 4

Heading 40: Financial liabilities held for trading

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

Type of transaction/amounts	31/12/2012			30/06/2012		
	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	1.254	206.586	102.226	—	208.552	103.274
1. Financial derivatives	—	179.384	102.226	—	168.913	103.274
1.1 Trading derivatives	—	15.366	61	—	5.592	—
1.2 Linked to FV option	—	—	—	—	—	—
1.3 Other	—	164.018	102.165	—	163.321	103.274
2. Credit derivatives	1.254	27.202	—	—	39.639	—
2.1 Trading derivatives	1.254	27.202	—	—	39.639	—
2.2 Linked to FV option	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
Total	**1.254**	**206.586**	**102.226**	**—**	**208.552**	**103.274**

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.

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

	Interest rate		Foreign currency/gold		Equity		Credit		31/12/2012		30/06/2012	
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	357.194	156.121	19.052	131	388.965	125.358	—	—	765.211	281.610	1.119.985	272.187
1.1 With exchange of principal	—	—	19.052	131	—	—	—	—	19.052	131	327.336	29
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	—	—	19.052	131	—	—	—	—	19.052	131	327.336	29
1.2 Without exchange of principal	357.194	156.121	—	—	388.965	125.358	—	—	746.159	281.479	792.649	272.158
- options issued	—	—	—	—	40.131	5.942	—	—	40.131	5.942	3.999	—
- other derivatives	357.194	156.121	—	—	348.834	119.416	—	—	706.028	275.537	788.650	272.158
2. Credit derivatives	—	—	—	—	—	—	775.919	28.456	775.919	28.456	1.494.012	39.639
2.1 With exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Without exchange of principal	—	—	—	—	—	—	775.919	28.456	775.919	28.456	1.494.012	39.639
Total	**357.194**	**156.121**	**19.052**	**131**	**388.965**	**125.358**	**775.919**	**28.456**	**1.541.130**	**310.066**	**2.613.997**	**311.826**

Section 6

Heading 60: Hedging derivatives

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

	31/12/2012 Fair value			Notional value	30/06/2012 Fair value			Notional value
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivates	—	18.605	—	204.370	—	17.963	—	489.521
1) *Fair value*	—	18.605	—	204.370	—	17.963	—	489.521
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) *Fair value*	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**18.605**	**—**	**204.370**	**—**	**17.963**	**—**	**489.521**

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		31/12/2012	30/06/2012
	Specific				Generic	Specific	General		
	Interest Risk	Exchange rate	Credit risk	Other					
1. AFS Securities	—	—	—	—	—	—	—	—	—
2. Loans and advances	18.016	—	—	—	—	—	—	18.016	16.731
3. Financial assets HTM	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL ASSETS	**18.016**	**—**	**—**	**—**	**—**	**—**	**—**	**18.016**	**16.731**
1. Amounts due	—	—	—	—	—	—	—	—	—
2. Financial liabilities	589	—	—	—	—	—	—	589	1.232
3. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL LIABILITIES	**589**	**—**	**—**	**—**	**—**	**—**	**—**	**589**	**1.232**
TOTAL	**18.605**	**—**	**—**	**—**	**—**	**—**	**—**	**18.605**	**17.963**

Section 8

Heading 80: Tax liabilities

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

	31/12/2012	30/06/2012
Corporate income tax (IRC)	7.851	14.545
Municipal business tax (ICC)	2.610	4.673
Other	24	206
Total	**10.485**	**19.424**

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 € 1.002.435 (Fiscal Year 2011: € 823.945) 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	Other	Total
Balance at the beginning of the year				
A. Current fiscal liabilities (+)	19.025	5.748	206	24.979
B. Advances paid (-)	4.480	1.075	—	5.555
A.1 Fiscal liabilities: increase (+)	**1.504**	**459**	**49**	**2.012**
- provisions of the year	1.504	459	49	2.012
- transfers	—	—	—	—
- others	—	—	—	—
A.2 Fiscal liabilities: decrease (-)	**-6.518**	**-2.022**	**-231**	**-8.771**
- payments of the year	-6.518	-2.022	-231	-8.771
- transfers	—	—	—	—
- others	—	—	—	—
B.1 Advances paid: increase (+)	**2.000**	**600**	**—**	**2.600**
- payments/advances	2.000	600	—	2.600
- transfers	—	—	—	—
- others	—	—	—	—
B.2 Advances paid: decrease (-)	**-320**	**-100**	**—**	**-420**
- payments of the year	-320	-100	—	-420
- transfers	—	—	—	—
- others	—	—	—	—
Total A. Fiscal liabilities	**14.011**	**4.185**	**24**	**18.220**
Total B. Advances paid	**6.160**	**1.575**	**—**	**7.735**
Current fiscal liabilities (A-B)	**7.851**	**2.610**	**24**	**10.485**

As at December 31, 2012 the solidarity surcharge due by companies amounts to 5%. Taking into account a corporate income tax rate (including the contribution to the employment fund) of 22,05% and the municipal business tax, which amounts to 6,75% for the City of Luxembourg, the overall nominal income tax rate for the Bank amounts to 28,80%.

