

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)



*Interim Report
for the six months ended December 31, 2014*

MEDIOBANCA INTERNATIONAL (Luxembourg)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00

HEAD OFFICE: 4, BOULEVARD JOSEPH II – L-1840 LUXEMBOURG



*Board of Directors meeting
10th February 2015*

BOARD OF DIRECTORS

		Term expires	Location
MASSIMO DI CARLO	CHAIRMAN	2017	ITALY
STEFANO BIONDI	MANAGING DIRECTOR	2017	LUXEMBOURG
PETER W. GERRARD	»	2017	LUXEMBOURG
LUCA MACCARI	DIRECTOR	2017	ITALY
MASSIMO BERTOLINI	»	2017	ITALY
LIVIO WINTELER	»	2017	ITALY
ALEX SCHMITT	»	2017	LUXEMBOURG
STEPHANE BOSI	»	2017	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 2014
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

During the six months under review the Bank reported a net profit of € 13,8m which represents a significant improvement (+43,8%) compared to December 2013 (€ 9,6m).

Total revenues increased by 22,4%, from € 16,5m to € 20,2m, reflecting a sizeable growth of both net interest income (+29,8%, from € 12,1m to € 15,7m) and net commission income (+43,6%, from € 3,9m to € 5,6m), while net trading income decreased to € -1,1m (€ 0,5m at December 2013).

Operating costs also increased by 21,7%, from € 2,3m to € 2,8m. Administrative expenses in particular have shown a +21,2% variation compared to December 2013 (from € 1,9m to € 2,3m) mainly due to increasing fees charged by the Parent Company under the service agreement (which reflects the partial recovery of the business in terms of volumes). The cost of labour on the other hand is substantially stable at € 0,5m (€ 0,4m at December 2013).

Impairment of credits and commitments is almost nil (€ -0,2m) reflecting the current credit risk “appetite” of the institution, which, when compared to the same period of June 2014, is nearly stable. At the reporting date the Bank has taken direct credit risk exposures for an amount equal to approx € 1.221m (whereof € 899m are cash exposures and € 322m are commitments).

Total assets increased by 8% compared to June 2014 (from € 3.492,2m to € 3.772,5m), essentially due to higher volumes in corporate lending (+18,3%, from € 2.731,7m to € 3.231,4m) which – on the liabilities side – have been mainly funded via long term borrowings with Group Treasury. Notes issued under the € 40bln equivalent Euro Medium Term Notes Programme (EMTN) guaranteed by the Parent Company decreased by 28,7% (from € 1.218,6m to € 869,4m), while CHF 30m (€ 24,9m equivalent) were borrowed under the € 4bln Euro Commercial Paper Programme.

The Bank's capital ratios as at 31 December 2014, which have been calculated in accordance with the new supervisory provisions in this area (CRR/CRDIV), stood at 12,86% for the common equity ratio (CET1 ratio) and 15,17% for the total capital ratio.

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

- approval by the Board of Directors of the strategies and policy for the institution's risk governance and monitoring, including finalization of the Risk Appetite Framework (RAF) and adaptation of the internal controls system;
- further strengthen of the internal controls system, in accordance with the requirements set forth by the CSSF Circular 14/597 (update of Circular CSSF 12/552 on the central administration, internal governance and risk management);
- the original Board of Directors' mandate expired with the Annual General Meeting held on October 3, 2014. Accordingly the Shareholders of the Bank have appointed a new Board of Directors having previously established their number at eight. Mr. Massimo Di Carlo has been confirmed as Chairman for the entire mandate of the Board (therefore for the next three financial years ending 30th June 2017), while Mr. Stefano Biondi and Mr. Peter W. Gerrard have been confirmed as managing Directors.
- on December 18, 2014, Standard & Poor's (S&P's) lowered its long- and short-term rating on Mediobanca S.p.A. (MB) to “BBB-/A-3” from “BBB/A-2” in conjunction with the same action taken on December 5, 2014 on Italy sovereign credit rating. S&P's highlights, according to its methodology, that MB does not have sufficient geographic diversification outside its domestic market

to be rated above the sovereign credit rating of Italy. S&P's seldom rates financial institutions above the foreign currency rating in the country where the Bank is domiciled. This is due to the high interconnectedness between the creditworthiness of sovereigns and Banks, particularly when Banks remain significantly concentrated in that country.

OUTLOOK AND FORECAST

The European economy has turned the corner but is only gradually moving into positive territory. Uncertainty has been reduced and confidence is increasing but this should not distract Member States from persevering with fiscal consolidation and ambitious economic reforms. The overall economic sentiment and consumer confidence indicators have improved as have external conditions. After years of contraction, the domestic demand shall finally accelerate, whereas net exports will also contribute to growth supported by a weakening Euro which makes European export goods cheaper on the World's markets.

Notwithstanding the above, the very low level of inflation makes the recovery quite vulnerable. While monetary policy in the euro area has been very accommodative in recent years with interest rates close to zero and unlimited provision of liquidity, there is a growing view that even more is required. Critically, the European Central Bank (ECB) has eased financial conditions and helped contain credit contraction and spreads on sovereign bonds; however it now faces two main challenges: fostering the financing of non-financial corporations, especially small medium enterprises (SMEs), and avoiding deflation. In this respect the ECB has recently announced important measures of monetary policy:

- the launch of an expanded asset purchase programme (so called “quantitative easing”), encompassing the existing purchase programmes for asset-backed securities and covered bonds. Under this expanded programme, the combined monthly purchases of public and private sector securities will amount to € 60bln. They are intended to be carried out until end-September 2016 and will in any case be conducted until the ECB will see a sustained adjustment in the path of inflation which is consistent with the statutory aim of achieving inflation rates below, but close to, 2% over the medium term horizon.
- the pricing change of the six remaining targeted longer-term refinancing operations (TLTROs). Accordingly, the interest rate applicable to future TLTRO operations will be equal to the rate on the Eurosystem's main refinancing operations (MRO) prevailing at the time when each TLTRO is conducted, thereby removing the 10 basis point spread over the MRO rate that applied to the first two TLTROs.

Bank lending conditions vary significantly across the euro area, reflecting the still high level of financial fragmentation between countries. Lending to corporates remains weak overall. On the one hand, there is also a weak demand from non-financial corporations for bank loans due to fragile demand. In this context, a large proportion of loan applications is driven by the need for working capital and the restructuring of existing financing. On the other hand, bank deleveraging and favourable market conditions are pushing corporates towards capital markets.

Within the Euro area national governments have made significant efforts to reduce their fiscal imbalances and these efforts will payoff with expected budget deficits below the 3% threshold in 2015. However, some euro countries are not managing to achieve the jointly agreed deficit targets even after obtaining extensions. Furthermore, gross general government debt is expected to continue to grow and to reach an all-time high percentage of gross domestic product in 2015. Moreover, the recent European elections have seen a rise of Euro-sceptic parties that, together with lighter market pressure, could slow the institutional reforms.

At a global level, the biggest contribution to growth will come from the United States of America. Emerging countries such as India and Brazil, that are fighting high inflation, might be forced to raise their own rates to keep their currencies strong and avoid a spike in import prices. Ukrainian crisis, if it were to continue and/or deteriorate, could have a negative impact by creating uncertainty in Europe and because of the consequences of possible trade sanctions.

The shale oil boom in the United States of America has been rewriting the oil production hierarchy, turning the World's biggest consumer of energy into its most significant producer. Add to a mix of slower growth pattern in China and new oil discoveries elsewhere, the price of energy has collapsed during the last few months. These circumstances are particularly serious for Russia, where this fall in energy prices shall only exacerbate an economy already on the brink of recession thanks to sanctions over its incursion into Ukraine.

The main risks the Bank identifies in the coming months are the same that burden the global economy and particularly the EU economy:

- deflation would have a major negative impact on debt dynamics;
- financial market tensions could increase again in some euro area countries due to political turmoil and reluctance of governments to continue with reforms and consolidation efforts;
- growth prospects for 2015 are generally positive, but still sensitive to the tapering of monetary stimulus in the United States and Europe, and to the structural shifts taking place in China's economy;
- 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, thanks primarily to lower yield. 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;
- increased uncertainty due to the Ukrainian crisis could weigh on investment spending. Possible trade sanctions would have a significant impact on countries highly dependent on trade with Russia;
- the increasing cost of regulation could burden the credit sector.

Bank's balance sheets are generally a far cry from what they looked like during the financial crisis. Capital levels are stronger, risky assets have been minimized and liquidity is abundant. However, weak economic growth and increased competition for quality borrowers has left Banks challenged to deploy their funds. As a result, net interest margins have commonly narrowed and yields on financial assets have declined.

New liquidity and capital ratios are creating major headwinds for profitability in 2015, making balance sheet optimization a top priority. In this current macroeconomic scenario the intention of the Bank is to proceed with its extremely prudential investing policy remaining focused on capital strengthening.

Further risks (in particular interest rates and forex risks) should not affect the business in a short term perspective since the Bank has already put in place efficient hedging strategies.

RESTATED STATEMENT OF FINANCIAL POSITION

	31/12/2014 €m	30/06/2014 €m	Chg. %
Net treasury investments	280,0	459,8	-39,1%
Fixed financial assets (HTM & LRO)	253,4	287,8	-12,0%
Loans and advances	3.231,4	2.731,7	18,3%
Tangible and intangible assets	–	–	–
Equity investments	4,2	4,2	0,0%
Other assets	3,5	8,7	-59,8%
TOTAL ASSETS	3.772,5	3.492,2	8,0%
Funding	3.488,9	3.224,1	8,2%
Other liabilities	5,0	3,3	51,5%
<i>of which: tax liabilities</i>	3,1	2,3	34,8%
Net equity	264,8	245,8	7,7%
Profit	13,8	19,0	-27,4%
TOTAL LIABILITIES	3.772,5	3.492,2	8,0%

Net treasury investments – the item decreased from € 459,8m to € 280m and includes:

- Financial assets held for trading (other than derivatives) which increased by 10,1%, from € 112,5m to € 123,9m due to the combined effect of (i) purchase of shares in sicav funds for an equivalent amount of € 88,5m (always linked to delta one certificates issued by the Bank), and (ii) decrease of the corporate loans trading portfolio from € 76,1m to nil as a consequence of early reimbursements.
- Net treasury application (including money market financial instruments such as repos, time deposits, etc.) decreased from € 371,9m to € 277m primarily due to higher short term borrowings from the Parent Company and third-party financial counterparties.
- Mark to market value of OTC derivatives increased significantly from € -24,6m to € -120,9m mainly reflecting the above mentioned issues of delta one certificates.

