

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)



*Interim Report
for the six months ended December 31, 2016*

MEDIOBANCA INTERNATIONAL (Luxembourg)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00

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



*Board of Directors meeting
31st January 2017*

BOARD OF DIRECTORS

		Term expires	Location
PETER W. GERRARD	CHAIRMAN	2017	LUXEMBOURG
STEFANO BIONDI	MANAGING DIRECTOR & CEO	2017	LUXEMBOURG
MASSIMO DI CARLO	DIRECTOR	2017	ITALY
LUCA MACCARI	»	2017	ITALY
MASSIMO BERTOLINI	»	2017	ITALY
ALEX SCHMITT	»	2017	LUXEMBOURG
STEPHANE BOSI	»	2017	LUXEMBOURG

INDEPENDENT AUDITOR

PRICEWATERHOUSECOOPERS S.C.

LUXEMBOURG

CONTENTS

	Page
Management Report	8
Statement of Directors' Responsibilities	13
Independent Auditor's Report	14
Interim accounts	
Statement of financial position	19
Statement of comprehensive income	20
Statement of changes in equity	21
Cash flows statement	23
Notes to the interim accounts	
Part A – Accounting policies	25
Part B – Notes to the statement of financial position	28
Part C – Notes to the statement of comprehensive income	57
Part D – Operating segment information	69
Part E – Information on risks and related hedging policies	73
Part H – Related party disclosures	98
Part I – Other information	100
Part J – Subsequent events	101

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 2016
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The euro area's economic recovery remains moderate despite the substantial support from positive factors such as oil prices, euro's exchange rate, and financing costs, which have stimulated exports and private consumption. Meanwhile, the boost from these factors is increasingly being offset by a worsening global environment, and some legacy issues from the crisis (mainly high levels of policy uncertainty, debt and unemployment) continue to weigh on growth. Although debt levels remain high in some parts of the economy, easy financing conditions should limit acute deleveraging pressures. Overall, euro area GDP growth should pick up further to 1,9% in 2017.

Advanced economies outside EU remain relatively resilient, and are likely to benefit from the gradual recovery of trade in China, though many commodity exporters remain vulnerable to the renewed wave of commodity price declines. Economic momentum in the US has remained robust and GDP growth is expected to be around 2,5% over the forecast horizon amid a maturing cycle, with more support from fiscal policy, but continued headwinds from the strong dollar and the gradual normalisation of monetary policy. In Japan, as expected, growth should pick up again this year before slowing in 2017, mainly as a result of a planned consumption tax hike.

Prospects for emerging economies have worsened as prices of a wide range of commodities remain depressed. The financial environment in most emerging and developing economies looks likely to become more challenging. Growth prospects have deteriorated sharply for Russia and Brazil as well as for countries in the Middle East, Northern Africa and Sub-Saharan Africa. All in all, the downturn in emerging markets is still expected to have bottomed out in 2015, but the forthcoming recovery is set to be more surrounded by heightened risks.

The economic outlook for the euro area remains highly uncertain and overall risks are clearly tilted to the downside. Uncertainty around the technical projection for the oil price remains high due to geopolitical tensions, the removal of sanctions against Iran and the response of oil producers with break-even costs above current spot prices. While a faster-than-assumed rebound in energy prices would hurt economic activity in Europe, a further sharp fall in commodity prices could also impact negatively on its growth outlook as it could affect the financial stability of oil-exporting countries. This would not only lower European exports but could also trigger turmoil in financial markets. Geopolitical tensions are also keeping uncertainty at high levels and could become a larger impediment to investment spending than currently expected.¹

During the six months under review the Bank has reported a net profit of € 11,4m i.e. an increase of approximately +25% when compared to December 2015 (€ 9,0m). A detailed analysis of the performance registered on the main income and financial items is made further in this report.

As regards the Bank's activity and the regulatory agenda, the following top priorities are worth to be mentioned for the forthcoming months:

- Anti-money laundering directive IV (ALM IV): following the multiplication of terrorist attacks in Europe and the Panama Papers scandal, the European Commission called for a swift implementation of the ALM IV and proposed additional measures aiming at fighting terrorism financing.
- Single rulebook, CRR II/CRDV and Basel IV: In November 2016 the European Commission proposed amendments to the existing Capital Requirement Directive (CRD) and Regulation (CRR). The amendments include measures that will strengthen the resilience of the banking sector by introducing more risk-sensitive capital requirements.
- Common Reporting Standard (CRS): CRS elaborated by the OECD was introduced in EU law by the Directive 2014/107. The CRS aims at strengthening the fight against tax evasion by enhancing the automatic exchange of information at global level. In Luxembourg the CRS was implemented through the law 18 December 2015.
- Country-by-Country reporting (CbC): On 13 December 2016 the Luxembourg Parliament passed legislation implementing CbC requirements for Luxembourg entities that are part of a Multinational Enterprise Group (MNE).

¹ Source: European Commission – Winter 2016 economic forecast.

Both Luxembourg MNE Parents and Luxembourg Companies that are part of MNE Groups are required to file CbC reports with the Tax Authorities.

RESTATED STATEMENT OF FINANCIAL POSITION

Statement of financial position has been restated in the customary manner to provide the most accurate reflection of the Bank's operations.

	31/12/2016	30/06/2016	Chg.
	€m	€m	%
Net treasury investments	661,1	1.185,0	-44,2%
Securities (HTM & L&R)	61,4	60,7	1,2%
Loans and advances	3.888,5	3.733,0	4,2%
Equity investments	4,2	4,2	0,0%
Tangible and intangible assets	-	-	-
Other assets	19,9	5,9	237,3%
TOTAL ASSETS	4.635,1	4.988,8	-7,1%
Funding	4.301,5	4.670,8	-7,9%
Other liabilities	14,4	10,2	41%
<i>of which: tax liabilities</i>	<i>10,5</i>	<i>5,6</i>	<i>88%</i>
Net equity	307,8	288,7	7%
Profit	11,4	19,0	-40%
TOTAL LIABILITIES	4.635,1	4.988,8	-7%

Net treasury investments – the item decreased by 44,2% from € 1.185m to € 661,1m and includes:

- Financial assets held for trading (other than derivatives) which are stable at € 148,7m (€ 147,7m at June 2016).
- Net treasury application (including money market financial instruments such as repos, time deposits, etc.) which decreased by -43,8%, from € 1.163,2m to € 654,0m primarily due to lower outstanding balances on the time deposits negotiated with the Group Treasury in order to re-invest the temporary excess of liquidity generated by the issues under the existing commercial paper programmes.
- Value adjustments on OTC derivative contracts are substantially stable compared to June 2016 (+12,5%, from € -125,9m to € -141,6m) reflecting the small volatility registered over the reference market-inputs.

	31/12/2016	30/06/2016	Chg.
	€m	€m	%
Financial assets HFT other than derivatives	148,7	147,7	0,7%
Net applications treasury funds	654,0	1.163,2	-43,8%
Derivatives instruments	- 141,6	- 125,9	12,5%
Net treasury investments	661,1	1.185,0	-44,2%

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 and/or loan and receivables. This item amounts to € 61,4m and is stable compared to June 2016 (€ 60,7m).

Loans and advances – this item increased by 4,2% (from € 3.773m to € 3.888,5m) due to the continued growth of corporate lending. The institution's net credit risk exposure (i.e. excluding the amounts already guaranteed by financial pledge of the Parent and/or third Insurers/public Agencies) also increased, passing from € 895,3m at the end of June 2016, to € 1.036,4m at the end of December 2016.

In an environment which remains challenging, non performing exposures (including forbearance) are stable at € 51,6m (€ 52,6m at June 30, 2016) representing approx. 1,3% of corporate loans, and remain fully guaranteed by the Parent.

	31/12/2016	30/06/2016	Chg.
	€m	€m	%
Performing	3.836,9	3.680,4	4,3%
Restructured and non-performing	51,6	52,6	-1,9%
FV hedging loans and advances	-	-	-
Loans and advances	3.888,5	3.733,0	4,2%

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. During the current fiscal year a test was carried out to assess the presence of any impairment indicator, and in particular whether the carrying amount of the real estate property may be higher than its recoverable amount. An independent evaluation made in this respect by a primary advisor has confirmed the fairness of the Bank's estimate.

Other assets – the increase compared to June 2016 (+237,3% at € 19,9m) was essentially due to transitory items accounted at the end of December 2016 which were already cleared in January 2017.

Funding – this item decreased by -7,9%, passing from € 4.670,8m to € 4.301,5m. In detail:

- Amount due to banks and customers increased by 20,5%, passing from € 2.892,3m to € 3.484,8m.
- The above variation has been offset by the decrease of borrowings under the EMTN Programme (-42,5%), which passed from € 1.051,8m at the end of June 2016, to € 604,7m at the end of December 2016.
- Also borrowings under the existing commercial paper programmes decreased compared to June 2016 (-53,4%, from € 1.148,7m to € 535,2m).
- Fair value valuation of hedging derivatives finally decreased by -23,4%, from € -422m to € -323,2m.

	31/12/2016	30/06/2016	Chg.
	€m	€m	%
Amount due to banks and customers	3.484,8	2.892,3	20,5%
Notes issued	604,7	1.051,8	-42,5%
FV hedging of borrowings	- 323,2	- 422,0	-23,4%
Short term funding debt instruments	535,2	1.148,7	-53,4%
Funding	4.301,5	4.670,8	-7,9%

Other liabilities – this item increased by 41,2% from € 10,2m to € 14,4m. 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), and (ii) outstanding balance on transitory accounts.

Net equity – No dividends have been distributed during the semester, and the increase from € 288,7m to € 307,8m is exclusively attributable to the provisioning of the net profit from the previous fiscal year. The strategy of the institution remains focused on strengthening its own funds.