From January 2013 the solidarity surcharge will rise from 5 to 7%. Accordingly, the aggregate 2013 tax rate applicable to corporations resident in the municipality of Luxembourg will increase from 28.80% to 29.22%.

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

Deferred tax liabilities	31/12/2012	30/06/2012
1. Initial amount	864	864
1.1 Initial amount	864	864
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	—	—
3.1 Deferred tax reversed during the period	—	—
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	—	—
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	**864**	**864**

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

	31/12/2012			30/06/2012		
	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)

	31/12/2012	30/06/2012
1. Pending invoices	9.167	5.642
2. Wages accrued, contributions and amounts withheld from staff for payment	15	6
3. Impairment guarantees and commitments	558	431
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Deferred income	—	—
6. Upfront premiums	—	—
7. Amounts payable on loans and receivables	2.340	2.353
8. Other items	—	—
Total	**12.080**	**8.432**

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 December 31, 2012 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 2012;
- This reserve will be maintained for a minimum period of 5 years.

(in € k)	**31/12/2012**	**30/06/2012**
A. Reserves	220.051	192.623
A.1 legal reserve	1.000	1.000
A.2 free reserve	198.589	175.211
A.3 special reserve(1)	21.462	16.412
A.4 FTA reserve	—	—

(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 2012, 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)

	31/12/2012	30/06/2012
1. Financial guarantees given to:	66.015	84.762
a) Banks	—	—
b) Customers	66.015	84.762
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds:	1.391.486	1.258.874
a) Banks	—	—
b) Customers	1.391.486	1.258.874
4. Commitment underlying credit derivatives: hedge sales	837.617	1.518.612
Total	**2.295.118**	**2.862.248**

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

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

Type of service	31/12/2012	30/06/2012
1. Securities traded on behalf of customers		
a) Purchases	—	—
1. settled	—	—
2. pending settlement	—	—
b) Disposals	—	—
1. settled	—	—
2. pending settlement	—	—
2. Asset management		
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary Basis		
a) customers’ securities held on deposit: in connection with the Bank’s activity as deposit bank (not including asset management)	—	—
1. securities issued by bank drawing up financial statements	—	—
2. other securities	—	—
b) other customers’ securities held on deposit (not including asset management): others	325.500	599.263
1. securities issued by bank drawing up financial statements	—	—
2. other securities	325.500	599.263
c) customers’ securities held on deposit with customers	325.500	515.611
d) own securities held on deposit with customers	197.711	118.977

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 31/12/2012	6 mths to 31/12/2011
	Debt securities	Loans	Other financial assets		
1. Financial assets held for trading	57	18	—	75	2.196
2. Financial assets at fair value	—	—	—	—	—
3. AFS securities	—	—	—	—	—
4. Financial assets held to maturity	—	—	—	—	—
5. Loans and advances to credit institutions	757	14.362	—	15.119	11.777
6. Loans and advances to customers	—	26.808	—	26.808	50.000
7. Hedging derivatives	—	—	13.624	13.624	15.766
8. Financial assets sold but not derecognized	—	—	—	—	—
9. Other assets	—	—	—	—	—
Total	**814**	**41.188**	**13.624**	**55.626**	**79.739**

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

	Payables	Notes	Other liabilities	6 mths to 31/12/2012	6 mths to 31/12/2011
1. Amount due to Banks	-10.670	—	—	-10.670	-26.883
2. Amount due to customers	-6.981	—	—	-6.981	-4.913
3. Debt securities	—	-20.725	—	-20.725	-25.643
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	—	—	-7.994	-7.994	-12.689
Total	**-17.651**	**-20.725**	**-7.994**	**-46.370**	**-70.128**

Section 2

Headings 40 and 50: Net fee and commission income

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

	6 mths to 31/12/2012	**6 mths to 31/12/2011**
a) guarantees given	444	615
b) credit derivates	—	—
c) management, trading and advisory services:	574	700
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	537	600
6. securities placing	37	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	5.344	12.039
Total	**6.362**	**13.354**

2.2 Fee and commission expense (in € k)

	6 mths to 31/12/2012	6 mths to 31/12/2011
a) guarantees received	-853	-1.757
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	-1.093	-5.276
Total	**-1.946**	**-7.033**

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 31/12/2012	6 mths to 31/12/2011
1. Trading assets	256	113	-84	—	**285**	**-6.705**
1.1 Debt securities	—	—	—	—	**—**	**-5.862**
1.2 Equities	—	—	—	—	**—**	**—**
1.3 OICR units	256	42	—	—	**298**	**-918**
1.4 Loans and receivables	—	71	-84	—	**-13**	**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	23.549	—	-22.233	—	**1.316**	**-1.441**
4. Derivative products	55.878	4.338	-56.241	-5.591	**-1.616**	**32.240**
4.1 Financial derivatives:	29.081	2.704	-28.968	-5.171	**-2.354**	**28.092**
– on debt securities/interest rates	8.794	2.620	-9.102	-2.644	**-332**	**26.418**
– on equities/share indexes	19.533	1	-19.650	-40	**-156**	**883**
– on foreign currency/gold	754	83	-216	-2.487	**-1.866**	**791**
– others	—	—	—	—	**—**	**—**
4.2 Credit derivatives	26.797	1.634	-27.273	-420	**738**	**11.549**
Total	**79.683**	**4.451**	**-78.558**	**-5.591**	**-15**	**8.397**

