Danieli Banking Corporation S.A.

PILLAR III Risk Report

For the financial year ended on 30 June 2015

Contents

1 Introduction

1.1 Bank Overview and Key Events

DANIELI BANKING CORPORATION S.A. (**"DBC"** or the **"Bank"**) has been authorized on January 16, 2014 by the Luxembourg Minister of Finance to carry out activities as a credit institution (établissement de crédit) within the meaning of Article 2 (1) of the law of 5 April 1993 on the financial sector, as amended (the **"LFS"**).

DBC is regulated by the CSSF (Commission de Surveillance du Secteur Financier) and is member of the Luxembourg Guarantee Deposit Scheme (AGDL).

1.2 Structure and Activities of the Bank

1.2.1 Structure

DBC was incorporated in Luxembourg on June 18, 1997 as a "société anonyme" under the name of Danflat International S.A. The corporate name of the Bank has changed on May 26, 2009 into Danfin International S.A. and on December 23, 2013 into Danieli Banking Corporation S.A.

The Bank's corporate capital amounts of EUR 400 million consisting in:

- 2.000.000 Ordinary Shares of a par value of EUR 100.00 each, fully subscribed and paid-in.
- 2.000.000 Mandatory Redeemable Preferred Shares («**MRPS**») without voting rights of a par value of EUR 100.00 each, fully subscribed and paid-in.

The registered office and the central administration of the Bank are at 126, rue Cents L-1319 Luxembourg.

The Bank's financial year starts on July 1 and ends on June 30 of each year.

The Bank belongs to the Danieli Group. The ultimate parent company of DBC is DANIELI & C. Officine Meccaniche SpA («**D&C**») which has its registered office in Italy, via Nazionale, 41, I-33042 Buttrio (UD) and which controls the Bank through its Luxembourg fully owned subsidiary Danieli International S.A., a "société anonyme" having its registered office at 126, rue Cents, L-1319 Luxembourg,

The ultimate parent company is listed on the Milan Stock Exchange.

1.2.2 Activities

The Bank is authorized to perform all banking activities as defined by the LFS.

Notwithstanding the authorization to perform all banking activities as defined by the LFS, the Bank's corporate object is limited. The business plan, which is aligned to the Bank's corporate object, allows for the reception of client deposits or any other reimbursable funds and the granting of credit facilities mainly in relation with companies belonging to the Danieli Group, as well as with customers and suppliers of the Danieli Group.

In accordance with its business plan the Bank received the first deposits from companies belonging to the Danieli Group (**"customers' deposits"**) in June 2015 while operations with customers and suppliers of the Group have not yet been initiated.

1.3 Policy and Approach for Pillar III Disclosure

DBC closes its financial year on June 30 of each year and its first annual accounts published under its new status as credit institution were those closed as at 30 June 2014. Comparable data shown in this report makes reference to these annual accounts as at 30 June 2014.

The Annual Accounts of DBC are prepared and presented in conformity with the legal and accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg (LUXGAAP) while internal reports, regulatory reporting and risk management analysis, assessments and measurements are established on the basis of the IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) as adopted by the EU.

The Pillar III Risk Report data contained in this disclosure are based on figures closed as at 30 June 2015 and 2014 and on the process of calculating Basel III regulatory capital requirements which are also used for the production of the COREP (Common European Reporting) regulatory reporting.

The information provided in this report is DBC's data on an individual basis. The Bank has no subsidiary and its ultimate parent company is not a financial institution.

The update frequency of the Pillar III report will be annual. The Pillar III report is available on DBC's website www.danieli.lu.

This report has been approved by the Board of Directors and the Authorized Management of the Bank.

Information in this report has been prepared solely to meet Pillar III disclosure requirements of DBC and to provide particular specified information about capital and other risks completed by details about the management of those risks.

These disclosures do not constitute any form of financial statement about the business neither do they constitute any form of current or forward-looking record or opinion about the business.

Wherever possible and relevant, the Board will ensure consistency between Pillar III disclosures, Pillar I reporting and Pillar II ICAAP content, e.g. disclosure about risk management practices and capital resources at year end.

The processes and data related to Pillar III are not subject to review by the external auditor of DBC.

The Board may omit one or more disclosures if the information provided is not regarded as material. The Bank will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board will state in its Pillar III disclosure that specific items of information are not disclosed and the reason for non-disclosure and will publish more general information about the subject matter of the disclosure requirement except where the information has to be classified as secret or confidential.

The Bank undertakes no obligation to revise or to update any forward-looking or other statement contained within this document regardless of whether or not those statements are affected as a result of new information or future events.

1.4 General comment

Unless otherwise stated, the figures disclosed in this report are expressed in thousand euro. Certain figures in this report may not tally exactly due to rounding.

1.5 Purposes of Basel III Regulation and Pillar III Disclosure

Pillar III, as a component of Basel III Regulation, is complementary to Pillars I and II and is aimed to encourage market discipline by publishing information which will enable the market to assess the Bank's exposure to risk, its risk assessment process and its capital adequacy.

Basel III Regulation is a comprehensive set of reform measures developed by the Basel Committee on Banking Supervision to strengthen regulation, supervision and risk management of the banking sector.

These measures aim to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source;
- improve risk management and governance;
- strengthen the banks' transparency and disclosures.

New Basel III Regulation framework was transposed into European law through the Regulation (EU) No. 575/2013 (the CRR) and the Directive No. 2013/36/EU (the CRD IV).

The Basel III framework is based on three pillars:

The Pillar I – Minimum capital requirements – defines how banking institutions calculate their regulatory capital requirements in order to cover credit, market and operational risks.

The Pillar II – Supervisory Review – provides national regulators with a framework to help them in assessing the adequacy of banks' internal capital (ICAAP) for covering credit risk, market risk and operational risk, but also other risks not identified in the Pillar I, such as concentration risk, liquidity risk and other risks.

The Pillar III – Market Discipline – encourages market discipline by establishing a set of qualitative and quantitative disclosures to make a better assessment of the Bank's risk exposures, risk assessment processes, and hence its capital adequacy.

The Basel III Regulation has set new standards for capital and liquidity calibration, with best practice and homogeneous criteria at an international banking level. The Basel III regulatory framework significantly increases both quantitative and qualitative requirements, with a new capital definition and new capital buffers (Pillar I), an expanded supervisory process with the introduction of a leverage ratio and new liquidity ratios (Pillar II), as well as additional disclosure requirements (Pillar III).

DANIELI BANKING CORPORATION S.A. meets Pillar III requirements in accordance with Part Eight of Regulation (EU) No 575/2013 of the European Parliament and the Council of June 26, 2013 (the **"CRR"**) to inform the market on the exposures of the Bank to risk, its risk assessment process and capital adequacy.

We address in this document the objectives of Pillar III.

2 Corporate Governance and Risk Management Organization

2.1 Corporate Governance

The statutory bodies of the Bank are the General Meeting of Shareholders and the Board of Directors (“**BoD**”). The BoD has delegated the daily management of DBC to the Authorized Management (“**AM**”).

2.1.1 Role and responsibilities of the Board of Directors

The BoD is composed by four members appointed by the General Meeting of Shareholders for a limited period of time.

The BoD of DBC has the overall responsibility for the Bank. It has the ultimate responsibility, amongst others, for establishing, documenting and communicating on an on-going basis to the AM the guiding principles and objectives (“strategies”) governing business, risk taking and risk management as well as the regulatory and internal capital planning, management and adequacy.

The BoD entrusts the AM with the ICAAP implementation in accordance with its principles and objectives. The ICAAP is based on a risk and own funds policy which has been established by the AM and approved by the BoD. This policy is reviewed whenever necessary and at least on an annual basis.

2.1.2 Role and Responsibilities of the Authorized Management

The AM is made up of two members of the BoD and of one Chief Executive Officer who is in charge of the Market and Finance Activity (CEO).