	31/12/2014 €m	30/06/2014 €m	Chg. %
Financial assets HFT other than derivatives	123,9	112,5	10,1%
Net treasury application	277,0	371,9	-25,5%
Mark to market value of OTC derivatives	-120,9	-24,6	391,5%
Net treasury investments	280,0	459,8	-39,1%

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 decreased by 12% from € 287,8m to € 253,4m and can be explained by the reimbursement of one bond in November.

Loans and advances – this item increased by 18,3% from € 2.731,7m to € 3.231,4m and reflects an important growth in corporate lending. In an environment which remains challenging, impaired exposures (including forbearance) decreased by 9%, from € 57,7m to € 52,5m, representing approximately 1,7% of corporate loans (2,2% at June 2014). This reduction has been primarily realized through secondary market sales agreed with the final guarantor Mediobanca S.p.A. These transactions took place in most of the

cases, below the nominal value of the asset. However the institution did not account for any losses since impaired assets were (and still are) fully guaranteed by financial pledge of the Parent Company.

It is worth noting that the majority of the outstanding performing loans also remain covered by financial guarantees issued by the Parent Company or Public Agencies. At the reporting date the Bank has a direct credit risk exposure for € 899,1m (June 2014: € 829,3m).

	31/12/2014 €m	30/06/2014 €m	Chg. %
Performing loans	3.178,9	2.674,0	18,9%
Non-performing loans and forbearance	52,5	57,7	-9,0%
Loans and advances	3.231,4	2.731,7	18,3%

Equity investments – in September 2011 the Bank purchased via a share deal all the 1.000 shares of Jodewa S.à R.L. (subsequently renamed in Mediobanca International Immobilière S.à R.L.) a real estate company, that as of April 2012, owns the building that currently houses the Bank's head office.

Other assets – this item decreased by 59,8% from € 8,7m to € 3,5m due to the settlement of outstanding transitory items occurred in July 2014.

Funding – this item slightly increases by 8,2%, passing from € 3.224,1m to € 3.488,9m. In this instance the decrease of outstanding notes issued (which declined by about 28,7%, from € 1.218,6m to € 869,4m) have been substantially offset by the increase of long term borrowings from banks and customers (which have grown by about 30,4%, from € 2.232,3m to € 2.910,8m).

The fair value hedge of borrowing fixed interest rate risk increased by 39,4%, and during the first semester of the current exercise the institution has borrowed CHF 30m (equivalent to € 24,9m) under the € 4bln Euro Commercial Paper Programme.

	31/12/2014 €m	30/06/2014 €m	Chg. %
Amount due to banks and customers	2.910,8	2.232,3	30,4%
Notes issued	869,4	1.218,6	-28,7%
FV Hedging of financial liabilities	-316,2	-226,8	39,4%
Money market borrowings	24,9	—	—
Funding	3.488,9	3.224,1	8,2%

Other liabilities – this item increased by 51,5% from € 3,3m to € 5m. This growth is mainly due to the following factors: (i) provisioning of tax liabilities for the semester (net of the tax advances already paid to the Fiscal Administration), (ii) temporary suspension of dividends received from sicav funds which shall be re-paid under the terms and conditions of delta one certificates issued by the Bank.

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 31/12/2014 €m	6 mths to 31/12/2013 €m	Chg. %
Net interest income	15,7	12,1	29,8%
Net trading income	-1,1	0,5	-320,0%
Net fee and commission income	5,6	3,9	43,6%
TOTAL INCOME	20,2	16,5	22,4%
Wages and salaries	-0,5	-0,4	25,0%
Other administrative expenses	-2,3	-1,9	21,1%
OPERATING COSTS	-2,8	-2,3	21,7%
Loans impairment	-0,2	-2,3	-91,3%
Provisions for other financial assets	—	—	—
Other profit (losses)	—	—	—
PROFIT BEFORE TAX	17,2	11,9	44,5%
Fiscal provision	-3,4	-2,3	47,8%
TOTAL COMPREHENSIVE INCOME	13,8	9,6	43,8%

Net interest income – this item increases by 29,8%, from € 12,1m to € 15,7m.

	6 mths to 31/12/2014 €m	6 mths to 31/12/2013 €m	Chg. %
Interests receivables – corporate lending	37,4	33,1	13,0%
Interests payables – proprietary funding	-29,5	-28,5	3,5%
Treasury	7,8	7,5	4,0%
Net interest income	15,7	12,1	29,8%

Interests received from lending activities increased by 13% from € 33,1m to € 37,4m. This variation is the combined effect of:

- increasing interests receivables on loans disbursed due to the growth in corporate lending's activity;
- stable cost of the financial guarantees received from the Parent Company on corporate lending, as a consequence of the increasing credit risk taken by the institution.

On the other hand, interests payables on proprietary borrowings have increased less (+3,5%, from € -28,5m to € -29,5m) by reason of improving conditions over the institutional markets.

Net interest income from treasury operations remained stable at € 7,8m (€ 7,5m in December 2013).

Net trading income – decreased from € 0,5m in December 2013 to € -1,1m in December 2014 and can be explained as follows:

	6 mths to 31/12/2014	6 mths to 31/12/2013	Chg.
	€m	€m	%
Realised gains/losses	3,0	1,3	130,8%
Unrealised gains/losses (mtm valuation)	-2,9	-0,1	2800,0%
Forex gains/losses	-1,2	-0,7	71,4%
Net trading income	-1,1	0,5	-320,0%

- Dealing profits are € 3,0m (€ 1,3m at December 2013) and mainly reflect an increase in the amount collected on (i) unwinding fees on OTC derivatives, and (ii) loan trading.
- Unrealised mark to market valuations generated a loss of € -2,9m (€ -0,1m at December 2013) and are strictly linked with the above mentioned increase in realized gains.
- Losses on forex exposures have grown to € -1,2m (€ -0,7m at December 2013).

Net fee and commission income – this item has significantly increased when compared to December 2013 (+ € 1,6m, from € 3,9m to € 5,5m) and is primarily linked to higher volumes in corporate lending (+€ 1,1m, from € 3,8m to € 4,9m). Other commissions amount to € 0,6m (€ 0,1m at December 2013) and represent both structuring fees received on delta one financial products, and commissions received for the role of joint bookrunner in debt issuances.

	6 mths to 31/12/2014	6 mths to 31/12/2013	Chg.
	€m	€m	%
Net commission income (lending)	4,9	3,8	28,95%
Net commission income (other)	0,6	0,1	500,00%
Net commission income	5,5	3,9	41,03%

Operating costs – this item increased by 21,7%, from € -2,3m to € -2,8m and can be explained as follows:

- wages and salaries are substantially stable at € 0,5m (€ 0,4m at December 2013);
- other costs have grown from € -1,9m to € -2,3m and this is mainly due to increasing fees charged by the Parent Company under the service agreement.

Impairment of loans and advances – impairment of loan and advances is almost nil (€ -0,2m) reflecting the current for credit risk “appetite” of the institution, which is practically stable with the level of June 2014. At the reporting date the Bank has taken direct credit risk exposures for an amount equal to approx € 1.221m (whereof € 899m are cash exposures and € 322m are commitments).

The remaining part of the portfolio remains guaranteed by financial guarantees issued either by the Parent Company or public Agencies.

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

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the interim accounts of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the “Bank”) give a true and fair view of the assets, liabilities, financial position and profit and loss of the Bank in accordance with applicable accounting standards. The Directors' report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the period ended 31 December 2014.

Luxembourg, 10 February 2015

The Board of Directors

Massimo Di Carlo

Stefano Biondi

Peter W. Gerrard

Massimo Bertolini

Livio Winteler

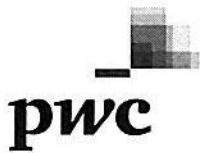
Stephane Bosi

Luca Maccari

Alex Schmitt

INDEPENDENT AUDITOR'S REPORT





Report on Review of Interim Financial Information

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

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 2014 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 2014, 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, 5 February 2015

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

Pierre Krier

INTERIM ACCOUNTS



STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2014	30/06/2014
		€	€
10.	Cash and cash balances with Central Banks	343.046	443.873
20.	Financial assets held for trading	567.675.912	453.683.767
50.	Financial assets held to maturity	250.565.972	285.057.267
60.	Loans and advances to Credit Institutions	1.092.851.215	1.008.060.416
70.	Loans and advances to Customers	2.877.549.075	2.366.132.399
80.	Hedging derivatives	316.466.359	226.960.831
100.	Equity investments	4.150.000	4.150.000
120.	Property, plant and equipment	25.565	11.546
130.	Intangible assets	—	—
	<i>of which: goodwill</i>	—	—
140.	Tax assets	—	—
	<i>a) current</i>	—	—
	<i>b) deferred</i>	—	—
160.	Other assets	2.846.122	2.266.382
	TOTAL ASSETS	5.112.473.266	4.346.766.481

	Liabilities and equity	31/12/2014	30/06/2014
		€	€
10.	Amounts due to Credit Institutions	2.069.449.037	1.261.589.640
20.	Amounts due to Customers	1.298.715.594	1.231.191.493
30.	Debt securities in issue	894.306.294	1.218.568.520
40.	Trading liabilities	564.681.733	365.778.952
60.	Hedging derivatives	252.678	148.136
80.	Tax liabilities	3.143.339	2.307.236
	<i>a) current</i>	2.266.739	1.430.636
	<i>b) deferred</i>	876.600	876.600
100.	Other liabilities	3.293.988	2.370.457
160.	Reserves	254.812.047	235.800.426
190.	Share capital	10.000.000	10.000.000
200.	Profit for the year	13.818.556	19.011.621
	TOTAL LIABILITIES AND EQUITY	5.112.473.266	4.346.766.481

The accompanying notes form an integral part of the interim accounts.