Section 4

Heading 90: Net hedging income (expense)

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

	6 mths to 31/12/2012	6 mths to 31/12/2011
A. Income from:		
A.1 Fair value hedge derivatives	9.720	117.300
A.2 Financial assets hedged (fair value)	2.219	9.756
A.3 Financial liabilities hedged (fair value)	60.215	2.503
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	**72.154**	**129.559**
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-13.976	-13.532
B.2 Financial assets hedged (fair value)	-1.278	—
B.3 Financial liabilities hedged (fair value)	-56.810	-116.165
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	**-72.064**	**-129.697**
C. Net hedging income (A-B)	**90**	**-138**

Section 5

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

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

	6 mths to 31/12/2012			6 mths to 31/12/2011		
	Gains	**Losses**	**Net profit (loss)**	**Gains**	**Losses**	**Net profit (loss)**
Financial assets						
1. Due from Banks	—	-32	-32	—	—	—
2. Due from customers	27	—	27	—	—	—
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	**27**	**-32**	**-5**	**—**	**—**	**—**
Financial liabilities						
1. Due to Banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	509	—	509	—	-272	-272
Total liabilities	**509**	**—**	**509**	**—**	**-272**	**-272**

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 31/12/2012	6 mths to 31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from Banks	—	—	—	—	—	—	—	**—**	**—**
B. Due from customers	—	—	-785	—	—	—	944	**159**	**-325**
C. Total	**—**	**—**	**-785**	**—**	**—**	**—**	**944**	**159**	**-325**

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 31/12/2012	6 mths to 31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	-1	—	—	—	3	**2**	**-6**
B. Credit derivatives	—	—	—	—	—	—	—	**—**	**—**
C. Commitments	—	—	-147	—	—	—	18	**-129**	**-115**
D. Other transactions	—	—	—	—	—	—	—	**—**	**—**
E. Total	**—**	**—**	**-148**	**—**	**—**	**—**	**21**	**-127**	**-121**

Legend

A = interest

B = other amounts recovered

Section 7

Heading 180: Administrative expenses

7.1 Personnel cost: composition (in € k)

	6 mths to 31/12/2012	6 mths to 31/12/2011
1.Employees	-431	-218
a) wages and salaries	-364	-193
b) social security charges	-15	-10
c) severance indemnities	—	—
d) pension contributions	-20	-15
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:	-12	—
– defined contribution	-12	—
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	—
i) other staff benefits	-20	—
2. Other staff	—	-122
3. Board members	-110	-120
Total	**-541**	**-460**

From July 1, 2012 one of the two Managing Directors has been directly included on the Bank's payroll while the second is remunerated as member of the Board of Directors. The Bank staff is as follow:

	31/12/2012	30/06/2012
Management - Senior	2	2
Management - Middle	2	3
Other Staff	4	3
Total	**8**	**8**

7.2 Other administrative expenses: composition (in € k)

	6 mths to 31/12/2012	6 mths to 31/12/2011
– outside consultants' fees	-148	-128
– legal fees due in respect of credit recovery	—	—
– share and bond administration	-42	-33
– advertising	—	—
– insurance	-1	-1
– software	-72	-70
– rents and leases	-101	-102
– maintenance, repairs and refurbishment	-9	-9
– service providers	—	—
– financial information subscriptions	—	—
– stationery and printing	-2	-2
– membership subscriptions	—	—
– postal, telephone, fax and telex charges	-15	-10
– newspapers, magazines and library acquisitions	-4	-1
– other staff expenses	—	-10
– utilities	—	—
– EDP costs	-222	-220
– Bank charges	-17	-7
– travel and secondment	-24	-27
– outsourced activities	-2.554	-3.262
– other expenses	-25	-4
Total other expenses	**-3.236**	**-3.886**
– indirect and other taxes	-388	-529
Total indirect tax	**-388**	**-529**
Total other administrative expenses	**-3.624**	**-4.415**

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 31/12/2012	6 mths to 31/12/2011
A. Tangible assets					
A.1 Owned:	-10	—	—	-10	-1
– Core	-10	—	—	-10	-1
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Core	—	—	—	—	—
– Investment	—	—	—	—	—
Total	**-10**	**—**	**—**	**-10**	**-1**

Section 9

Heading 210: Net adjustments to intangible assets

9.1 Net adjustments to intangible assets: composition (in € k)

	Depreciation	Adjustments for impairment	Amounts recoveries	6 mths to 31/12/2012	6 mths to 31/12/2011
A. Intangible assets					
A.1 Owned:	-1	—	—	-1	—
– Software	-1	—	—	-1	—
– Other	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Software	—	—	—	—	—
– Other	—	—	—	—	—
Total	**-1**	**—**	**—**	**-1**	**—**

Section 10

Heading 220: Other operating income (expenses)

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

	6 mths to 31/12/2012	6 mths to 31/12/2011
A. Other income (expenses) – other	-1	17
– Sundry other expense reimbursements	—	—
– Direct debit expense reimbursements	—	—
– Release provision	—	—
– Other income	—	17
– Other charges	-1	—
B. Other income (expenses) – amounts recovered	11	—
– withholding tax	—	—
– Amounts recovered from staff	—	—
– Amounts recovered from clients	—	—
–Other amounts recovered	11	—
Total	**10**	**17**