The AM is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the BoD and the existing regulations, taking into account and safeguarding the Bank’s long-term financial interests, solvency and liquidity situation.

Within DBC the members of the AM are authorized to effectively determine the business direction of the Bank. They meet on a regular basis whenever necessary in order to assess and monitor the efficiency and effectiveness of the policies, procedures and internal control mechanisms gradually put in place during 2014/2015.

The AM is, amongst others, tasked with the performance of the ICAAP in accordance with the guiding principles and objectives established by the BoD and the requirements of amended Circular CSSF 07/301. This responsibility covers the ICAAP’s sound and effective application and adequacy as compared to the organization and the internal needs of the Bank. It exists in any circumstances.

The ICAAP process is gradually integrated into DBC’s internal governance and management process in order to provide support for decision making, together with the work and processes performed and implemented by the Risk Management & Control Function of the Bank.

2.1.3 Information Regarding the Members of the BoD and AM of the Bank

As of 30 June 2015 and 2014, the number of directorships held in total by the four members of the BoD *(executive and non-executive)* and by the members of the AM of the Bank were as follows:

30/06/2015	In companies belonging to the Danieli Group *(incl. DBC S.A.)*		In companies not belonging to the Danieli Group	
	supervised	*not supervised*	*supervised*	*not supervised*
Non-executive Board Members	2	17	3	47
Executive Board Members (*)	2	4	1	90
Member of the Authorized Management	-	-	2	2

(*) being also members of the Authorized Management.

30/06/2014	In companies belonging to the Danieli Group *(incl. DBC S.A.)*		In companies not belonging to the Danieli Group	
	supervised	*not supervised*	*supervised*	*not supervised*
Non-executive Board Members	2	17	2	46
Executive Board Members (*)	2	4	1	82
Member of the Authorized Management	-	-	2	2

(*) being also members of the Authorized Management.

The Bank's current policy governing the appointment and succession to key functions holders provides, among others, that in order to ensure a good diversity and a sufficiently wide range of knowledge, skills and experience within the management, the Bank shall assess before any appointment or recruitment the suitability of any relevant person to be appointed in accordance with the Guidelines EBA/GL/2012/06.

The assessment is made by taking into consideration various criteria such as good reputation and honourability, knowledge, skills and experience in activities pertaining to the banking sector and to regulatory framework and personal qualities in terms of governance and management.

The BoD and the AM of the Bank shall be composed at least of one member having a certified knowledge and experience in the banking sector and related financial activities, one member in the regulatory framework and one member in accounting and risk management. The BoD of the Bank shall be composed by at least one independent Director.

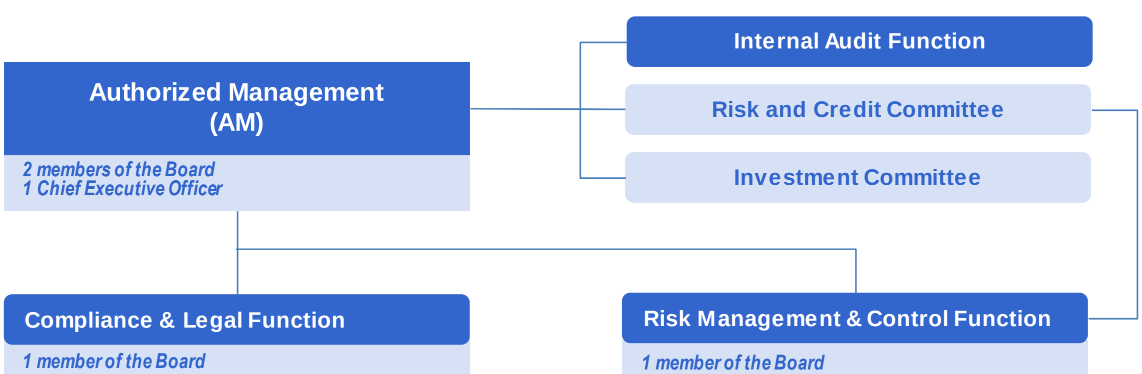
The assessment is made by the member of the AM designated by the BoD and submitted finally to the BoD for approval. In case of appointment of a Board member, the final assessment and the conclusions and decisions of the BoD are submitted to the General Meeting of Shareholders.

By performing such assessment, the Bank also assess whether the diversity and the collective knowledge, the skills and the experience amongst the members of the BoD and AM remain adequate considering the Bank's business model and the nature, size and complexity of its activities and inherent risks.

2.1.4 Risk Management Organization

Considering the size of the Bank and the nature of its business *(a significant part of which consists in managing assets arising from its own funds),* the risk management framework has been structured in a manner such as to involve, through the creation of adequate Committees, both members of the BoD and members of the AM in the risk taking and risk management processes.

The following scheme illustrates the internal functions and committees of the Bank which are involved in the risk management & control process:



The AM has the ultimate responsibility for the risk taking while the BoD is responsible for setting, documenting and communicating to the AM its risk strategy for risk taking and risk management.

The Investment Committee is composed by the following members:

- The Chief Executive Officer (member of the AM and responsible for the Market and Finance Department)
- A member of the Market and Finance Department (Senior Trader)
- A member of the Risk Management & Control Function (member of the AM and of the BoD)

This Committee is the primary organization for achieving the Bank's objectives in terms of investment strategy and policy. This Committee is responsible in particular for the performance and execution of investments and placements in accordance with the Investment Policy and Risk Tolerance Framework determined by the BoD.

Decisions are taken within the limits fixed in the Investment Policy and the Risk Tolerance Statement as approved by the BoD after a prior assessment performed by the Risk Management & Control Function.

Decisions relating to investments, placements, merchants or financing transactions as well as any type of new transactions which are not comprised in the Investment Policy or contemplated in the Risk Tolerance Statement or decision to enter into relationships with new counterparties are subject to the prior approval of both the Risk and Credit Committee and the BoD.

A particular attention is paid to avoid wrong way risk in the investment decision process.

The Risk and Credit Committee is composed by the following members:

- The Chief Executive Officer (member of the AM and responsible for the Market and Finance Department)
- The Chief Risk Officer (member of the AM and of the BoD)
- The Chief Compliance Officer (member of the AM and of the BoD)

This Committee has the responsibility to ensure that the on-going management process of the Bank's investments, assets and liabilities represents an acceptable risk for the Bank and is performed in compliance with the Bank's strategies and policies, with its Investment Policy, Risk Tolerance Statement and with the procedures laid down.

This Committee is primarily responsible for:

- Approving or rejecting investments, placements, merchants and financing transactions proposed by the Market and Finance Department on the basis of systematic and standardized assessments performed by the Compliance and Risk Management & Control Functions;
- Approving or rejecting new counterparties (including brokers and any kind of other intermediaries, as the case may be), before their submission to the BoD for approval;
- Monitoring and controlling the adequacy between risks to which the Market and Finance Department is willing to be exposed and the Bank's ability to manage these risks;
- Comparing risk exposure to risk tolerance, supervising compliance with regulatory requirements and approving or rejecting proposals of changes to be submitted to the BoD;
- Analyzing on a regular basis the reports and assessments provided by Risk Management & Control Function and reviewing the scope of the overall work performed by the Risk Management & Control Function and its planned activities with respect to the overall risk management of the Bank;
- Preparing reports to be addressed to the BoD on a regular basis.

This Committee also has the responsibility of delivering support to financing strategies, Internal Pricing Mechanism and balance sheet and liquidity management.

The Risk Management & Control Function is placed under the responsibility of the Chief Risk Officer, which is also member of the AM and of the BoD. He is responsible for anticipating, identifying, measuring, monitoring and reporting on an on-going basis all the risks the Bank is or may be exposed to. He also permanently monitors the compliance with limits (credit and market) considered by the Market and Finance Department to operate and also to coordinate the preparation of the ICAAP report. He reports first and on an on-going basis to the Risk and Credit Committee by attending this Committee and has direct escalation capabilities to the BoD in his capacity as member of the BoD.