STATEMENT OF COMPREHENSIVE INCOME

	Item	31/12/2014	31/12/2013
		€	€
010.	Interests receivable and similar income	52.966.023	54.405.139
020.	Interests payable and similar charges	-38.009.249	-42.460.777
030.	Net interest income	14.956.774	11.944.362
040.	Fee and commission income	10.803.707	7.171.498
050.	Fee and commission expense	-5.254.404	-3.352.928
060.	Net fee and commission income	5.549.303	3.818.570
080.	Net trading income/expense	-231.269	872.307
090.	Net hedging income/expense	-45.519	-215.897
100.	Gain or loss on disposal or repurchase of:	-46.685	56.918
	<i>a) loans and receivables</i>	-294.560	56.918
	<i>b) financial assets available for sale</i>	—	—
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) financial liabilities</i>	247.875	—
120.	Total income	20.182.604	16.476.260
130.	Value adjustments in respect of:	-184.688	-2.291.550
	<i>a) loans and receivables</i>	-169.507	-1.806.982
	<i>b) financial assets available for sale</i>	—	—
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) other financial operations</i>	-15.181	-484.568
140.	Net income from banking activities	19.997.916	14.184.710
180.	Administrative expenses:	-2.782.037	-2.293.435
	<i>a) personnel costs</i>	-447.539	-403.054
	<i>b) other administrative expenses</i>	-2.334.497	-1.890.381
200.	Value adjustments in respect of tangible assets	-3.815	-10.140
210.	Value adjustments in respect of intangible assets	—	-1.438
220.	Other operating income/expense	5.835	54.848
280.	Profit (loss) of the ordinary activity before tax	17.217.899	11.934.545
290.	Income tax on the ordinary activity	-3.399.343	-2.340.633
340.	Profit (loss) for the year	13.818.556	9.593.912
350.	Other comprehensive income, net of tax	—	—
360.	Total comprehensive income for the year, net of tax	13.818.556	9.593.912

The accompanying notes form an integral part of the interim accounts.

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2014 TO 31/12/2014 (in €)

	Balance as of June 30, 2014	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2014
		Reserves	Dividends and other fund applications	Changes in 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	235.800.426	19.011.621	—	—	—	—	—	—	254.812.047
a) legal reserve	1.000.000	—	—	—	—	—	—	—	1.000.000
b) free reserve	207.719.551	13.130.446	—	8.961.750	—	—	—	—	229.811.747
c) special reserve ⁽¹⁾	27.080.875	5.881.175	—	-8.961.750	—	—	—	—	24.000.300
d) FTA reserve	—	—	—	—	—	—	—	—	—
Valuation reserves	—	—	—	—	—	—	—	—	—
a) AFS securities	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—
c) special laws – others	—	—	—	—	—	—	—	—	—
Own shares	—	—	—	—	—	—	—	—	—
Comprehensive income of the period	19.011.621	-19.011.621	—	—	—	—	—	13.818.556	13.818.556
Total equity	264.812.047	—	—	—	—	—	—	13.818.556	278.630.603

⁽¹⁾ As of 30 June 2014 and 2013 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 for each year is recorded following the decision of the Shareholders meeting;
- The reserve will be maintained for a period at least of five years.

The accompanying notes form an integral part of the interim accounts.

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 in 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	221.051.435	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 ⁽¹⁾	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

- ⁽¹⁾ As of 30 June 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 for each year is recorded following the decision of the Shareholders meeting;
 - The reserve will be maintained for a period at least of five years.

The accompanying notes form an integral part of the interim accounts.

CASH FLOW STATEMENT – Direct Method

(in € k)

A.	Cash flow from operating activities	Amount	
		31/12/2014	31/12/2013
1.	Operating activities	-125.781	-867
	– interest received	65.603	56.355
	– interest paid	-198.891	-59.525
	– net fee and commission received/paid	8.846	6.169
	– dividends and similar income	—	—
	– net premium income	3.955	2.986
	– cash payments to employees	-370	-322
	– other income (expenses)	-2.114	-1.988
	– Tax income (expenses)	-2.810	-4.542
2.	Cash generated/absorbed by financial assets	-151.323	-413.467
	– amounts due from customers	-233.370	-156.774
	– amounts due from banks: on demand	328	-220
	– amounts due from banks: other	132.926	-182.969
	– financial assets measured at fair value	-51.207	-73.504
	– other assets	—	—
3.	Cash generated/absorbed by financial liabilities	277.120	389.335
	– amounts due to banks: on demand	-229	—
	– amounts due to banks: other	337.481	542.243
	– amounts due to clients	39.987	-73.685
	– debt securities in issue	-96.497	-39.604
	– financial liabilities measured at fair value	-3.622	-39.619
	– other liabilities	—	—
	Net cash flow (outflow) from operating activities	16	-24.999
B.	Investing activities	—	—
	– equity investment	—	—
	– acquisitions of held-to-maturity investments	—	25.000
	– acquisitions of tangible assets	-16	-1
	– acquisitions of intangible assets	—	—
	Net cash flow (outflow) from investing activities	-16	24.999
C.	Financing activities	—	—
	– issues/purchases of subordinated debts (Tier II)	—	—
	Net cash flow (outflow) from financing activities	—	—
	Net cash flow (outflow) during year	—	—

RECONCILIATION	Amount	
	31/12/2014	31/12/2013
Cash and cash equivalents: balance at 1 July	1	2
Total cash flow (outflow) during year	—	—
Cash and cash equivalents: balance at 31 December	1	2

The accompanying notes form an integral part of the interim accounts.

NOTES TO THE INTERIM ACCOUNTS



PART A – ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Bank's interim accounts for the period ended 31 December 2014 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission, pursuant to EU Regulation 1606/2002.

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 interim accounts.

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

The 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 interim accounts are presented in € k unless otherwise stated.

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

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

Section 4

Accounting policies

The same accounting policies and methods of computation have been followed in the interim financial statement as compared with the annual accounts as at 30 June 2014.

Section 5

Significant accounting estimates and judgment

In the process of applying the Bank's accounting policies, management makes estimates and assumptions concerning the future and the amounts recognized in the 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 2014.

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)

	31/12/2014	30/06/2014
a) Cash	1	1
b) Demand deposit held at Central Banks	342	443
Total	343	444

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	31/12/2014			30/06/2014		
	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. UCITS units	—	123.893	—	—	36.332	—
4. Loans and advances	—	—	—	76.145	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	76.145	—	—
Total A	—	123.893	—	112.477	—	—
B. Derivative products						
1. Financial derivatives	—	309.666	125.003	—	214.530	112.782
1.1 Trading	—	10.822	98.336	—	12.650	53.046
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	298.844	26.667	—	201.880	59.736
2. Credit derivatives	—	7.446	1.668	—	10.834	3.060
2.1 Trading	—	7.446	1.668	—	10.834	3.060
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	—	317.112	126.671	—	225.364	115.842
Total (A+B)	—	441.005	126.671	112.477	225.364	115.842
Total Level 1, Level 2 and Level 3	567.676			453.683		

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	31/12/2014	30/06/2014
A. CASH ASSETS		
1. Debt securities	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
2. Equities	—	—
a. Banks	—	—
b. Other issuers	—	—
- insurances	—	—
- financial companies	—	—
- non-financial companies	—	—
- others	—	—
3. UCITS units	123.893	36.332
4. Loans and advances	—	76.145
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	76.145
5. Impaired assets	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
6. Assets sold but not derecognized	—	—
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total A	123.893	112.477
B. DERIVATIVE PRODUCTS		
a. Banks	443.783	341.206
b. Customers	—	—
Total B	443.783	341.206
Total A+B	567.676	453.683

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

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		31/12/2014		30/06/2014	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
OTC derivative products												
1) Financial derivatives:	1.358.077	304.470	237.577	2	527.728	130.197	—	—	2.123.382	434.669	1.774.877	327.312
– with exchange of principal	90.000	228.828	231.936	2	500	26	—	—	322.436	228.856	891.246	159.666
– options bought	—	—	231.936	2	—	—	—	—	231.936	2	425.604	1.248
– other derivatives	90.000	228.828	—	—	500	26	—	—	90.500	228.854	465.642	158.418
– without exchange of principal	1.268.077	75.642	5.641	—	527.228	130.171	—	—	1.800.946	205.813	883.631	167.646
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	1.268.077	75.642	5.641	—	527.228	130.171	—	—	1.800.946	205.813	883.631	167.646
2) Credit derivatives:	—	—	—	—	—	—	668.477	9.114	668.477	9.114	997.234	13.894
– with exchange of principal	—	—	—	—	—	—	532.588	3.548	532.588	3.548	401.693	5.782
– without exchange of principal	—	—	—	—	—	—	135.889	5.566	135.889	5.566	595.541	8.112
Total	1.358.077	304.470	237.577	2	527.728	130.197	668.477	9.114	2.791.859	443.783	2.772.111	341.206

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	31/12/2014	30/06/2014
A. Balance at start of period	—	—	36.332	76.145	112.477	64.283
B. Additions	—	—	87.561	20.899	108.460	186.824
B.1 Acquisitions	—	—	75.408	15.740	91.148	181.703
B.2 Increases in fair value	—	—	656	53	709	259
B.3 Other increases	—	—	11.497	5.106	16.603	4.862
C. Reductions	—	—	—	97.044	97.044	138.630
C.1 Disposals	—	—	—	—	—	411
C.2 Redemptions	—	—	—	95.227	95.227	134.495
C.3 Reductions in fair value	—	—	—	1.187	1.187	331
C.4 Transfers to other portfolios	—	—	—	—	—	—
C.5 Other reductions	—	—	—	630	630	3.393
D. Balance at end of period	—	—	123.893	—	123.893	112.477

Section 5

Heading 50: Financial assets held to maturity

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

	Book value	Fair value 31/12/2014			Book value	Fair value 30/06/2014		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	250.566	257.063	—	—	285.057	290.732	—	—
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	250.566	257.063	—	—	285.057	290.732	—	—
2. Loans and advances	—	—	—	—	—	—	—	—
Total	250.566	257.063	—	—	285.057	290.732	—	—

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

Type of transactions/Value	31/12/2014	30/06/2014
1. Debt securities:	250.566	285.057
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	250.566	285.057
d) Other issuers	—	—
2. Loans and advances to:	—	—
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	—	—
d) Others	—	—
Total book value	250.566	285.057
Total fair value	257.063	290.732

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

	Debt securities	Loans and advances	31/12/2014	30/06/2014
A. Balance at start of period	285.057	—	285.057	309.608
B. Additions	350	—	350	2.249
B.1 Acquisitions	—	—	—	—
B.2 Writebacks	—	—	—	—
B.3 Transfers from other asset classes	—	—	—	—
B.4 Other increases	350	—	350	2.249
C. Reductions	34.841	—	34.841	26.800
C.1 Disposal	—	—	—	25.000
C.2 Redemptions	34.841	—	34.841	—
C.3 Value adjustments	—	—	—	—
C.4 Transfers to other asset classes	—	—	—	—
C.5 Other reductions	—	—	—	1.800
D. Balance at end of period	250.566	—	250.566	285.057

