

# MEDIOBANCA INTERNATIONAL (LUXEMBOURG)



Interim Report  
for the six months ended December 31, 2013



# **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 10, 2014**

[www.mediobancaint.lu](http://www.mediobancaint.lu)

## **BOARD OF DIRECTORS**

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

## **LEGAL ADVISOR**

BONN & SCHMITT	LUXEMBOURG
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## **INDEPENDENT AUDITOR**

PRICEWATERHOUSECOOPERS S.C.	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 2013  
BOARD OF DIRECTORS' REVIEW OF OPERATIONS**

The Bank's results for the six months under review show a net profit of € 9,6m (31/12/12: €8,2m).

This increase is directly due to both an increase in total income which passes from € 14,3m to € 16,5m and a sizeable decrease in operating costs which passes from € -4,2m to € -2,3m. The main income items performed as follows:

- Interest income showed a growth of 11%, passing from €10,9m to €12,1m, this was due to a combination of higher lending volumes and decreasing funding costs;
- Contribution of net fee and commission income towards the net profit remains stable even though it decreases by 13,3%, from € 4,5m to € 3,9m, due to a change in the accounting treatment;
- Operating costs decreased by 45,2%, passing from € -4,2m to € -2,3m this can be explained by the reduction in provisions accounted in the service agreement;
- Loans impairment decreased passing from € 0,1m to € -2,3m, this trend reflects the higher credit risk associated to Mediobanca International's portfolio.

On the balance-sheet side, loan and advances increased by 7,4% from € 2.743m as at 30/06/13 to € 2.945,3m while notes worth a total of € 101,7m (€ 271m - 1H12) were issued against the Bank's Issuance Programme and none were issued against its Short Term Programme.

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

- ECB announced that together with the participating national competent authorities (NCAs) responsible for conducting banking supervision will carry out a comprehensive assessment, in line with the provisions of the Regulation on the single supervisory mechanism (SSM Regulation). The comprehensive assessment comprises three complementary pillars:
  - A supervisory risk assessment, addressing key risks in the banks' balance sheets, including liquidity, leverage and funding.
  - An asset quality review examining the asset side of bank balance sheets as at 31 December 2013. This assessment will be broad and inclusive, comprising credit and market exposures, on and off-balance sheet positions and domestic and non-domestic exposures. All asset classes, including non-performing loans, restructured loans and sovereign exposures, will be covered.
  - A stress test, building on and complementing the asset quality review by providing a forward-looking view of banks' shock-absorption capacity under stress. The ECB and the EBA have agreed to perform the next EU-wide stress testing exercise in close cooperation.

The Parent bank, Mediobanca - Banca di Credito Finanziario S.p.A., has been included in the comprehensive assessment.

- On 27 June 2013, the CRD IV package was published in the European Official Journal, thereby implementing the Basel III rules within the EU legal framework.

The package introduces important changes to the banking prudential requirements:

- Strengthened capital base to cover risks;
- Introduction of new minimum requirements for liquidity;
- Incentives to clear OTC derivatives on central counterparties (CCPs);
- Introduction of various additional capital buffers;

- Enhanced governance (including stronger corporate governance, amended rules to remuneration policies).

The proposal has been split into a Directive (Capital Requirement Directive IV - CRD IV Directive) and a Regulation (Capital Requirement Regulation - CRR), collectively known as the CRD IV package.

Both the CRR and the CRD IV Directive will apply to all credit institutions and certain investment firms as of 1 January 2014. In practice, the CRD IV Directive application may not be uniform. This is due to the fact that transposition depends on national legal systems and not all EU countries will manage to complete the transposition into national law on time. The application of CRR will begin as of 1 January 2014, when it automatically becomes law in all EU countries. Implementation will in the case of most provisions be phased and last up to 2019.

- On 26 July 2013, the EBA published its final Implementing Technical Standards (ITS) on Supervisory Reporting. Changes do not only impact Common Reporting (“COREP”), but also Financial Reporting (“FINREP”). First reference dates for reporting:
  - COREP: 31 March 2014;
  - FINREP: 30 September 2014.
- The CSSF Circular 13/557 highlights the entry into force of EU Regulation 648/2012 hereafter EMIR). EMIR addresses the risk of OTC trading by imposing new requirements:
  - Clearing: standardised derivative contracts should be cleared through central counterparties in order to reduce the risk in the financial system;
  - Margin and capital: clearing counterparty shall have permanent, available and separate initial and variation margins in the form of highly liquid collateral;
  - Reporting: all OTC and listed derivative contracts should be reported to trade repositories (12 February 2014 first reporting to trade repositories).

## OUTLOOK AND FORECAST

Although the main tail-risks of the past five years have subsided, the underlying challenges that underpinned them - though less acute - remain. Global activity strengthened during the second half of 2013 and activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. After several years of extreme weakness, high-income economies appear to be finally turning the corner, contributing to a projected acceleration in global growth. This strengthening of output among high-income countries marks a significant shift from recent years when developing countries alone pulled the global economy forward. In addition to providing a second basis for global growth, this expected stronger high-income growth and import demand will be an important tailwind for developing countries' exports (although domestic weaknesses in these regions remain a concern). Developing-country GDP growth will be weaker than it was during the pre-crisis boom period. However the slower growth is not cause for concern, since the slowdown essentially reflects a decline in the cyclical component of growth.

Activity and sentiment in developing countries has turned up since mid-2013, bolstered by strengthening high-income demand and a policy-induced rebound in China. These positive developments were partly offset by tighter financial conditions and reduced capital flows as long-term interest rates in the United States ticked up in response to expectations of the gradual withdrawal of quantitative easing. Other major headwinds included declining commodity prices for commodity exporters.

Over the medium term, the gradual return of long-term interest rates to more sustainable levels in both high-income and developing countries should help to reduce the excesses and vulnerabilities that can accumulate in a persistently low interest rate environment. In the near term, however, the transition to higher global interest rates could be volatile.

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

- **Deflation risk:** Euro zone inflation fell in December after a small increase the previous months, increasing the European Central Bank's (ECB) challenge of avoiding deflation as well as supporting the bloc's recovery. The ECB held rates at their record low of 0.25% but inflation is slowing in the eurozone, raising the risk of a slide into deflation and stagnation for an economy that is barely growing and still not generating jobs fast enough to bring down unemployment. An inflation rate that remains well below the ECB's target of close-to-but-below 2 percent carries risks in the longer term because it can deflate wages and demand, depressing the economy.

- **Unstable growth outlook:** growth prospects for 2014 are generally positive, but still sensitive to the tapering of monetary stimulus in the United States, which began earlier this month, and to the structural shifts taking place in China's economy.

- **Market volatility:** Investors' appetite for risk has decreased recently, as reflected in the shift from more fragile emerging economies and global stock market. Traditional safe financial assets such as U.S. Treasuries and German Government bonds have benefited, with yield lower than they were few months ago. Europe's banks are still convalescing and a sustained period of market volatility may make them even more cautious about lending to households and businesses, or to each other, putting the recovery from recession in greater jeopardy.

Downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain. In advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging market and developing economies, stronger external demand from advanced economies will lift growth,.

The banking industry appears to be at a turning point in the post-crisis era. Even though there is considerable uncertainty around regulatory impact and economic growth, there are a number of positive signs that banks are now ready to pick up their pace in pursuit of growth. In the Euro Area, much has been achieved and banks have gone a long way to restructuring themselves, but the recovery will take time and effort.

In this current macroeconomic scenario the intention of the Bank is to proceed with its extremely prudent 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 STATEMENT OF COMPREHENSIVE INCOME

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 31/12/2013	6 mths to 31/12/2012	Chg.
	€m	€m	%
Net interest income	12,1	10,9	11,0%
Net trading income	0,5	-1,1	-145,5%
Net fee and commission income	3,9	4,5	-13,3%
<b>TOTAL INCOME</b>	<b>16,5</b>	<b>14,3</b>	<b>15,4%</b>
Wages and salaries	-0,4	-0,5	-20,0%
Other administrative expenses	-1,9	-3,7	-48,6%
<b>OPERATING COSTS</b>	<b>-2,3</b>	<b>-4,2</b>	<b>-45,2%</b>
Loans impairment	-2,3	0,1	-2.400,0%
Provisions for other financial assets	–	-0,1	–
Other profit (losses)	–	–	–
<b>PROFIT BEFORE TAX</b>	<b>11,9</b>	<b>10,1</b>	<b>17,8%</b>
Fiscal provision	-2,3	-1,9	21,1%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,6</b>	<b>8,2</b>	<b>17,1%</b>

**Net interest income** – increases by 11%, passing from € 10,9m to € 12,1m due to increasing volumes in corporate lending (from € 30,7m to € 33,1m) and a reduction in the cost of funding (which passes from € 30,1m to € 28.5m) driven by a more efficient use of collateralized borrowings and by the lowering interests rate's dynamic. This has been only partially offset by a lower treasury margin.

Nonetheless the slight market pick-up the Management continues to focus on capital strengthening.

**Net trading income** – this heading is made up of € 0,5m (€ -1,1m): dealing profits are € 1,3m (€ 0,2m) and are composed of € 1,3m profit on realized gains and unwind fees on financial assets held for trading. Mark to market valuations amounts to € -0,1m (€ -0,7m) while € -0,7m (€ -0,6m) reflect the net result of the Bank's forex exposure.

	6 mths to 31/12/2013	6 mths to 31/12/2012	Chg.
	€m	€m	%
Dealing profits	1,3	0,2	550,0%
Mark to market of financial instruments	-0,1	-0,7	-85,7%
Forex	-0,7	-0,6	16,7%
<b>Net trading income</b>	<b>0,5</b>	<b>-1,1</b>	<b>-145,5%</b>

**Net fee and commission income** – Notwithstanding the increase in commissions received, which passed from € 6,4m to € 7,2m, the net margin suffers from a higher increase in commissions paid, which passed from € -1,9m to € -3,4m, due to changes in the internal accounting treatment. Other commissions passed from € -0,2m to € 0,1m.

	<b>6 mths to 31/12/2013</b>	<b>6 mths to 31/12/2012</b>	<b>Chg.</b>
	€m	€m	%
Net commission income (lending)	3,8	4,7	-19,1%
Net commission income (other)	0,1	-0,2	-150,0%
<b>Net commission income</b>	<b>3,9</b>	<b>4,5</b>	<b>-13,3%</b>

**Operating costs** – this item decrease by 45,2%, from € -4,2m to € -2,3m, mainly as a consequence of lower provisions for the service agreement with the Parent Company. Components performed as follows:

- wages and salaries totaled € -0,4m (€ -0,5m);
- other costs amounting to € -1,9m (€ -3,7m) reflect the aforementioned decrease in provision.