The Compliance & Legal Function is placed under the responsibility of the Chief Compliance Officer, which is also member of the BoD and AM. He is in charge for anticipating, identifying and assessing the legal and compliance risks of the Bank, as well as to assist the AM in limiting and managing these risks.

The Internal Audit Function (outsourced) has the responsibility to evaluate the effectiveness of the internal control system, including the risk management process. It reports to the AM and the BoD by providing them with information on the adequacy and effectiveness of the Bank's system of internal control and the quality of performance.

The BoD and the AM consider that the Bank's Risk Management Organisation is adequate for its business strategy and risk profile as well as being proportionate to the size and complexity of its activities.

3 Risk Management Objectives and Policy

The Bank's general approach to Risk Management is to ensure that material risks are defined, understood and effectively managed and reported according to policies and controls.

DBC's risk appetite and risk tolerance require the maintenance of an appropriate Risk Management Framework that promotes a culture of risk-awareness and transparency, the identification, assessment, measurement and escalation of risk and control issues.

The Risk Management & Control Function and the Risk and Credit Committee have established a general policy and procedure framework, in line with DBC's Risk Tolerance Statement and Investment Policy, aimed to:

- ensure that all risks are under control by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis;
- provide the AM and the BoD with a comprehensive, objective and relevant overview of the risk;
- ensure that the internal limits are and remain compatible with the Risk Tolerance Statement and Investment Policy in order to enable the Bank to achieve its strategic and financial goals;
- ensure compliance with banking regulation requirements by reviewing, on an on-going basis, regular reports submitted to the CSSF and to the BCL, taking part to regulatory discussions and analyzing all new requirements related to risk management that could affect the regulatory monitoring of the Bank's activities.

Due to the fact that the whole risk management process and environment has been gradually integrated in the Bank's internal control process, the BoD and the AM have decided to adopt, on an interim basis, a prudent assessment approach by taking into account additional buffers and the highest potential loss scenarios for any category of material risks quantified in order to conservatively estimate inherent and residual risk.

3.1 Risk Management Principles

3.1.1 Risk Strategy

The Bank defines risk as in accordance with the "COSO – Enterprise Risk Management – Integrated Framework" as follows: *"Risk is the possibility that an event will occur and adversely affect the achievement of objectives".* Risk, if it materializes, will have an impact on the Bank's operations and objectives, and potentially on its customers and shareholders.

Risk is inherent with the Bank's business, but it can also derive from an external cause. The Bank has laid-down its Risk Management Policy in consideration of the size, complexity and nature of its activities as established in its business plan.

The key elements of the risk management process target to:

Inherent Risk			Residual Risk
Step 1	**Step 2**	**Step 3**	**Step 4**
Avoid Risk	**Control/Mitigate Risk**	**Transfer the Risk**	**Accept Risk**
e.g. retreat from risky business or transactions (costs for risk prevention are higher than profit)	*i.e. reduce the impact and/or likelihood through intermediate steps or reinforcing the monitoring and control*	*i.e. transfer the risk to a third party that can manage the outcome*	*i.e. consider the change of a negative impact and prepare mitigation through capital contingency planning*

Inherent Risk is defined as a potential loss impact before mitigation. **Residual Risk** is defined as a remaining potential loss impact after controls and mitigation.

3.1.2 Risk Identification

In order to ensure a proportional and adequate risks management, DBC has identified the material risks the Bank is or could be exposed to, based on the classification recommended by amended Circular CSSF 07/301. Risk identification is the process whereby potentially material risks are detected, based on a perpetual evaluation of the risks performed at the level of the Risk Management & Control Function and of the Risk and Credit Committee.

3.1.3 Risk Materiality

The BoD estimates that a risk is considered "material" if the risk can generate a loss of more than EUR 100 thousand or its equivalent in a currency other than Euro.

The Risk Management Policy contains an analysis of material risks as well as mitigation strategies which are reviewed on a quarterly basis. The Bank takes and manages every material risk in line with its Risk Tolerance Statement summarized below in section 3.3.

3.2 Identification of Pillar I and Pillar II Risks

Risk identification is the process whereby material risks are recognized and where risk sources are linked to events and their potential consequences.

The table below indicates the material risks as identified by the BoD and the AM by leveraging on the assessments conducted by the Risk Management & Control Function.

Material Risks		
Risk Category	**Pillar I**	**Pillar II**
Credit Risk	✓	✓
Settlement Risk and Free Deliveries	✓	✓
Market Risk and Foreign Exchange Risk	✓	✓
Operational Risk	✓	✓
Concentration Risk	✓	✓
Liquidity Risk	✓	✓
Legal and Compliance Risk		(*)
Reputation Risk		(*)
Business and Strategic Risk		(*)
Residual Risk		(*)

(*) Identified as a material risk but not already quantified as of 30 June 2015.

3.3 Risk Appetite and Tolerance

The Risk Appetite is a material input in determining DBC's fundamental risk attitude. The BoD recognizes that the risk appetite definition must take into account the views of the shareholders, of the regulator and of the customers. Depending on the maturity of the risk management framework of a financial institution, Risk Appetite Statement will express either a notion of **Risk Tolerance** - i.e. the maximum amount level of risk which, if breached, would necessitate escalation and corrective action - or a notion of **Risk Appetite** - i.e. the risk that the Bank actively seeks to take in order to attain its business objectives while minimizing risks taken.

By taking into consideration the nature of the Bank's business, which for a significant part, will consist in managing assets arising from its own funds, the BoD and the AM have adopted a conservative approach which, through the establishment of a clear Investment Policy and a Risk Tolerance Statement (limits) linked to this policy, is designated firstly to safeguard the activity of the Bank through a perpetual respect of the obligations imposed by the regulator and secondly to address the Bank's investment strategy and to meet its business developments and objectives in terms of investments return. The Risk Tolerance Statement has been established by the BoD by leveraging on the impact assessment conducted by the Risk Management & Control Function for the major source of material risks on which DBC is exposed or may be exposed to in connection with its current activity.

The Risk Tolerance Statement and the Investment Policy are reviewed by the BoD when changes in business strategy or business developments are planned or are expected to be implemented in accordance with the Bank's business plan or when changes derives from regulatory requirements.

Unless otherwise required by context, special events, circumstances or upcoming and imminent matters as above mentioned, the Risk Tolerance Statement and Investment Policy are reviewed by the BoD on an annual basis.

The following table describes the **Risk Tolerance Limits** established by the BoD in the framework of the Risk Tolerance Statement.

Risk Tolerance Statement		
Key Indicators	**Threshold**	**Notes**
Own Funds Solvency Ratio (Pillar 1)	> 15%	
RoE Target (*)	> 1,5%	**(1)**
Large Exposure (exposure with one client or connected group of client)		
Exposures to institutions	< 25% of own funds	**(2)**
Exposures to corporates (related parties)	< 25% of own funds	
Exposures to corporates (not related parties)	≤ 10% of own funds	
Other exposures	< 10% of own funds	
Use of the limit of EUR 150 million in relation to exposures to institutions	Limited	**(3)**
Target Debt Rating	Investment Grade	**(4)**
Maximum Risk Weighted Exposure - (Standardized Approach)	100% (subject to limits)	
Interest Rate sensitivity (+/- 200bp)	≤ 8% of own funds	**(5)**
Foreign Exchange Limits	See comments in note 6	**(6)**
Liquidity Ratio (B 1.5)	> 80%	
Liquidity Coverage Ratio (LCR)	Above minimum regulatory requirements, 100% until 31 December 2017 and 120% as from January 1, 2018	
Leverage Ratio	> 10%	
Capital Adequacy Ratio (CaR)	> 150%	
Legal and Compliance	No Risk Tolerance	