Section 11

Heading 290: Income tax on the ordinary activity

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

	6 mths to 31/12/2012	6 mths to 31/12/2011
1. Current taxes	-1.963	-3.556
2. Changes in current tax for previous financial years	—	—
3. Decrease in current tax for period	—	—
4. Changes in deferred tax assets	—	—
4.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	—
4.2 generated in the fiscal exercise	—	—
5. Changes in deferred tax liabilities	—	—
5.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	—
5.2 generated in the fiscal exercise	—	—
Total	**-1.963**	**-3.556**

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	781	30	601	90	—
20.	Financial assets held for trading	65.529	2.520	50.408	7.561	275.393
60.	Loans and advances to credit institutions	616.679	23.719	474.369	71.155	—
70.	Loans and advances to customers	1.228.167	47.237	944.744	141.712	—
80.	Hedging derivatives	121.103	4.658	93.156	13.973	—
100.	Equity investments	—	—	—	—	4.150
120.	Tangible assets	—	—	—	—	30
130.	Intangible assets	—	—	—	—	3
140.	Tax assets	35	1	27	4	—
160.	Other assets	10.167	391	7.820	1.173	—
	Total assets 31/12/2012	**2.042.461**	**78.556**	**1.571.125**	**235.668**	**279.576**
	Total assets 30/06/2012	**3.241.726**	**102.912**	**1.543.679**	**257.279**	**365.015**
10.	Amount due to Banks	-682.841	-26.263	-525.262	-78.789	—
20.	Amount due to customers	-433.979	-16.691	-333.830	-50.074	—
30.	Debt securities in issue	-763.542	-29.366	-587.340	-88.101	—
40.	Financial liabilities held for trading	-19.729	-759	-15.177	-2.276	-272.125
60.	Hedging derivatives	-9.674	-372	-7.442	-1.116	—
80.	Tax liabilities	-5.902	-227	-4.540	-681	—
100.	Other liabilities	-6.282	-242	-4.832	-725	—
160.	Shareholders' equity	-120.147	-4.621	-92.421	-13.863	—
	Total liabilities 31/12/2012	**-2.042.096**	**-78.541**	**-1.570.844**	**-235.625**	**-272.125**
	Total liabilities 30/06/2012	**-3.227.431**	**-102.458**	**-1.536.870**	**-256.145**	**-359.279**

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	30.038	1.113	20.582	3.894	—
020.	Interests payable and similar charges	-25.018	-927	-17.142	-3.243	-40
030.	**Net interest income**	**5.020**	**186**	**3.440**	**651**	**-40**
040.	Fee and commission income	3.160	117	2.165	409	509
050.	Fee and commission expense	-1.051	-39	-720	-136	—
060.	**Net fee and commission income**	**2.109**	**78**	**1.445**	**273**	**509**
080.	Net trading income/expense	510	19	349	66	-959
090.	Net hedging income/expense	49	2	33	6	—
100.	Gain or loss on disposal or repurchase of:	272	10	186	35	—
	a) loans and receivables	—	—	—	—	—
	b) financial assets available for sale	—	—	—	—	—
	c) financial assets held to maturity	—	—	—	—	—
	d) financial liabilities	272	10	186	35	—
120.	**Total income**	**7.960**	**295**	**5.453**	**1.031**	**-490**
130.	Value adjustments	18	1	12	2	—
140.	**Net income from the financial management**	**7.978**	**296**	**5.465**	**1.033**	**-490**
180.	Administrative expenses	-2.249	-83	-1.541	-292	—
200.	Value adjustments in respect of tangible assets	—	—	—	—	-10
210.	Value adjustments in respect of intangible assets	—	—	—	—	-1
220.	Other operating income/expense	—	—	—	—	11
280.	**Profit (loss) of the ordinary activity before tax**	**5.729**	**213**	**3.924**	**741**	**-490**
290.	Income tax on the ordinary activity	-1.060	-39	-726	-137	—
340.	**Profit (loss) for the year**	**4.669**	**174**	**3.198**	**604**	**-490**
350.	Other comprehensive income, net of tax	—	—	—	—	—
360.	**Total 31/12/2012**	**4.669**	**174**	**3.198**	**604**	**-490**
	Total 31/12/2011	**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 Financial statement data by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	REST OF THE WORLD
Cash and cash balances with Central Banks	1.503	—	—	—
Financial assets held for trading	313.486	87.924	—	—
Loans and advances to Credit Institutions	1.519	1.184.403	—	—
Loans and advances to Customers	71.846	1.969.612	313.777	6.625
Hedging derivatives	—	232.891	—	—
Equity investments	4.150	—	—	—
Tangible assets	30	—	—	—
Intangible assets	3	—	—	—
Tax assets	66	—	—	—
Other assets	68	19.025	458	—
A. Total assets 31/12/2012	**392.671**	**3.493.855**	**314.235**	**6.625**
A. Total assets 30/06/2012	**821.130**	**4.217.193**	**464.840**	**—**
Amount due to Banks	-452	-1.312.704	—	—
Amount due to customers	—	-834.574	—	—
Debt securities in issue	-1.337.116	-131.234	—	—
Financial liabilities held for trading	-6.135	-303.932	—	—
Hedging derivatives	—	-18.604	—	—
Tax liabilities	-11.349	—	—	—
Other liabilities	-378	-11.422	-280	—
Shareholders' equity	-231.051	—	—	—
B. Total liabilities 31/12/2012 (1)	**-1.586.481**	**-2.612.470**	**-280**	**—**
B. Total liabilities 30/06/2012 (1)	**-1.703.467**	**-3.778.378**	**-338**	**—**