**Impairment of loans and advances** – the increase from € 0,1m to € -2,3m directly reflects the higher credit risk associated to Mediobanca International's portfolio, which in turn can be explained by the Bank's credit exposure which passes from € 564,5m to € 1.248m.

The remaining part of the portfolio is still covered by financial guarantees issued either by the Parent Company or public Agencies.

#### RESTATED STATEMENT OF FINANCIAL POSITION

	<b>31/12/2013</b>	<b>30/06/2013</b>	<b>Chg.</b>
	€m	€m	%
Net treasury investments	353,9	445,2	-20,5%
Fixed financial assets (HTM & LRO)	286,2	312,4	-8,4%
Loans and advances	2.945,3	2.743,0	7,4%
Tangible and intangible assets	4,2	4,2	–
Equity investments	–	–	–
Other assets	6,6	6,9	-4,3%
<b>TOTAL ASSETS</b>	<b>3.596,2</b>	<b>3.511,7</b>	<b>2,4%</b>
Funding	3.334,0	3.247,0	2,7%
Other liabilities	6,8	18,8	-63,8%
of which: tax liabilities	2,6	4,4	-40,9%
Net equity	245,8	231,1	6,4%
Profit	9,6	14,8	-35,1%
<b>TOTAL LIABILITIES</b>	<b>3.596,2</b>	<b>3.511,7</b>	<b>2,4%</b>

**Net treasury investments** – the item decrease by 20,5%, passing from € 445,2m to € 353,9m driven by the increase of money market financial funding liabilities (time depo, etc.).

**Fixed financial assets** – this portfolio brings together the Bank's holding in securities issued by the Parent Company and classified under IAS 39 as held to maturity. This item decreases by 8,5% from € 312,4m to € 286,2m due to the reimbursement of a bond held in Mediobanca S.p.A.

**Loans and advances** – this item increases by 7,4% from € 2.743m to € 2.945,3m and reflects the gradual recovery of corporate lending. Impaired assets (which include non performing, restructured and past due counterparts) decreases by 63,9%, passing from € 143,1m to € 51,6m due to secondary market sales that even though were sold below the book value did not incur a loss as they were fully covered by standby letters of credit issued by the Parent Company.

Nearly all 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 € 889,9m (€ 724,3m) and an exposure for guarantees and commitments of € 358,1m (€ 202,4m).

**Other assets** – this item remains stable compared to June 2013.

**Funding** – this item slightly increases by 2,7%, passing from € 3.247m to € 3.334m.

**Other liabilities** – this item decreases by 63,8% from € 18,8m to € 6,8m and can be explained by the payment of both the accrued commissions to the Parent Company and the fiscal assessment received during the semester (which was in line with the provisions made by the Bank).

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 financial statements 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 2013.

Luxembourg, 10 February 2014

The Board of Directors

Massimo Di Carlo

Stefano Biondi

Peter W. Gerrard

Silvio Perazzini

Stefano Pellegrino

Federico Potsios

Luca Maccari

Alex Schmitt

Stéphane Bosi





**INDIPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL  
INFORMATION**





## Report on Review of Interim Financial Information

To the Board of Directors of  
Mediobanca International (Luxembourg) S.A.

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We have reviewed the accompanying interim financial information of Mediobanca International (Luxembourg) S.A. (the "Company"), which comprises the statement of financial position as at 31 December 2013, and the statement of comprehensive income, for the six-month period then ended.

### *Board of Directors' responsibility for the interim financial information*

The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express a conclusion on this interim financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410) "Review of interim financial information performed by the independent auditor of the entity". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim financial information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this interim financial information.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of Mediobanca International (Luxembourg) S.A. as of 31 December 2013, and of its financial performance for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 10 February 2014

A handwritten signature in black ink, appearing to read 'Pierre Krier'.

Pierre Krier



## INTERIM ACCOUNTS



## STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2013	30/06/2013
		€	€
10.	Cash and cash balances with Central Banks	273.598	1.525.613
20.	Financial assets held for trading	445.846.092	408.238.668
50.	Financial assets held to maturity	283.413.732	309.607.931
60.	Loans and advances to Credit Institutions	967.962.131	975.313.712
70.	Loans and advances to Customers	2.601.728.008	2.374.724.030
80.	Hedging derivatives	183.574.625	209.467.330
100.	Equity investments	4.150.000	4.150.000
120.	Property, plant and equipment	13.644	21.317
130.	Intangible assets	322	1.760
	of which: goodwill	-	-
140.	Tax assets	-	-
	a) current	-	-
	b) deferred	-	-
160.	Other assets	6.130.341	6.672.085
	<b>TOTAL ASSETS</b>	<b>4.493.092.493</b>	<b>4.289.722.446</b>

	Liabilities and equity	31/12/2013	30/06/2013
		€	€
10.	Amounts due to Credit Institutions	1.549.732.381	1.216.469.680
20.	Amounts due to Customers	1.055.068.868	1.051.013.988
30.	Debt securities in issue	1.330.034.973	1.423.273.425
40.	Trading liabilities	294.415.637	335.179.075
60.	Hedging derivatives	422.681	431.932
80.	Tax liabilities	2.560.539	4.426.809
	a) current	1.683.939	3.550.209
	b) deferred	876.600	876.600
100.	Other liabilities	5.463.076	13.127.111
160.	Reserves	235.800.426	221.051.434
190.	Share capital	10.000.000	10.000.000
200.	Profit for the year	9.593.912	14.748.992
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4.493.092.493</b>	<b>4.289.722.446</b>

## STATEMENT OF COMPREHENSIVE INCOME

	CAPTION	31/12/2013	31/12/2012
		€	€
010.	Interests receivable and similar income	54.405.139	55.626.448
020.	Interests payable and similar charges	-42.460.777	-46.370.099
<b>030.</b>	<b>Net interest income</b>	<b>11.944.362</b>	<b>9.256.349</b>
040.	Fee and commission income	7.171.498	6.361.496
050.	Fee and commission expense	-3.352.928	-1.945.910
<b>060.</b>	<b>Net fee and commission income</b>	<b>3.818.570</b>	<b>4.415.586</b>
080.	Net trading income/expense	872.307	-14.752
090.	Net hedging income/expense	-215.897	90.268
100.	Gain or loss on disposal or repurchase of:	56.918	503.297
	a) loans and receivables	56.918	-5.378
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) financial liabilities	-	508.675
<b>120.</b>	<b>Total income</b>	<b>16.476.260</b>	<b>14.250.748</b>
130.	Value adjustments in respect of:	-2.291.550	32.598
	a) loans and receivables	-1.806.982	159.008
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) other financial operations	-484.568	-126.410
<b>140.</b>	<b>Net income from the financial management</b>	<b>14.184.710</b>	<b>14.283.346</b>
180.	Administrative expenses:	-2.293.435	-4.164.938
	a) personnel costs	-403.054	-541.627
	b) other administrative expenses	-1.890.381	-3.623.311
200.	Value adjustments in respect of tangible assets	-10.140	-9.552
210.	Value adjustments in respect of intangible assets	-1.438	-1.438
220.	Other operating income/expense	54.848	10.525
<b>280.</b>	<b>Profit (loss) of the ordinary activity before tax</b>	<b>11.934.544</b>	<b>10.117.943</b>
290.	Income tax on the ordinary activity	-2.340.633	-1.962.809
<b>340.</b>	<b>Profit (loss) for the year</b>	<b>9.593.912</b>	<b>8.155.134</b>
350.	Other comprehensive income, net of tax	-	-
<b>360.</b>	<b>Total comprehensive income for the year, net of tax</b>	<b>9.593.912</b>	<b>8.155.134</b>

**STATEMENT OF CHANGES IN EQUITY FROM 01/07/2013 TO 31/12/2013 (in €)**

	Balance as of June 30, 2013	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2013
		Reserves	Dividends and other fund applications	Changes to valuation reserves	Transactions involving equity			Profit (loss) of the period	
					New shares issued	Treasury shares derivatives	Stock options and others		
Share capital	10.000.000	—	—	—	—	—	—	—	10.000.000
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—
Reserves	221.051.434	14.748.992	—	—	—	—	—	—	235.800.426
a) legal reserve	1.000.000	—	—	—	—	—	—	—	1.000.000
b) free reserve	198.589.684	9.129.867	—	—	—	—	—	—	207.719.551
c) special reserve <sup>(1)</sup>	21.461.750	5.619.125	—	—	—	—	—	—	27.080.875
d) FTA reserve	—	—	—	—	—	—	—	—	—
Valuation reserves	—	—	—	—	—	—	—	—	—
a) AFS securities	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—
c) special laws – others	—	—	—	—	—	—	—	—	—
Own shares	—	—	—	—	—	—	—	—	—
Comprehensive income of the period	14.748.992	-14.748.992	—	—	—	—	—	9.593.912	9.593.912
Total equity	245.800.427	—	—	—	—	—	—	9.593.912	255.394.338

<sup>(1)</sup> As of 31 December 2013 and 2012 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 01/07/2012 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
		Reserves	Dividends and other fund applications	Changes to valuation reserves	Transactions involving equity			Profit (loss) of the period	
					New shares issued	Treasury shares derivatives	Stock options and others		
Share capital	10.000.000	—	—	—	—	—	—	—	10.000.000
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—
Reserves	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 <sup>(1)</sup>	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

<sup>(1)</sup> 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.