Notes to the Risk Tolerance Statement		
(1) Excluding eventual non-current profit or loss relating to foreign exchange. Subject to a review on a semi-annual basis according to market conditions.		
(2) The Bank is targeting the largest diversification of exposures in order to reduce Credit Risk and enhance Credit Risk Mitigation factors and actions.		
(3) The use of the largest limit of 150 million Euro in respect of exposures towards financial institutions, provided that each of such exposure does not exceeds 100% of DBC's total regulatory capital, can only be applied only in respect to exposures towards carefully selected systemic financial institutions *(including their affiliates in Luxembourg or abroad).*		
(4) Total Exposure amount weighted at 100% or more cannot exceed 65% of the overall total amount of exposures. This limit has to be respected in relation to the overall amount of investments. Exposures to institutions incorporated in the Grand-Duchy of Luxembourg which do not have a credit rating assessed by a nominated ECAI (External Credit Assessments Institutions) shall be weighted on the basis of the lowest credit rating between the credit rating deriving from central governments in which the counterparty is incorporated and the credit rating assessed by a nominated ECAI to the parent company of such counterparty (Pillar 2).		
(5) The limit of 8% is calculated by taking into account the impact in respect to all non-trading assets and liabilities including the impact deriving from the quantification of the impact of a shift in interest rate on the value of the Mandatory Redeemable Preferred Shares (MRPS), after deduction of the maximum amount available and at disposal for Capital Contingency Plan provided for in the internal ICAAP Process (Pillar II).		
(6) The Maximum Amount of assets to be held and managed in USD amounts to 200 million USD. Exposures to EUR/USD exchange rate are subject to the following internal limits:		
Amounts in USD to sale	USD/Euro Exchange Rate Range	
100% of the remaining exposure in USD	1,20 - 1,25	
100% of the remaining exposure in USD	1,05 - 1,00	

3.4 Credit Risk Management

3.4.1 Risk Identification

Credit risk is the risk of suffering losses as a result of customers and counterparties not being able to meet their obligations towards the Bank as they become due and payable. The credit risk definition adopted by DBC includes country risk and counterparty risk. More precisely, country risk is the likelihood of delayed, reduced or omitted payment of the Bank's assets attributable to peculiar conditions of the borrower's country. Counterparty risk is the risk that a counterparty will default or not fulfil its obligations related to a transaction, i.e. typically to a derivative transaction. It is similar to credit risk except that the obligations of the counterparty related to the transaction may change over time with market conditions and are not necessarily fully known and defined at the start of the transaction.

3.4.2 Evidence

The Bank has a prudent approach in building its Credit and AFS *("available for sale")* securities portfolio. DBC's Investment Policy foresees that Bank shall only invest in securities issued by Issuers having at least an Investment Grade Rating assessed by a nominated ECAI. Securities held in the Bank's AFS securities portfolio for which the Issuer becomes a Non-Investment Grade profile shall be submitted immediately to the members of the Risk and Credit Committee and to the BoD for further decisions and measures to be undertaken.

Credits provided to customers are composed only of loans granted to companies belonging to the Danieli Group. Other loans and advances consist of amounts deposited with other banking or insurance counterparties. The Bank's AFS securities portfolio is composed of securities issued by Issuers having at least an Investment Grade Rating assessed by a nominated ECAI.

The Risk and Credit Committee is responsible for doing a due diligent evaluation of the counterparties before initial approval by the BoD. This process includes taking into consideration the credit rating and CDS market data and evaluating the latest available audited financial statements of the counterparty, as well as looking at the best execution of any counterparty. Approved counterparties are reviewed on a recurring basis by the BoD.

3.4.3 Risk Measurement, Management and Reporting

3.4.3.1 Credit Risk Measurement

The Risk Management & Control Function is in charge of the Credit Risk measurement. It reports to the Risk and Credit Committee on a regular basis and ensures the establishment of regular reports to be approved by the Risk and Credit Committee and to be addressed to the BoD on a quarterly basis.

Credit Risk measurement is primarily based on the Standardized Approach used for the calculation of Pillar I regulatory capital requirements. The Standardized Approach for Credit Risk allocates specific weighting factors to each type of assets or counterparties.

The Risk Weighed Exposure (RWE) amounts are calculated using assessments deriving from ECAI respectively from central governments and by converting them into Credit Quality Steps as provided in the CRR.

The Bank does not use an Internal Rating Based (IRB) Approach.

Moreover, for Pillar II internal assessments, exposures to banking and insurance counterparties, incorporated in the Grand-Duchy of Luxembourg and which do not have a credit rating assessed by a nominated ECAI, are weighted on the basis of the lowest credit rating between the credit rating deriving from central government in which the counterparty is incorporated (e.g. Luxembourg) and the credit rating assessed by a nominated ECAI in relation to the parent company of such counterparty. This approach is intended to take into consideration the higher risk that several credit institutions incorporated in Luxembourg, and which are subsidiaries of larger groups, are usually predominantly exposed to their parent rather than to the domestic economy of Luxembourg (e.g. subsidiaries of Italian parent banks).

Potential negative impact correlated to credit risk is also quantified on a quarterly basis by using the 1Y Montecarlo Credit VaR estimated with default probabilities based on CDS market data from the counterparty itself or its parent group with a 99,9% confidence level. The Credit VaR approach provides an estimate of unexpected loss which takes into account the concentration of exposures on certain group of counterparties as opposed to the standardized approach which assumes perfect diversification *(i.e. requiring a very large number of unconnected issuers/counterparties)*. A loss at the level of the 99,9% confidence Credit VaR is typically generated by a default of 3 (group of) counterparties and represents the potential additional loss beyond the 99,9% confidence level VaR.

3.4.3.2 Credit Risk Management and Reporting

In order to manage the risk profile and the risk limits included in the Risk Tolerance Statement and Investment Policy and to limit the Concentration Risk, specific credit risk limits are established for loans and advances consisting of amounts deposited with other banking or insurance counterparties. A maximum level for each one has been set up in accordance.

Limits by economic sector and by counterparties' country of residence are included in the Investment Policy. In addition, the use by DBC of the largest limit of EUR 150 million in respect of exposures towards institutions - provided that each of such exposure does not exceeds 100% of DBC's eligible own funds - is limited only to exposures towards carefully selected systemic financial institutions *(including their subsidiaries in Luxembourg or abroad)*.

Furthermore, the BoD has decided to improve its investment policy and asset allocation strategy by promoting a higher level of diversification of assets exposures.

The quality of borrowers or obligors, as well as credit ratings allocation, CDS data and credit limits, are monitored by the Risk Management & Control Function that reports its results on a quarterly basis to the Risk and Credit Committee and to the AM, unless otherwise required by context, specific circumstances or by material change in the obligor grade.

The Risk Management & Control Function also conducts regular assessments in order to ensure the Bank's compliance with regulatory requirements. Additionally, the assessment of the Bank's credit exposures on the basis of the Credit VaR approach and its compliance with its internal capital adequacy ratio is produced on a quarterly basis.

Any breach to limits or procedures is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate communication on breaches is provided to the BoD on a recurrent basis.

The Risk and Credit Committee supervises the analysis that the Risk Management & Control Function performs on the changes in credit quality with regards to the Bank's exposures (credits, deposits and AFS securities portfolio) and to the risks which the Bank may be exposed to. It may reduce or freeze limits at any time, in light of changes in the related risks or in order to take the latest events into account. Such actions are reported to the BoD on a quarterly basis.

3.4.4 External Credit Assessment Institutions (ECAI)

For the Standardized Approach measurement, DBC uses external ratings assigned by Standard & Poor's and Moody's. The rating used for credit risk measurement and for regulatory capital calculation is the lower of the two ratings. If no external rating is available, the Standardized Approach provides specific risk weights defined by the CRR (depending on the counterparty type and exposures maturity).