(1) Profit for the period excluded

B.2 Income statement figures by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	REST OF THE WORLD
Net interest income	-16.838	21.074	4.840	179
Net fee and commission income	548	2.765	1.103	—
Net trading income/expense	-14.447	14.433	—	—
Net hedging income/expense	10.060	-9.969	—	—
Gain or loss on disposal or repurchase	509	-5	—	—
Value adjustments	36	-270	265	—
Administrative expenses	-1.328	-2.837	—	—
Value adjustments on tangible assets	-10	—	—	—
Value adjustments on intangible assets	-1	—	—	
Other operating income (expenses)	11	—	—	—
Income tax	-1.963	—	—	—
Total	**-23.423**	**25.191**	**6.208**	**179**

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	Restructured	Past due	Performing	31/12/2012	30/06/2012
1. Financial assets held for trading	—	—	—	391.077	391.077	325.827
Banks	—	—	—	—	—	—
Customers	—	—	—	66.123	66.123	5.180
Derivative instruments	—	—	—	324.954	324.954	320.647
2. AFS securities	—	—	—	—	—	—
Banks	—	—	—	—	—	—
Customers	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—
Banks	—	—	—	—	—	—
Customers	—	—	—	—	—	—
4. Due from Banks	—	—	—	1.187.424	1.187.424	1.713.578
5. Due from customers	64.080	91.803	18.139	2.187.838	2.361.860	3.217.619
6. Financial assets recognized at fair value	—	—	—	—	—	—
Banks	—	—	—	—	—	—
Customers	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—
Banks	—	—	—	—	—	—
Customers	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	232.891	232.891	227.082
Total	**64.080**	**91.803**	**18.139**	**3.999.230**	**4.173.252**	**5.484.106**

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

Portfolio/Quality	Impaired assets			Other assets			Total (Net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	391.077	—	391.077	391.077
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from Banks	—	—	—	1.187.424	—	1.187.424	1.187.424
5. Due from customers	174.022	—	174.022	2.189.193	-1.355	2.187.838	2.361.860
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	232.891	—	232.891	232.891
Total at 31/12/2012	**174.022**	**—**	**174.022**	**4.000.585**	**-1.355**	**3.999.230**	**4.173.252**
Total at 30/06/2012	**86.432**	**—**	**86.432**	**5.399.188**	**-1.514**	**5.397.674**	**5.484.106**

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	31/12/2012	30/06/2012
A. CASH EXPOSURES					
a) Non-performing	—	—	—	—	—
e) Other assets	1.187.424	—	—	1.187.424	1.713.578
Total A	**1.187.424**	**—**	**—**	**1.187.424**	**1.713.578**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	—	—	—	—	—
b) Other assets	223.467	—	—	223.467	423.969
Total B	**223.467**	**—**	**—**	**223.467**	**423.969**

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	31/12/2012	30/06/2012
A. CASH EXPOSURES					
a) Non-performing	64.080	—	—	64.080	—
b) Restructured	91.803	—	—	91.803	86.432
c) Past due	18.139	—	—	18.139	—
d) Other assets	2.255.316	—	-1.355	2.253.961	3.136.367
Total A	**2.429.338**	**—**	**-1.355**	**2.427.983**	**3.222.799**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	2.196	—	—	2.196	3.575
b) Other assets	1.455.864	—	-558	1.455.306	1.344.924
Total B	**1.458.060**	**—**	**-558**	**1.457.502**	**1.348.499**

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

Description/Category	31/12/2012			30/06/2012		
	Non performing	**Restructured**	**Past due**	**Non performing**	**Restructured**	**Past due**
A. Gross exposure at start of period	—	86.432	—	10.593	78.532	—
of which: accounts sold but not derecognized	—	—	—	—	—	—
B. Additions	64.080	6.243	18.139	70	18.271	—
B.1 transfers from performing loans	64.080	—	18.139	—	—	—
B.2 transfer from other categories of impaired assets	—	—	—	—	—	—
B.3 other additions	—	6.243	—	70	18.271	—
C. Reductions	—	-872	—	-10.663	-10.371	—
C.1 transfer to performing loans	—	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—	—
C.3 amounts collected	—	-744	—	—	-3.253	—
C.4 amounts realized on disposal	—	—	—	-10.663	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—	—	—
C.6 other reductions	—	-128	—	—	-7.118	—
D. Gross exposure at end of period	64.080	91.803	18.139	—	86.432	—
of which: accounts sold but not derecognized	—	—	—	—	—	—

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

	Non-performing	**Restructured**	**Past due**	**Performing**
A. Adjustments at start of period	—	—	—	-1.514
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	-785
B.1 value adjustments	—	—	—	-785
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	—	—	944
C.1 writebacks based on valuations	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	822
C.3 amounts written off	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—
C.5 other reductions	—	—	—	122
D. Adjustments at end of period	—	—	—	-1.355
of which: accounts sold but not derecognized	—	—	—	—

B.1 *Sovereign exposure*

At December 31, 2012 the Bank has a long CDS position on Republic of Italy for an outstanding nominal amount of Euro 30,2m (same amount at June 30, 2012) completely offset by a symmetric short position on credit linked notes issued.