## CASH FLOW STATEMENT

(Amount expressed in € k)

	Amount	
	31/12/2013	31/12/2012
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>-867</b>	<b>-1.921</b>
– interest received	56.355	80.717
– interest paid	-59.525	-76.269
– net fee and commission received/paid	–	–
– net premium income	6.169	6.177
– dividends and similar income	–	–
– cash payments to employees	-322	-503
– other income (expenses)	-1.988	-1.086
– tax income	-4.542	-10.957
<b>2. Cash generated/absorbed by financial assets</b>	<b>-413.467</b>	<b>1.381.114</b>
– amounts due from customers	-156.774	833.265
– amounts due from banks: on demand	-220	-95.813
– amounts due from banks: other	-182.969	176.482
– financial assets measured at fair value	-73.504	467.133
– other assets	–	47
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>389.335</b>	<b>-1.379.193</b>
– amounts due to banks: on demand	–	2.936
– amounts due to banks: other	542.243	-676.523
– amounts due to clients	-73.685	116.787
– debt securities in issue	-39.604	-288.866
– financial liabilities measured at fair value	-39.619	-533.527
– other liabilities	–	–
<b>Net cash flow (outflow) from operating activities</b>	<b>-24.999</b>	<b>–</b>
<b>B. INVESTMENT ACTIVITIES</b>		
– equity investment	–	–
– acquisitions of held-to-maturity investments	25.000	–
– acquisitions/disposals of tangible assets	-1	-1
– acquisitions/disposals of intangible assets	–	–
<b>Net cash flow (outflow) from investing activities</b>	<b>24.999</b>	<b>-1</b>
<b>C. FUNDING ACTIVITIES</b>		
– distribution of dividends and other scopes	–	–
– issues/purchases of subordinated debts and other equity instruments	–	–
<b>Net cash flow (outflow) from financing activities</b>	<b>–</b>	<b>–</b>
<b>NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD</b>	<b>–</b>	<b>-1</b>

RECONCILIATION	Amount	
	31/12/2013	31/12/2012
Cash and cash equivalents: balance at 1 July	2	1
Total cash flow (outflow) during year	–	-1
Cash and cash equivalents: exchange rate effect	–	–
<b>Cash and cash equivalents: balance at 31 December</b>	<b>2</b>	<b>–</b>

## NOTES TO THE INTERIM ACCOUNTS



## **PART B – ACCOUNTING POLICIES**

### **Section 1**

#### **Statement of conformity with IAS/IFRS**

The Bank's interim accounts for the period ended 31 December 2013 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:

- statement of financial position;
- statement of comprehensive income;
- statement of changes in equity;
- cash flow statement (direct method);
- notes to the financial statements.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 4, and show data for the period under review compared with that for the previous financial period.

This first half financial report is subject to a limited audit of the accounts by PWC Luxembourg, Société cooperative.

### **Section 3**

#### **Basis of preparation**

The financial statements 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 statement of financial position, statement of comprehensive income and the statement of changes in equity are presented in Euro (€) and all values are rounded to the nearest Euro. Cash flow statement and notes to the financial statements are presented in € k unless otherwise stated.

The preparation of financial statements 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 2013.

## **Section 5**

### **Significant accounting estimates and judgement**

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

#### **Going concern**

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

#### **Fair value of financial instruments**

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

#### **Impairment losses on loans and advances**

The Bank reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the

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

### **Deferred tax assets**

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. There are no deferred tax assets as at 31 December 2013.

## PART B – NOTES TO THE STATEMENT OF FINANCIAL POSITION



## ASSETS

### Section 1

#### Heading 10: Cash and cash balances with Central Banks

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

	31/12/2013	30/06/2013
a) Cash	2	2
b) Demand deposit held at Central Banks	272	1.524
<b>Total</b>	<b>274</b>	<b>1.526</b>

Credit institutions established in Luxembourg are required to hold a minimum reserve with the Luxembourg Central Bank. These deposits represent 1% 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, and are therefore not part of Cash and cash equivalent as disclosed in the cash flow statement.



## Section 2

### Heading 20: Financial assets held for trading

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

Item/Value	31/12/2013			30/06/2013		
	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	—	—	—	—	—	—
4. Loans and advances	—	143.715	—	—	64.283	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	143.715	—	—	64.283	—
<b>Total A</b>	—	<b>143.715</b>	—	—	<b>64.283</b>	—
B. Derivative products						
1. Financial derivatives	—	182.070	104.175	—	208.073	111.624
1.1 Trading	—	12.220	—	—	23.698	—
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	169.850	104.175	—	184.375	111.624
2. Credit derivatives	3.406	12.481	—	4.368	19.890	—
2.1 Trading	3.406	12.481	—	4.368	19.890	—
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
<b>Total B</b>	<b>3.406</b>	<b>194.551</b>	<b>104.175</b>	<b>4.368</b>	<b>227.963</b>	<b>111.624</b>
<b>Total (A+B)</b>	<b>3.406</b>	<b>338.266</b>	<b>104.175</b>	<b>4.368</b>	<b>292.246</b>	<b>111.624</b>
<b>Total level 1, Level 2 and Level 3</b>			<b>445.847</b>	<b>408.238</b>		

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	31/12/2013	30/06/2013
<b>A. CASH ASSETS</b>		
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	—	—
4. Loans and advances	143.715	64.283
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	41.689	7.629
d. Other entities	102.026	56.654
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	—	—
<b>Total A</b>	<b>143.715</b>	<b>64.283</b>
<b>B. DERIVATIVE PRODUCTS</b>		
a. Banks	302.132	343.955
b. Customers	—	—
<b>Total B</b>	<b>302.132</b>	<b>343.955</b>
<b>Total A+B</b>	<b>445.847</b>	<b>408.238</b>

As at December 31, 2013 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		31/12/2013		30/06/2013	
	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	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total A</b>	—	—	—	—	—	—	—	—	—	—	—	—
B) Unlisted derivative products												
1) Financial derivatives:	1.008.731	164.190	163.758	388	390.093	121.667	—	—	1.562.582	286.245	2.871.849	343.955
– with exchange of principal	—	—	163.758	388	—	—	—	—	163.758	388	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	163.758	388	—	—	—	—	163.758	388	—	—
– without exchange of principal	1.008.731	164.190	—	—	390.093	121.667	—	—	1.398.824	285.857	2.206.763	319.697
– options bought	—	—	—	—	154.010	23.547	—	—	154.010	23.547	236.374	748
– other derivatives	1.008.731	164.190	—	—	236.084	98.120	—	—	1.244.814	262.310	1.970.389	318.949
2) Credit derivatives:	—	—	—	—	—	—	652.680	15.887	652.680	15.887	665.086	24.259
– with exchange of principal	—	—	—	—	—	—	511.451	8.206	511.451	8.206	—	—
– without exchange of principal	—	—	—	—	—	—	141.229	7.681	141.229	7.681	665.086	24.259
<b>Total B</b>	<b>1.008.731</b>	<b>164.190</b>	<b>163.758</b>	<b>388</b>	<b>390.093</b>	<b>121.667</b>	<b>652.680</b>	<b>15.887</b>	<b>2.215.262</b>	<b>302.132</b>	<b>2.871.849</b>	<b>343.955</b>
<b>Total (A+B)</b>	<b>1.008.731</b>	<b>164.190</b>	<b>163.758</b>	<b>388</b>	<b>390.093</b>	<b>121.687</b>	<b>652.680</b>	<b>15.887</b>	<b>2.215.262</b>	<b>302.132</b>	<b>2.871.849</b>	<b>343.955</b>

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	31/12/2013	30/06/2013
<b>A. Balance at start of period</b>	—	—	—	<b>64.283</b>	<b>64.283</b>	<b>19.504</b>
B. Additions	—	—	—	141.369	141.369	188.596
B.1 Acquisitions	—	—	—	140.192	140.192	187.585
B.2 Increases in fair value	—	—	—	900	900	955
B.3 Other increases	—	—	—	277	277	56
C. Reductions	—	—	—	61.937	61.937	143.817
C.1 Disposals	—	—	—	—	61.333	14.324
C.2 Redemptions	—	—	—	61.393	60	129.164
C.3 Reductions in fair value	—	—	—	—	—	156
C.4 Transfers to other portfolios	—	—	—	—	—	—
C.5 Other reductions	—	—	—	544	544	173
<b>D. Balance at end of period</b>	—	—	—	<b>143.715</b>	<b>143.715</b>	<b>64.283</b>

## Section 5

### Heading 50: Financial assets held to maturity

#### 5.1 Financial assets held to maturity: composition (in € k)

	Book value	Fair value 31/12/2013			Book value	Fair value 30/06/2013		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	283.414	291.946	—	—	309.608	309.703	—	—
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	283.414	291.946	—	—	309.608	309.703	—	—
2. Loans and advances	—	—	—	—	—	—	—	—
<b>Total</b>	<b>283.414</b>	<b>291.946</b>	<b>—</b>	<b>—</b>	<b>309.608</b>	<b>309.703</b>	<b>—</b>	<b>—</b>

#### 5.2 Financial assets held to maturity: by borrower/issuer (in € k)

Type of transactions/Value	31/12/2013	30/06/2013
1. Debt securities:	283.414	309.608
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	283.414	309.608
d) Other issuers	—	—
2. Loans and advances to:	—	—
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	—	—
d) Others	—	—
<b>Total book value</b>	<b>283.414</b>	<b>309.608</b>
<b>Total fair value</b>	<b>291.946</b>	<b>309.703</b>

5.4 Financial assets held to maturity: movements during the period (in € k)

	Debt securities	Loans and advances	31/12/2013	30/06/2013
<b>A. Balance at start of period</b>	<b>309.608</b>	—	<b>309.608</b>	—
<b>B. Additions</b>	<b>1.078</b>	—	<b>1.078</b>	<b>309.608</b>
B.1 Acquisitions	—	—	—	307.174
B.2 Writebacks	—	—	—	—
B.3 Transfers from other asset classes	—	—	—	—
B.4 Other increases	1.078	—	1.078	2.434
<b>C. Reductions</b>	<b>-25.118</b>	—	<b>-25.118</b>	—
C.1 Disposals	—	—	—	—
C.2 Redemptions	-25.000	—	-25.000	—
C.3 Value adjustments	—	—	—	—
C.4 Transfers to other asset classes	—	—	—	—
C.5 Other reductions	-2.272	—	-2.272	—
<b>D. Balance at end of period</b>	<b>283.414</b>	—	<b>283.414</b>	<b>309.608</b>

## 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	31/12/2013				30/06/2013			
	BV	FV			BV	FV		
		Level 1	level 2	level 3		level 1	level 2	level 3
B. Due from banks	967.962	—	967.963	—	975.314	—	975.318	—
1. Loans	967.962	—	967.963	—	975.314	—	975.318	—
1.1 Current accounts and demand deposits	134.652	—	134.652	—	199.038	—	199.038	—
1.2 Term deposits	80.007	—	80.007	—	—	—	—	—
1.3 Other receivables:	753.303	—	753.303	—	776.276	—	776.276	—
- amounts due under repo agreements	405.238	—	405.238	—	403.492	—	403.492	—
- amounts due under finance leases	—	—	—	—	—	—	—	—
- other amounts due	348.065	—	348.065	—	372.784	—	372.784	—
2. Debt securites:	—	—	—	—	—	—	—	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 other debt securities	—	—	—	—	—	—	—	—
<b>Total book value</b>	<b>967.962</b>	<b>—</b>	<b>967.963</b>	<b>—</b>	<b>975.314</b>	<b>—</b>	<b>975.318</b>	<b>—</b>

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	31/12/2013		30/06/2013	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	—	—	—	—
2. Amounts due under repo agreements	—	—	—	—
3. Loans	2.550.115	51.613	2.230.854	143.111
4. Credit cards, personal loans and salary – guaranteed finance	—	—	—	—
5. Amounts due under finance leasing	—	—	—	—
6. Factoring	—	—	—	—
7. Other transactions	—	—	759	—
8. Debt securities	—	—	—	—
8.1 structured	—	—	—	—
8.2 other debt securities	—	—	—	—
<b>Total book value</b>	<b>2.550.115</b>	<b>51.613</b>	<b>2.231.613</b>	<b>143.111</b>
<b>Total fair value</b>	<b>2.539.133</b>	<b>51.247</b>	<b>2.207.133</b>	<b>141.233</b>



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

Type of transactions/Value	31/12/2013		30/06/2013	
	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:	2.550.115	51.613	2.231.613	143.111
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	2.550.115	51.613	2.231.613	143.111
- non-financial undertakings	2.040.508	37.901	1.798.689	82.905
- financial companies	509.607	13.712	432.924	60.206
- insurances	—	—	—	—
- other entities	—	—	—	—
<b>Total</b>	<b>2.550.115</b>	<b>51.613</b>	<b>2.231.613</b>	<b>143.111</b>

As at December 31, 2013 the Bank does not own any sovereign debt exposure classified as loans and receivables.