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	31/12/2014				30/06/2014			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Current accounts and demand deposits	334.273	—	334.273	—	235.770	—	235.770	—
1.1 current accounts	309.331	—	309.331	—	205.950	—	205.950	—
1.2 stock lending deposits	—	—	—	—	—	—	—	—
1.3 others deposits on demand	24.942	—	24.942	—	29.820	—	29.820	—
2. Term deposits	—	—	—	—	—	—	—	—
3. Other receivables	755.779	—	755.828	—	769.490	—	769.581	—
3.1 amounts due under repo agreements	399.815	—	399.815	—	402.534	—	402.534	—
3.2 amounts due under finance leases	—	—	—	—	—	—	—	—
3.4 other amounts due	355.964	—	356.013	—	366.956	—	367.047	—
4. Debt securities	2.800	—	2.800	—	2.800	—	2.800	—
4.1 structured	—	—	—	—	—	—	—	—
4.2 other debt securities	2.800	—	2.800	—	2.800	—	2.800	—
Total book value	1.092.852	—	—	—	1.008.060	—	—	—
Total fair value	—	—	1.092.901	—	—	—	1.008.151	—

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	31/12/2014	30/06/2014
1. Current accounts	—	—
2. Amounts due under repo agreements	—	—
3. Loans	2.877.549	2.366.133
4. Credit cards, personal loans and salary – guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	—	—
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Assets sold but not derecognized	—	—
Total book value	2.877.549	2.366.133
Total fair value	2.875.547	2.371.418

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

Type of transactions/Value	31/12/2014					30/06/2014				
	Performing	Non-performing	Level 1	Level 2	Level 3	Performing	Non-performing	Level 1	Level 2	Level 3
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:	2.825.024	52.525	—	2.875.547	—	2.308.416	57.717	—	2.371.418	—
a) Governments	—	—	—	—	—	—	—	—	—	—
b) Other public agencies	—	—	—	—	—	—	—	—	—	—
c) Other issuers	2.825.024	52.525	—	2.875.547	—	2.308.416	57.717	—	2.371.418	—
- non-financial undertakings	2.367.318	38.813	—	2.401.902	—	1.827.466	44.005	—	1.875.377	—
- financial companies	457.706	13.712	—	473.645	—	480.950	13.712	—	496.041	—
- insurances	—	—	—	—	—	—	—	—	—	—
- other entities	—	—	—	—	—	—	—	—	—	—
Total	2.825.024	52.525	—	2.875.547	—	2.308.416	57.717	—	2.371.418	—

Section 8

Heading 80: Hedging derivatives

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

	31/12/2014			Notional value	30/06/2014			Notional value
	Fair value				Fair value			
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	316.466	—	352.225	—	226.961	—	415.632
1) Fair value	—	316.466	—	352.225	—	226.961	—	415.632
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	316.466	—	352.225	—	226.961	—	415.632

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		31/12/2014		30/06/2014	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
A) Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total A	—	—	—	—	—	—	—	—	—	—	—	—
B) Unlisted derivative products												
1) Financial derivatives:	352.225	316.466	—	—	—	—	—	—	352.225	316.466	415.632	226.961
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	1.766	40
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	352.225	316.466	—	—	—	—	—	—	352.225	316.466	413.866	226.921
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	352.225	316.466	—	—	—	—	—	—	352.225	316.466	413.866	226.921
2) Credit derivatives:	—	—	—	—	—	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
Total B	352.225	316.466	—	—	—	—	—	—	352.225	316.466	415.632	226.961
Total (A+B)	352.225	316.466	—	—	—	—	—	—	352.225	316.466	415.632	226.961

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

31/12/2014 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	316.466	—	—	—	—	—	—
2. Debt securities in issue	—	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	316.466	—	—	—	—	—	—
TOTAL	316.466	—	—	—	—	—	—

30/06/2014 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	222.600	—	—	—	—	—	—
2. Debt securities in issue	4.321	40	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	226.921	40	—	—	—	—	—
TOTAL	226.921	40	—	—	—	—	—

Section 10

Heading 100: Equity investments

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

Equity investments consist of a participation in a real estate company which owns the building where the Bank moved its head office in April 2012.

Name	Registered Office	Type of relationship ¹	Ownership relationship		Voting rights ²
			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.

10.2 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: financial information (in € k)

Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Book value
Mediobanca International Immobilière S.à r.l.	2.072	160	16	1.607	4.150

The fiscal year of Mediobanca International Immobilière S.à r.l. runs from 1 July to 30 June as modified by the extraordinary shareholders' meeting held on 15 May 2012.

The Bank, looking at the Luxembourg real estate trend market of 2014, has decided not to make any impairment test.

¹ Type of relationship:

1 = Joint control

2 = Subject to significant influence

3 = Exclusively controlled and not consolidated

² 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	31/12/2014	30/06/2014
A. Core assets		
1.1 owned by the Group	26	12
a) land	—	—
b) buildings	—	—
c) furniture and fitting	6	7
d) electronic equipment	—	—
e) other assets	20	5
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	26	12
B. Assets held for investment purposes		
2.1 owned by the Group:	—	—
a) land	—	—
b) buildings	—	—
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	—	—
Total (A+B)	26	12

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

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	—	—	46	—	42	88
A.1 Total net value reductions	—	—	-39	—	-37	-76
A.2 Net opening balance	—	—	7	—	5	12
B. Additions:	—	—	1	—	17	18
B.1 Purchases	—	—	—	—	17	17
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	—	—	1	—	—	1
C. Reductions:	—	—	-2	—	-2	-4
C.1 Disposals	—	—	—	—	—	—
C.2 Depreciation charges	—	—	-2	—	-2	-4
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
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	—	—	6	—	20	26
D.1 Total net value reductions	—	—	-41	—	-39	-80
D.2 Gross closing balance	—	—	47	—	59	106

Section 16

Heading 160: Other assets

16.1 Other assets (in € k)

	31/12/2014	30/06/2014
- Gold, silver and precious metal	—	—
- Accrued income other than capitalized income	2.636	2.054
- Trade receivables or invoice to be issued	—	2
- Amount due from tax revenue Authorities (not recorded under heading 140)	210	210
- Other	—	—
Total	2.846	2.266

Liabilities

Section 1

Heading 10: Amounts due to credit institutions

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

Type of transaction/amounts	31/12/2014	30/06/2014
1. Due to central Banks	—	—
2. Due to Banks	2.069.449	1.261.589
2.1 Current accounts and demand deposits	268.557	9.606
2.2 Term deposits	157.374	—
2.3 Borrowings	1.643.518	1.251.505
2.3.1 Leasing & stock lending	—	—
2.3.2 Others	1.643.518	1.251.505
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	—	478
Total book value	2.069.449	1.261.589
Fair value - livello 1	—	—
Fair value - livello 2	2.069.449	1.261.589
Fair value - livello 3	—	—
Total fair value	2.069.449	1.261.589

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

Subordinated liabilities included - under the heading *Due to Banks* – a subordinated debt assimilated to Tier2 which have been increased in December 2011 from the original nominal amount of € 39.250.000 up to € 50.000.000.

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

	31/12/2014	30/06/2014
1. Items subject to specific fair value hedges for:	325.224	257.599
a) interest rate risk	325.224	257.599
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	325.224	257.599

Items subject to micro fair value hedge are “Schuldscheine” subscribed by third party credit institutions.

Section 2

Heading 20: Amounts due to customers

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

Type of transaction/amounts	31/12/2014	30/06/2014
1. Current accounts and demand deposits	—	—
2. Term deposits	300.027	260.010
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	998.688	971.181
4.1 leasing	—	—
4.2 others	998.688	971.181
5. Amounts due under commitments to buyback own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	—	—
6.1 Amounts due under reverse repo agreements	—	—
6.2 Others	—	—
7. Other amounts due	—	—
Total book value	1.298.715	1.231.191
Fair value - livello 1	—	—
Fair value - livello 2	1.298.715	1.231.191
Fair value - livello 3	—	—
Total fair value	1.298.715	1.231.191

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

	31/12/2014	30/06/2014
1. Items subject to specific fair value hedges for:	132.934	105.029
a) interest rate risk	132.934	105.029
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	132.934	105.029

Items subject to micro fair value hedge are “Schuldscheine” 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	31/12/2014				30/06/2014			
	Book value	Livello 1	Livello 2	Livello 3	Book value	Livello 1	Livello 2	Livello 3
A. Listed securities	679.966	—	697.995	—	1.018.055	—	1.042.332	—
1. notes	679.966	—	697.995	—	1.018.055	—	1.042.332	—
1.1 structured	63.868	—	64.187	—	375.593	—	376.573	—
1.2 others	616.098	—	633.808	—	642.462	—	665.759	—
2. other securities ^A	—	—	—	—	—	—	—	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	—	—	—	—	—	—	—	—
B. Unlisted securities	214.340	—	221.431	—	200.513	—	204.140	—
1. notes	189.398	—	191.489	—	200.513	—	204.140	—
1.1 structured	133.677	—	138.367	—	147.712	—	153.307	—
1.2 others	55.721	—	53.122	—	52.801	—	50.833	—
2. other securities	24.942	—	29.942	—	—	—	—	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	24.942	—	29.942	—	—	—	—	—
Total	894.306	—	919.426	—	1.218.568	—	1.246.472	—

Fair value does not include issuer risk; if issuer risk was considered, the fair value of debt securities issued would decrease by € 1,2m approximately, as at December 31, 2014.

^A “Certificats de dépôt” and commercial papers programs obtained the Step Market (short-term euro commercial paper) label.