RESTATED STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income has been restated in the customary manner to provide the most accurate reflection of the Bank's operations.

	6 mths to 31/12/2016	6 mths to 31/12/2015	Chg.
	€m	€m	%
Net interest income	19,9	15,1	31,8%
Net trading income	-1,1	-0,1	1000,0%
Net fee and commission income	1,3	1,9	-31,6%
TOTAL INCOME	20,1	16,9	18,9%
Wages and salaries	-0,7	-0,5	40,0%
Other administrative expenses	-2,9	-3,2	-9,4%
OPERATING COSTS	-3,6	-3,7	-2,7%
Loans impairment	-0,4	-0,3	33,3%
Provisions for other financial assets	-	-	-
Other profit (losses)	-	-	-
PROFIT BEFORE TAX	16,1	12,9	24,8%
Fiscal provision	-4,7	-3,9	20,5%
TOTAL COMPREHENSIVE INCOME	11,4	9,0	26,3%

Net interest income – this item increased by 31,8% - from € 15,1m to € 19,9m - due to:

- higher interests received on corporate lending (+24,2%, from € 35,5m to € 44,1m) by reason of the increased lending activity;
- stable cost of financing (-4,1%, from € -29m to € -27,9m);
- lower income from treasury operations (-58,1%, from € 8,6m to € 3,6m).

	6 mths to 31/12/2016	6 mths to 31/12/2015	Chg.
	€m	€m	%
Interests receivables – corporate lending	44,1	35,5	24,2%
Interests payables – proprietary funding	-27,8	-29,0	-4,1%
Treasury	3,6	8,6	-58,1%
Net interest income	19,9	15,1	31,8%

Net trading income – increased from € -0,1m in December 2015 to € -1,1m in December 2016. This category is composed as follows:

	6 mths to 31/12/2016	6 mths to 31/12/2015	Chg.
	€m	€m	%
Realised gains/losses	0,6	0,8	25,0%
Unrealised gains/losses (mtm valuation)	-1,3	-1,4	-7,1%
Forex gains/losses	-0,4	0,5	-180,0%
Net trading income	-0,3	-0,1	200,0%

- Dealing profits are € 0,6m (€ 0,8m at December 2015) and mainly reflect an increase of the securities lending fees paid to the Group Treasury for the borrowing of high quality liquid assets to comply with the regulatory short-term liquidity indicator (i.e. Liquidity Coverage Ratio).
- Unrealised mark to market valuations generated a loss of € -1,3m (€ -1,4m at December 2015). In this respect it is worth remarking that the Parent Bank is substantially the only swap counterparty of the institution.
- Forex exposures conversely has generated a loss of € -0,4m (whilst at December 2015 the Bank registered a profit of € 0,5m).

Net fee and commission income – this item decreased compared to December 2015 (from € 1,9m to € 1,3m) mainly as a consequence of the increasing cost incurred by the institution in respect of the various services received from the Group Treasury.

	6 mths to 31/12/2016	6 mths to 31/12/2015	Chg.
	€m	€m	%
Net commission income (lending)	1,6	3,1	-48,4%
Net commission income (other)	-0,3	-1,2	-75,0%
Net commission income	1,3	1,9	-31,6%

Operating costs – this item is stable at € -3,6m (€ -3,7m at December 2015) with the main components which performed as follows:

- wages and salaries increased by 40%, from € -0,5m to € -0,7m, essentially because of the hiring of new personnel.
- other costs conversely decreased by -9,4%, from € -3,2m to € -2,9m, mainly by reason of the contribution to the single resolution fund (no charges were in fact accounted for at the end of December 2016, whilst € -0,2m were already provisioned in December 2015).

Impairment of loans and advances – impairment of loan and advances is stable at € -0,4m (€ -0,3m at December 2015) reflecting the current “appetite” for credit risk of the institution which is stable compared with June 2016.

pp. BOARD OF DIRECTORS
CHAIRMAN
(Mr. Peter W. Gerrard)

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 2016.

Luxembourg, 31 January 2017

The Board of Directors

Peter W. Gerrard

Stefano Biondi

Massimo di Carlo

Massimo Bertolini

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 2016, 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 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 are 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, are 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) SA. as of 31 December 2016, 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, 31 January 2016



Björn Ebert

INTERIM ACCOUNTS



STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2016	30/06/2016
		€	€
10.	Cash and cash balances with Central Banks	8.240.699	8.569.125
20.	Financial assets held for trading	482.306.304	581.421.047
50.	Financial assets held to maturity	58.629.043	57.931.477
60.	Loans and advances to Credit Institutions	1.242.358.959	1.801.711.947
70.	Loans and advances to Customers	3.888.860.673	3.404.309.522
80.	Hedging derivatives	323.219.353	421.965.488
100.	Equity investments	4.150.000	4.150.000
120.	Property, plant and equipment	17.277	23.311
160.	Other assets	1.350.281	1.830.476
	TOTAL ASSETS	6.009.132.590	6.281.912.393

	Liabilities and equity	31/12/2016	30/06/2016
		€	€
10.	Amounts due to Credit Institutions	2.899.593.408	2.334.388.522
20.	Amounts due to Customers	1.160.489.655	868.730.455
30.	Debt securities in issue	1.139.917.591	2.200.452.131
40.	Trading liabilities	475.204.834	559.638.248
80.	Tax liabilities	10.502.774	5.646.402
	<i>a) current</i>	<i>9.626.174</i>	<i>4.769.802</i>
	<i>b) deferred</i>	<i>876.600</i>	<i>876.600</i>
100.	Other liabilities	4.281.095	5.283.436
160.	Reserves	297.773.199	278.724.857
190.	Share capital	10.000.000	10.000.000
200.	Profit for the year	11.370.035	19.048.342
	TOTAL LIABILITIES AND EQUITY	6.009.132.590	6.281.912.393

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

STATEMENT OF COMPREHENSIVE INCOME

	Item	31/12/2016	31/12/2015
		€	€
010.	Interests receivable and similar income	53.737.684	50.612.436
020.	Interests payable and similar charges	-33.290.638	-36.313.578
030.	Net interest income	20.447.046	14.298.858
040.	Fee and commission income	8.447.728	6.587.474
050.	Fee and commission expense	-7.888.569	-5.038.426
060.	Net fee and commission income	559.159	1.549.048
080.	Net trading income/expense	-1.472.703	1.073.359
090.	Net hedging income/expense	44.256	67.722
100.	Gain or loss on disposal or repurchase of:	462.406	-127.402
	<i>a) loans and receivables</i>	459.109	12.227
	<i>b) financial assets available for sale</i>	—	—
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) financial liabilities</i>	3.297	-139.629
120.	Total income	20.040.164	16.861.585
130.	Value adjustments in respect of:	-352.943	-314.175
	<i>a) loans and receivables</i>	-669.109	-446.293
	<i>b) financial assets available for sale</i>	—	—
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) other financial operations</i>	316.166	132.118
140.	Net income from banking activities	19.687.221	16.547.410
180.	Administrative expenses:	-3.618.379	-3.717.990
	<i>a) personnel costs</i>	-692.275	-574.666
	<i>b) other administrative expenses</i>	-2.926.104	-3.143.324
200.	Value adjustments in respect of tangible assets	-7.528	-6.295
210.	Value adjustments in respect of intangible assets	—	—
220.	Other operating income/expense	9.328	19.602
280.	Profit (loss) of the ordinary activity before tax	16.070.642	12.842.727
290.	Income tax on the ordinary activity	-4.700.608	-3.814.782
340.	Profit (loss) for the year	11.370.035	9.027.945
350.	Other comprehensive income, net of tax	—	—
360.	Total comprehensive income for the year, net of tax	11.370.035	9.027.945

A reclassification has been applied to the financial year 2014/2015, by subtracting from “other administrative expenses” the cost of the seconded personnel and adding this amount to the “personnel costs”.

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

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2016 TO 31/12/2016 (in €)

	Balance as of June 30, 2016	Allocation of the profit for the previous period		Changes during the reference period					Balance as of Dec 31, 2016
		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	278.724.857	19.048.342	—	—	—	—	—	—	297.773.199
a) legal reserve	1.000.000	—	—	—	—	—	—	—	1.000.000
b) free reserve	249.438.006	11.510.542	—	—	—	—	—	—	260.948.548
c) special reserve ⁽¹⁾	28.286.851	7.537.800	—	—	—	—	—	—	35.824.651
d) FTA reserve	—	—	—	—	—	—	—	—	—
Valuation reserves	—	—	—	—	—	—	—	—	—
a) AFS securities	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—
c) special laws – others	—	—	—	—	—	—	—	—	—
Own shares	—	—	—	—	—	—	—	—	—
Comprehensive income of the period	19.048.342	-19.048.342	—	—	—	—	—	11.370.035	11.370.035
Total equity	307.773.199	—	—	—	—	—	—	11.370.035	319.143.234

⁽¹⁾ As of 30 June 2016 and 2015 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 of at least of five years.