## Section 8

### Heading 80: Hedging derivatives

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

	31/12/2013			Notional value	30/06/2013			Notional value
	Fair value				Fair value			
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	183.575	—	368.305	—	209.467	—	611.126
1) Fair value	—	183.575	—	368.305	—	209.467	—	611.126
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	183.575	—	368.305	—	209.467	—	611.126

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		31/12/2013		30/06/2013	
	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	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total A</b>	—	—	—	—	—	—	—	—	—	—	—	—
B) Unlisted derivative products												
1) Financial derivatives:	368.305	183.575	—	—	—	—	—	—	368.305	183.575	611.126	209.467
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	368.305	183.575	—	—	—	—	—	—	368.305	183.575	611.126	209.467
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	368.305	183.575	—	—	—	—	—	—	368.305	183.575	611.126	209.467
2) Credit derivatives:	—	—	—	—	—	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total B</b>	<b>368.305</b>	<b>183.575</b>	—	—	—	—	—	—	<b>368.305</b>	<b>183.575</b>	<b>611.126</b>	<b>209.467</b>
<b>Total (A+B)</b>	<b>368.305</b>	<b>183.575</b>	—	—	—	—	—	—	<b>368.305</b>	<b>183.575</b>	<b>611.126</b>	<b>209.467</b>

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

31/12/2013 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	—	—	—	—	—	—	—
<b>TOTAL ASSETS</b>	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	167.392	—	—	—	—	—	—
2. Debt securities in issue	16.183	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>183.575</b>	—	—	—	—	—	—
<b>TOTAL</b>	<b>183.575</b>	—	—	—	—	—	—

30/06/2013 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	—	—	—	—	—	—	—
<b>TOTAL ASSETS</b>	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	187.313	—	—	—	—	—	—
2. Debt securities in issue	22.154	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>209.467</b>	—	—	—	—	—	—
<b>TOTAL</b>	<b>209.467</b>	—	—	—	—	—	—

## Section 10

### Heading 100: Equity investments

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

Name	Registered Office	Type of relationship <sup>1</sup>	Ownership relationship		Voting rights <sup>2</sup>
			Investor Company	% Interest	
Mediobanca International Immobilière S.à r.l.	Luxembourg	3	Mediobanca International (Luxembourg) S.A.	100	-

In accordance with article 83 of the Law of 17 June 1992 as amended, this undertaking is not consolidated since it represents a negligible interest to the consolidated financial situation.

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<sup>1</sup> Type of relationship:

1 = Joint control

2 = Subject to significant influence

3 = Exclusively controlled and not consolidated

<sup>2</sup> Voting rights available at the general meeting. Voting rights are disclosed only if different from the percentage of ownership.

## Section 12

### Heading 120: Property, plant and equipment

#### 12.1 Tangible assets stated at cost (*in € k*)

Assets/value	31/12/2013	30/06/2013
A. Core assets		
1.1 owned by the Group	14	21
a) land	—	—
b) buildings	—	—
c) furniture and fitting	5	5
d) electronic equipment	—	—
e) other assets	9	16
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
<b>Total A</b>	<b>14</b>	<b>21</b>
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	—	—
<b>Total B</b>	<b>—</b>	<b>—</b>
<b>Total (A+B)</b>	<b>14</b>	<b>21</b>

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

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	—	—	43	—	38	45
A.1 Total net value reductions	—	—	-38	—	-22	-24
A.2 Net opening balance	—	—	5	—	16	21
B. Additions:	—	—	—	—	3	3
B.1 Purchases	—	—	—	—	3	3
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	—	9	14
D.1 Total net value reductions	—	—	-38	—	-32	-70
D.2 Gross closing balance	—	—	43	—	41	84

## Section 13

### Heading 130: Intangible assets

#### 13.1 Intangible assets *(in € k)*

Assets/ amounts	31/12/2013		30/06/2013	
	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	—	—	2	—
A.2.1 Recognized at cost:			2	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	2	—
A.2.2 Recognized at fair value:			—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
<b>Total</b>	—	—	<b>2</b>	—



### 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	—	—	—	-4	—	-4
A.2 Net opening balance	—	—	—	2	—	2
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	—	—	—	—	—	—
D.1 Total net value adjustments	—	—	—	-6	—	-6
E. Gross closing balance	—	—	—	6	—	6
F. Stated at cost	—	—	—	—	—	—

## Section 16

### Heading 160: Other assets

#### 16.1 Other assets (in € k)

	31/12/2013	30/06/2013
- Gold, silver and precious metal	—	—
- Accrued income other than capitalized income	1.728	2.272
- Trade receivables or invoice to be issued	4.185	4.185
- Amount due from tax revenue Authorities (not recorded under heading 140)	210	210
- Other	7	5
<b>Total</b>	<b>6.130</b>	<b>6.672</b>

## Liabilities

### Section 1

#### Heading 10: Amounts due to credit institutions

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

Type of transaction/amounts	31/12/2013	30/06/2013
1. Due to central Banks	—	—
2. Due to Banks	1.549.732	1.216.470
2.1 Current accounts and demand deposits	36.385	13.710
2.2 Term deposits	317.668	82.416
2.3 Borrowings	1.195.679	1.119.585
2.3.1 Leasing & stock lending	—	—
2.3.2 Others	1.195.679	1.119.585
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	—	759
<b>Total book value</b>	<b>1.549.732</b>	<b>1.216.470</b>

##### 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)

	31/12/2013	30/06/2013
1. Items subject to specific fair value hedges for:	216.523	228.451
a) interest rate risk	216.523	228.451
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	—	—
<b>Total</b>	<b>216.523</b>	<b>228.451</b>

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	31/12/2013	30/06/2013
1. Current accounts and demand deposits	—	—
2. Term deposits	100.008	149.500
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	955.061	901.514
4.1 leasing	—	—
4.2 others	955.061	901.514
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	—	—
<b>Total book value</b>	<b>1.055.069</b>	<b>1.051.014</b>

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

	31/12/2013	30/06/2013
1. Items subject to specific fair value hedges for:	88.814	93.497
a) interest rate risk	88.814	93.497
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	—	—
<b>Total</b>	<b>88.814</b>	<b>93.497</b>

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	31/12/2013		30/06/2013	
	Book value	Fair Value <sup>1</sup>	Book value	Fair Value
A. Listed securities	1.080.448	1.110.560	1.188.101	1.223.199
1. notes	1.080.448	1.110.560	1.188.101	1.223.199
1.1 structured	438.100	440.171	502.198	505.326
1.2 others	642.348	670.389	685.903	717.873
2. other securities <sup>A</sup>	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities	249.587	253.343	235.173	237.435
1. notes	249.587	253.343	235.173	237.435
1.1 structured	197.054	202.508	182.196	186.943
1.2 others	52.533	50.835	52.977	50.492
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
<b>Total</b>	<b>1.330.035</b>	<b>1.363.903</b>	<b>1.423.274</b>	<b>1.460.634</b>

<sup>1</sup> Fair value does not include issuer risk; if issuer risk was considered, the fair value of debt securities issued would reduce by € 2m approximately.

<sup>A</sup> “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	31/12/2013	30/06/2013
A. Securities subject to specific fair value hedges	408.560	552.214
1. Interest rate risk	408.560	552.214
2. Currency risk	—	—
3. Other risks	—	—
B. Securities subject to specific cash flow hedges	—	—
1. Interest rate risk	—	—
2. Currency risk	—	—
3. Other risks	—	—
<b>Total</b>	<b>408.560</b>	<b>552.214</b>

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

Type of transaction/amounts	31/12/2013	30/06/2013
A. Debt securities	921.475	871.059
1. Structured	407.462	393.088
2. Other	514.013	477.972
B. Other financial instruments	—	—
1. Structured	—	—
2. Other	—	—
<b>Total</b>	<b>921.475</b>	<b>871.060</b>

## Section 4

### Heading 40: Financial liabilities held for trading

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

Type of transaction/amounts	31/12/2013			30/06/2013		
	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	—	190.248	104.168	—	222.858	111.624
1. Financial derivatives	—	182.998	104.168	—	208.029	111.624
1.1 Trading derivatives	—	13.148	—	—	23.654	—
1.2 Linked to FV option	—	—	—	—	—	—
1.3 Other	—	169.850	104.168	—	184.375	111.624
2. Credit derivatives	—	7.250	—	697	14.829	—
2.1 Trading derivatives	—	7.250	—	697	14.829	—
2.2 Linked to FV option	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
<b>Total</b>	—	<b>190.248</b>	<b>104.168</b>	<b>697</b>	<b>222.858</b>	<b>111.624</b>

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)