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

Type of transaction/amounts	31/12/2014	30/06/2014
A. Securities subject to specific fair value hedges	225.471	295.846
1. Interest rate risk	225.471	295.846
2. Currency risk	—	—
3. Other risks	—	—
B. Securities subject to specific cash flow hedges	—	—
1. Interest rate risk	—	—
2. Currency risk	—	—
3. Other risks	—	—
Total	225.471	295.846

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

Type of transaction/amounts	31/12/2014	30/06/2014
A. Debt securities	643.893	922.722
1. Structured	142.275	407.850
2. Other	501.618	514.872
B. Other financial instruments	24.942	—
1. Structured	—	—
2. Other	24.942	—
Total	668.835	922.722

Section 4

Heading 40: Financial liabilities held for trading

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

Type of transaction/amounts	31/12/2014			30/06/2014		
	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	—	438.432	126.250	—	251.808	113.971
1. Financial derivatives	—	432.662	126.250	—	246.808	113.971
1.1 Trading derivatives	—	138.516	98.637	—	44.928	54.047
1.2 Linked to FV option	—	—	—	—	—	—
1.3 Other	—	294.146	27.613	—	201.880	59.924
2. Credit derivatives	—	5.770	—	—	5.000	—
2.1 Trading derivatives	—	5.770	—	—	5.000	—
2.2 Linked to FV option	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
Total	—	438.432	126.250	—	251.808	113.971
Total Level 1, Level 2 and Level 3	564.682			365.779		

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		31/12/2014		30/06/2014	
	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV
OTC derivative products												
1. Financial derivatives	572.067	300.781	247.994	3.910	447.595	254.221	—	—	1.267.656	558.912	1.203.212	360.780
1.1 With exchange of principal	90.000	228.828	240.705	3.821	1.000	26	—	—	331.705	232.675	238.694	160.391
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	90.000	228.828	240.705	3.821	1.000	26	—	—	331.705	232.675	238.694	160.390
1.2 Without exchange of principal	482.067	71.953	7.289	89	446.595	254.195	—	—	935.951	326.237	964.518	200.389
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	482.067	71.953	7.289	89	446.595	254.195	—	—	935.951	326.237	964.518	200.389
2. Credit derivatives	—	—	—	—	—	—	404.742	5.770	404.742	5.770	1.077.116	4.999
2.1 With exchange of principal	—	—	—	—	—	—	402.542	5.764	402.542	5.764	1.031.229	4.616
2.2 Without exchange of principal	—	—	—	—	—	—	2.200	6	2.200	6	45.887	383
Total	572.067	300.781	247.994	3.910	447.595	254.221	404.742	5.770	1.672.398	564.682	2.280.328	365.779

Section 6

Heading 60: Hedging derivatives

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

	31/12/2014 <i>Fair value</i>			Notional value	30/06/2014 <i>Fair value</i>			Notional value
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	253	—	15.053	—	148	—	16.032
1) Fair value	—	253	—	15.053	—	148	—	16.032
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	253	—	15.053	—	148	—	16.032

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		31/12/2014	30/06/2014
	Specific				Generic	Specific	Generic		
	Interest Risk	Currency rate	Credit risk	Other risks					
1. Financial assets AFS	—	—	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—	—	—
3. Financial assets HTM	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Amounts due	—	—	—	—	—	—	—	—	—
2. Debt securities in issue	253	—	—	—	—	—	—	253	148
3. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL LIABILITIES	253	—	—	—	—	—	—	253	148
TOTAL	253	—	—	—	—	—	—	253	148

Section 8

Heading 80: Tax liabilities

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

	31/12/2014	30/06/2014
Corporate income tax (IRC)	1.685	1.086
Municipal business tax (ICC)	391	212
Other	191	134
Total	2.267	1.432

The Bank is liable for all taxes to which the credit institutions are subject to in Luxembourg. The Bank has opted for the exoneration of the net wealth tax charge of € 1.197.635 (30 June 2013: € 1.123.825) 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 statement of financial position. 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.

8.2 Current tax liabilities: composition (in € k)

	IRC	ICC	Other	Total
Balance at the beginning of the period				
A. Current fiscal liabilities (+)	7.085	2.013	161	9.259
B. Advances paid (-)	5.999	1.801	74	7.874
A.1 Fiscal liabilities: increase (+)	2.599	779	295	3.673
- provisions of the period	2.599	779	295	3.673
- transfers	—	—	—	—
- others	—	—	—	—
A.2 Fiscal liabilities: decrease (-)	—	—	—	—
- payments of the period (assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	—	—
B.1 Advances paid: increase (+)	2.000	600	191	2.791
- payments/advances	2.000	600	191	2.791
- transfers	—	—	—	—
- others	—	—	—	—
B.2 Advances paid: decrease (-)	—	—	—	—
- payments of the period (assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	—	—
Total A. Fiscal liabilities	9.684	2.792	456	12.932
Total B. Advances paid	7.999	2.401	265	10.665
Current fiscal liabilities (A-B)	1.685	391	191	2.267

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

Deferred tax liabilities	31/12/2014	30/06/2014
1. Initial amount	877	877
1.1 Initial amount	877	877
2. Additions	—	—
2.1 Deferred tax originating during the period	—	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other addition	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	—	—
3.1 Deferred tax reversed during the period	—	—
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	—	—
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	877	877

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

	31/12/2014			30/06/2014		
	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	—	—	—	—	—	—
Total assets	—	—	—	—	—	—
Amounts due	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Financial liabilities hft	—	—	—	—	—	—
Hedging derivatives	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—
Shareholders' equity	—	-3.000	-877	—	-3.000	-877
Total liabilities	—	-3.000	-877	—	-3.000	-877

Section 10

Heading 100: Other liabilities

10.1 Other liabilities (in € k)

	31/12/2014	30/06/2014
1. Pending invoices	850	779
2. Wages accrued, contributions and amounts withheld from staff for payment	20	12
3. Impairment guarantees and commitments	1.387	1.372
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Deferred income	—	—
6. Upfront premiums	—	—
7. Amounts payable on loans and receivables	1.037	207
8. Other items	—	—
Total	3.294	2.370

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, 2014 the Bank has taken up the option to credit net wealth tax against the tax itself, provided that the following conditions have been respected:

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

(in € k)	31/12/2014	30/06/2014
A. Reserves	254.812	235.800
A.1 legal reserve	1.000	1.000
A.2 free reserve	229.812	216.681
A.3 special reserve ⁽¹⁾	24.000	18.119
A.4 FTA reserve	—	—

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

Section 19

Heading 190: Share capital

19.1 Share capital

As of 30 June 2014 and 2013, the issued capital of the Bank amounts to € 10.000.000 and is divided into 1 million shares with a par value of € 10 each.

Authorised capital and issue share capital coincide.

Other information

1. Guarantees and commitments (in € k)

	31/12/2014	30/06/2014
1. Financial guarantees given to:	48.709	47.895
a) Banks	—	—
b) Customers	48.709	47.895
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds:	1.607.866	1.161.936
a) Banks	—	—
b) Customers	1.607.866	1.106.415
4. Commitment underlying credit derivatives: hedge sales	496.989	1.188.125
Total	2.153.564	2.397.956

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 (in € k)

Type of service	31/12/2014	30/06/2014
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	947.911	883.432
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	—	—
1. securities issued by bank drawing up financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	679.007	588.052
d) own securities held on deposit with customers	268.904	295.380

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			Non Performing assets ⁽¹⁾	6 mths to 31/12/14	6 mths to 31/12/13
	Debt securities	Loans	Other financial assets			
1. Financial assets held for trading	—	670	—	—	670	661
2. Financial assets at fair value	—	—	—	—	—	—
3. AFS securities	—	—	—	—	—	—
4. Financial assets held to maturity	3.595	—	—	—	3.595	4.407
5. Loans and advances to credit institutions	13	8.535	—	—	8.548	8.939
6. Loans and advances to customers	—	32.283	—	79	32.362	27.385
7. Hedging derivatives	—	—	7.791	—	7.791	13.013
8. Financial assets sold but not derecognized	—	—	—	—	—	—
9. Other assets	—	—	—	—	—	—
Total	3.608	41.488	7.791	79	52.966	54.405

⁽¹⁾ During the fiscal year the Bank has executed 1 time the financial guarantee on a non performing exposure at its book value of € 6,5m; remaining non performing loans are all restructured positions fully covered by financial guarantees.

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

	Payables	Notes	Other liabilities	6 mths to 31/12/14	6 mths to 31/12/13
1. Amount due to Banks	-11.904	—	—	-11.904	-9.275
2. Amount due to customers	-10.336	—	—	-10.336	-10.406
3. Debt securities	—	17.448	—	17.448	-7.464
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	—	—	-33.217	-33.217	-15.316
Total	-22.240	17.448	-33.217	-38.009	-42.461

Section 2

Headings 40 and 50: Net fee and commission income

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

	6 mths to 31/12/14	6 mths to 31/12/13
a) guarantees given	213	228
b) credit derivatives	—	—
c) management, trading and advisory services:	658	113
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	—	—
6. securities placing	88	113
7. procurement of orders	570	—
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	9.933	6.830
Total	10.804	7.171

2.2 Fee and commission expense (in € k)

	6 mths to 31/12/14	6 mths to 31/12/13
a) guarantees received	-1.857	-1.814
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	-3.397	-1.539
Total	-5.254	-3.353

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 31/12/14	6 mths to 31/12/13
1. Trading assets	656	1.557	-1.134	—	1.079	993
1.1 Debt securities	—	—	—	—	—	—
1.2 Equities	—	—	—	—	—	—
1.3 OICR units	656	—	—	—	656	—
1.4 Loans and receivables	—	1.557	-1.134	—	423	993
1.5 Others	—	—	—	—	—	—
2. Trading liabilities	—	—	-734	—	-734	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Payables	—	—	—	—	—	—
2.3 Other	—	—	-734	—	-734	—
3. Other financial assets and liabilities: difference arising on exchange rates	121.968	—	-107.332	—	14.636	1.084
4. Derivative products	216.507	3.270	-221.214	-13.775	-15.212	-1.204
4.1 Financial derivatives:	213.019	797	-216.173	-13.344	-15.701	-1.622
– on debt securities/interest rates	3.430	797	-3.725	-438	64	-57
– on equities/share indexes	209.283	—	-209.205	-3	75	340
– on foreign currency/gold	259	—	-3.243	-12.853	-15.837	-1.947
– others	47	—	—	-50	-3	—
4.2 Credit derivatives	3.488	2.473	-5.041	-431	489	418
Total	339.131	4.827	-330.414	-13.775	-231	873

Section 4

Heading 90: Net hedging income (expense)

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

	6 mths to 31/12/14	6 mths to 31/12/13
A. Income from:		
A.1 Fair value hedge derivatives	92.721	981
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	3.625	33.402
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	96.346	34.383
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-936	-23.747
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-95.456	-10.852
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-96.392	-34.599
C. Net hedging income (A-B)	-46	-216

Section 5

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

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

	6 mths to 31/12/14			6 mths to 31/12/13		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from Banks	—	—	—	—	—	—
2. Due from customers	—	-295	-295	57	—	57
3. AFS securities	—	—	—	—	—	—
3.1 Debt securities	—	—	—	—	—	—
3.2 Equities	—	—	—	—	—	—
3.3 UCITS units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	—	—	—	—	—
Total assets	—	-295	-295	57	—	57
Financial liabilities						
1. Due to Banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	248	—	248	—	—	—
Total liabilities	248	—	248	—	—	—

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 31/12/14	6 mths to 31/12/13
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from Banks	—	—	-56	—	—	—	32	-24	21
B. Due from customers	—	—	-2.821	—	—	—	2.675	-146	-1.828
C. Total	—	—	-2.877	—	—	—	2.707	-170	-1.807

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 31/12/14	6 mths to 31/12/13
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	-1	—	—	—	—	-1	5
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	-600	—	—	—	586	-14	-490
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	—	-601	—	—	—	586	-15	-485