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

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2015 TO 31/12/2015 (in €)

	Balance as of June 30, 2015	Allocation of the profit for the previous period		Changes during the reference period				Balance as of December 31, 2015	
		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	254.812.047	23.912.809	—	—	—	—	—	278.724.856	
a) legal reserve	1.000.000	—	—	—	—	—	—	1.000.000	
b) free reserve	229.811.747	23.437.534	—	—	—	—	—	253.249.281	
c) special reserve ⁽¹⁾	24.000.300	475.275	—	—	—	—	—	24.475.575	
d) FTA reserve	—	—	—	—	—	—	—	—	
Valuation reserves	—	—	—	—	—	—	—	—	
a) AFS securities	—	—	—	—	—	—	—	—	
b) cash flow hedges	—	—	—	—	—	—	—	—	
c) special laws – others	—	—	—	—	—	—	—	—	
Own shares	—	—	—	—	—	—	—	—	
Comprehensive income of the period	23.912.809	-23.912.809	—	—	—	—	9.027.945	9.027.945	
Total equity	288.724.856	—	—	—	—	—	9.027.945	297.752.801	

⁽¹⁾ As of 30 June 2015 and 2014 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	
		31/12/2016	30/06/2016
1.	Operating activities	57.852	11.214
	– interest received	69.333	92.350
	– interest paid	-17.166	-77.360
	– net fee and commission received/paid	1.459	9.061
	– dividends and similar income	—	—
	– net premium income	—	224
	– cash payments to employees	-582	-736
	– other income (expenses)	4.939	-6.342
	– Tax income (expenses)	-131	-5.983
2.	Cash generated/absorbed by financial assets	438.454	-1.117.162
	– amounts due from customers	-426.105	-411.258
	– amounts due from banks: on demand	—	-82.255
	– amounts due from banks: other	858.814	-620.149
	– financial assets measured at fair value	5.745	-3.500
	– other assets	—	—
3.	Cash generated/absorbed by financial liabilities	-496.634	919.212
	– amounts due to banks: on demand	—	1.691
	– amounts due to banks: other	555.012	427.024
	– amounts due to clients	-5.855	-171.471
	– debt securities in issue	-1.050.734	671.022
	– financial liabilities measured at fair value	—	-9.054
	– other liabilities	4.943	—
	Net cash flow (outflow) from operating activities	-328	-186.736
B.	Investing activities	—	—
	– equity investment	—	—
	– acquisitions of held-to-maturity investments	—	195.000
	– acquisitions of tangible assets	—	-11
	– acquisitions of intangible assets	—	—
	Net cash flow (outflow) from investing activities	—	194.989
C.	Financing activities	—	—
	– issues/purchases of subordinated debts (Tier II)	—	—
	Net cash flow (outflow) from financing activities	—	—
	Net cash flow (outflow) during year	-328	8.253
RECONCILIATION		Amount	
		31/12/2016	30/06/2016
Cash and cash equivalents: balance at 1 July		8.569	316
Total cash flow (outflow) during year		-328	8.253
Cash and cash equivalents: balance at 31 December		8.241	8.569

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 financial statements 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 up to December 31, 2016.

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 IFRS 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 2016.

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, risk 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 1.

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 2016.

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)

	31/12/2016	30/06/2016
a) Cash	1	—
b) Demand deposit held at Central Banks	8.240	8.569
Total	8.241	8.569

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.

On 21 July 2016 the Governing Council decided, after a review of newly available statistical evidence, to lower, from 30% to 15%, the standardised deduction from the reserve base to be applied to liabilities with a maturity of up to two years within the debt securities category.

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	31/12/2016			30/06/2016		
	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	—	137.789	—	—	132.437	—
4. Loans and advances	10.874	—	—	15.234	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	10.874	—	—	15.234	—	—
Total A	10.874	137.789	—	15.234	132.437	—
B. Derivative products						
1. Financial derivatives	—	329.511	—	—	423.168	5.975
1.1 Trading	—	12.908	—	—	14.293	5.975
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	316.603	—	—	408.875	—
2. Credit derivatives	—	3.730	402	—	4.017	590
2.1 Trading	—	3.730	402	—	4.017	590
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	—	333.241	402	—	427.185	6.565
Total (A+B)	10.874	471.030	402	15.234	559.622	6.565
Total Level 1, Level 2 and Level 3			482.306			581.421

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	31/12/2016	30/06/2016
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	137.789	132.437
4. Loans and advances	10.874	15.234
a. Governments and central Banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	10.874	15.234
Total A	148.663	147.671
B. DERIVATIVE PRODUCTS		
a. Banks	333.643	433.750
- Fair value	333.643	433.750
b. Customers	—	—
- Fair value	—	—
Total B	333.643	433.750
Total A+B	482.306	581.421

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

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		31/12/2016		30/06/2016	
	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:	817.217	321.443	—	—	13.167	8.068	—	—	830.384	329.511	1.283.164	429.143
– with exchange of principal	70.000	240.701	—	—	—	—	—	—	70.000	240.701	268.369	319.077
– options bought	—	—	—	—	—	—	—	—	—	—	178.369	3.876
– other derivatives	70.000	240.701	—	—	—	—	—	—	70.000	240.701	90.000	315.201
– without exchange of principal	747.217	80.742	—	—	13.167	8.068	—	—	760.384	88.810	1.014.795	110.066
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	747.217	80.742	—	—	13.167	8.068	—	—	760.384	88.810	1.014.795	110.066
2) Credit derivatives:	—	—	—	—	—	—	472.966	4.132	472.966	4.132	498.761	4.607
– with exchange of principal	—	—	—	—	—	—	25.000	198	25.000	198	414.059	379
– without exchange of principal	—	—	—	—	—	—	447.966	3.934	447.966	3.934	84.702	4.228
Total	817.217	321.443	—	—	13.167	8.068	472.966	4.132	1.303.350	333.643	1.781.925	433.750

Section 5

Heading 50: Financial assets held to maturity

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

	Book value	Fair value 31/12/2016			Book value	Fair value 30/06/2016		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
		1. Debt securities	58.629	—		59.888	—	57.931
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	58.629	—	59.888	—	57.931	—	64.315	—
2. Loans and advances	—	—	—	—	—	—	—	—
Total	58.629	—	59.888	—	57.931	—	64.315	—

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

Type of transactions/Value	31/12/2016	30/06/2016
1. Debt securities:	58.629	57.931
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	58.629	57.931
d) Other issuers	—	—
2. Loans and advances to:	—	—
a) Governments and Central Bank	—	—
b) Other public agencies	—	—
c) Bank	—	—
d) Others	—	—
Total book value	58.629	57.931
Total fair value	59.888	64.315

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	31/12/2016				30/06/2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
B. Loans to banks	1.242.359	—	1.242.359	—	1.801.712	—	1.801.712	—
1. Loans	1.239.569	—	1.239.569	—	1.798.919	—	1.798.919	—
1.1 Current accounts and demand deposits	380.973	—	380.973	—	437.148	—	437.148	—
1.2 Time deposits	425.467	—	425.467	—	620.199	—	620.199	—
1.3 Other loans	433.129	—	433.129	—	741.572	—	741.572	—
- Repos	414.551	—	414.551	—	408.136	—	408.136	—
- Finance leases	—	—	—	—	—	—	—	—
- Other	18.578	—	18.578	—	333.436	—	333.436	—
2. Debt securities	2.790	—	2.790	—	2.793	—	2.793	—
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other	2.790	—	2.790	—	2.793	—	2.793	—
Total	1.242.359	—	1.242.359	—	1.801.712	—	1.801.712	—

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	31/12/2016					30/06/2016				
	Book Value		Fair Value			Book Value		Fair Value		
	Performing	Impaired	Level 1	Level 2	Level 3	Performing	Impaired	Level 1	Level 2	Level 3
Loans	3.837.217	51.644	—	3.894.977	—	3.351.758	52.552	—	3.409.375	—
1. Current accounts	—	—	—	—	—	—	—	—	—	—
2. Repos	—	—	—	—	—	—	—	—	—	—
3. Mortgages	—	—	—	—	—	—	—	—	—	—
4. Credit cards, personal loans inc. wage assignment loans	—	—	—	—	—	—	—	—	—	—
5. Finance leasing	—	—	—	—	—	—	—	—	—	—
6. Factoring	452	—	—	452	—	939	—	—	939	—
7. Other loans	3.836.765	51.644	—	3.894.525	—	3.350.819	52.552	—	3.408.436	—
Debt securities	—	—	—	—	—	—	—	—	—	—
8 Structured	—	—	—	—	—	—	—	—	—	—
9 Other	—	—	—	—	—	—	—	—	—	—
Total	3.837.217	51.644	—	3.894.977	—	3.351.758	52.552	—	3.409.375	—

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

Type of transactions/Value	31/12/2016		30/06/2016	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	—	—	—	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	—	—	—	—
- non-financial undertakings	—	—	—	—
- financial companies	—	—	—	—
- insurances	—	—	—	—
- other entities	—	—	—	—
2. Loans and advances to:	3.837.217	51.644	3.351.758	52.552
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	3.837.217	51.644	3.351.758	52.552
- non-financial undertakings	3.241.398	38.084	3.023.995	38.992
- financial companies	595.819	13.560	327.763	13.560
- insurances	—	—	—	—
- other entities	—	—	—	—
Total	3.837.217	51.644	3.351.758	52.552

Section 8

Heading 80: Hedging derivatives

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

	31/12/2016			Notional value	30/06/2016			Notional value
	Fair value				Fair value			
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	323.219	—	151.970	—	421.965	—	227.432
1) Fair value	—	323.219	—	151.970	—	421.965	—	227.432
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	323.219	—	151.970	—	421.965	—	227.432

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

31/12/2016 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge		Net Investments in foreign subsidiaries	
	Micro					Macro	Specific		Generic
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets available-for-sale	—	—	—	—	—	—	—	—	
2. Lending portfolio	—	—	—	—	—	—	—	—	
3. Financial assets held-to-maturity	—	—	—	—	—	—	—	—	
4. Portfolio	—	—	—	—	—	—	—	—	
5. Other	—	—	—	—	—	—	—	—	
TOTAL ASSETS	—	—	—	—	—	—	—	—	
1. Financial liabilities	323.219	—	—	—	—	—	—	—	
2. Portfolio	—	—	—	—	—	—	—	—	
TOTAL LIABILITIES	323.219	—	—	—	—	—	—	—	
1. Highly probable transactions	—	—	—	—	—	—	—	—	
2. Financial assets and liabilities portfoglio	—	—	—	—	—	—	—	—	

30/06/2016 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge		Net Investments in foreign subsidiaries	
	Micro					Macro	Specific		Generic
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets available-for-sale	—	—	—	—	—	—	—	—	
2. Lending portfolio	—	—	—	—	—	—	—	—	
3. Financial assets held-to-maturity	—	—	—	—	—	—	—	—	
4. Portfolio	—	—	—	—	—	—	—	—	
5. Other	—	—	—	—	—	—	—	—	
TOTAL ASSETS	—	—	—	—	—	—	—	—	
1. Financial liabilities	421.965	—	—	—	—	—	—	—	
2. Portfolio	—	—	—	—	—	—	—	—	
TOTAL LIABILITIES	421.965	—	—	—	—	—	—	—	
1. Highly probable transactions	—	—	—	—	—	—	—	—	
2. Financial assets and liabilities portfoglio	—	—	—	—	—	—	—	—	

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 ²	Ownership relationship		Voting rights ³
			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.	1.965	80	6	1.627	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 2016, has decided not to make any impairment test.