3.4.5 Credit Rating Agencies and Credit Quality Step under the Standardized Approach

External credit ratings are converted into different credit quality steps on the basis of the Mapping Table provided under CSSF Circular 06/273 as amended, as follows:

Residual maturity of the exposure	Short / Long Term	Standard & Poor's	Moody's	Regulatory credit quality step
> 3 months	Long Term	AAA to AA-	Aaa to Aa3	1
≤ 3 months	Short Term	A-1+, A-1	P-1	1
> 3 months	Long Term	A+ to A-	A1 to A3	2
≤ 3 months	Short Term	A-2	P-2	2
> 3 months	Long Term	BBB+ to BBB-	Baa1 to Baa3	3
≤ 3 months	Short Term	A-3	P-3	3
> 3 months	Long Term	BB+ to BB-	Ba1 to Ba3	4
≤ 3 months	Short Term	< A-3	NP	4
> 3 months	Long Term	B+ to B-	B1 to B3	5
> 3 months	Long Term	CCC+ and below	Caa1 and below	6
Not Rated	Long Term	NR	NR	7
Not Rated	Long Term	NR	NR	7

3.4.6 Credit Risk Exposure

Except where stated, exposure is defined as Exposure at Default **(EAD)** pre Credit Risk Mitigation **(CRM)** i.e. a regulatory exposure value after application of Credit Conversion Factors **(CCF)** for off balance sheet items (including undrawn commitments) and after netting, but before application of Credit Risk Mitigation factors (e.g. property, other collateral or guarantee).

As at 30 June 2015 and 2014 taking into account the Bank's assets and activities no Credit Risk Mitigation factor was applicable.

3.4.6.1 *Credit Exposure (EAD) by Class*

The following tables summarize the standardized gross credit exposure by class as at 30 June 2015 and 2014:

Standardized gross Credit Exposure (EAD pre CRM)	30/06/2015		
	Exposure at Default (EAD)	Risk Weighted Assets (RWAs)	Capital Requirements
Exposure Class	EUR/000	EUR/000	EUR/000
Central governments or central banks	111	-	-
Multilateral Development Banks	13.573	-	-
Institutions	1.014.796	364.704	29.176
Corporates	97.204	86.945	6.956
Other Items	145	145	12
Total	**1.125.829**	**451.794**	**36.144**

Standardized gross Credit Exposure (EAD pre CRM)	30/06/2014		
	Exposure at Default (EAD)	Risk Weighted Assets (RWAs)	Capital Requirements
Exposure Class	EUR/000	EUR/000	EUR
Central governments or central banks	-	-	-
Multilateral Development Banks	11.127	-	-
Institutions	908.179	267.200	21.376
Corporates	48.462	43.249	3.460
Other Items	49	49	4
Total	**967.817**	**310.498**	**24.840**

- Standardized exposure classes are per CRR definitions. Other items principally comprise trades and other debtors and prepayments.

3.4.6.2 *Credit Exposure (EAD) by Class and Geographic Area*

The following tables summarize the standardized gross credit exposure by class and geographic area as at 30 June 2015 and 2014:

Exposure Breakdown by Class and Geographic Area		**30/06/2015**					
		Exposure Classes					
Geographic Area	**Central Governments or Central Banks**	**Multilateral Development Banks**	**Institutions**	**Corporates**	**Other Items**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Austria	-	-	5.160	-	-	5.160
China	-	-	38.385	-	-	38.385
France	-	-	69.637	3.786	-	73.423
Germany	-	-	895	5.046	-	5.941
Italy	-	-	102.746	20.731	-	123.477
Japan	-	-	15.753	-	-	15.753
Luxembourg	111	9.005	631.287	47.803	145	688.351
Netherlands	-	-	5.975	17.127	-	23.102
Russia	-	-	9.490	-	-	9.490
South Korea	-	-	12.999	894	-	13.893
Spain	-	-	166	-	-	166
Switzerland	-	-	2.993	-	-	2.993
United Kingdom	-	-	86.641	-	-	86.641
United States	-	4.568	32.668	1.816	-	39.053
Total	**111**	**13.573**	**1.014.796**	**97.204**	**145**	**1.125.829**

- *Geographic distribution is based on the domicile of the borrower or obligor.*

Exposure Breakdown by Class and Geographic Area	**30/06/2014**					
	Exposure Classes					
Geographic Area	**Central Governments or Central Banks**	**Multilateral Development Banks**	**Institutions**	**Corporates**	**Other Items**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Austria	-	-	5.227	-	-	5.227
China	-	-	42.046	-	-	42.046
France	-	-	121.281	3.766	-	125.047
Germany	-	-	-	1.039	-	1.039
Guernsey	-	-	3.711	-	-	3.711
Italy	-	-	82.291	10.767	-	93.058
Japan	-	-	12.970	-	-	12.970
Luxembourg	-	7.397	500.513	12.100	49	520.059
Netherlands	-	-	20.668	15.642	-	36.310
Russia	-	-	10.365	-	-	10.365
South Korea	-	-	10.645	734	-	11.379
United kingdom	-	-	70.094	-	-	70.094
United States	-	3.730	28.368	4.414	-	36.512
Total	-	**11.127**	**908.179**	**48.462**	**49**	**967.817**

- *Geographic distribution is based on the domicile of the borrower or obligor.*

3.4.6.3 Credit Exposure (EAD) by Class and Industry Sector

The following tables summarize the standardized gross credit exposure by class and industry sector as at 30 June 2015 and 2014:

Exposures Breakdown by Class and Industry Sector	**30/06/2015**					
	Exposure Classes					
Industry Sector	**Central Governments or Central Banks**	**Multilateral Development Banks**	**Institutions**	**Corporates**	**Other Items**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Central Governments	111	-	-	-	-	111
Credit Institutions	-	-	1.014.796	-	-	1.014.796
Financial Services	-	-	-	19.017	-	19.017
Food and Beverages	-	-	-	4.902	-	4.902
Holding activities	-	-	-	17.602	-	17.602
Insurance	-	-	-	40.966	-	40.966
Metal Industry	-	-	-	11.002	-	11.002
Multilateral Banks	-	13.573	-	-	-	13.573
Programming and Broadcasting	-	-	-	1.969	-	1.969
Rental and leasing	-	-	-	701	-	701
Telecommunications	-	-	-	1.045	-	1.045
Other	-	-	-	-	145	145
Total	**111**	**13.573**	**1.014.796**	**97.204**	**145**	**1.125.829**

Exposures Breakdown by Class and Industry Sector	**30/06/2014**					
	Exposure Classes					
Industry Sector	**Central Governments or Central Banks**	**Multilateral Development Banks**	**Institutions**	**Corporates**	**Other Items**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Automotive	-	-	-	700	-	700
Credit Institutions	-	-	908.179	-	-	908.179
Financial Services	-	-	-	16.375	-	16.375
Food and Beverages	-	-	-	6.747	-	6.747
Health Care	-	-	-	733	-	733
Holding Activities	-	-	-	12.100	-	12.100
Insurance	-	-	-	10.767	-	10.767
Multilateral Banks	-	11.127	-	-	-	11.127
Telecommunications	-	-	-	1.039	-	1.039
Other	-	-	-	-	49	49
Total	**-**	**11.127**	**908.179**	**48.461**	**49**	**967.817**

3.4.6.4 *Credit Exposure (EAD) by Residual Maturity*

The following tables summarize the standardized gross credit exposure by class and residual maturity as at 30 June 2015 and 2014

Exposures Breakdown by Class and Residual Maturity	**30/06/2015**				
	Residual Maturity				
Exposure Class	**Less than 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Central Governments or Central Banks	-	111	-	-	111
Multilateral Development Banks	-	-	13.573	-	13.573
Institutions	462.015	277.888	269.889	5.004	1.014.796
Corporates	30.201	29.305	36.210	1.488	97.204
Other Items	-	145	-	-	145
Total	**492.216**	**307.448**	**319.672**	**6.493**	**1.125.829**