Legend

A = interest

B = other amounts recovered

Section 7

Heading 180: Administrative expenses

7.1 Personnel cost: composition (in € k)

	6 mths to 31/12/14	6 mths to 31/12/13
1. Employees	-338	-318
a) wages and salaries	-294	-284
b) social security charges	-13	-12
c) severance indemnities	—	—
d) pension contributions	-19	-15
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	-3	—
– defined contribution	-3	—
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	—
i) other staff benefits	-9	-7
2. Other staff	—	—
3. Board members	-110	-85
Total	-448	-403

7.2 Other administrative expenses: composition (in € k)

	6 mths to 31/12/14	6 mths to 31/12/13
– outside consultants’ fees	-119	-78
– legal fees due in respect of credit recovery	—	—
– share and bond administration	-40	-48
– advertising	—	—
– insurance	-1	-1
– rents and leases	-84	-100
– maintenance, repairs and refurbishment	-6	-7
– service providers	—	—
– financial information subscriptions	—	—
– stationery and printing	-3	-2
– membership subscriptions	—	—
– postal, telephone, fax and telex charges	-15	-21
– newspapers, magazines and library acquisitions	-1	-1
– other staff expenses	—	—
– utilities	—	—
– EDP costs	-316	-300
– Bank charges	-13	-14
– travel and secondment	-16	-10
– outsourced activities	-1.466	-1.067
– other expenses	-32	-92
Total other expenses	-2.112	-1.741
– indirect and other taxes	-222	-149
Total indirect tax	-222	-149
Total other administrative expenses	-2.334	-1.890

Section 8

Heading 200: Value adjustments in respect of tangible assets

8.1 Value adjustments in respect of tangible assets: composition (in € k)

	Depreciation and other reduction	Adjustments for impairment	Amounts recovered	6 mths to 31/12/14	6 mths to 31/12/13
A. Tangible assets					
A.1 Owned:	-4	—	—	-4	-10
– Core	-4	—	—	-4	-10
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
Total	-4	—	—	-4	-10

Section 9

Heading 210: Value adjustments in respect of intangible assets

9.1 Value adjustments in respect of intangible assets (in € k)

Assets/income elements	Amortization	Adjustments for impairment	Amounts recovered	6 mths to 31/12/14	6 mths to 31/12/13
A. Intangible assets					
A.1 Owned	—	—	—	—	-1
– software	—	—	—	—	—
– other	—	—	—	—	-1
A.2 Acquired under finance leases	—	—	—	—	—
Total	—	—	—	—	-1

Section 10

Heading 220: Other operating income (expenses)

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

	6 mths to 31/12/14	6 mths to 31/12/13
A. Other income (expenses) – other	—	—
– Sundry other expense reimbursements	—	—
– Direct debit expense reimbursements	—	—
– Income for services given to third Companies	—	—
– Other income	—	—
– Other charges	—	—
B. Other income (expenses) – amounts recovered	6	55
– withholding tax	—	—
– Amounts recovered from staff	—	—
– Amounts recovered from clients	—	—
– Other amounts recovered	6	55
Total	6	55

Section 11

Heading 290: Income tax on the ordinary activity

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

	6 mths to 31/12/14	6 mths to 31/12/13
1. Current taxes	-3.399	-2.341
2. Changes in current tax for previous financial years	—	—
3. Decrease in current tax for period	—	—
4. Changes in deferred tax assets	—	—
4.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	—
4.2 generated in the fiscal exercise	—	—
5. Changes in deferred tax liabilities	—	—
5.1 related to previous fiscal exercise (reverse to the comprehensive income)	—	—
5.2 generated in the fiscal exercise	—	—
Total	-3.399	-2.341

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	184	10	126	20	1
20.	Financial assets held for trading	77.608	4.312	53.176	8.623	423.958
50.	Financial assets held to maturity	135.306	7.517	92.709	15.034	—
60.	Loans and advances to credit institutions	590.140	32.786	404.355	65.571	—
70.	Loans and advances to customers	1.553.877	86.326	1.064.693	172.653	—
80.	Hedging derivatives	170.892	9.494	117.093	18.988	—
100.	Equity investments	—	—	—	—	4.150
120.	Tangible assets	—	—	—	—	26
130.	Intangible assets	—	—	—	—	—
140.	Tax assets	—	—	—	—	—
160.	Other assets	1.537	85	1.053	171	—
	Total assets at 31/12/2014	2.529.544	140.530	1.733.205	281.060	428.135
	Total assets at 30/06/2014	2.155.401	119.745	1.476.849	239.489	355.284
10.	Amount due to Credit institutions	-1.117.503	-62.083	-765.696	-124.167	—
20.	Amount due to customers	-701.307	-38.961	-480.525	-77.923	—
30.	Debt securities in issue	-482.926	-26.829	-330.893	-53.658	—
40.	Financial liabilities held for trading	-235.828	-13.102	-161.586	-26.203	-127.963
60.	Hedging derivatives	-136	-8	-93	-15	—
80.	Tax liabilities	-1.697	-94	-1.163	-189	—
100.	Other liabilities	-1.779	-99	-1.219	-198	—
160.	Shareholders' equity	-142.999	-7.944	-97.980	-15.889	—
	Total liabilities at 31/12/2014	-2.684.175	-149.120	-1.839.155	-298.242	-127.963
	Total liabilities at 30/06/2014	-2.314.671	-128.593	-1.585.979	-257.184	-41.329

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	25.424	1.589	23.305	2.648	—
020.	Interests payable and similar charges	-18.243	-1.141	-16.724	-1.902	—
030.	Net interest income	7.181	448	6.581	746	—
040.	Fee and commission income	5.185	324	4.755	540	—
050.	Fee and commission expense	-2.522	-158	-2.312	-263	—
060.	Net fee and commission income	2.663	166	2.443	277	—
080.	Net trading income/expense	-111	-5	-103	-21	—
090.	Net hedging income/expense	-21	—	-20	-3	—
100.	Gain or loss on disposal or repurchase of:	-22	-2	-21	-3	—
	<i>a) loans and receivables</i>	—	—	—	—	—
	<i>b) financial assets available for sale</i>	—	—	—	—	—
	<i>c) financial assets held to maturity</i>	—	—	—	—	—
	<i>d) financial liabilities</i>	-22	-2	-21	-3	—
120.	Total income	9.690	607	8.880	996	—
130.	Value adjustments	-89	-5	-82	-9	—
140.	Net income from the financial management	9.601	602	8.798	987	—
180.	Administrative expenses	-1.324	-81	-1.215	-136	-19
200.	Value adjustments in respect of tangible assets	—	—	—	—	—
210.	Value adjustments in respect of intangible assets	-1	—	-1	—	—
220.	Other operating income/expense	3	—	3	—	—
280.	Profit (loss) of the ordinary activity before tax	8.279	521	7.585	851	-19
290.	Income tax on the ordinary activity	-1.631	-102	-1.495	-170	—
340.	Profit (loss) for the year	6.648	419	6.090	681	-19
350.	Other comprehensive income, net of tax	—	—	—	—	—
360.	Total comprehensive income for the year, net of tax as at 31/12/2014	6.648	419	6.090	681	-19
	Total comprehensive income for the year, net of tax as at 31/12/2013	4.669	174	3.198	604	-490

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

The Bank operates in four geographical markets: Luxembourg, Europe, Americas and Oceania. The following tables show the distribution of the Bank's financial and income statements based on the location of the customers for the years ended 30 June 2014 and 2013.

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

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	ASIA	OCEANIA
Cash and cash balances with Central Banks	343	—	—	—	—
Financial assets held for trading	502.877	64.799	—	—	—
Financial assets held to maturity	—	250.566	—	—	—
Loans and advances to Credit Institutions	82.058	965.577	45.216	—	—
Loans and advances to Customers	60.389	2.033.914	778.105	—	5.140
Hedging derivatives	—	316.466	—	—	—
Equity investments	4.150	—	—	—	—
Tangible assets	26	—	—	—	—
Intangible assets	—	—	—	—	—
Tax assets	—	—	—	—	—
Other assets	62	2.096	688	—	—
A. Total assets 31/12/2014	649.905	3.633.418	824.009	—	5.140
A. Total assets 30/06/2014	371.353	3.591.842	378.170	—	5.401
Amount due to Banks	—	-2.069.449	—	—	—
Amount due to customers	-300.027	-998.688	—	—	—
Debt securities in issue	-731.338	-162.969	—	—	—
Financial liabilities held for trading	-180.046	-384.636	—	—	—
Hedging derivatives	—	-253	—	—	—
Tax liabilities	-3.143	—	—	—	—
Other liabilities	-963	-1.875	-456	—	—
Shareholders' equity	-264.812	—	—	—	—
B. Total liabilities 31/12/2014 ⁽¹⁾	-1.480.329	-3.617.870	-456	—	—
B. Total liabilities 30/06/2014 ⁽¹⁾	-1.721.889	-2.605.606	-259	—	—

⁽¹⁾ Profit for the period excluded

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

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	ASIA	OCEANIA
Net interest income	18.128	-10.596	7.238	—	188
Net fee and commission income	713	3.649	1.187	—	—
Net trading income/expense	54.753	-54.984	—	—	—
Net hedging income/expense	588	-634	—	—	—
Gain or loss on disposal or repurchase	248	-295	—	—	—
Value adjustments - impairment	-208	969	-794	—	-151
Administrative expenses	-769	-2.014	—	—	—
Value adjustments – amortisation	-4	—	—	—	—
Other operating income (expenses)	2	4	1	—	—
Income tax	-3.399	—	—	—	—
Net profit/loss 6 months 2014	70.051	-63.901	7.632	—	37
Net profit/loss 6 months 2013	-25.144	31.263	3.470	—	5

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information on risks is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Risk Committee on a monthly basis. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. In accordance with the Bank's policy, its risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by the Risk Controlling Unit (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Risk Controlling Unit monthly. The Bank actively uses collateral to reduce its credit risks.

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. This risk is always inherent in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc). The main reasons for default lie in the borrower's lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are unrelated to the debtor's operating and financial condition, such as Country risk or the impact of operational risk. Other banking operations, in addition to traditional lending and deposit activities, can expose the Bank to other credit risks. For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, currencies or commodities.

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 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, industry, rating and currency 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.

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

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

Corporate banking

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published interim accounts 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, Coface).