² Type of relationship:

1 = Joint control

2 = Subject to significant influence

3 = Exclusively controlled and not consolidated

³ 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	31/12/2016	30/06/2016
1. Assets owned by the Bank	17	23
a) land	—	—
b) buildings	—	—
c) furniture	4	5
d) electronic equipment	—	—
e) other assets	13	18
2. Assets acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	17	23

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

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	—	—	46	—	74	120
A.1 Total net value reductions	—	—	-41	—	-56	-97
A.2 Net opening balance	—	—	5	—	18	23
B. Additions:	—	—	—	—	—	—
B.1 Purchases	—	—	—	—	—	—
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
B.3 Write-backs	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	—	—	—
C. Reductions:	—	—	-1	—	-5	-6
C.1 Disposals	—	—	—	—	—	—
C.2 Depreciation charges	—	—	-1	—	-5	-6
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	—	—	4	—	13	17
D.1 Total net value reductions	—	—	-42	—	-61	-103
D.2 Gross closing balance	—	—	46	—	74	120

Section 15

Heading 150: Other assets

15.1 Other assets (in € k)

	31/12/2016	30/06/2016
- Gold, silver and precious metal	—	—
- Accrued income other than capitalized income	1.137	1.618
- Trade receivables or invoice to be issued	2	2
- Amount due from tax revenue Authorities (not recorded under heading 140)	210	210
- Other	1	—
Total	1.350	1.830

Liabilities

Section 1

Heading 10: Amounts due to credit institutions

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

Type of transaction/amounts	31/12/2016	30/06/2016
1. Due to central Banks	—	—
2. Due to Banks	2.899.593	2.334.389
2.1 Current accounts and demand deposits	6.278	49.663
2.2 Term deposits	568.657	292.964
2.3 Borrowings	2.324.302	1.991.629
2.3.1 Leasing & stock lending	—	—
2.3.2 Others	2.324.302	1.991.629
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	356	133
Total book value	2.899.593	2.334.389
Fair value - livello 1	—	—
Fair value - livello 2	2.892.424	2.301.610
Fair value - livello 3	—	—
Total fair value	2.892.424	2.301.610

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 Tier 2 equal to € 50.000.000.

Section 2

Heading 20: Amounts due to customers

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

Type of transaction/amounts	31/12/2016	30/06/2016
1. Current accounts and demand deposits	—	—
2. Term deposits including saving deposits with maturity	—	—
3. Loans	1.160.490	868.730
3.1 Repos	—	—
3.2 Others	1.160.490	868.730
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other	—	—
Total book value	1.160.490	868.730
Fair value - livello 1	—	—
Fair value - livello 2	1.183.990	889.341
Fair value - livello 3	—	—
Total fair value	1.183.990	889.341

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

Type of transaction/amounts	31/12/2016	30/06/2016
1. Liability items subject to micro-hedging of fair value	457.003	571.140
a) Interest rate risk	457.003	571.140
b) Currency risk	—	—
c) Other risks	—	—
2. Liability items subject to micro-hedging of cash flows	—	—
a) Interest rate risk	—	—
b) Currency risk	—	—
c) Other risks	—	—
Total	457.003	571.140

Section 3

Heading 30: Debt securities in issue

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

Type of transaction/amounts	31/12/2016				30/06/2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities	552.494	—	551.806	—	864.184	—	878.222	—
1. notes	552.494	—	551.806	—	864.184	—	878.222	—
1.1 structured	50.424	—	52.904	—	51.608	—	54.333	—
1.2 others	502.070	—	498.902	—	812.576	—	823.889	—
2. other securities	—	—	—	—	—	—	—	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	—	—	—	—	—	—	—	—
B. Unlisted securities	587.423	—	587.283	—	1.336.268	—	1.338.016	—
1. notes	52.465	—	52.325	—	187.613	—	189.361	—
1.1 structured	52.465	—	52.325	—	187.613	—	189.361	—
1.2 others	—	—	—	—	—	—	—	—
2. other securities	534.958	—	534.958	—	1.148.655	—	1.148.655	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	534.958	—	534.958	—	1.148.655	—	1.148.655	—
Total	1.139.917	—	1.139.089	—	2.200.452	—	2.216.238	—

¹ Fair value does not include issuer risk; if issuer risk was considered, the fair value of debt securities issued would decrease by € 5,1m approximately, as at December 31, 2016.

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

Type of transaction/amounts	31/12/2016	30/06/2016
A. Securities subject to specific fair value hedges	17.147	79.636
1. Interest rate risk	17.147	79.636
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	17.147	79.636

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

Type of transaction/amounts	31/12/2016	30/06/2016
A. Debt securities	587.812	972.161
1. Structured	92.443	178.308
2. Other	495.369	793.853
B. Other financial instruments	534.958	1.148.655
1. Structured	—	—
2. Other	534.958	1.148.655
Total	1.122.770	2.120.816

Section 4

Heading 40: Financial liabilities held for trading

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

Type of transaction/amounts	31/12/2016					30/06/2016				
	Nominal value	Fair Value			Fair Value	Nominal value	Fair Value			Fair Value
		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	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—	—	—	—	—
3.1.2 Other bonds	—	—	—	—	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—	—	—	—	—
Total A	—	—	—	—	—	—	—	—	—	—
B. Derivatives instruments					—					
1. Financial derivatives	479.120	—	326.473	210	326.683	1.278.344	—	411.207	6.142	417.349
1.1 Trading	369.922	—	10.762	210	10.972	1.149.146	—	3.325	6.142	9.467
1.2 Related to Fair Value option	—	—	—	—	—	—	—	—	—	—
1.3 Other	109.198	—	315.711	—	315.711	129.198	—	407.882	—	407.882
2. Credit derivatives	533.880	—	148.522	—	148.522	531.329	—	142.289	—	142.289
2.1 Trading	533.880	—	148.522	—	148.522	531.329	—	142.289	—	142.289
2.2 Related to Fair Value option	—	—	—	—	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—	—	—	—	—
Total B	1.013.000	—	474.995	210	475.205	1.809.673	—	553.496	6.142	559.638
Total (A+B)	1.013.000	—	474.995	210	475.205	1.809.673	—	553.496	6.142	559.638

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

Type of transaction/amounts	Interest rate		Foreign currency/gold		Equity		Credit		31/12/2016		30/06/2016	
	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV	Notional	FV
OTC derivative products												
1. Financial derivatives	188.924	319.230	230.430	6.539	59.767	914	—	—	479.121	326.683	1.278.344	417.349
1.1 With exchange of principal	70.000	240.701	227.584	6.454	—	—	—	—	297.584	247.155	238.418	316.382
- options issued	—	—	227.584	6.454	—	—	—	—	227.584	6.454	148.418	1.181
- other derivatives	70.000	240.701	—	—	—	—	—	—	70.000	240.701	90.000	315.201
1.2 Without exchange of principal	118.924	78.529	2.846	85	59.767	914	—	—	181.537	79.528	1.039.926	100.967
- options issued	—	—	2.846	85	—	—	—	—	2.846	85	—	—
- other derivatives	118.924	78.529	—	—	59.767	914	—	—	178.691	79.443	1.039.926	100.967
2. Credit derivatives	—	—	—	—	—	—	533.880	148.522	533.880	148.522	531.329	142.289
2.1 With exchange of principal	—	—	—	—	—	—	31.974	2.539	31.974	2.539	376.015	2.764
2.2 Without exchange of principal	—	—	—	—	—	—	501.906	145.983	501.906	145.983	155.314	139.525
Total	188.924	319.230	230.430	6.539	59.767	914	533.880	148.522	1.013.001	475.205	1.809.673	559.638

Section 8

Heading 80: Tax liabilities

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

	31/12/2016	30/06/2016
Corporate income tax (IRC)	7.433	3.682
Municipal business tax (ICC)	2.112	992
Other	81	95
Total	9.626	4.769