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 2012. 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:	€ 1.251.886
- Scenario -200 bps:	-€ 347.263

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	31/12/2012
1. Cash assets	—	63.094	3.029	—	—	—	—	—	66.123
1.1 Debt securities	—	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—	—
1.2 Other assets	—	63.094	3.029	—	—	—	—	—	66.123
2. Cash liabilities	—	—	—	—	—	—	—	—	—
2.1 Repo transactions	—	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—	—
3. Financial derivatives	—	1.090.488	17.600	10.000	230.488	—	10.000	—	1.358.576
3.1 With underlying securities	—	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1.090.488	17.600	10.000	230.488	—	10.000	—	1.358.576
– Options	—	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—	—
– Others	—	1.090.488	17.600	10.000	230.488	—	10.000	—	1.358.576
+ Long positions	—	490.000	—	10.000	155.488	—	10.000	—	665.488
+ Short positions	—	600.488	17.600	—	75.000	—	—	—	693.088

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	31/12/2012
1. Cash assets	261.681	2.117.289	562.803	392.476	184.146	36.734	2.256	—	3.557.385
1.1 Debt securities	—	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—	—
1.2 Loans to Banks	261.681	522.059	10.701	393.758	—	—	—	—	1.188.199
1.3 Loans to customers	—	1.595.230	552.102	-1.282	184.146	36.734	2.256	—	2.369.186
– current accounts	—	—	—	—	—	—	—	—	—
– loans and advances	—	1.595.230	552.102	-1.282	184.146	36.734	2.256	—	2.369.186
2. Cash liabilities	-4.035	-2.584.286	-157.151	-141.238	-377.142	—	-350.071	—	-3.613.923
2.1 Amounts due to customers	—	-734.535	-1.016	—	—	—	-97.318	—	-832.869
– current accounts	—	—	—	—	—	—	—	—	—
– other	—	-734.535	-1.016	—	—	—	-97.318	—	-832.869
2.2 Amounts due to Banks	-4.035	-928.390	-115.526	-12.000	—	—	-252.753	—	-1.312.704
– current accounts	-4.035	—	—	—	—	—	—	—	-4.035
– other	—	-928.390	-115.526	-12.000	—	—	-252.753	—	-1.308.669
2.3 Debt securities in issue	—	-921.361	-40.609	-129.238	-377.142	—	—	—	-1.468.350
– with early redemption option	—	—	—	—	—	—	—	—	—
– other	—	-921.361	-40.609	-129.238	-377.142	—	—	—	-1.468.350
2.4 Other liabilities	—	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—	—
3. Financial derivatives	—	694.565	57.881	124.948	659.017	—	492.625	—	2.029.036
3.1 With underlying securities	—	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	694.565	57.881	124.948	659.017	—	492.625	—	2.029.036
– Options	—	—	—	—	—	—	360.000	—	360.000
+ Long positions	—	—	—	—	—	—	180.000	—	180.000
+ Short positions	—	—	—	—	—	—	180.000	—	180.000
– Others	—	694.565	57.881	124.948	659.017	—	132.625	—	1.669.036
+ Long positions	—	185.738	29.190	99.948	387.017	—	132.625	—	834.518
+ Short positions	—	508.827	28.691	25.000	272.000	—	—	—	834.518

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	**31/12/2012**		**30/06/2012**	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	946.482	—	1.217.100	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	398.155	—	347.835	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	3.999	—
b) Swap	—	—	—	—
c) Forward	172.220	—	163.676	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**1.516.857**	—	**1.732.610**	—
Average values	**1.055.490**	—	**1.355.431**	—

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

A.2.1 *Hedging derivatives*

Type of transactions	**31/12/2012**		**30/06/2012**	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	670.478	—	1.020.460	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	180.000	—	180.000	—
2. Equities and share indexes				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	12.172	—	9.296	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**862.650**	**—**	**1.209.756**	**—**
Average values	**854.652**	**—**	**1.178.082**	**—**

A.2.2 *Other derivatives*

Type of transactions	31/12/2012		30/06/2012	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	190.000	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	395.915	—	351.992	—
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	**585.915**	**—**	**351.992**	**—**
Average values	**433.090**	**—**	**349.012**	**—**

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

Type of transactions	**Positive fair value**			
	31/12/2012		**30/06/2012**	
	Over the counter	**Listed**	**Over the counter**	**Listed**
A. Regulatory trading book	18.222	—	8.755	—
a) Options	13.976	—	1.578	—
b) Interest Rate Swap	3.604	—	7.177	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	642	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	379.658	—	374.043	—
a) Options	—	—	—	—
b) Interest Rate Swap	232.868	—	227.082	—
c) Cross Currency Swap	23	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	146.767	—	146.961	—
C. Banking book: Others derivatives	121.642	—	119.482	—
a) Options	114.651	—	119.482	—
b) Interest Rate Swap	6.991	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**519.522**	**—**	**502.280**	**—**