Exposures Breakdown by Class and Residual Maturity	**30/06/2014**				
	Residual Maturity				
Exposure Class	**Less than 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Total**
	EUR/000	**EUR/000**	**EUR/000**	**EUR/000**	**EUR/000**
Central Governments or Central Banks	-	-	-	-	-
Multilateral Development Banks	-		11.127	-	11.127
Institutions	319.172	207.410	381.596	-	908.179
Corporates	-	-	33.145	15.317	48.461
Other Items	49	-	-	-	49
Total	**319.222**	**207.410**	**425.868**	**15.317**	**967.817**

3.4.6.5 *Credit Exposure (EAD) by Obligor Grade*

The following tables summarize the standardized gross credit exposure by class and obligor grade as at 30 June 2015 and 2014:

Exposure Breakdown by Class and Obligor Grade	30/06/2015			
Exposure Class	ECAIs Rating / Assessment derived from central governments / Short Term assessment	EAD	Risk Weighting Allocation	RWAs
	EUR/000	EUR/000	EUR/000	EUR/000
Central Governments or Central Banks				
	-	111	-	-
Total	**-**	**111**	-	-
Multilateral Development Banks				
	AAA	13.573	-	-
Total		**13.573**	-	-
Institutions				
	AAA to AA-	1.805	20,00%	361
	A+ to A-	253.973	50,00%	126.986
	BBB+ to BBB-	196.813	50,00%	98.407
	BB+ to BB-	19.368	100,00%	19.368
	B+ to B-	12.602	100,00%	12.602
	Central governments	269.773	20,00%	53.955
	Short term assessment	257.352	20,00%	51.470
	Short term assessment	3.110	50,00%	1.555
Total		**1.014.796**		**364.704**
Corporates				
	AAA to AA-	2.861	20,00%	572
	A+ to A-	15.939	50,00%	7.970
	BBB+ to BBB-	6.244	100,00%	6.244
	BB+ to BB-	13.354	100,00%	13.354
	Not rated	58.805	100,00%	58.805
Total		**97.204**		**86.945**
Other				
	Not rated	145	100,00%	145
Total		**145**		**145**
Total		**1.125.829**		**451.794**

Exposure Breakdown by Class and Obligor Grade	30/06/2014			
	ECAIs Rating / Assessment derived from central governments	EAD	Risk Weighting Allocation	RWAs
Exposure Class				
	EUR/000	EUR/000	EUR/000	EUR/000
Central Governments or Central Banks				
	-	-	-	-
Total	**-**	**-**	**-**	**-**
Multilateral Development Banks				
	AAA	11.127	-	-
Total		**11.127**	**-**	-
Institutions				
	AAA to AA-	30.237	20,00%	6.047
	A+ to A-	148.609	50,00%	74.304
	BBB+ to BBB-	66.287	50,00%	33.143
	BB+ to BB-	26.370	100,00%	26.370
	Central governments	636.677	20,00%	127.335
Total		**908.179**		**267.200**
Corporates				
	AAA to AA-	3.681	20,00%	736
	A+ to A-	4.534	50,00%	2.267
	BBB+ to BBB-	28.146	100,00%	28.146
	Not rated	12.100	100,00%	12.100
Total		**48.461**		**43.249**
Other				
	Not rated	49	100,00%	49
Total		**49**		**49**
Total		**967.817**		**310.498**

3.4.7 Impaired and Past Due Assets and Provisions

Specific provisions are made against loans and advances when, in the opinion of the BoD and the AM, recovery in full is doubtful. For this purposes, each overdue exceeding 30 days is reported to the Risk and Credit Committee. As at 30 June 2015 and 2014, the Bank had no impaired asset for which a specific or general provision has been raised. There was no past due asset. The Bank have not incurred any material write-off of bad debts or made any recovery of amounts previously written off during the year to 30 June 2015 and to 30 June 2014.

Given the nature of deposits from customers as at 30 June 2015 (corporates belonging to the same group) and the absence of deposit from customers as at 30 June 2014, no lump sum provision and no provision for the AGDL were necessary for the financial years 2015 and 2014.

3.4.8 Settlement and Free Delivery Risk Identification

Settlement Risk appears when transactions in debt instruments, equities, foreign currencies and commodities *(excluding repurchase transactions, securities or commodities lending and securities or commodities borrowing)* are unsettled after their due delivery dates. The Bank is then exposed to the risk of a non-favourable price difference between the agreed settlement price for the debt instrument, equity, foreign currency or commodity involved, and its current market value.

Free delivery risk occurs in the following situations:

- the Bank has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them;
- one day or more has elapsed since that payment or delivery is executed in the case of cross-border transactions.

The Bank is therefore also exposed to a counterparty or credit risk for that part of transaction it has completed without receiving a compensation, whose risk is typically increasing as time passes by and the expected compensation is past due.

3.4.9 Evidence

Regarding Settlement Risk, the Bank is usually executing such transactions only for its own accounts, and this price difference will result rather in an opportunity cost than in an out-of-pocket loss. There is currently no execution on behalf of third parties, i.e. no situation may occur where the Bank would be liable to third parties for matching confirmed execution prices on failed trades.

In order to manage Free Delivery Risk, the Bank imposes delivery versus payment process to make settlement on transactions. In addition, the Bank continually monitors pending transactions by type of products.

3.4.10 Risk Measurement, Management and Reporting

3.4.10.1 Settlement and Free Delivery Risk Measurement

The inherent risk related to settlement and free delivery is measured by using a self-assessment approach aimed to estimate the potential negative impact of a non-favourable price difference of 5% between the agreed settlement price of fixed-income securities held by DBC in its AFS portfolio and its current market value. The estimates are made on the basis of an average amount for five transactions.

3.4.10.2 Settlement and Free Delivery Risk Management and Reporting

In order to manage these risks, DBC limits for the time being the execution of transactions subject to such risks for own account and uses only delivery versus payment for settlement purposes. No risk tolerance has been specifically provided for by the BoD beyond the general materiality threshold of EUR 100 thousand. No residual material impact is expected for such risks.

Subject to conditions, the Capital Requirement Regulation imposes the Bank to hold and report capital charges both for settlement risk and free delivery when these risks occur.

As at 30 June 2015 and 2014 there are no pending transactions.

The exposure to Settlement Risk is therefore minimal and no additional capital requirement is required.

Except if requested by specific circumstances, the results deriving from regular quantification and measurement of these risks are reported by the Risk Management & Control Function to the Risk and Credit Committee on a quarterly basis.

3.5 Concentration Risk Management

3.5.1 Risk Identification

Concentration risk is the risk of losses due to unbalanced positions towards counterparties or clients. Concentration risk can be linked to group activity concentration, but also to economic sector or localization.

3.5.2 Evidence

DBC's current investment policy allows the use of the largest limit of EUR 150 million in respect of exposures towards institutions, provided that each of such exposure does not exceeds 100% of DBC's eligible own funds.

The BoD has decided that as from July 1, 2015 such limits can be applied only in respect to exposures towards carefully selected systemic financial institutions *(including their subsidiaries in Luxembourg or abroad).*

The Risk Tolerance for Concentration Risk relating to other exposures than institutions was previously fixed at the regulatory level of a maximum of 25% of own funds for each exposure. The BoD has decided to maintain this maximum limit of 25% of own funds in relation to exposures related to loans and cash advances to companies belonging to the Danieli Group, but it has reduced this limit to the maximum level of 10% for exposures other than to credit institutions as from January 1, 2015.

3.5.3 Risk Measurement, Management and Reporting

3.5.3.1 Concentration Risk Measurement

The Risk Management & Control Function is in charge of the Concentration Risk measurement. It reports to the Risk and Credit Committee on a regular basis and ensures the establishment of regular reports to be approved by the Risk and Credit Committee and addressed to the BoD on a quarterly basis.

Concentration Risk measurement is primarily performed based on the approach and on the regulatory requirements laid down by the regulator for reporting on large exposures.

For Pillar II internal assessments, exposures to banking and insurance counterparties, incorporated in the Grand-Duchy of Luxembourg and which do not have a credit rating assessed by a nominated ECAI, are weighted on the basis of the lowest credit rating between the credit rating deriving from central governments in which the counterparty is incorporated (e.g. Luxembourg) and the credit rating assessed by a nominated ECAI in relation to the parent company of such counterparty.