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 € 1.412.255 (30 June 2015: € 1.292.690) 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 (+)	17.682	5.192	425	23.299
B. Advances paid (-)	14.000	4.200	330	18.530
A.1 Fiscal liabilities: increase (+)	3.640	1.094	287	5.021
- provisions of the period	3.640	1.094	287	5.021
- transfers	—	—	—	—
- others	—	—	—	—
A.2 Fiscal liabilities: decrease (-)	-6.353	-1.907	-301	-8.561
- payments of the period (assessments)	-6.353	-1.907	-301	-8.561
- transfers	—	—	—	—
- others	—	—	—	—
B.1 Advances paid: increase (+)	1.536	534	—	2.070
- payments/advances	1.536	534	—	2.070
- transfers	—	—	—	—
- others	—	—	—	—
B.2 Advances paid: decrease (-)	-8.000	-2.466	—	-10.466
- payments of the period (assessments)	-8.000	-2.466	—	-10.466
- transfers	—	—	—	—
- others	—	—	—	—
Total A. Fiscal liabilities	14.969	4.380	411	19.760
Total B. Advances paid	7.536	2.268	330	10.134
Current fiscal liabilities (A-B)	7.433	2.112	81	9.626

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

Deferred tax liabilities	31/12/2016	30/06/2016
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)

	31/12/2016			30/06/2016		
	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)

	31/12/2016	30/06/2016 ¹
1. Payment agreements (IFRS2)	—	—
2. Impaired endorsements	355	672
3. Working capital payables and invoices pending receipts	2.701	3.590
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Amounts due to revenue authorities	—	—
6. Amount due to staff	33	17
7. Other items	1.192	1.004
- coupons and dividends pending collection	194	194
- available sum payable to third parties	998	810
- premium, grants and other items in respect of lending transactions	—	—
- credit notes to be issued	—	—
- other	—	—
Total	4.281	5.283

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, 2016 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 2016;
- This reserve will be maintained for a minimum period of 5 years.

<i>(in € k)</i>	31/12/2016	30/06/2016
A. Reserves	297.773	278.725
A.1 legal reserve	1.000	1.000
A.2 free reserve	260.948	249.438
A.3 special reserve ⁽¹⁾	35.825	28.287
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 2016 and 2015, 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)

	31/12/2016	30/06/2016
1. Financial guarantees given to:	9.555	7.907
a) Banks	—	—
b) Customers	9.555	7.907
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds:	1.101.541	1.050.225
a) Banks	—	—
b) Customers	1.101.541	1.050.225
4. Commitment underlying credit derivatives: hedge sales	429.060	443.081
Total	1.540.156	1.501.213

The Bank is a member of “Fonds pour la Garantie des Dépôts, Luxembourg” (FGDL) that was established with the law of 18th December 2015 (the December law). The December law implements two European directives in Luxembourg Law namely:

- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD).
- Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (DGSD).

The December law already entered into force and is structured in four parts: Resolution, Reorganisation and winding up, Protection of depositors and investors and Amending, transitional and final provisions, introducing notably the recovery provisions.

The FGDL covers all eligible deposits for each depositor up to a total amount of EUR 100.000. Deposits are covered per depositor per bank, the limit of EUR 100.000 applies to all aggregated accounts at the same bank. A higher protection is foreseen in certain situations. The Law specifies the exclusions of some deposits, such as interbank deposits, UCI's deposits, insurances deposits, etc.

The FGDL is financed by ex-ante contributions. These contributions are calculated based on the amount of covered deposits and the risk profile of the institution. In this respect the Bank has not accounted for any provision nor contribution to the FGDL, since cash deposits and/or depositors with which the institution is currently dealing belong to categories specifically excluded from the protection scheme.

The Luxembourg Resolution Fund FRL is set-up to finance the implementation of resolution tools. The FRL target level is at least 1 percent of guaranteed deposits and the contribution of each credit institutions is proportional to the ratio of:

- Amount of liabilities of each institution (excluding equity), less guaranteed deposits; and
- Cumulated liabilities (excluding own funds) of all authorised institutions contributing to the FRL, less cumulated guaranteed deposits.

The annual ex-ante contributions is adjusted in proportion to the risk profile of credit institutions.

2. Other commitments

Securities under custody are managed on a non-discretionary basis and relate to:

- € 414.551k of commitment to return at a forward date securities received as collateral under repurchase agreement where the Bank acts as lender.

As of year-end the Bank has placed collateral in form of securities and loans for an amount of € 1.053M in relation to several operations.

3. Assets managed and traded on behalf of customers (in € k)

Type of service	31/12/2016	30/06/2016
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	1.187.354	1.101.750
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	1.181.157	1.095.724
d) own securities held on deposit with customers	6.197	6.026

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 31/12/16	6 mths to 31/12/15
	Debt securities	Loans	Other financial assets			
1. Financial assets held for trading	—	300	—	—	300	465
2. Financial assets at fair value	—	—	—	—	—	—
3. AFS securities	—	—	—	—	—	—
4. Financial assets held to maturity	721	—	—	—	721	2.965
5. Loans and advances to credit institutions	3	7.566	—	—	7.569	8.721
6. Loans and advances to customers	—	40.617	—	181	40.798	31.342
7. Hedging derivatives	—	—	4.350	—	4.350	7.119
8. Financial assets sold but not derecognized	—	—	—	—	—	—
9. Other assets	—	—	—	—	—	—
Total	724	48.483	4.350	181	53.738	50.612

⁽¹⁾ During the fiscal year the Bank has not executed any financial guarantee on a non performing exposure; 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 31/12/16	6 mths to 31/12/15
1. Amount due to Banks	-16.410	—	—	-16.410	-13.779
2. Amount due to customers	-9.482	—	—	-9.482	-7.927
3. Debt securities	—	-7.163	—	-7.163	-12.049
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	—	—	-236	-236	-2.559
Total	-25.892	-7.163	-236	-33.291	-36.314

Section 2

Headings 40 and 50: Net fee and commission income

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

	6 mths to 31/12/16	6 mths to 31/12/15
a) guarantees given	19	213
b) credit derivatives	—	—
c) management, trading and advisory services:	—	104
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	—	—
6. securities placing	—	104
7. procurement of orders	—	—
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization servicing	41	—
f) factoring servicing	—	—
g) tax collection and receipt services	—	—
h) lending services	8.388	6.270
Total	8.448	6.587

2.2 Fee and commission expense (in € k)

	6 mths to 31/12/16	6 mths to 31/12/15
a) guarantees received	-1.701	-1.291
b) credit derivatives	—	—
c) management and services:	—	-140
1. securities dealing	—	-140
2. currency dealing	—	—
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 clients' portfolios	—	—
4. securities custody and non-discretionary management	—	—
5. securities placing	—	—
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	—	—
e) lending services	-1.061	-1.538
f) others	-5.126	-2.069

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 31/12/16	6 mths to 31/12/15
1. Trading assets	215	—	-1.697	-27	-1.509	-4.940
1.1 Debt securities	—	—	—	—	—	—
1.2 Equities	—	—	—	—	—	—
1.3 OICR units	—	—	-1.697	—	-1.697	-4.682
1.4 Loans and receivables	215	—	—	-27	188	-258
1.5 Others	—	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Payables	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
3. Other financial assets and liabilities: difference arising on exchange rates	194.800	—	-185.269	—	9.531	914
4. Derivative products	220.211	912	-230.618	—	-9.495	5.099
4.1 Financial derivatives:	215.922	—	-226.872	—	-10.950	-295
– on debt securities/interest rates	9.372	—	-11.220	—	-1.848	7
– on equities/share indexes	205.847	—	-205.201	—	646	8
– on foreign currency/gold	703	—	-10.451	—	-9.748	-310
– others	—	—	—	—	—	—
4.2 Credit derivatives	4.289	912	-3.746	—	1.455	5.394
Total	415.226	912	-417.584	-27	-1.473	1.073

Section 4

Heading 90: Net hedging income (expense)

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

	6 mths to 31/12/16	6 mths to 31/12/15
A. Income from:		
A.1 Fair value hedge derivatives	—	11.188
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	97.559	915
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	97.559	12.103
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-97.205	-330
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-310	-11.705
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-97.515	-12.035
C. Net hedging income (A-B)	44	68

Section 5

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

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

	6 mths to 31/12/16			6 mths to 31/12/15		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from Banks	—	—	—	—	—	—
2. Due from customers	459	—	459	12	—	12
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	459	—	459	12	—	12
Financial liabilities						
1. Due to Banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	3	—	3	—	-139	-139
Total liabilities	3	—	3	—	-139	-139

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 31/12/16	6 mths to 31/12/15
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from Banks	—	—	—	—	—	—	—	—	—
B. Due from customers	—	—	-2.466	—	—	—	1.797	-669	-446
C. Total	—	—	-2.466	—	—	—	1.797	-669	-446

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 31/12/16	6 mths to 31/12/15
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	-1	—	—	—	—	-1	33
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	-67	—	—	—	384	317	99
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	—	-68	—	—	—	384	316	132

Legend

A = interest

B = other amounts recovered

Section 7

Heading 180: Administrative expenses

7.1 Personnel cost: composition (in € k)

	6 mths to 31/12/16	6 mths to 31/12/15
1. Employees	-545	-386
a) wages and salaries	-476	-342
b) social security charges	-45	-34
c) severance indemnities	—	—
d) pension contributions	—	—
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:	-2	-4
– defined contribution	-2	-4
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	—
i) other staff benefits	-22	-6
2. Other staff ⁽¹⁾	-47	-69
3. Board members	-100	-120
Total	-692	-575

¹ A reclassification has been applied to the financial year 2014/2015, by subtracting from other costs in table 7.2 “other administrative expenses”, the cost of the seconded personnel and adding this amount to the “other staff” in the table 7.1” Personnel costs” (cf. below).