Type of transaction/amounts	Interest rate		Foreign currency/gold		Equity		Credit		31/12/2013		30/06/2013	
	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV
A. Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
B. Unlisted derivative products												
1. Financial derivatives	581.750	160.855	374.584	4.649	587.969	121.662	—	—	1.544.303	287.166	2.538.717	335.179
1.1 With exchange of principal	—	—	370.217	4.221	—	—	—	—	370.217	4.221	4.604	373
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	—	—	370.217	4.221	—	—	—	—	370.217	4.221	4.604	373
1.2 Without exchange of principal	581.750	160.855	4.367	428	587.969	121.662	—	—	1.174.086	282.945	1.734.282	319.279
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	581.750	160.855	4.367	428	587.969	121.662	—	—	1.174.086	282.945	1.734.282	319.279
2. Credit derivatives	—	—	—	—	—	—	501.813	7.250	501.813	7.250	799.831	15.527
2.1 With exchange of principal	—	—	—	—	—	—	45.479	3.153	45.479	3.153	—	—
2.2 Without exchange of principal	—	—	—	—	—	—	456.334	4.097	456.334	4.097	799.831	15.527
<b>Total</b>	<b>581.750</b>	<b>160.855</b>	<b>374.584</b>	<b>4.649</b>	<b>587.969</b>	<b>121.662</b>	<b>501.813</b>	<b>7.250</b>	<b>2.046.116</b>	<b>294.416</b>	<b>2.538.717</b>	<b>335.179</b>



## Section 6

### Heading 60: Hedging derivatives

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

	31/12/2013			Notional value	30/06/2013			Notional value
	Fair value				Fair value			
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	423	—	166.616	—	432	—	53.751
1) Fair value	—	423	—	166.616	—	432	—	53.751
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
<b>Total</b>	—	<b>423</b>	—	<b>166.616</b>	—	<b>432</b>	—	<b>53.751</b>

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		31/12/2013	30/06/2013
	Specific				Generic	Specific	General		
	Interest Risk	Exchange rate	Credit risk	Other					
1. AFS Securities	—	—	—	—	—	—	—	—	—
2. Loans and advances	—	—	—	—	—	—	—	—	—
3. Financial assets HTM	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Amounts due	—	—	—	—	—	—	—	—	—
2. Financial liabilities	423	—	—	—	—	—	—	423	432
3. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL LIABILITIES	423	—	—	—	—	—	—	423	432
TOTAL	423	—	—	—	—	—	—	423	432

## Section 8

### Heading 80: Tax liabilities

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

	31/12/2013	30/06/2013
Corporate income tax (IRC)	1.311	2.683
Municipal business tax (ICC)	278	730
Other	95	137
<b>Total</b>	<b>1.684</b>	<b>3.550</b>

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 € 1.123.825 (Fiscal Year 2012: € 1.002.435) 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
<b>Balance at the beginning of the year</b>				
A. Current fiscal liabilities (+)	8.682	2.531	187	11.400
B. Advances paid (-)	6.000	1.800	50	7.850
<b>A.1 Fiscal liabilities: increase (+)</b>	<b>4.361</b>	<b>1.593</b>	<b>493</b>	<b>6.446</b>
- provisions of the year	4.361	1.593	493	6.446
- transfers	—	—	—	—
- others	—	—	—	—
<b>A.2 Fiscal liabilities: decrease (-)</b>	<b>-7.732</b>	<b>-2.646</b>	<b>-563</b>	<b>-10.941</b>
- payments of the year	-7.732	-2.646	-563	-10.941
- transfers	—	—	—	—
- others	—	—	—	—
<b>B.1 Advances paid: increase (+)</b>	<b>2.000</b>	<b>2.700</b>	<b>128</b>	<b>4.828</b>
- payments/advances	2.000	2.700	128	4.828
- transfers	—	—	—	—
- others	—	—	—	—
<b>B.2 Advances paid: decrease (-)</b>	<b>-4.000</b>	<b>-3.300</b>	<b>-156</b>	<b>-7.456</b>
- payments of the year	-4.000	-3.300	-156	-7.456
- transfers	—	—	—	—
- others	—	—	—	—
<b>Total A. Fiscal liabilities</b>	<b>5.311</b>	<b>1.478</b>	<b>117</b>	<b>6.906</b>
<b>Total B. Advances paid</b>	<b>4.000</b>	<b>1.200</b>	<b>22</b>	<b>5.222</b>
<b>Current fiscal liabilities (A-B)</b>	<b>1.311</b>	<b>278</b>	<b>95</b>	<b>1.684</b>

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 has rise from 5 to 7%. Accordingly, the aggregate 2013 tax rate applicable to corporations resident in the municipality of Luxembourg increased from 28.80% to 29.22%.

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

Deferred tax liabilities	31/12/2013	30/06/2013
1. Initial amount	877	864
1.1 Initial amount	877	864
2. Additions	—	13
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	—	13
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	—	—
<b>Total</b>	<b>877</b>	<b>877</b>

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

	31/12/2013			30/06/2013		
	Deferred tax assets	Deferred tax liabilities	Tax rate 29,22%	Deferred tax assets	Deferred tax liabilities	Tax rate 29,22%
Cash and cash equivalent	—	—	—	—	—	—
Financial assets hft	—	—	—	—	—	—
Loans and advances	—	—	—	—	—	—
Hedging derivatives	—	—	—	—	—	—
Other assets	—	—	—	—	—	—
<b>Total assets</b>	—	—	—	—	—	—
Amounts due	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Financial liabilities hft	—	—	—	—	—	—
Hedging derivatives	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—
Shareholders' equity	—	-3.000	-877	—	-3.000	-877
<b>Total liabilities</b>	—	<b>-3.000</b>	<b>-877</b>	—	<b>-3.000</b>	<b>-877</b>

## Section 10

### Heading 100: Other liabilities

#### 10.1 Other liabilities (in € k)

	31/12/2013	30/06/2013
1. Pending invoices	1.677	9.817
2. Wages accrued, contributions and amounts withheld from staff for payment	17	13
3. Impairment guarantees and commitments	1.235	750
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Deferred income	—	—
6. Upfront premiums	—	—
7. Amounts payable on loans and receivables	2.534	2.547
8. Other items	—	—
<b>Total</b>	<b>5.463</b>	<b>13.127</b>

Pending invoices mainly refer to amount payable to the Parent Bank under the service agreement.

## 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, 2013 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 2013;
- This reserve will be maintained for a minimum period of 5 years.

<i>(in € k)</i>	<b>31/12/2013</b>	<b>30/06/2013</b>
A. Reserves	235.800	221.051
A.1 legal reserve	1.000	1.000
A.2 free reserve	207.719	198.590
A.3 special reserve <sup>(1)</sup>	27.081	21.461
A.4 FTA reserve	—	—

<sup>(1)</sup> Reserve linked to the exoneration of net wealth tax charge.

## Section 19

### Heading 190: Share capital

#### 19.1 Share capital

As of 31 December 2013, 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)*

	31/12/2013	30/06/2013
1. Financial guarantees given to:	48.583	55.993
a ) Banks	—	—
b) Customers	48.583	55.993
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds:	1.188.344	1.039.753
a) Banks	—	—
b) Customers	1.188.344	1.039.753
4. Commitment underlying credit derivatives: hedge sales	560.275	881.772
<b>Total</b>	<b>1.797.202</b>	<b>1.977.518</b>

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

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

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



5. Assets managed and traded on behalf of customers: Banking Group (*in € k*)

Type of service	30/12/2013	30/06/2013
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	847.895	883.100
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	20.800	53.275
1. securities issued by bank drawing up financial statements	—	—
2. other securities	20.800	53.275
c) customers' securities held on deposit with customers	531.672	509.412
d) own securities held on deposit with customers	295.423	320.423

## **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 31/12/2013	6 mths to 31/12/2012
	Debt securities	Loans	Other financial assets		
1. Financial assets held for trading	—	661	—	661	75
2. Financial assets at fair value	—	—	—	—	—
3. AFS securities	—	—	—	—	—
4. Financial assets held to maturity	4.407	—	—	4.407	—
5. Loans and advances to credit institutions	14	8.925	—	8.939	15.119
6. Loans and advances to customers	—	27.385	—	27.385	26.808
7. Hedging derivatives	—	—	13.013	13.013	13.624
8. Financial assets sold but not derecognized	—	—	—	—	—
9. Other assets	—	—	—	—	—
<b>Total</b>	<b>4.421</b>	<b>36.971</b>	<b>13.013</b>	<b>54.405</b>	<b>55.626</b>

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

	Payables	Notes	Other liabilities	6 mths to 31/12/2013	6 mths to 31/12/2012
1. Amount due to Banks	-9.275	—	—	-9.275	-10.670
2. Amount due to customers	-10.406	—	—	-10.406	-6.981
3. Debt securities	—	-7.464	—	-7.464	-20.725
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	—	—	-15.316	-15.316	-7.994
<b>Total</b>	<b>-19.681</b>	<b>-7.464</b>	<b>-15.316</b>	<b>-42.461</b>	<b>-46.370</b>

## Section 2

### Headings 40 and 50: Net fee and commission income

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

	6 mths to 31/12/2013	6 mths to 31/12/2012
a) guarantees given	228	444
b) credit derivatives	—	—
c) management, trading and advisory services:	113	574
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	—	537
6. securities placing	113	37
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	6.830	5.344
<b>Total</b>	<b>7.171</b>	<b>6.362</b>

## 2.2 Fee and commission expense (in € k)

	6 mths to 31/12/2013	6 mths to 31/12/2012
a) guarantees received	-1.814	-853
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	-1.539	-1.093
<b>Total</b>	<b>-3.353</b>	<b>-1.946</b>

## 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 31/12/2013	6 mths to 31/12/2012
1. Trading assets	900	93	—	—	993	285
1.1 Debt securities	—	—	—	—	—	—
1.2 Equities	—	—	—	—	—	—
1.3 OICR units	—	—	—	—	—	298
1.4 Loans and receivables	900	93	—	—	993	-13
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	19.638	—	-18.554	—	1.084	1.316
4. Derivative products	159.833	3.124	-161.005	-3.156	-1.204	-1.616
4.1 Financial derivatives:	141.237	1.755	-141.836	-2.778	-1.622	-2.354
– on debt securities/interest rates	11.542	283	-11.882	—	-57	-332
– on equities/share indexes	125.751	1.472	-125.787	-1.096	340	-156
– on foreign currency/gold	3.785	—	-4.050	-1682	-1.947	-1.866
– others	159	—	-117	—	42	—
4.2 Credit derivatives	18.596	1.369	-19.169	-378	418	738
<b>Total</b>	<b>180.371</b>	<b>3.217</b>	<b>-179.559</b>	<b>-3.156</b>	<b>873</b>	<b>-15</b>