According to the IAS 39, the Bank monthly 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	31/12/2014	30/06/2014
1. Financial assets held for trading	—	443.783	443.783	417.351
Banks	—	—	—	—
Customers	—	—	—	76.145
Derivative instruments	—	443.783	443.783	341.206
2. AFS securities	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
3. Financial assets held to maturity	—	250.566	250.566	285.057
Banks	—	250.566	250.566	285.057
Customers	—	—	—	—
4. Due from Banks	—	1.092.851	1.092.851	1.008.503
5. Due from customers	52.525	2.825.024	2.877.549	2.366.133
6. Financial assets recognized at fair value	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
7. Financial assets being sold	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
8. Hedging derivatives	—	316.466	316.466	226.961
Total	52.525	4.928.690	4.981.215	4.304.005

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	—	—	—	443.783	—	443.783	443.783
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	250.566	—	250.566	250.566
4. Due from Banks	—	—	—	1.092.907	-56	1.092.851	1.092.851
5. Due from customers	52.525	—	52.525	2.830.408	-5.384	2.825.024	2.877.549
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	316.466	316.466
Total at 31/12/2014	52.525	—	52.525	4.617.664	-5.440	4.928.690	4.981.215
Total at 30/06/2014	57.717	—	57.717	4.024.597	-5.270	4.246.288	4.304.005

Impaired assets at 31 December 2014 refer to non performing and restructured loans fully covered by letter of credit issued by the Parent Bank.

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	31/12/2014	30/06/2014
A. CASH EXPOSURES					
a) Non-performing	—	—	—	—	—
e) Other assets	1.343.473	—	-56	1.343.417	1.293.560
Total A	1.343.473	—	-56	1.343.417	1.293.560
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	—	—	—	—	—
b) Other assets	239.119	—	—	239.119	499.075
Total B	239.119	—	—	239.119	499.075

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	31/12/2014	30/06/2014
A. CASH EXPOSURES					
a) Non-performing	52.525	—	—	52.525	57.717
b) Other assets	2.830.408	—	-5.384	2.825.024	2.384.561
Total A	2.882.933	—	-5.384	2.877.549	2.442.278
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	1.331	—	—	1.331	2.667
b) Other assets	1.721.137	—	-1.378	1.719.759	1.185.200
Total B	1.722.468	—	-1.378	1.721.090	1.187.867

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

Description/Category	31/12/2014		30/06/2014
	Non performing	Restructured	
A. Gross exposure at start of period	6.687	51.030	143.111
<i>of which: accounts sold but not derecognized</i>	—	—	—
B. Additions	—	2.928	16.980
B.1 transfers from performing loans	—	—	6.561
B.2 transfer from other categories of impaired assets	—	—	—
B.3 other additions	—	2.928	10.419
C. Reductions	-6.687	-1.433	-102.374
C.1 transfer to performing loans	—	—	—
C.2 amounts written off	—	—	—
C.3 amounts collected	—	—	-46.392
C.4 gains realized on disposal	-6.560	—	-50.792
C.5 transfers to other categories of impaired assets	—	—	—
C.6 other reductions	-127	-1.433	-5.190
D. Gross exposure at end of period	—	52.525	57.717
<i>of which: accounts sold but not derecognized</i>	—	—	—

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

	Non-performing	Restructured	Performing
A. Adjustments at start of period	—	—	-5.238
B. Additions	—	—	-2.821
B.1 value adjustments	—	—	-1.902
B.2 transfers from other categories of impaired assets	—	—	—
B.3 other additions	—	—	-919
C. Reductions	—	—	2.675
C.1 writebacks based on valuations	—	—	—
C.2 writebacks due to amounts collected	—	—	1.594
C.3 amounts written off	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—
C.5 other reductions	—	—	1.081
D. Adjustments at 31/12/2014	—	—	-5.384
D. Adjustments at 30/06/2014	—	—	-5.238

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 specific risk management reports. The gap analysis report is available every day, showing the sensitivity of the statement of financial position for a 1 basis point shift of the interest rate curve. A monthly ALM Report points out the mismatching of the statement of financial position 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 2014. 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: - € 8.202.718
- Scenario -200 bps: € 2.378.321

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	—	—	—	—	—	—	—	—
Total cash assets at 31/12/2014	—	—	—	—	—	—	—	—
Total cash assets at 30/06/2014	—	—	—	—	—	—	—	—
2. Cash liabilities								
2.1 Amounts due to Banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	—	—	—	—	—	—	—
Total cash liabilities at 31/12/2014	—	—	—	—	—	—	—	—
Total cash liabilities at 30/06/2014	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1.405.613	12.800	118.918	800.035	1.200	10.000	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	1.405.613	12.800	118.918	800.035	1.200	10.000	—
+ Long positions	—	700.430	—	52.618	410.035	1.200	10.000	—
+ Short positions	—	705.183	12.800	66.300	390.000	—	—	—
Total financial derivatives at 31/12/2014	—	1.405.613	12.800	118.918	800.035	1.200	10.000	—
Total financial derivatives at 30/06/2014	—	1.969.265	96.088	—	894.424	11.200	10.000	—

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	—	—	65.046	129.644	55.876	2.800	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	65.046	129.644	55.876	2.800	—	—
1.2 Loans to Banks	310.015	342	—	449.451	330.213	—	—	—
1.3 Loans to customers	63.971	1.940.051	303.282	570.533	—	—	—	—
Total cash assets at 31/12/2014	373.986	1.940.393	368.328	1.149.628	386.089	2.800	—	—
Total cash assets at 30/06/2014	320.434	2.582.285	804.721	—	31.489	—	—	6.396
2. Cash liabilities								
2.1 Amounts due to customers	—	—	-50.000	-250.027	-864.501	—	-132.934	—
2.2 Amounts due to Banks	-268.557	-157.374	—	-267.709	-907.925	-82.402	-385.482	—
2.3 Debt securities in issue	—	—	-4.119	-232.837	-633.836	-23.514	—	—
Total cash liabilities at 31/12/2014	-268.557	-157.374	-54.119	-750.573	-2.406.262	-105.916	-518.416	—
Total cash liabilities at 30/06/2014	-210.083	-2.776.007	-53.722	-63.933	-236.257	-1.501	-368.416	—
3. Financial derivatives								
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	379.392	52.505	21.606	917.766	—	660.083	—
– Options	—	—	—	—	—	—	516.794	—
+ Long positions	—	—	—	—	—	—	258.397	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	379.392	52.505	21.606	917.766	—	143.289	—
+ Long positions	—	44.618	20.000	21.606	527.766	—	143.289	—
+ Short positions	—	334.774	32.505	—	390.000	—	—	—
Total financial derivatives at 31/12/2014	—	379.392	52.505	21.606	917.766	—	660.083	—
Total financial derivatives at 30/06/2014	—	336.820	144.505	104.600	987.641	10.000	656.556	—
4. Other off-balance sheet								
+ Long positions	—	—	—	55.819	558.413	165.693	—	—
+ Short positions	779.925	—	—	—	—	—	—	—
Total other off-balance sheet at 31/12/2014	779.925	—	—	55.819	558.413	165.693	—	—
Total other off-balance sheet at 30/06/2014	1.085.786	181.780	67.712	20.232	771.962	44.100	—	—

1.2.3 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.

The Bank enter into credit support annexes ("CSA") to master agreements in order to further reduce derivatives-related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty's failure to honor a margin call.

A. FINANCIAL DERIVATIVES

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

Type of transactions	31/12/2014		30/06/2014	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	943.659	—	997.673	—
a) Options	—	—	—	—
b) Swap	943.659	—	997.673	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	533.310	—	577.356	—
a) Options	533.310	—	577.356	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	243.215	—	501.033	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	243.215	—	501.033	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	1.720.184	—	2.076.062	—
Average values	1.440.081	—	1.414.294	—

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

A.2.1 Hedging derivatives

Type of transactions	31/12/2014		30/06/2014	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	622.977	—	687.263	—
a) Options	—	—	—	—
b) Swap	364.580	—	428.866	—
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	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	622.977	—	687.263	—
Average values	618.780	—	669.476	—

A.2.2 Other derivatives

Type of transactions	31/12/2014		30/06/2014	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	390.000	—	430.000	—
a) Options	—	—	—	—
b) Swap	390.000	—	430.000	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	425.014	—	478.821	—
a) Options	425.014	—	478.821	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	5.179	—	5.003	—
a) Options	—	—	—	—
b) Swap	5.179	—	5.003	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	820.193	—	913.824	—
Average values	820.193	—	862.824	—

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

Type of transactions	Positive fair value			
	31/12/2014		30/06/2014	
	Over-the-counter	Listed	Over-the-counter	Listed
A. Regulatory trading book	60.436	—	33.059	—
a) Options	55.144	—	27.032	—
b) Interest Rate Swap	5.290	—	4.778	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	2	—	1.249	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	610.227	—	427.526	—
a) Options	—	—	—	—
b) Interest Rate Swap	316.466	—	226.921	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	293.761	—	200.605	—
C. Banking book: Others derivatives	80.473	—	93.689	—
a) Options	75.054	—	87.152	—
b) Interest Rate Swap	5.419	—	6.497	—
c) Cross Currency Swap	—	—	40	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	751.136	—	554.274	—

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

Type of transactions	Negative fair value			
	31/12/2014		30/06/2014	
	Over-the-counter	Listed	Over-the-counter	Listed
A. Regulatory trading book	-82.921	—	-94.948	—
a) Options	-75.235	—	-87.456	—
b) Interest Rate Swap	-3.933	—	-5.545	—
c) Cross Currency Swap	-2.341	—	-1.801	—
d) Equity Swap	—	—	—	—
e) Forward	-1.412	—	-146	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-293.773	—	-201.810	—
a) Options	—	—	—	—
b) Interest Rate Swap	-13	—	-1.205	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	-293.760	—	-200.605	—
C. Banking book: Others derivatives	-54.507	—	-27.844	—
a) Options	-51.023	—	-26.726	—
b) Interest Rate Swap	-3.176	—	-961	—
c) Cross Currency Swap	-308	—	-157	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	-431.201	—	-324.602	—

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	31/12/2014							30/06/2014
	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 ¹	—	—	2.000	—	—	—	—	800
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								—
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—

¹ 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	0,50%	5%	8%	7%	12%
Over five years	1,50%	7,50%	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	31/12/2014							30/06/2014
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	543.659	—	—	—	—	597.673
- positive fair value	—	—	5.289	—	—	—	—	4.778
- negative fair value	—	—	-3.933	—	—	—	—	-5.545
2. Equities and share indexes								
- notional value	—	—	533.310	—	—	—	—	577.356
- positive fair value	—	—	55.145	—	—	—	—	27.032
- negative fair value	—	—	-75.235	—	—	—	—	-87.456
3. Exchange rates and Gold								
- notional value	—	—	243.215	—	—	—	—	501.033
- positive fair value	—	—	2	—	—	—	—	1.249
- negative fair value	—	—	-3.753	—	—	—	—	-1.947
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