7.2 Other administrative expenses: composition (in € k)

	6 mths to 31/12/16	6 mths to 31/12/15 ¹
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	-144	-139
– loan recovery activity	-28	—
– marketing and communication	-3	-3
– property	-94	-100
– EDP	-469	-412
– Info-provider	-2	—
– bank charges, collection and payment fees	-16	-16
– operating expenses	-1.769	-1.909
– other staff expenses	-5	-9
– other costs	-64	-151
– indirect and other taxes	-332	-404
Total other administrative expenses	-2.926	-3.143

¹ A reclassification has been applied to the financial year 2014/2015, by subtracting from other costs in table 7.2 “other administrative expenses”, the cost of the seconded personnel and adding this amount to the “other staff” in the table 7.1 “Personnel costs” (cf. above).

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 31/12/16	6 mths to 31/12/15
A. Tangible assets					
A.1 Owned:	-8	—	—	-8	-6
– Core	-8	—	—	-8	-6
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
Total	-8	—	—	-8	-6

Section 10

Heading 220: Other operating income (expenses)

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

Income-based components/values	6 mths to 31/12/16	6 mths to 31/12/15
a) Amounts recovered from customers	—	—
b) Other income	9	20
Total	9	20

Section 11

Heading 290: Income tax on the ordinary activity

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

	6 mths to 31/12/16	6 mths to 31/12/15
1. Current taxes	-4.701	-3.815
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	-4.701	-3.815

11.2 Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Luxembourg (in € k)

	31/12/2016		31/12/2015	
	Amounts %	Absolute values	Amounts %	Absolute values
Total profit or loss before tax from current operations		16.071		12.842
Theoretical income tax expense on pre-tax income	-29,22%	-4.696	-29,22%	-3.752
Tax exempt interest and dividends	0,00%	—	0,00%	—
Income from tax exempt investments	0,00%	—	0,00%	—
Impact of using tax losses for which no deferred tax asset was previously recognised	0,00%	—	0,00%	—
Impact of tax rate adjustment on temporary differences	0,00%	—	0,00%	—
Differential effect in tax rates applicable to foreign entities	0,00%	—	0,00%	—
Other items	-0,03%	-5	-0,49%	-63
Effective corporate income tax expense	-29,25%	-4.701	-29,71%	-3.815

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	4.010	—	3.666	564	1
20.	Financial assets held for trading	77.142	—	70.533	10.852	323.779
50.	Financial assets held to maturity	28.530	—	26.085	4.014	—
60.	Loans and advances to credit institutions	604.555	—	552.756	85.049	—
70.	Loans and advances to customers	1.892.391	—	1.730.249	266.221	—
80.	Hedging derivatives	157.284	—	143.808	22.127	—
100.	Equity investments	—	—	—	—	4.150
120.	Tangible assets	—	—	—	—	17
130.	Intangible assets	—	—	—	—	—
140.	Tax assets	—	—	—	—	—
160.	Other assets	657	—	601	92	—
	Total assets at 31/12/2016	2.764.569	—	2.527.698	388.919	327.947
	Total assets at 30/06/2016	3.688.119	—	1.727.598	440.867	425.328
10.	Amount due to Credit institutions	-1.410.995	—	-1.290.100	-198.498	—
20.	Amount due to customers	-564.716	—	-516.330	-79.444	—
30.	Debt securities in issue	-554.705	—	-507.177	-78.036	—
40.	Financial liabilities held for trading	-231.243	—	-211.430	-32.531	—
60.	Hedging derivatives	—	—	—	—	—
80.	Tax liabilities	-5.111	—	-4.673	-719	—
100.	Other liabilities	-2.083	—	-1.905	-293	—
160.	Shareholders' equity	-149.768	—	-136.936	-21.070	—
	Total liabilities at 31/12/2016 ⁽¹⁾	-2.918.621	—	-2.668.551	-410.591	—
	Total liabilities at 30/06/2016 ⁽¹⁾	-3.856.395	—	-1.806.421	-460.985	-139.063

⁽¹⁾ Profit for the period excluded

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

		CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
010.	Interests receivable and similar income	27.944	—	21.495	4.298	—
020.	Interests payable and similar charges	-17.311	—	-13.316	-2.662	—
030.	Net interest income	10.633	—	8.179	1.636	—
040.	Fee and commission income	4.393	—	3.379	676	—
050.	Fee and commission expense	-4.103	—	-3.156	-632	—
060.	Net fee and commission income	290	—	223	44	—
080.	Net trading income/expense	-715	—	-551	-111	-91
090.	Net hedging income/expense	23	—	18	4	—
100.	Gain or loss on disposal or repurchase of:	240	—	185	36	—
	<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>	240	—	185	36	—
120.	Total income	10.471	—	8.054	1.609	-91
130.	Value adjustments	-184	—	-142	-29	—
140.	Net income from the financial management	10.287	—	7.912	1.580	-91
180.	Administrative expenses	-1.884	—	-1.448	-288	—
200.	Value adjustments in respect of tangible assets	—	—	—	—	-8
210.	Value adjustments in respect of intangible assets	—	—	—	—	—
220.	Other operating income/expense	—	—	—	—	9
280.	Profit (loss) of the ordinary activity before tax	8.403	—	6.464	1.292	-90
290.	Income tax on the ordinary activity	-2.444	—	-1.880	-375	—
340.	Profit (loss) for the year	5.959	—	4.584	917	-90
350.	Other comprehensive income, net of tax	—	—	—	—	—
360.	Total comprehensive income for the year, net of tax as at 31/12/2016	5.959	—	4.584	917	-90
	Total comprehensive income for the year, net of tax as at 31/12/2015	4.298	—	3.083	732	915

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 interim accounts ended 31 December 2016 and 31 December 2015.

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

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	ASIA	OCEANIA
Cash and cash balances with Central Banks	8.241	—	—	—	—
Financial assets held for trading	461.254	10.185	10.874	—	—
Financial assets held to maturity	—	58.629	—	—	—
Loans and advances to Credit Institutions	18.611	1.223.746	—	—	—
Loans and advances to Customers	244.893	2.629.192	1.014.774	—	—
Hedging derivatives	—	323.218	—	—	—
Equity investments	4.150	—	—	—	—
Tangible assets	17	—	—	—	—
Intangible assets	—	—	—	—	—
Tax assets	—	—	—	—	—
Other assets	13	1.180	156	—	—
A. Total assets 31/12/2016	737.179	4.246.150	1.025.804	—	—
A. Total assets 30/06/2016	719.965	4.491.837	1.070.110	—	—
Amount due to Banks	—	-2.899.596	—	—	—
Amount due to customers	—	-1.160.493	—	—	—
Debt securities in issue	-604.944	-534.963	—	—	—
Financial liabilities held for trading	-145.326	-329.883	—	—	—
Hedging derivatives	—	—	—	—	—
Tax liabilities	-10.503	—	—	—	—
Other liabilities	-913	-3.335	-33	—	—
Shareholders' equity	-307.774	—	—	—	—
B. Total liabilities 31/12/2016 ⁽¹⁾	-1.069.460	-4.928.270	-33	—	—
B. Total liabilities 30/06/2016 ⁽¹⁾	-1.503.817	-4.759.018	-29	—	—

⁽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	-2.938	8.046	15.335	—	—
Net fee and commission income	120	-664	1.102	—	—
Net trading income/expense	13.531	-15.192	188	—	—
Net hedging income/expense	156	-110	—	—	—
Gain or loss on disposal or repurchase	59	334	71	—	—
Value adjustments - impairment	211	-321	-241	—	—
Administrative expenses	-1.089	-2.529	—	—	—
Value adjustments – amortisation	-8	—	—	—	—
Other operating income (expenses)	3	6	—	—	—
Income tax	-4.700	—	—	—	—
Net profit/loss 6 months 2016	5.345	-10.430	16.455	—	—
Net profit/loss 6 months 2015	-6.909	6.202	9.582	—	153

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.

Credit valuation adjustments (CVAs) normally is incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk. At the reference date, the Bank has not calculated any CVA cumulative adjustment due to the fact that the only counterparty to deal with is the Mother company; furthermore, the Bank has signed a Credit Support Annex (CSA) that allowed the two counterparties to post cash collateral according to margin call made by the calculation agent, *de facto* resetting the counterparty risk.

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

Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.

The determination of provisions on performing loans is carried out by identifying the highest possible synergies with the supervisory approach contained in the regulations known as "Basel 3". In particular, the parameters of the calculation model set out in the supervisory provisions, namely Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions.

The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards.

The amount of the provision also reflects the phase of the economic cycle through an appropriate corrective factor: an annually updated adjusting coefficient, estimated on the basis of the economic cycle, made necessary by the fact that ratings, which are calibrated according to the long-term expected average level throughout the economic cycle, only partially reflect current conditions. This coefficient is determined by regulatory segment and is equal to the ratio of the default rates estimated for the following 12 months on the basis of the available scenario.