## Section 4

### Heading 90: Net hedging income (expense)

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

	6 mths to 31/12/2013	6 mths to 31/12/2012
A. Income from:		
A.1 Fair value hedge derivatives	981	9.720
A.2 Financial assets hedged (fair value)	—	2.219
A.3 Financial liabilities hedged (fair value)	33.402	60.215
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
<b>Total hedging income (A)</b>	<b>34.383</b>	<b>72.154</b>
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-23.747	-13.976
B.2 Financial assets hedged (fair value)	—	-1.278
B.3 Financial liabilities hedged (fair value)	-10.852	-56.810
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
<b>Total hedging expenses (B)</b>	<b>-34.599</b>	<b>-72.064</b>
<b>C. Net hedging income (A-B)</b>	<b>-216</b>	<b>90</b>

## Section 5

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

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

	6 mths to 31/12/2013			6 mths to 31/12/2012		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from Banks	—	—	—	—	-32	-32
2. Due from customers	57	—	57	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	—	—	—	—	—	—
<b>Total assets</b>	<b>57</b>	<b>—</b>	<b>57</b>	<b>27</b>	<b>-32</b>	<b>-5</b>
Financial liabilities						
1. Due to Banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	509	—	509
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>509</b>	<b>—</b>	<b>509</b>



## 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 31/12/2013	6 mths to 31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from Banks	—	—	—	—	—	—	21	21	—
B. Due from customers	—	—	-1.828	—	—	—	—	-1.828	159
C. Total	—	—	-1.828	—	—	—	21	-1.807	159

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 31/12/2013	6 mths to 31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	5	—	—	—	—	5	2
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	—	—	—	—	-490	-490	-129
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	—	5	—	—	—	-490	-485	-127

Legend

A = interest

B = other amounts recovered

## Section 7

### Heading 180: Administrative expenses

#### 7.1 Personnel cost: composition (in € k)

	6 mths to 31/12/2013	6 mths to 31/12/2012
1. Employees	-318	-431
a) wages and salaries	-284	-364
b) social security charges	-12	-15
c) severance indemnities	—	—
d) pension contributions	-15	-20
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	-7	-20
2. Other staff	—	—
3. Board members	-85	-110
<b>Total</b>	<b>-403</b>	<b>-541</b>

## 7.2 Other administrative expenses: composition (in € k)

	6 mths to 31/12/2013	6 mths to 31/12/2012
– outside consultants’ fees	-78	-148
– legal fees due in respect of credit recovery	—	—
– share and bond administration	-48	-42
– advertising	—	—
– insurance	-1	-1
– software	-73	-72
– rents and leases	-100	-101
– maintenance, repairs and refurbishment	-7	-9
– service providers	—	—
– financial information subscriptions	—	—
– stationery and printing	-2	-2
– membership subscriptions	—	—
– postal, telephone, fax and telex charges	-21	-15
– newspapers, magazines and library acquisitions	-1	-4
– other staff expenses	—	—
– utilities	—	—
– EDP costs	-227	-222
– Bank charges	-14	-17
– travel and secondment	-10	-24
– outsourced activities	-1.067	-2.554
– other expenses	-92	-25
<b>Total other expenses</b>	<b>-1.741</b>	<b>-3.236</b>
– indirect and other taxes	-149	-388
<b>Total indirect tax</b>	<b>-149</b>	<b>-388</b>
<b>Total other administrative expenses</b>	<b>-1.890</b>	<b>-3.624</b>

## 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 31/12/2013	6 mths to 31/12/2012
A. Tangible assets					
A.1 Owned:	-10	—	—	-10	-10
– Core	-10	—	—	-10	-10
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Core	—	—	—	—	—
– Investment	—	—	—	—	—
<b>Total</b>	<b>-10</b>	<b>—</b>	<b>—</b>	<b>-10</b>	<b>-10</b>

## 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 31/12/2013	6 mths to 31/12/2012
A. Intangible assets					
A.1 Owned:	-1	—	—	-1	-1
– Software	—	—	—	—	-1
– Other	-1	—	—	-1	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Software	—	—	—	—	—
– Other	—	—	—	—	—
<b>Total</b>	<b>-1</b>	<b>—</b>	<b>—</b>	<b>-1</b>	<b>-1</b>

## Section 10

### Heading 220: Other operating income (expenses)

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

	6 mths to 31/12/2013	6 mths to 31/12/2012
A. Other income (expenses) – other	—	-1
– Sundry other expense reimbursements	—	—
– Direct debit expense reimbursements	—	—
– Release provision	—	—
– Other income	—	—
– Other charges	—	-1
B. Other income (expenses) – amounts recovered	55	11
– withholding tax	—	—
– Amounts recovered from staff	—	—
– Amounts recovered from clients	—	—
– Other amounts recovered	55	11
<b>Total</b>	<b>55</b>	<b>10</b>

## Section 11

### Heading 290: Income tax on the ordinary activity

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

	6 mths to 31/12/2013	6 mths to 31/12/2012
1. Current taxes	-2.341	-1.963
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	—	—
<b>Total</b>	<b>-2.341</b>	<b>-1.963</b>

## 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	147	8	101	16	2
20.	Financial assets held for trading	92.727	5.151	63.535	10.303	274.130
50.	Financial assets held to maturity	153.043	8.502	104.863	17.005	—
60.	Loans and advances to credit institutions	522.700	29.039	358.146	58.078	—
70.	Loans and advances to customers	1.404.933	78.052	962.639	156.104	—
80.	Hedging derivatives	99.130	5.507	67.923	11.014	—
100.	Equity investments	—	—	—	—	4.150
120.	Tangible assets	—	—	—	—	14
130.	Intangible assets	—	—	—	—	—
140.	Tax assets	—	—	—	—	—
160.	Other assets	3.310	184	2.268	368	—
	<b>Total assets 31/12/2013</b>	<b>2.275.990</b>	<b>126.443</b>	<b>1.559.475</b>	<b>252.888</b>	<b>278.296</b>
	<b>Total assets 30/06/2013</b>	<b>2.313.270</b>	<b>119.652</b>	<b>1.395.939</b>	<b>159.535</b>	<b>301.325</b>
10.	Amount due to Banks	-836.855	-46.492	-573.401	-92.984	—
20.	Amount due to customers	-569.737	-31.652	-390.375	-63.304	—
30.	Debt securities in issue	-718.219	-39.901	-492.113	-79.802	—
40.	Financial liabilities held for trading	-10.958	-609	-7.508	-1.218	-274.123
60.	Hedging derivatives	-228	-13	-156	-25	—
80.	Tax liabilities	-1.383	-77	-947	-154	—
100.	Other liabilities	-2.845	-158	-1.949	-316	-196
160./180.	Shareholders' equity	-132.732	-7.374	-90.946	-14.748	—
	<b>Total liabilities 31/12/2013</b>	<b>-2.272.957</b>	<b>-126.276</b>	<b>-1.557.395</b>	<b>-252.551</b>	<b>-274.319</b>
	<b>Total liabilities 30/06/2013</b>	<b>-2.307.056</b>	<b>-119.330</b>	<b>-1.392.187</b>	<b>-159.108</b>	<b>-297.291</b>

*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	27.201	546	25.028	1.631	—
020.	Interests payable and similar charges	-21.231	-425	-19.531	-1.274	—
<b>030.</b>	<b>Net interest income</b>	<b>5.970</b>	<b>121</b>	<b>5.497</b>	<b>357</b>	<b>—</b>
040.	Fee and commission income	3.586	71	3.299	215	—
050.	Fee and commission expense	-1.676	-34	-1.543	-101	—
<b>060.</b>	<b>Net fee and commission income</b>	<b>1.910</b>	<b>37</b>	<b>1.756</b>	<b>114</b>	<b>—</b>
080.	Net trading income/expense	-146	-3	-133	-10	1.160
090.	Net hedging income/expense	-107	-2	-100	-6	—
100.	Gain or loss on disposal or repurchase of:	28	1	26	2	—
	a) loans and receivables	28	1	26	2	—
	b) financial assets available for sale	—	—	—	—	—
	c) financial assets held to maturity	—	—	—	—	—
	d) financial liabilities	—	—	—	—	—
<b>120.</b>	<b>Total income</b>	<b>7.655</b>	<b>154</b>	<b>7.046</b>	<b>457</b>	<b>1.160</b>
130.	Value adjustments	-1.145	-23	-1.054	-69	—
<b>140.</b>	<b>Net income from the financial management</b>	<b>6.510</b>	<b>131</b>	<b>5.992</b>	<b>388</b>	<b>1.160</b>
180.	Administrative expenses	-1.146	-21	-1.053	-67	—
200.	Value adjustments in respect of tangible assets	-1	—	—	—	-13
210.	Value adjustments in respect of intangible assets	27	—	25	1	—
220.	Other operating income/expense	—	—	—	—	—
<b>280.</b>	<b>Profit (loss) of the ordinary activity before tax</b>	<b>5.390</b>	<b>110</b>	<b>4.964</b>	<b>322</b>	<b>1.147</b>
290.	Income tax on the ordinary activity	-1.170	-23	-1.076	-70	—
<b>340.</b>	<b>Profit (loss) for the year</b>	<b>4.220</b>	<b>87</b>	<b>3.888</b>	<b>252</b>	<b>1.147</b>
350.	Other comprehensive income, net of tax	—	—	—	—	—
<b>360.</b>	<b>Total comprehensive income for the semester, net of tax as at 31/12/2013</b>	<b>4.220</b>	<b>87</b>	<b>3.888</b>	<b>252</b>	<b>1.147</b>
	<b>Total comprehensive income for the semester, net of tax as at 31/12/2012</b>	<b>4.669</b>	<b>174</b>	<b>3.198</b>	<b>604</b>	<b>-490</b>

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	OTHER EUROPEAN COUNTRIES	AMERICAS	ASIA	OCEANIA
Cash and cash balances with Central Banks	274	—	—	—	—
Financial assets held for trading	267.894	177.952	—	—	—
Financial assets held to maturity	—	283.414	—	—	—
Loans and advances to Credit Institutions	125	967.837	—	—	—
Loans and advances to Customers	49.452	2.110.344	364.071	—	77.862
Hedging derivatives	—	183.574	—	—	—
Equity investments	4.150	—	—	—	—
Tangible assets	14	—	—	—	—
Intangible assets	—	—	—	—	—
Tax assets	—	—	—	—	—
Other assets	42	5.742	346	—	—
<b>A. Total assets 31/12/2013</b>	<b>321.951</b>	<b>3.728.863</b>	<b>364.417</b>	—	<b>77.862</b>
<b>A. Total assets 30/06/2013</b>	<b>328.865</b>	<b>3.494.458</b>	<b>384.038</b>	—	<b>82.360</b>
Amount due to Banks	—	-1.549.732	—	—	—
Amount due to customers	—	-1.055.069	—	—	—
Debt securities in issue	-1.330.026	-9	—	—	—
Financial liabilities held for trading	-26.456	-267.960	—	—	—
Hedging derivatives	—	-423	—	—	—
Tax liabilities	-2.560	—	—	—	—
Other liabilities	-33	-5.138	-292	—	—
Shareholders' equity	-245.801	—	—	—	—
<b>B. Total liabilities 31/12/2013 <sup>(1)</sup></b>	<b>-1.604.876</b>	<b>-2.878.331</b>	<b>-292</b>	—	—
<b>B. Total liabilities 30/06/2013 <sup>(1)</sup></b>	<b>-1.687.951</b>	<b>-2.586.769</b>	<b>-252</b>	—	—