Potential negative impact correlated to Concentration Risk is also quantified on a quarterly basis by using the 1Y Montecarlo Credit VaR estimated with default probabilities based on CDS market data from the counterparty itself or its parent group and with a 99,9% confidence level.

3.5.3.2 Concentration Risk Management and Reporting

The Bank controls its concentration risk through large exposures analysis which is performed on a monthly basis. This analysis is implemented by using the assessment requirements foreseen for regulatory reporting and assessments provided for Credit Risk.

Any breach of the limits is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate information on breaches is communicated to the BoD on a recurrent basis.

Reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis, unless otherwise required by context, specific circumstances or by material change in the obligor grade.

The Risk and Credit Committee supervises the analysis performed by the Risk Management & Control Function on the changes in credit quality with regards to the Bank's exposures (credits, deposits and AFS securities portfolio) and on the related Concentration Risks to which the Bank may be exposed to. It may reduce or freeze limits at any time if it estimates that the risk assessed changed or if events concerning the counterparty justify doing so. Such actions are reported to the BoD on a quarterly basis.

3.6 Market Risk & Foreign Exchange Risk Management

3.6.1 Risk Identification

Market risk is the risk of suffering losses as a result of changes in prices, interest rates, currencies and volatility on the financial markets. Market risk also includes elements of liquidity risk, such as the risk of not being able to close a position when desired or requested at an acceptable price as a result of low or non-existent turnover on the relevant market.

3.6.2 Evidence

The Bank owns an AFS securities portfolio which is held to establish a particular asset structure and as an additional source of liquidity.

Market Risk other than Foreign Exchange Risk

The Bank's objectives are to maintain an AFS securities portfolio so that the Bank does not plan to engage in proprietary trading activities and will therefore normally not directly be exposed to market risk other than to foreign exchange risk by reason of assets held in USD through its securities portfolio or through deposits with other financial counterparties.

Foreign Exchange Risk is the risk incurred by DBC as a result of the variation of exchange rates.

DBC is exposed to Foreign Exchange Risk by reason of assets held in USD in its AFS securities portfolio or of deposits with other financial counterparties.

The risks related to the Bank exposure in USD respect the limits determined by the BoD in the Risk Tolerance Statement and in the approved Investment Policy. The Bank monitors its exposure in USD on a daily basis. The BoD has decided to implement stop-loss limits as part of its Risk Management Framework.

3.6.3 Risk Measurement, Management and Reporting

3.6.3.1 Foreign Exchange Risk Measurement

The Risk Management & Control Function is in charge of the Foreign Exchange Risk measurement. It reports to the Risk and Credit Committee on a daily basis and ensure the establishment of regular reports to be approved by the Risk and Credit Committee and addressed to the BoD on a quarterly basis.

Foreign Exchange Risk measurement is primarily based on the Standardized Approach used for the calculation of Pillar I regulatory capital requirements. The Standardized Approach for Foreign Exchange Risk is based on a capital requirement calculated by multiplying the net exposure by 8% if the total net exposure exceeds 2% of the Regulatory Own Funds.

As at 30 June 2015 and 2014, the Bank's Foreign Exchange Risk Exposure calculated under the Standardized Approach amounts to EUR 446,38 million (2014: EUR 356,75 million). The related capital requirement amounts to EUR 35,71 million (2014: EUR 28,54 million).

For Pillar II internal assessments the inherent risk related to foreign exchange is assessed on the basis of a 1 year parametric VaR with a confidence level of 99,9% estimated by using historical data. For the calculation of mitigation factors, the limit contained in the Risk Tolerance Framework (the maximum loss amount) is prudently applied to the whole assets denominated in USD so as to assess the maximum loss *(i.e. residual risk)* that is considered acceptable and the amount of potential loss that DBC aims to control and mitigate.

3.6.4 Foreign Exchange Risk Management and Reporting

The Bank monitors and controls its Foreign Exchange Risk on a daily basis. Reports referring to these controls are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis, unless otherwise required by context, specific circumstances or by material changes in market conditions.

For ensuring a prompt and accurate management of the Foreign Exchange Risk, internal stop-loss limits have been implemented in accordance with the Bank's Risk Tolerance Statement. These limits foresee the gradual disposal of assets in USD against EUR in case the USD/ EUR exchange rate would raise up from the range of 1,20 to 1,25. The Bank's Risk Tolerance Framework already includes limits related to actions to be undertaken in case the USD/ EUR exchange rate would fall under the range of 1,05 to 1,00 in accordance with the risk strategy adopted by the BoD.

Any breach of limits is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate information on breaches is communicated to the BoD on a recurrent basis and at least monthly.

The assessment of the Bank's Foreign Exchange exposures on the basis of the 1 year parametric VaR with a confidence level of 99,9% estimated by using historical data is produced on a quarterly basis. Reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis.

In accordance with DBC's Risk Tolerance Statement, the BoD has decided in February 2015 to gradually dispose of a substantial part of the assets held in USD up to an amount of USD 300 million. This decision has been implemented through the execution of a certain number of Call and Put OTC options contracts linked to EUR/USD maturing 01 July 2015 and 30 July 2015. The purpose for entering in this kind of options contracts was to determine in advance the limits within which the assets in USD were to be sold. At the respective maturity dates the Call Options have been exercised by the Bank while the Put Options have not been exercised by the financial counterparties as they were out of the money.

As of 30 June 2015 the remaining assets held in USD amount to approximately USD 187 million and are mainly represented by securities held in the Bank's AFS securities portfolio.

The exchange gain deriving from the evaluation in EUR at the year-end of the whole assets held by DBC in USD has been recognized in the Profit & Loss account of the Bank as at 30 June 2015. The financial year as of 30 June 2015 closed with a net profit after tax of EUR 69,25 million *(FINREP)* and EUR 64,68 million under LUXGAAP. The net exchange gain after tax deriving from the evaluation in EUR at the year-end of the whole assets held by DBC amounted to EUR 58,61 million (FINREP).

For Pillar 1, Pillar 2 and Stress Test estimates, the amount of EUR 58,61 million has been deducted from DBC's own funds and available capital calculation as at 30 June 2015 as part of this exchange gain (in relation to the sale of USD 300 million) was realized only in July 2015.

3.7 Management of Interest Rate Risk Arising from Non-trading Activities

3.7.1 Risk Identification

Interest Rate Risk arising from non-trading activities is the impact on DBC's income and costs related to changes in interest rates impacting securities held in the AFS securities portfolio and deposits with other banking or insurance counterparties. Interest Rate risk may also take the form of market risk related to the fair value of positions held in interest bearing or interest rate sensitive instruments.

3.7.2 Evidence

The Interest Rate Risk arising from non-trading activities *(AFS securities portfolio and deposits with other financial counterparties)*, under the form of impact on interest income or costs *(current income impact)* or under the form of impact on the fair value of assets and liabilities *(patrimonial impact)* is subject to limits which have been determined by the BoD and which have been included in the Risk Tolerance Statement.

DBC does not carry out any trading activities and therefore no capital charge is allocated for market risk other than foreign exchange risk under Pillar I.

3.7.3 Risk Measurement, Management and Reporting

3.7.3.1 Interest Rate Risk Measurement

Inherent Risk related to variation of interest rates is evaluated by using the methodology applied for the Stress Test under CSSF Circular 08/338. The Stress Test objectives are to assess the impact deriving from the variation by 200 basis points of all interest rates related to DBC's non-trading activities, with a limitation to 0% for negative interest rate assumptions. To this end, the influence of a change in interest rate is calculated both on non-trading assets and on the MRPS issued by DBC.