QUANTITATIVE INFORMATION

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

Portfolio/Quality	Defaulted	Performing past due below 90 days	Non-Performing exposures with forbearance measures	Impaired (past due more than 90 days)	Other exposures (performing)	Total
1. Financial assets held for trading	—	—	—	—	—	—
2. Available-for-sale financial assets	—	—	—	—	—	—
3. Held to maturity financial instruments	—	—	—	—	58.629	58.629
4. Loans and receivables with Banks	—	—	—	—	1.250.600	1.250.600
5. Loans and receivables with customers	—	—	51.644	—	3.837.216	3.888.860
6. Financial assets at fair value through profit	—	—	—	—	—	—
7. Financial assets classified as held for	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—
Total 31/12/2016	—	—	51.644	—	5.146.445	5.198.089
Total 30/06/2016	—	—	52.552	—	5.633.366	5.685.918

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	—	—	—	—	—	—	—
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	58.629	—	58.629	58.629
4. Due from Banks	—	—	—	1.250.600	—	1.250.600	1.250.600
5. Due from customers	51.644	—	51.644	3.841.949	-4.733	3.837.216	3.888.860
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	—
Total at 31/12/2016	51.644	—	51.644	5.151.178	-4.733	5.146.445	5.198.089
Total at 30/06/2016	52.552	—	52.552	6.086.414	-4.064	6.082.350	6.134.902

Impaired assets at 31 December 2016 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	31/12/2016	30/06/2016
A. CASH EXPOSURES					
a) Non-performing	—	—	—	—	—
e) Other assets	1.309.229	—	—	1.309.229	1.868.213
Total A	1.309.229	—	—	1.309.229	1.868.213
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	—	—	—	—	—
b) Other assets	293.798	—	—	293.798	237.619
Total B	293.798	—	—	293.798	237.619

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	31/12/2016	30/06/2016
A. CASH EXPOSURES					
a) Non-performing	51.644	—	—	51.644	52.552
b) Other assets	3.852.823	—	-4.733	3.848.090	3.366.991
Total A	3.904.467	—	-4.733	3.899.734	3.419.543
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	2.862	—	—	2.862	1.791
b) Other assets	1.108.591	—	-355	1.108.236	1.056.341
Total B	1.111.453	—	-355	1.111.098	1.058.132

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

Description/Category	31/12/2016		30/06/2016
	Non performing	Restructured	
A. Gross exposure at start of period	52.552	—	53.891
<i>of which: accounts sold but not derecognized</i>	—	—	—
B. Additions	189	—	965
B.1 transfers from performing loans	—	—	—
B.2 transfer from other categories of impaired assets	—	—	—
B.3 other additions	189	—	965
C. Reductions	-1.097	—	-2.304
C.1 transfer to performing loans	—	—	—
C.2 amounts written off	—	—	—
C.3 amounts collected	—	—	—
C.4 gains realized on disposal	—	—	-1.127
C.5 transfers to other categories of impaired assets	—	—	—
C.6 other reductions	-1.097	—	-1.177
D. Gross exposure at end of period	51.644	—	52.552
<i>of which: accounts sold but not derecognized</i>	—	—	—

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 of non-trading activities 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 Article 30(4) of CSSF Regulation N° 15-02, the Bank performs semi-annually a “*test de résistance, en matière de risque de taux d'intérêt*” and, according with circular 12/552 (as amended), the internal used methods applied is a sudden parallel shift of yield curves of +/- 200 basis point of all interest rates, applying a 0% floor, so called the standard shock.

According with the Regulator, if +/-200 basis points shift is lower than the actual level of change in interest rates, calculated using the 1st and 99th percentile of observed one-day interest rate changes over a five-year period scaled up to a 240-day year, the higher level of shock arising from the latter calculation should be applied as the standard shock.

Interest rate risk is controlled on a quarterly 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 – 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 III of the Circular CSSF 08/338 as amended by Circular CSSF 16/642, an “résistance test” of interest rate risk was carried out as at 31 December 2016. The simulation was based on two different scenarios (parallel shift of the interest rate curve +200 and -200 bps, applying a 0% floor). The results achieved are described herein after:

- Scenario +200 bps: - € 28.762.271
- Scenario -200 bps: + € 14.319.870

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 31/12/2016	—	—	—	—	—	—	—	—
Total cash assets at 30/06/2016	—	—	—	—	—	—	—	—
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 31/12/2016	—	—	—	—	—	—	—	—
Total cash liabilities at 30/06/2016	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1.384.406	142.774	—	344.330	1.200	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	1.384.406	142.774	—	344.330	1.200	—	—
+ Long positions	—	532.716	122.774	—	279.665	1.200	—	—
+ Short positions	—	851.690	20.000	—	64.665	—	—	—
Total financial derivatives at 31/12/2016	—	1.384.406	142.774	—	344.330	1.200	—	—
Total financial derivatives at 30/06/2016	54.044	1.610.668	110.440	—	528.404	1.200	—	—

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	—	61.419	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	61.419	—	—	—	—	—	—
1.2 Loans to Banks	380.974	121.186	357.225	388.427	—	—	—	—
1.3 Loans to customers	—	3.357.317	506.110	13.347	44.972	—	—	—
Total cash assets at 31/12/2016	380.974	3.539.922	863.335	401.774	44.972	—	—	—
Total cash assets at 30/06/2016	667.121	3.212.167	874.301	509.588	44.993	—	—	—
2. Cash liabilities								
2.1 Amounts due to customers	—	-734.398	-1.306	-796	—	—	-423.470	—
2.2 Amounts due to Banks	-6.280	-2.520.776	-361.788	-10.750	—	—	—	—
2.3 Debt securities in issue	—	-549.873	-351.157	-9.172	-228.285	-1.431	—	—
Total cash liabilities at 31/12/2016	-6.280	-3.805.047	-714.251	-20.718	-228.285	-1.431	-423.470	—
Total cash liabilities at 30/06/2016	-77.179	-3.031.369	-853.125	-656.248	-236.918	-1.446	-546.590	—
3. Financial derivatives								
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	121.785	36.827	40.000	133.638	—	572.124	—
– Options	—	—	—	—	—	—	436.794	—
+ Long positions	—	—	—	—	—	—	218.397	—
+ Short positions	—	—	—	—	—	—	218.397	—
– Others	—	121.785	36.827	40.000	133.638	—	135.330	—
+ Long positions	—	6.641	—	20.000	71.819	—	135.330	—
+ Short positions	—	115.144	36.827	20.000	61.819	—	—	—
Total financial derivatives at 31/12/2016	—	121.785	36.827	40.000	133.638	—	572.124	—
Total financial derivatives at 30/06/2016	—	262.833	46.598	6.305	10.000	—	645.920	—
4. Other off-balance sheet								
+ Long positions	—	312.549	15.048	178.484	588.309	7.500	—	—
+ Short positions	1.101.890	—	—	—	—	—	—	—
Total other off-balance sheet at 31/12/2016	1.101.890	312.549	15.048	178.484	588.309	7.500	—	—
Total other off-balance sheet at 30/06/2016	1.050.892	258.366	24.575	—	732.714	35.237	—	—

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 enters 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	31/12/2016		30/06/2016	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	708.771	—	870.627	—
a) Options	—	—	—	—
b) Swap	708.771	—	870.627	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	70.087	—	370.734	—
a) Options	70.087	—	370.734	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	227.584	—	281.751	—
a) Options	—	—	—	—
b) Swap	94.868	—	45.037	—
c) Forward	132.716	—	236.714	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	1.006.442	—	1.523.112	—

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

A.2.1 Hedging derivatives

Type of transactions	31/12/2016		30/06/2016	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	261.169	—	356.630	—
a) Options	—	—	—	—
b) Swap	151.970	—	227.432	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others ⁽¹⁾	109.199	—	129.198	—
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	261.169	—	356.630	—

¹ A reclassification between regulatory banking book and other derivatives has been applied for the financial year 2015/2016, in order to improve the qualitative information within the banking book portfolio.

A.2.2 Other derivatives

Type of transactions	31/12/2016		30/06/2016	
	Over-the-counter	Listed	Over-the-counter	Listed
1. Debt securities and interest rates	191.017	—	374.198	—
a) Options	—	—	—	—
b) Swap	81.819	—	245.000	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others ⁽¹⁾	109.198	—	129.198	—
2. Equities and share indexes	2.846	—	306.557	—
a) Options	2.846	—	306.557	—
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	193.863	—	680.755	—

¹ A reclassification between regulatory banking book and other derivatives has been applied for the financial year 2015/2016, in order to improve the qualitative information within the banking book portfolio.

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

Type of transactions	Positive fair value			
	31/12/2016		30/06/2016	
	Over-the-counter	Listed	Over-the-counter	Listed
A. Regulatory trading book	9.015	—	20.268	—
a) Options	7.176	—	12.279	—
b) Interest Rate Swap	1.839	—	4.113	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	3.876	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	323.219	—	421.965	—
a) Options	—	—	—	—
b) Interest Rate Swap	323.219	—	421.965	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others ⁽¹⁾	—	—	—	—
C. Banking book: Others derivatives	320.495	—	408.875	—
a) Options	891	—	992	—
b) Interest Rate Swap	3.893	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others ⁽¹⁾	315.711	—	407.883	—
Total	652.729	—	851.108	—

¹ A reclassification between regulatory banking book and other derivatives has been applied for the financial year 2015/2016, in order to improve the qualitative information within the banking book portfolio.