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

Type of transactions	Negative fair value			
	31/12/2012		30/06/2012	
	Over the counter	Listed	Over the counter	Listed
A. Regulatory trading book	-128.889	—	-123.648	—
a) Options	-119.404	—	-118.056	—
b) Interest Rate Swap	-9.354	—	-5.563	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	-131	—	-29	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-165.371	—	-164.924	—
a) Options	—	—	—	—
b) Interest Rate Swap	-18.221	—	-17.595	—
c) Cross Currency Swap	-383	—	-368	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	-146.767	—	-146.961	—
C. Banking book: Others derivatives	-5.954	—	-1.578	—
a) Options	-5.954	—	-1.578	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**-300.214**	**—**	**-290.150**	**—**

A.5 *Regulatory trading book: counterparty and financial risks – OTC financial derivatives not included in netting agreements (in € k)*

Contracts not forming part of netting arrangements	31/12/2012							30/06/2012
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	400.000	—	—	—	—	1.099.462
- positive fair value	—	—	46.098	—	—	—	—	5.293
- negative fair value	—	—	-5.818	—	—	—	—	-5.129
- future exposure[1]	—	—	6.000	—	—	—	—	6.000
2. Equities and share indexes								
- notional value	—	—	841.828	—	—	—	—	—
- positive fair value	—	—	4.547	—	—	—	—	—
- negative fair value	—	—	-115.186	—	—	—	—	—
- future exposure[1]	—	—	56.848	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

A.6 *Regulatory trading book: counterparty and financial risks – OTC financial derivatives included in netting agreements (in € k)*

Contracts not forming part of netting arrangements	31/12/2012							30/06/2012
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	546.482	—	—	—	—	117.638
- positive fair value	—	—	3.604	—	—	—	—	1.883
- negative fair value	—	—	-9.354	—	—	—	—	-434
2. Equities and share indexes								
- notional value	—	—	398.155	—	—	—	—	347.835
- positive fair value	—	—	13.976	—	—	—	—	1.578
- negative fair value	—	—	-119.404	—	—	—	—	-118.056
3. Exchange rates and Gold								
- notional value	—	—	172.220	—	—	—	—	167.675
- positive fair value	—	—	642	—	—	—	—	—
- negative fair value	—	—	-131	—	—	—	—	-29
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

In March 2012 the Company has entered into an ISDA Master Agreement with the Parent Bank to allow both Entities to reduce capital absorption from RWA on derivatives products (cross products netting agreement).

[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.7 *Regulatory banking book: counterparty and financial risks – OTC financial derivatives not included in netting agreements (in € k)*

Contracts not forming part of netting arrangements	**31/12/2012**							**30/06/2012**
	Governments and central Bank	**Other public agencies**	**Banks**	**Financial companies**	**Insurances**	**Non-Financial companies**	**Other counterparties**	
1. Debt securities and interest rates								
- notional value	—	—	90.000	—	—	—	—	90.000
- positive fair value	—	—	146.767	—	—	—	—	146.961
- negative fair value	—	—	—	—	—	—	—	-434
- future exposure[1]	—	—	—	—	—	—	—	—
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

[1] See table A.5

A.8 *Regulatory banking book: counterparty and financial risks – OTC financial derivatives included in netting agreements (in € k)*

Contracts not forming part of netting arrangements	**31/12/2012**							**30/06/2012**
	Governments and central Bank	**Other public agencies**	**Banks**	**Financial companies**	**Insurances**	**Non-Financial companies**	**Other counterparties**	
1. Debt securities and interest rates								
- notional value	—	—	760.478	—	—	—	—	1.110.460
- positive fair value	—	—	232.868	—	—	—	—	227.082
- negative fair value	—	—	-164.988	—	—	—	—	-164.555
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	12.172	—	—	—	—	9.296
- positive fair value	—	—	23	—	—	—	—	—
- negative fair value	—	—	-383	—	—	—	—	-368
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

[1] See table A.5

In March 2012 the Company has entered into an ISDA Master Agreement with the Parent Bank to allow both Entities to reduce capital absorption from RWA on derivatives products (cross products netting agreement).

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	83.700	587.950	205.467	18.000
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2012	**83.700**	**587.950**	**205.467**	**18.000**
Average values	42.242	587.950	196.035	4.698
Total at 30/06/2012	**74.214**	**1.208.800**	**266.398**	**—**
2. Hedge sales				
a) Credit default	205.467	18.000	—	614.150
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2012	**205.467**	**18.000**	**—**	**614.150**
Average values	196.035	4.698	—	614.150
Total at 30/06/2012	**250.998**	**—**	**32.614**	**1.235.000**

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

Transaction categories	Positive FV	
	31/12/2012	30/06/2012
1. Regulatory trading book		
a) Credit default	3.580	7.472
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	34.743	37.978
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	
	31/12/2012	30/06/2012
1. Regulatory trading book		
a) Credit default	-26.316	-32.524
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	—	-7.115
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—