<sup>(1)</sup> Profit for the period excluded



B.2 Comprehensive income *figures by geographical region (in € k)*

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	ASIA	OCEANIA
Net interest income	-6.339	13.351	4.352	—	581
Net fee and commission income	125	2.837	851	—	5
Net trading income/expense	-19.193	19.787	748	—	-470
Net hedging income/expense	2.977	-3.193	-2.207	—	—
Gain or loss on disposal or repurchase	—	2.264	—	—	—
Value adjustments - impairment	16	-1.923	-274	—	-111
Administrative expenses	-397	-1.896	—	—	—
Value adjustments – amortisation	—	-11	—	—	—
Other operating income (expenses)	8	47	—	—	—
Income tax	-2.341	—	—	—	—
<b>Net profit/loss 6 months 2013</b>	<b>-25.144</b>	<b>31.263</b>	<b>3.470</b>	<b>—</b>	<b>5</b>

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

##### **Corporate banking**

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the

relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls (i.e. covenants). Any deterioration in the risk profile of a loan is brought swiftly to the attention of head of the operating unit and management.

### **Leverage finance**

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

### **Loan impairment provisions**

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

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

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

## QUANTITATIVE INFORMATION

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

Portfolio/Quality	Non-performing	Performing	31/12/2013	30/06/2013
1. Financial assets held for trading	—	445.847	445.847	408.238
Banks	—	41.689	41.689	7.629
Customers	—	102.026	102.026	56.654
Derivative instruments	—	302.132	302.132	343.955
2. AFS securities	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
3. Financial assets held to maturity	—	283.414	283.414	309.608
Banks	—	283.414	283.414	309.608
Customers	—	—	—	—
4. Due from Banks	—	968.234	968.234	976.837
5. Due from customers	51.613	2.550.115	2.601.728	2.374.724
6. Financial assets recognized at fair value	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
7. Financial assets being sold	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
8. Hedging derivatives	—	183.575	183.575	209.467
<b>Total</b>	<b>51.613</b>	<b>4.431.185</b>	<b>4.482.798</b>	<b>4.278.875</b>

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	—	—	—	—	—	445.847	445.847
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	283.414	—	283.414	283.414
4. Due from Banks	—	—	—	968.242	-8	968.234	968.234
5. Due from customers	51.613	—	51.613	2.554.106	-3.991	2.550.115	2.601.728
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	183.575	183.575
<b>Total at 31/12/2013</b>	<b>51.613</b>	<b>—</b>	<b>51.613</b>	<b>3.805.762</b>	<b>-3.999</b>	<b>4.431.185</b>	<b>4.482.798</b>
<b>Total at 30/06/2013</b>	<b>143.111</b>	<b>—</b>	<b>143.111</b>	<b>4.137.955</b>	<b>-2.192</b>	<b>4.135.763</b>	<b>4.386.154</b>

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	31/12/2013	30/06/2013
<b>A. CASH EXPOSURES</b>					
a) Non-performing	—	—	—	—	—
e) Other assets	1.293.345	—	-8	1.293.337	1.294.075
<b>Total A</b>	<b>1.293.345</b>		<b>-8</b>	<b>1.293.337</b>	<b>1.294.075</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>					
a) Non-performing	—	—	—	—	—
b) Other assets	544.631	—	—	544.631	577.190
<b>Total B</b>	<b>544.631</b>	—	—	<b>544.631</b>	<b>577.190</b>

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	31/12/2013	30/06/2013
A. CASH EXPOSURES					
a) Non-performing	51.613	—	—	51.613	143.111
b) Other assets	2.656.132	—	-3.991	2.652.141	2.288.267
<b>Total A</b>	<b>2.707.745</b>		<b>-3.991</b>	<b>2.703.754</b>	<b>2.431.378</b>
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	1.985	—	—	1.985	3.007
b) Other assets	1.330.920	—	-1.235	1.329.685	1.141.361
<b>Total B</b>	<b>1.332.905</b>	—	<b>-1.235</b>	<b>1.331.670</b>	<b>1.144.368</b>

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

Description/Category	31/12/2013			30/06/2013		
	Non performing	Restructured	Past due	Non performing	Restructured	Past due
A. Gross exposure at start of period	50.708	92.403	—	—	86.432	—
of which: accounts sold but not derecognized	—	—	—	—	—	—
B. Additions	630	7.663	—	84.607	9.488	—
B.1 transfers from performing loans	—	—	—	82.219	—	—
B.2 transfer from other categories of impaired assets	—	—	—	—	—	—
B.3 other additions	630	7.663	—	2.388	9.488	—
C. Reductions	-51.338	-48.453	—	-33.899	-3.517	—
C.1 transfer to performing loans	—	-43.745	—	—	—	—
C.2 amounts written off	—	—	—	—	—	—
C.3 amounts collected	—	-4.540	—	—	-2.817	—
C.4 amounts realized on disposal	-50.958	—	—	-30.855	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—	—	—
C.6 other reductions	-380	-168	—	-3.044	-700	—
D. Gross exposure at end of period	—	51.613	—	50.708	92.403	—
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	—	—	—	2.163
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	2.775
B.1 value adjustments	—	—	—	2.179
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	596
C. Reductions	—	—	—	-947
C.1 writebacks based on valuations	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	-379
C.3 amounts written off	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—
C.5 other reductions	—	—	—	-568
D. Adjustments at end of period	—	—	—	3.991
of which: accounts sold but not derecognized	—	—	—	—



## 1.2 MARKET RISK

### 1.2.1 Interest rate risk – regulatory trading book

#### QUALITATIVE INFORMATION

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

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

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

According to the part VIII of the Circular CSSF 08/338, an "endurance test" of interest rate risk was carried out as at 31 December 2013. 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:	- € 14.766.251
- Scenario -200 bps:	€ 5.757.330

#### Fair value hedge

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

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

## QUANTITATIVE INFORMATION

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

Type/Residual duration*	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to Banks	—	—	—	—	—	—	—	—
1.3 Loans to customers	—	—	—	—	—	—	—	—
<b>Total cash assets at 31/12/2013</b>	—	—	—	—	—	—	—	—
<b>Total cash assets at 30/06/2013</b>	—	—	—	—	—	—	—	—
2. Cash liabilities								
2.1 Amounts due to Banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	—	—	—	—	—	—	—
<b>Total cash liabilities at 31/12/2013</b>	—	—	—	—	—	—	—	—
<b>Total cash liabilities at 30/06/2013</b>	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1.794.824	15.620	86.079	663.009	10.000	10.000	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	1.794.824	15.620	86.079	663.009	10.000	10.000	—
+ Long positions	—	890.678	2.800	21.079	360.209	5.000	10.000	—
+ Short positions	—	904.146	12.820	65.000	302.800	5.000	—	—
<b>Total financial derivatives at 31/12/2013</b>	—	<b>1.794.824</b>	<b>15.620</b>	<b>86.079</b>	<b>663.009</b>	<b>10.000</b>	<b>10.000</b>	—
<b>Total financial derivatives at 30/06/2013</b>	—	<b>1.954.488</b>	<b>94.000</b>	—	<b>661.954</b>	<b>10.000</b>	<b>10.000</b>	—

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

Type/Residual duration*	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	186.543	34.602	65.068	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	186.543	34.602	65.068	—	—	—	—
1.2 Loans to Banks	134.652	430.644	49.403	391.965	—	—	—	498
1.3 Loans to customers	72	2.225.664	429.290	—	59.425	—	2.200	—
<b>Total cash assets at 31/12/2013</b>	<b>134.724</b>	<b>2.842.851</b>	<b>513.295</b>	<b>457.033</b>	<b>59.425</b>	<b>—</b>	<b>2.200</b>	<b>498</b>
<b>Total cash assets at 30/06/2013</b>	<b>263.958</b>	<b>2.626.790</b>	<b>777.823</b>	<b>1.698</b>	<b>23.766</b>	<b>36.256</b>	<b>4.623</b>	<b>216</b>
2. Cash liabilities								
2.1 Amounts due to customers	—	-965.368	-1.082	—	—	—	-87.016	—
2.2 Amounts due to Banks	-36.385	-1.237.272	-39.401	-12.042	—	—	-224.633	—
2.3 Debt securities in issue	—	-948.783	-69.507	-42.294	-269.451	—	—	—
<b>Total cash liabilities at 31/12/2013</b>	<b>-36.385</b>	<b>-3.151.423</b>	<b>-109.990</b>	<b>-54.336</b>	<b>-269.451</b>	<b>—</b>	<b>-311.649</b>	<b>—</b>
<b>Total cash liabilities at 30/06/2013</b>	<b>-22.470</b>	<b>-2.689.662</b>	<b>-201.264</b>	<b>-144.298</b>	<b>-301.360</b>	<b>—</b>	<b>-327.883</b>	<b>-2.042</b>
3. Financial derivatives								
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	446.508	88.333	122.000	275.206	—	576.193	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	446.508	88.333	122.000	275.206	—	576.193	—
+ Long positions	—	38.126	57.794	66.000	235.206	—	356.994	—
+ Short positions	—	408.382	30.539	56.000	40.000	—	219.199	—
<b>Total financial derivatives at 31/12/2013</b>	<b>—</b>	<b>446.508</b>	<b>88.333</b>	<b>122.000</b>	<b>275.206</b>	<b>—</b>	<b>576.193</b>	<b>—</b>
<b>Total financial derivatives at 30/06/2013</b>	<b>—</b>	<b>512.161</b>	<b>134.652</b>	<b>118.294</b>	<b>430.174</b>	<b>—</b>	<b>572.869</b>	<b>—</b>
4. Other off-balance sheet								
+ Long positions	—	—	—	—	879.014	118.134	192.400	—
+ Short positions	1.189.548	—	—	—	—	—	—	—
<b>Total other off-balance sheet at 31/12/2013</b>	<b>1.189.548</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>879.014</b>	<b>118.134</b>	<b>192.400</b>	<b>—</b>
<b>Total other off-balance sheet at 30/06/2013</b>	<b>1.040.467</b>	<b>311.589</b>	<b>77.305</b>	<b>53</b>	<b>622.355</b>	<b>29.165</b>	<b>—</b>	<b>—</b>