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

Type of transactions	Negative fair value			
	31/12/2016		30/06/2016	
	Over-the-counter	Listed	Over-the-counter	Listed
A. Regulatory trading book	-10.971	—	-2.435	—
a) Options	-915	—	-1.008	—
b) Interest Rate Swap	-3.602	—	-1.188	—
c) Cross Currency Swap	-5.905	—	-116	—
d) Equity Swap	—	—	—	—
e) Forward	-549	—	-123	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-315.711	—	-407.883	—
a) Options	—	—	—	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	-315.711	—	-407.883	—
C. Banking book: Others derivatives	—	—	-7.031	—
a) Options	—	—	-5.975	—
b) Interest Rate Swap	—	—	-1.056	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	-326.682	—	-417.349	—

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	31/12/2016							30/06/2016
	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	—	—	—	—	2.000
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	31/12/2016							30/06/2016
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	308.771	—	—	—	—	470.627
- positive fair value	—	—	1.839	—	—	—	—	4.113
- negative fair value	—	—	-3.602	—	—	—	—	-1.188
2. Equities and share indexes								
- notional value	—	—	70.087	—	—	—	—	370.734
- positive fair value	—	—	7.176	—	—	—	—	12.279
- negative fair value	—	—	-915	—	—	—	—	-1.008
3. Exchange rates and Gold								
- notional value	—	—	227.584	—	—	—	—	281.751
- positive fair value	—	—	—	—	—	—	—	3.876
- negative fair value	—	—	-6.454	—	—	—	—	-239
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	31/12/2016							30/06/2016
	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
- positive fair value	—	—	—	—	—	—	—	407.883
- negative fair value	—	—	—	—	—	—	—	—
- 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	31/12/2016							30/06/2016
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	—	261.169	—	—	—	356.630
- positive fair value	—	—	—	323.219	—	—	—	421.966
- negative fair value	—	—	—	-315.711	—	—	—	-407.883
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	159.018	355.754	33.000	7.906
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2016	159.018	355.754	33.000	7.906
Total at 30/06/2016	12.368	330.000	72.680	8.000
2. Hedge sales				
a) Credit default	58.307	7.907	16.200	355.754
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 31/12/2016	58.307	7.907	16.200	355.754
Total at 30/06/2016	97.528	8.000	16.200	330.000

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

Transaction categories	Positive FV	
	31/12/2016	30/06/2016
1. Regulatory trading book		
a) Credit default	1.167	905
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	2.965	3.702
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	4.132	4.607

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

Transaction categories	Negative FV	
	31/12/2016	30/06/2016
1. Regulatory trading book		
a) Credit default	148.522	142.285
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
2. Regulatory banking book		
a) Credit default	—	4
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	148.522	142.289

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

Contracts not forming part of netting arrangements	31/12/2016							30/06/2016
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
Regulatory trading book								
1. Hedge buys								
- notional value	—	—	368.620	—	—	—	—	342.368
- positive fair value	—	—	—	—	—	—	—	5
- negative fair value	—	—	-2.191	—	—	—	—	-1.564
2. Hedge sales								
- notional value	—	—	66.214	—	—	—	—	105.528
- positive fair value	—	—	1.167	—	—	—	—	900
- negative fair value	—	—	-1.006	—	—	—	—	-1.658
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.

Quantitative information

The data presented in the following tables are disclosed by their residual contractual maturity, based on undiscounted cash flow.

QUANTITATIVE INFORMATION

1.a Financial assets and liabilities by outstanding life as at 31/12/2016 (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	380.974	4.083	64.967	307.939	233.421	454.881	586.986	2.547.270	692.949	8.240
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	8	7	60.015	2.800	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	380.974	4.083	64.967	307.939	233.413	454.874	526.971	2.544.470	692.949	8.240
– to Banks	380.974	124	18.536	79.689	14.596	357.225	388.427	—	—	8.240
– to customers	—	3.959	46.431	228.250	218.817	97.649	138.544	2.544.470	692.949	—
Cash liabilities	-6.280	-369.456	-31.432	-89.803	-313.054	-364.558	-194.281	-3.139.384	-410.129	—
B.1 Deposits	-6.280	-369.456	-31.432	-4.627	-204.783	-11.209	-177.658	-2.693.538	-274.061	—
– to Banks	-6.280	-369.456	—	-1.815	-204.629	-9.903	-181.082	-2.013.182	-144.868	—
– to customers	—	—	-31.432	-2.812	-154	-1.306	3.424	-680.356	-129.193	—
B.2 Debt securities	—	—	—	-85.176	-108.271	-353.349	-16.623	-445.846	-136.068	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1.120.435	—	1.482	132.722	204.960	125.199	616.096	339.968	166.474	—
C.1 Financial derivatives	—	—	—	132.716	—	—	—	94.868	140.000	—
with exchange of principal	—	—	—	—	—	—	—	—	70.000	—
– long positions	—	—	—	132.716	—	—	—	94.868	70.000	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.2 Financial derivatives	13.953	—	1.482	6	135	2.427	4.428	—	—	—
without exch. of principal	—	—	—	—	—	—	—	—	—	—
– long positions	9.378	—	1.482	—	84	2.412	4.398	—	—	—
– short positions	4.575	—	—	6	51	15	30	—	—	—
C.3 Irrevocable commitments	1.101.890	—	—	—	204.825	122.772	601.668	165.126	7.500	—
to disburse funds	—	—	—	—	204.825	122.772	601.668	165.126	7.500	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	1.101.890	—	—	—	—	—	—	—	—	—
C.4 Credit derivatives with	—	—	—	—	—	—	10.000	79.974	18.974	—
exchange of principal	—	—	—	—	—	—	—	33.000	18.974	—
– long positions	—	—	—	—	—	—	—	10.000	46.974	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.5 Credit derivatives without	4.592	—	—	—	—	—	—	—	—	—
exchange of principal	—	—	—	—	—	—	—	—	—	—
– long positions	3.934	—	—	—	—	—	—	—	—	—
– short positions	658	—	—	—	—	—	—	—	—	—

1.b Financial assets and liabilities by outstanding life as at 30/06/2016 (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	438.133	9.892	5.655	193.402	269.352	786.990	913.492	1.737.259	1.016.167	8.569
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	20	14	34	60.718	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	438.133	9.892	5.655	193.402	269.332	786.976	913.458	1.676.541	1.016.167	8.569
– to Banks	437.148	—	3.129	55.997	64.262	731.819	509.588	—	—	8.569
– to customers	985	9.892	2.526	137.405	205.070	55.157	403.870	1.676.541	1.016.167	—
Cash liabilities	-77.141	-313.046	-322	-151.661	-62.123	-1.372.779	-630.928	-2.188.284	-222.697	—
B.1 Deposits	-49.795	-313.046	—	-4.182	-3.617	-518.464	-11.188	-1.728.973	-181.355	—
– to Banks	-49.795	-313.046	—	-1.213	-3.472	-518.464	-10.724	-1.028.973	-129.528	—
– to customers	—	—	—	-2.969	-145	—	-464	-700.000	-51.827	—
B.2 Debt securities	-27.346	—	-322	-147.479	-58.506	-854.315	-619.740	-459.311	-41.342	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1.073.256	4.715	72.705	268.845	132	1.328.781	3.905	1.201.687	267.338	—
C.1 Financial derivatives	—	3.714	72.595	160.405	—	—	—	90.074	180.000	—
with exchange of principal										
– long positions	—	—	—	—	—	—	—	—	90.000	—
– short positions	—	3.714	72.595	160.405	—	—	—	90.074	90.000	—
C.2 Financial derivatives	17.643	1.001	110	350	132	4.781	3.905	—	—	—
without exch. of principal										
– long positions	16.392	1.000	14	300	84	4.619	3.814	—	—	—
– short positions	1.251	1	96	50	48	162	91	—	—	—
C.3 Irrevocable commitments	1.050.892	—	—	—	—	—	—	981.569	69.323	—
to disburse funds										
– long positions	—	—	—	—	—	—	—	981.569	69.323	—
– short positions	1.050.892	—	—	—	—	—	—	—	—	—
C.4 Credit derivatives with	—	—	—	108.090	—	1.324.000	—	130.044	18.015	—
exchange of principal										
– long positions	—	—	—	36.030	—	662.000	—	74.029	18.015	—
– short positions	—	—	—	72.060	—	662.000	—	56.015	—	—
C.5 Credit derivatives without	4.721	—	—	—	—	—	—	—	—	—
exchange of principal										
– long positions	4.258	—	—	—	—	—	—	—	—	—
– short positions	463	—	—	—	—	—	—	—	—	—

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 2016 and 30 June 2016 concerning related parties are as follows (in € k):

Assets and liabilities	31/12/2016		30/06/2016
	Parent Bank	Other related parties	
Financial assets held for trading	10.182	—	21.258
Financial assets held to maturity	58.629	—	57.931
Loans and advances	1.278.914	280	1.849.118
Derivatives held for hedging	323.219	—	421.965
Other assets	—	2	2
Total assets	1.670.944	282	2.350.274
Amounts due	-2.899.595	—	-1.928.168
Debt securities	-97.373	-200.919	-243.497
Financial liabilities held for trading	-329.880	—	-413.541
Derivatives held for hedging	—	—	—
Other liabilities	-1.364	—	-1.309
Total liabilities	-3.328.212	-200.919	-2.586.515

Comprehensive income	31/12/2016		31/12/2015
	Parent Bank	Other related parties	
Interest and similar income	-4.696	9	4.969
Interest expenses and similar charges	-16.564	—	-10.849
Fee and commission income	41	1	-493
Fee and commission expenses	-7.805	—	-4.826
Net gains and losses on financial assets and liabilities hft	70.039	—	-6.255
Net gains and losses from hedge accounting	-97.205	—	10.858
Administrative expenses	-1.791	-568	-2.321
Impairment	—	—	-94
Other income	4	3	3
Total	-57.977	-555	-9.008

Guarantees and commitments	31/12/2016		30/06/2016
	Parent Bank	Other related parties	
Financial guarantees received	2.664.054	—	2.324.029
Financial guarantees given	—	—	—
Commercial guarantees given	—	—	—
Irrevocable commitments to disburse funds	—	270	325
Commitments underlying cds: hedge sales	57.106	—	96.881
Total	2.721.160	270	2.421.235

PART I – OTHER INFORMATION

Staff number

As at 31 December 2016, the Bank's staff is as follows:

	31/12/2016	30/06/2016
Management–Senior	2	2
Management–Middle	1	—
Other staff	9	7
Total	12	9

As of 31 December 2016, the Bank's Senior Management consists of the Chief Executive Officer and the Chief Financial Officer. One member of the Other Staff is not included directly on the Bank's payroll but is on secondment from the Parent Bank.

PART J – SUBSEQUENT EVENTS

The Bank is not aware of any other adjusting or not-adjusting event that would have occurred between 31 December 2016 and the date when the present interim accounts were authorized for issue.