B.5 *Credit derivatives: counterparty and financial risks – OTC derivatives included in netting agreements (in € k)*

	31/12/2012							30/06/2012
	Governments and central Banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties	
Regulatory trading book								
1. Hedge buys								
- notional value	—	—	671.650	—	—	—	—	1.283.014
- positive fair value	—	—	—	—	—	—	—	7.115
- negative fair value	—	—	-23.541	—	—	—	—	-22.787
2. Hedge sales								
- notional value	—	—	223.467	—	—	—	—	250.998
- positive fair value	—	—	3.580	—	—	—	—	357
- negative fair value	—	—	-2.775	—	—	—	—	-9.737
Banking book								
1. Hedge buys								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
2. Hedge sales								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

In March 2012 the Company has entered into an ISDA Master Agreement with the Parent Bank to allow both Entities to reduce capital absorption from RWA on derivatives products (cross products netting agreement).

1.3 Liquidity risk

QUALITATIVE INFORMATION

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. 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 completed in July 2011 an update of the previous formal diagnosis of its liquidity risk management techniques, tools and practices to ensure compliance with the requirements set by the Luxembourg regulators and assessed its position with regards to liquidity management leading practices. The analysis followed the regulatory requirements set by the CSSF Circular 09/403 issued on 28 May 2009, the CSSF Circular 11/506 issued on 03 March 2011 and the Règlement 2009/N°4 issued by the Banque Centrale du Luxembourg (BCL) on 29 April 2009.

The Bank has conducted liquidity stress tests following CEBS guidelines to assess the potential impact of extreme but plausible stress scenarios on its liquidity positions and its 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 cash flows during 2011 and 2012 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-relation between assets and liabilities;
- The definition of specific **Operating Indicators** which provide an overview of:
  - The liquidity exposure on monthly basis with the Parent Bank;
  - The liquidity exposure caused by third parties;
  - The liquidity buffer considering the existing plafond.

The Operating Indicators are used in combination with additional tools in order to get a comprehensive overview of the Bank's liquidity situation. Management closely monitors the following additional reporting:

- ALM analysis, which monitor the mismatch between assets and liabilities arising in all the maturity buckets, from overnight to unlimited and the mismatch in the re-pricing of all B/S;
- Liquidity gap, which provides a daily aggregated view of the scheduled inflows and outflows and a segregated view per type of business i.e. Loans, Funding or Trading;
- Re-fixing schedule, which shows the re-fixing of rates of all the inflows and outflows for all currencies in the next 12 months;
- Other regulatory and Group's indicators.

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

- The **liquidity stress testing framework** with different severities "base", "mild", "severe" and "worst" and assessed the impact of each scenario on the liquidity of the Bank. The analysis of these scenarios has been used to define management actions to raise liquidity in contingency circumstances in line with CSSF Circular 11/506 and 09/403. A reverse stress test scenario has been included in the analysis.

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

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 31/12/2012 (in € k)*

	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	**261.681**	**22.011**	**44.645**	**112.176**	**170.287**	**65.439**	**717.453**	**2.103.748**	**188.552**
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	894	894	4.279	193.498	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	261.681	22.011	44.645	112.176	169.393	64.545	713.174	1.910.250	188.552
– to Banks	261.681	—	32.706	—	34.514	12.753	332.668	330.000	—
– to customers	—	22.011	11.939	112.176	134.879	51.792	380.506	1.580.250	188.552
Cash liabilities	**4.035**	**11.709**	**8.345**	**23.394**	**78.372**	**63.001**	**519.528**	**1.810.490**	**897.625**
B.1 Deposits	4.035	11.620	8.084	23.375	4.853	8.202	365.077	649.611	892.625
– to Banks	4.035	629	7.349	—	3.327	4.795	356.917	649.611	148.934
– to customers	—	10.991	735	23.375	1.526	3.407	8.160	—	743.691
B.2 Debt securities	—	89	261	19	73.519	54.799	154.451	1.160.879	5.000
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions C.1 Financial derivatives with exchange of principal									
– long positions	—	172.727	—	—	—	9.190	175	2.982	90.000
– short positions	—	172.220	13	—	19	9.568	39	3.000	90.000
C.2 Financial derivatives without exchange of principal									
– long positions	10.596	—	1.471	19	3.376	4.265	11.419	3.752	—
– short positions	9.354	100	21	575	8.459	1.126	2.533	77.462	—
C.3 Amounts to be received C.4 Commitments to disburse funds	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	41.686	28.650	—	626.988	140.294
– short positions	—	—	—	—	41.686	27.450	41.032	727.450	—
C.5 Financial guarantees given	—	—	—	—	—	—	—	—	—

PART F – OTHER INFORMATION

Staff number

From July 1, 2012 one of the two Managing Directors has been directly included on the Bank's payroll while the second is not directly included. The Bank staff is as follow:

	31/12/2012	30/06/2012
Management - Senior	2	2
Management - Middle	2	3
Other Staff	4	3
Total	**8**	**8**

PART G – SUBSEQUENT EVENTS

Effective February 12, 2013 Mr. Daniel Cardon De Lichtbuer has voluntarily resigned from the Board of the Bank.

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 31 December 2012 and the date when the present report has been authorized for issue.