## 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	31/12/2013		30/06/2013	
	Over the counter	Listed	Over the counter	Listed
1. Debt securities and interest rates	945.785	—	990.878	—
a) Options	—	—	—	—
b) Swap	945.785	—	990.878	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	708.998	—	608.797	—
a) Options	708.998	—	608.797	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	352.972	—	372.163	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	352.972	—	372.163	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
<b>Total</b>	<b>2.007.755</b>	—	<b>1.971.838</b>	—
<b>Average values</b>	<b>1.315.954</b>	—	<b>1.156.427</b>	—

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

A.2.1 Hedging derivatives

Type of transactions	31/12/2013		30/06/2013	
	Over the counter	Listed	Over the counter	Listed
1. Debt securities and interest rates	790.579	—	920.523	—
a) Options	—	—	—	—
b) Swap	532.182	—	662.126	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	258.397	—	258.397	—
2. Equities and share indexes	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	2.739	—	2.751	—
a) Options	—	—	—	—
b) Swap	2.739	—	2.751	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
<b>Total</b>	<b>793.318</b>	<b>—</b>	<b>923.274</b>	<b>—</b>
<b>Average values</b>	<b>733.721</b>	<b>—</b>	<b>783.585</b>	<b>—</b>

### A.2.2 Other derivatives

Type of transactions	31/12/2013		30/06/2013	
	Over the counter	Listed	Over the counter	Listed
1. Debt securities and interest rates	395.000	—	395.000	—
a) Options	—	—	—	—
b) Swap	395.000	—	395.000	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	610.985	—	607.552	—
a) Options	610.985	—	607.552	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	2.184	—	2.302	—
a) Options	—	—	—	—
b) Swap	2.184	—	2.302	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
<b>Total</b>	<b>1.008.169</b>	—	<b>1.004.854</b>	—
<b>Average values</b>	<b>740.978</b>	—	<b>546.937</b>	—

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

Type of transactions	Positive fair value			
	31/12/2013		30/06/2013	
	Over the counter	Listed	Over the counter	Listed
A. Regulatory trading book	27.240	—	43.010	—
a) Options	22.082	—	15.624	—
b) Interest Rate Swap	4.771	—	26.638	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	387	—	748	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	336.036	—	377.286	—
a) Options	—	—	—	—
b) Interest Rate Swap	183.575	—	209.467	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	152.461	—	167.819	—
C. Banking book: Others derivatives	106.563	—	116.235	—
a) Options	99.587	—	113.707	—
b) Interest Rate Swap	6.976	—	2.528	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
<b>Total</b>	<b>469.839</b>	<b>—</b>	<b>536.531</b>	<b>—</b>

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

Type of transactions	Negative fair value			
	31/12/2013		30/06/2013	
	Over the counter	Listed	Over the counter	Listed
A. Regulatory trading book	-111.221	—	-133.055	—
a) Options	-100.118	—	-113.707	—
b) Interest Rate Swap	-6.516	—	-14.492	—
c) Cross Currency Swap	-2.504	—	-1.458	—
d) Equity Swap	—	—	—	—
e) Forward	-2.083	—	-3.398	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-152.884	—	-168.251	—
a) Options	—	—	—	—
b) Interest Rate Swap	-187	—	-282	—
c) Cross Currency Swap	-236	—	-150	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	-152.461	—	-167.819	—
C. Banking book: Others derivatives	-23.421	—	-18.778	—
a) Options	-21.544	—	-14.503	—
b) Interest Rate Swap	-1.877	—	-4.275	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
<b>Total</b>	<b>-287.526</b>	<b>—</b>	<b>-320.084</b>	<b>—</b>



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	31/12/2013							30/06/2013
	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	—	—	—	—	400.000
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	6.000	—	—	—	—	6.000
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—

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

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

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

Contracts not forming part of netting arrangements	31/12/2013							30/06/2013
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	545.785	—	—	—	—	590.878
- positive fair value	—	—	4.771	—	—	—	—	26.638
- negative fair value	—	—	-6.516	—	—	—	—	-14.492
2. Equities and share indexes								
- notional value	—	—	708.998	—	—	—	—	608.797
- positive fair value	—	—	22.083	—	—	—	—	15.624
- negative fair value	—	—	-100.118	—	—	—	—	-113.707
3. Exchange rates and Gold								
- notional value	—	—	352.972	—	—	—	—	372.163
- positive fair value	—	—	386	—	—	—	—	748
- negative fair value	—	—	-4.587	—	—	—	—	-4.856
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).

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	31/12/2013							30/06/2013
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	129.199	—	—	—	—	129.198
- positive fair value	—	—	152.461	—	—	—	—	167.819
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure <sup>1</sup>	—	—	—	—	—	—	—	—

<sup>1</sup> 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	31/12/2013							30/06/2013
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	661.380	—	—	—	—	791.325
- positive fair value	—	—	183.575	—	—	—	—	209.467
- negative fair value	—	—	-152.648	—	—	—	—	-168.101
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	2.739	—	—	—	—	2.751
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	-236	—	—	—	—	-150
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

<sup>1</sup> 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	146.921	256.700	172.596	18.000
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
<b>Total at 31/12/2013</b>	<b>146.921</b>	<b>256.700</b>	<b>172.596</b>	<b>18.000</b>
Average values	82.051	256.700	149.926	18.000
<b>Total at 30/06/2013</b>	<b>84.987</b>	<b>586.700</b>	<b>192.086</b>	<b>18.000</b>
2. Hedge sales				
a) Credit default	177.597	18.000	107.979	256.700
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
<b>Total at 31/12/2013</b>	<b>177.597</b>	<b>18.000</b>	<b>107.979</b>	<b>256.700</b>
Average values	154.341	18.000	65.817	256.700
<b>Total at 30/06/2013</b>	<b>192.086</b>	<b>18.000</b>	<b>84.987</b>	<b>586.700</b>

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

Transaction categories	Positive FV	
	31/12/2013	30/06/2013
1. Regulatory trading book		
a) Credit default	7.266	9.878
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	8.620	14.381
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	
	31/12/2013	30/06/2013
1. Regulatory trading book		
a) Credit default	-4.277	-5.310
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	-2.972	-10.217
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*)

	31/12/2013							30/06/2013
	Governments and central Banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties	
Regulatory trading book								
1. Hedge buys								
- notional value	—	—	403.621	—	—	—	—	671.687
- positive fair value	—	—	2.439	—	—	—	—	9.119
- negative fair value	—	—	-3.243	—	—	—	—	-881
2. Hedge sales								
- notional value	—	—	195.597	—	—	—	—	210.086
- positive fair value	—	—	4.827	—	—	—	—	759
- negative fair value	—	—	-1.034	—	—	—	—	-4.429
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 31/12/2013 (in € k)

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Unlimited
Cash assets	<b>134.652</b>	<b>70.476</b>	<b>104.000</b>	<b>301.796</b>	<b>203.531</b>	<b>102.767</b>	<b>666.236</b>	<b>2.270.781</b>	<b>272.705</b>	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	993	1.098	39.158	248.557	2.789	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	134.652	70.476	104.000	301.796	202.538	101.669	627.078	2.022.224	269.916	—
– to Banks	134.652	-7	—	80.007	7.757	51.832	410.827	330.000	—	770
– to customers	—	70.483	104.000	221.789	194.781	49.837	216.251	1.692.224	269.916	—
Cash liabilities	<b>-36.385</b>	<b>-223</b>	<b>-101.783</b>	<b>-327.725</b>	<b>-44.908</b>	<b>-51.235</b>	<b>-538.496</b>	<b>-2.420.245</b>	<b>-219.608</b>	—
B.1 Deposits	-36.385	-223	-101.478	-327.725	-4.170	-8.008	-189.599	-1.549.720	-195.795	—
– to Banks	-36.385	-223	-736	-317.870	-2.559	-3.541	-180.261	-689.720	-152.256	—
– to customers	—	—	-100.742	-9.521	-1.611	-4.467	-9.338	-860.000	-45.539	—
B.2 Debt securities	—	—	-305	-334	-40.738	-43.227	-348.897	-870.525	-21.813	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	<b>1.043.592</b>	<b>1.348</b>	<b>188.889</b>	<b>93.661</b>	<b>27.870</b>	<b>128.498</b>	<b>58.057</b>	<b>770.038</b>	<b>209.165</b>	—
C.1 Financial derivatives with exchange of principal	118	-88	712	-250	-195	1.334	3.121	73.151	180.000	—
– long positions	118	—	954	56	3.622	2.969	6.527	86.526	180.000	—
– short positions	—	-88	-242	-306	-3.817	-1.635	-3.406	-13.375	—	—
C.2 Financial derivatives without exch. of principal	—	—	—	—	—	-141	-243	1.400	—	—
– long positions	—	—	—	—	—	—	—	1.400	—	—
– short positions	—	—	—	—	—	-141	-243	—	—	—
C.3 Irrevocable commitments to disburse funds	1.040.467	1.436	188.177	93.911	28.065	77.305	53	622.355	29.165	—
– long positions	—	1.436	188.177	93.911	28.065	77.305	53	622.355	29.165	—
– short positions	1.040.467	—	—	—	—	—	—	—	—	—
C.4 Credit derivatives with exchange of principal	—	—	—	—	—	50.000	55.126	73.132	—	—
– long positions	—	—	—	—	—	—	13.997	73.132	—	—
– short positions	—	—	—	—	—	50.000	41.129	—	—	—
C.5 Credit derivatives without exchange of principal	3.007	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	3.007	—	—	—	—	—	—	—	—	—

## **PART F – OTHER INFORMATION**

### **Staff number**

As at 31 December 2013 , the Bank's staff is as follows:

	<b>31/12/2013</b>	<b>30/06/2013</b>
Management - Senior	2	2
Management - Middle	2	3
Other Staff	3	3
<b>Total</b>	<b>7</b>	<b>8</b>

As of 30 June 2013 and 2012, the Bank's Senior Management consists of two Managing Directors, only one directly included on the Bank's payroll. Also, 1 member of the Middle Management is not included directly on the Bank's payroll but is on secondment from the Parent Company.

## **PART G – SUBSEQUENT EVENTS**

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 31 December 2013 and the date when the present report has been authorized for issue.