In March 2012 the Company entered into an ISDA Master Agreement with the Parent Company to allow both entities to reduce the 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	31/12/2014							30/06/2014
	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	—	—	293.761	—	—	—	—	200.605
- negative fair value	—	—	—	—	—	—	—	-1.189
- future exposure ¹	—	—	—	—	—	—	—	—
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure ¹	—	—	—	—	—	—	—	—

¹ See table A.5

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

Contracts not forming part of netting arrangements	31/12/2014							30/06/2014
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	493.778	—	—	—	—	558.065
- positive fair value	—	—	316.466	—	—	—	—	226.921
- negative fair value	—	—	-293.773	—	—	—	—	-200.621
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

In March 2012 the Company entered into an ISDA Master Agreement with the Parent Company to allow both entities to reduce the 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	71.677	330.000	110.200	11.500
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2014	71.677	330.000	110.200	11.500
Average values at 31/12/2014	38.443	330.000	110.200	11.500
Total at 30/06/2014	130.665	586.700	117.034	18.000
2. Hedge sales				
a) Credit default	139.289	11.500	16.200	330.000
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2014	139.289	11.500	16.200	330.000
Average values at 31/12/2014	134.492	11.500	12.392	330.000
Total at 30/06/2014	162.955	18.000	77.127	586.700

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

Transaction categories	Positive FV	
	31/12/2014	30/06/2014
1. Regulatory trading book		
a) Credit default	4.227	6.078
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	4.887	7.816
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	9.114	13.894

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

Transaction categories	Negative FV	
	31/12/2014	30/06/2014
1. Regulatory trading book		
a) Credit default	-5.770	-5.000
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	—	—
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	-5.770	-5.000

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

Contracts not forming part of netting arrangements	31/12/2014							30/06/2014
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
Regulatory trading book								
1. Hedge buys								
- notional value	—	—	401.677	—	—	—	—	717.365
- positive fair value	—	—	—	—	—	—	—	60
- negative fair value	—	—	-5.715	—	—	—	—	-4.641
2. Hedge sales								
- notional value	—	—	150.789	—	—	—	—	180.955
- positive fair value	—	—	4.227	—	—	—	—	6.018
- negative fair value	—	—	-55	—	—	—	—	-359
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 entered into an ISDA Master Agreement with the Parent Company to allow both entities to reduce the 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 2013 and 2014 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 31/12/2014 (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	374.208	329.140	1.089	146.423	131.403	195.638	944.649	1.560.306	628.564	342
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	972	960	197.377	55.869	2.790	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	374.208	329.140	1.089	146.423	130.431	194.678	747.272	1.504.437	625.774	342
– to Banks	310.015	—	—	—	9.282	1.964	443.233	333.180	—	342
– to customers	64.193	329.140	1.089	146.423	121.149	192.714	304.039	1.171.257	625.774	—
Cash liabilities	-268.557	-50.197	-1.771	-296.027	-380.599	-82.795	-471.885	-2.201.986	-250.958	—
B.1 Deposits	-268.557	-50.197	-1.476	-295.718	-336.867	-73.905	-291.003	-1.570.590	-203.289	—
– to Banks	-268.557	-197	-737	-290.639	-85.425	-69.494	-282.241	-710.590	-155.784	—
– to customers	—	-50.000	-739	-5.079	-251.442	-4.411	-8.762	-860.000	-47.505	—
B.2 Debt securities	—	—	-295	-309	-43.732	-8.890	-180.882	-631.396	-47.669	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1.276.402	36	55.948	429.776	50.770	157.441	785.839	416.553	400.969	—
C.1 Financial derivatives with exchange of principal	—	—	—	233.430	18	18	7.726	—	180.000	—
– long positions	—	—	—	—	—	—	505	—	90.000	—
– short positions	—	—	—	233.430	18	18	7.221	—	90.000	—
C.2 Financial derivatives without exch. of principal	-20.855	36	1.738	232	1.370	4.165	13.998	—	39.198	—
– long positions	58.309	—	1.471	26	237	2.704	11.081	—	39.198	—
– short positions	-79.164	36	267	206	1.133	1.461	2.917	—	—	—
C.3 Irrevocable commitments to disburse funds	1.291.697	—	54.210	196.114	49.382	110.312	722.208	—	159.471	—
– long positions	—	—	54.210	196.114	49.382	110.312	722.208	—	159.471	—
– short positions	1.291.697	—	—	—	—	—	—	—	—	—
C.4 Credit derivatives with exchange of principal	—	—	—	—	—	42.946	41.907	416.553	22.300	—
– long positions	—	—	—	—	—	42.946	—	31.107	20.300	—
– short positions	—	—	—	—	—	—	41.907	385.446	2.000	—
C.5 Credit derivatives without exchange of principal	5.560	—	—	—	—	—	—	—	—	—
– long positions	5.566	—	—	—	—	—	—	—	—	—
– short positions	-6	—	—	—	—	—	—	—	—	—

1.b Financial assets and liabilities by outstanding life as at 30/06/2014 (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	272.852	16.447	54.450	203.395	131.125	574.871	179.086	2.079.039	306.492	443
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	980	36.882	1.959	249.497	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	272.852	16.447	54.450	203.395	130.145	537.989	177.127	1.829.542	306.492	443
– to Banks	235.770	6.389	8.714	—	16.561	412.053	4.121	330.000	2.789	443
– to customers	37.082	10.058	45.736	203.395	113.584	125.936	173.006	1.499.542	303.703	—
Cash liabilities	-209.606	-54.888	-316	-18.129	-134.135	-406.564	-74.773	-2.416.652	-222.822	—
B.1 Deposits	-209.606	-54.888	—	-12.554	-4.239	-181.960	-18.598	-1.620.839	-199.761	—
– to Banks	-9.606	-1.881	—	-210	-2.621	-179.480	-6.352	-760.839	-152.256	—
– to customers	-200.000	-53.007	—	-12.344	-1.618	-2.480	-12.246	-860.000	-47.505	—
B.2 Debt securities	—	—	-316	-5.575	-129.896	-224.604	-56.175	-795.813	-23.061	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1.086.369	1.129	-251	-271	249.306	303.210	96.115	2.331.777	434.367	—
C.1 Financial derivatives	—	—	—	—	-20	88	15	-1.204	180.000	—
with exchange of principal	—	—	—	—	—	100	63	12.160	90.000	—
– long positions	—	—	—	—	—	100	63	12.160	90.000	—
– short positions	—	—	—	—	-20	-12	-48	-13.364	90.000	—
C.2 Financial derivatives	583	956	-251	-271	-674	7.144	1.587	2.800	78.396	—
without exch. of principal	—	—	—	—	—	—	—	—	—	—
– long positions	2.489	1.000	—	18	393	8.697	4.498	1.400	39.198	—
– short positions	-1.906	-44	-251	-289	-1.067	-1.553	-2.911	1.400	39.198	—
C.3 Irrevocable commitments	1.085.786	—	—	—	—	15.500	55.226	859.570	155.490	—
to disburse funds	—	—	—	—	—	15.500	55.226	859.570	155.490	—
– long positions	—	—	—	—	—	15.500	55.226	859.570	155.490	—
– short positions	1.085.786	—	—	—	—	—	—	—	—	—
C.4 Credit derivatives with	—	—	—	—	250.000	280.313	39.287	1.467.836	20.100	—
exchange of principal	—	—	—	—	125.000	131.700	39.287	714.681	18.100	—
– long positions	—	—	—	—	125.000	148.613	—	753.155	2.000	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.5 Credit derivatives without	—	173	—	—	—	165	—	2.775	381	—
exchange of principal	—	223	—	—	—	165	—	2.815	674	—
– long positions	—	-50	—	—	—	—	—	-40	-293	—
– short positions	—	—	—	—	—	—	—	—	—	—

PART H – RELATED PARTY DISCLOSURES

Accounts with related parties fall within the ordinary operations of the Bank are maintained on an arm's length basis and are entered into in the interests of individual companies concerned. No atypical or unusual transactions have been entered with such companies. Related parties for the purpose hereof include local strategic management, Parent Company, entities of its Group and its Directors and executive officers (and any company owned by them).

Reference is made in the following table to Parent Bank and other related parties, separately disclosed as required by IAS 24.

The amount of balance sheet and off balance sheet's items as at 31 December 2014 and 30 June 2014 concerning related parties are as follows (in € k):

Assets and liabilities	31/12/2014		30/06/2014
	Parent Bank	Other related parties	
Financial assets held for trading	64.936	—	39.141
Financial assets held to maturity	250.566	—	285.057
Loans and advances	1.114.857	99.219	1.114.037
Derivatives held for hedging	316.466	—	226.961
Other assets	—	20	42
Total assets	1.746.825	99.239	1.665.238
Amounts due	-1.734.105	—	-993.629
Debt securities	-28.063	-161.601	-208.507
Financial liabilities held for trading	-382.451	—	-300.553
Derivatives held for hedging	-253	—	-148
Other liabilities	-942	-592	-1.445
Total liabilities	-2.145.814	-162.193	-1.504.282

Comprehensive income	31/12/2014		31/12/2013
	Parent Bank	Other related parties	
Interest and similar income	2.037	2.143	5.228
Interest expenses and similar charges	-34.306	—	-8.718
Fee and commission income	377	282	257
Fee and commission expenses	-5.020	—	-3.068
Net gains and losses on financial assets and liabilities hft	-55.406	—	15.430
Net gains and losses from hedge accounting	91.784	—	-22.749
Administrative expenses	-1.469	-426	-1.599
Impairment	—	-72	-38
Other income	—	3	2
Total	-2.003	1.930	-15.255

Guarantees and commitments	31/12/2014		30/06/2014
	Parent Bank	Other related parties	
Financial guarantees given	—	—	—
Commercial guarantees given	—	—	—
Irrevocable commitments to disburse funds	—	26.900	24.958
Commitments underlying cds: hedge sales	150.789	—	524.299
Total	150.789	26.900	549.257

PART I – OTHER INFORMATION

Staff number

As at 31 December 2014 , the Bank's staff is as follows:

	31/12/2014	30/06/2014
Management–Senior	2	2
Management–Middle	2	2
Other staff	5	5
Total	9	9

As of 31 December 2014 and 2013, the Bank's Senior Management consists of two Managing Directors, only one directly included on the Bank's payroll. Also, one member of the staff is not included directly on the Bank's payroll but is on secondment from the Parent Company.

PART J – SUBSEQUENT EVENTS

The Bank is not aware of any other adjusting or not-adjusting event that would have occurred between 31 December 2014 and the date when the present interim accounts were authorized for issue.