As required by the CSSF, stress tests on the patrimonial impact of the interest rate risk to which the Bank is exposed assuming a general interest rate shift of 200bp have been performed for the periods ended on 30 June 2015 and 2014. According to CSSF requirements, the patrimonial impact of such a shift on non-trading assets and liabilities cannot exceed 20% of own funds. As at 30 June 2015 and 30 June 2014 the Bank was fully compliant with CSSF's requirements.

For Pillar II and internal assessments the Interest Risk is determined by taken into account the limit of 8% of negative impact on regulatory own funds included in the Risk Tolerance Statement that has been determined by the BoD. The limit of 8% is calculated by assessing the impact deriving from the variation by 200 basis points of all interest rates related to DBC's non-trading activities and by partially including the correlated impact deriving from the depreciation of the MRPS, after deduction of the amount of EUR 250 million allocated to Capital Contingency Plan in the framework of the ICAAP process and included in the internal own funds of the Bank for this purpose (see section 7).

The limit of 8% represents the maximum level of potential negative impact that the BoD is willing to accept for Interest Rate Risk.

3.7.3.2 Interest Rate Risk Management and Reporting

On a quarterly basis, the Risk Management & Control Function ensures the assessment of compliance with limits set up in the Risk Tolerance Statement.

Any breach of limits is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate information on breaches is communicated to the BoD on a recurrent basis and at least quarterly.

Unless otherwise required by context, special circumstances or market conditions, reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis.

The Risk Management & Control Function is also in charge for the stress test under CSSF Circular 08/338 that has to be reported every six months. The Risk and Credit Committee supervises and approves this stress test before reporting to the CSSF.

The Risk and Credit Committee supervises the analysis performed by the Risk Management & Control Function and the related risks which the Bank may be exposed to. It may reduce or freeze limits at any time, in light of changes in the related risks or in order to take the latest events into account. Such actions are reported to the BoD on a quarterly basis.

3.8 Operational Risk Management

3.8.1 Risk Identification

Operational risk is the risk of losses as a result of inadequate or failed internal procedures, human errors, failed systems or external events. Operational risk originally includes legal and regulatory risk in its Pillar I definition, which consists in the risk of failing to comply with applicable rules which could result in sanctions, financial damages and costly litigations.

Operational risk in the Bank is related, amongst others, to the following areas: mistake in processing of transactions, unplanned loss of personnel, embezzlement and physical destruction of assets (in particular of the EDP system) by a third party or by force majeure.

3.8.2 Evidence

Operational Risk, which includes Outsourcing Risk, has been identified as a material risk to which DBC is exposed to. The Operational Risk includes Outsourcing Risk and, in particular for DBC, the risk related to the EDP system and IT infrastructure outsourced. Outsourcing Risk can lead to unforeseen losses or additional costs due to outsourcing performance issues, key dependencies or unexpected changes or actions which may become necessary to restore the performance of outsourced operations or services.

3.8.3 Risk Measurement, Management and Reporting

3.8.3.1 Operational Risk Measurement

The Bank has calculated the amount of regulatory capital corresponding to the Pillar I for operational risk by applying the Basic Indicator Approach. This approach requires DBC to apply a capital charge requirement which is equal to 15% of the average over three years of the relevant indicator as set out in Article 316 of the CRR. The amount of capital is calculated on the basis of the last three twelve-monthly observations at the end of any financial year.

For the financial year ended on 30 June 2014 the above mentioned relevant indicator was calculated on the basis of forward-looking business estimates for the financial years 2015, 2016 and 2017.

For the financial year ended on 30 June 2015, DBC calculates the relevant indicator on the basis of historical data for the financial year closed as of 30 June 2014 and on the basis of forward-looking business estimates for the financial years 2015 and 2016.

As at 30 June 2015 and 2014, the Bank's Operational Risk Exposure under the Basic Indicator Approach amounts to EUR 15,64 million (2014: EUR 40,07 million) and the capital requirement to EUR 1,25 million (2014: EUR 3,21 million).

For prudential reasons no foreign exchange gain or loss is generally taken into account for determining the relevant indicator for the purpose of calculating the operational risk capital charge.

For the Pillar II and internal assessments, the quantification of operational risk and sub-risks is produced by DBC by using a self-assessment approach which involves the AM and senior staff members. Potential impact and mitigation factors are quantified cautiously by taking into account that the internal control environment of the Bank is recent.

Additional buffers determined by the Risk and Credit Committee are added to the amount of residual risk in order to take into account the fact that this self-assessment methodology is recent and that the Bank does not have a long history on operational incidents to compare with these estimates.

3.8.3.2 Operational Risk Management and Reporting

DBC monitors and measures operational risk through the implementation of internal operational risk workshops with self-assessment elements. All internal risks are reviewed on a quarterly basis by the Compliance and Legal Function, and at least annually by the Internal Audit Function.

To mitigate outsourcing risk, the Compliance and Legal Function performs regular due diligence reviews which include a review of services providers prior to conclude any outsourcing agreement as well as during the course of the services provided.

Stress tests relating to DRP (Disaster Recovery Plan) have been performed and a BCP (Business Continuity Plan) are made yearly.

Reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD upon occurrence or on a quarterly basis, unless otherwise required by context, specific circumstances or events, changes in the Bank’s internal organization or its relationship with services providers.

The Risk and Credit Committee supervises the analysis performed by the Compliance and Legal Function and the related risks which the Bank may be exposed to. It may consider additional buffers to be added to the amount of residual risk at any time, in light of changes in the related risks or in order to take the latest events into account. Such actions are reported to the BoD on a quarterly basis.

3.9 Liquidity Risk Management

3.9.1 Risk Identification

Liquidity risk relates primarily to the Bank’s capability to meet demands on cash withdrawals from its customers, as well as to meet other obligations that require payments to be made.

In addition to Pillar 1 liquidity ratios (LCR and NSFR), Banks in Luxembourg currently have to submit to CSSF the template B 1.5 of “liquidity ratio”; this table establishes the liquidity situation on the last day of each month.

The liquidity ratio requires that contingent liabilities are covered for at least 30% of qualifying assets liquid.

The liquidity ratio (in %) is calculated using the formula follows:

Liquid assets / Liabilities ≥ 30%.

To improve the strength of financial institutions to liquidity problems, the new regulatory framework requires the creation of a portfolio of liquid assets to cover the net liquidity needs over 30 days, estimated in market conditions stressed (LCR).

In general, the NSFR ensures that the facility has enough "stable" resources (i.e. the initial maturity of resources than one year) to finance its medium / long-term assets. For this, the amount of requiring stable funding (RSF) must be less than the amount of available stable funding (ASF).

3.9.2 Evidence

The Bank’s strategy is to observe higher liquidity standards in comparison to the regulatory requirements in order to be able to meet any unforeseen payment obligations.

Considering DBC’s Investment Policy, that foresees to maintain a consistent part of liquidity invested for a period below 1 month, the AM does not expect to have any material risk in terms of liquidity.

In addition, as DBC generally uses to maintain adequate reserves of immediately available funds to face its current payment obligations.

The BoD considers that the approach undertaken by the AM is relevant, reasonable and in line with DBC’s risk tolerance in proportion of the Bank’s current activities.

As at 30 June 2015 and 2014, the B 1.5 liquidity ratio of the Bank amounted to 114,44% (2014: 114,33%) and the LCR as at 30 June 2015 stands at 11.958% as deposits received from customers totaling EUR 72,76 have been concluded with an average maturity of 6 months.

3.9.3 Risk Measurement, Management and Reporting

3.9.3.1 Liquidity Risk Measurement

The Bank measures its Liquidity Risk on a monthly basis following the approach and requirements used for its Liquidity Coverage Ratio (LCR) which is reported to the CSSF.

On a monthly basis the Bank also reports its B 1.5. liquidity ratio to the CSSF, ratio for which the minimum of 30% is required.

For the Pillar II and internal assessments, the Liquidity Risk is also measured on a quarterly basis by assuming a potential negative impact resulting from the early disposal of placements or from the necessity to request external funding for facing unplanned demands for funds coming from the ultimate parent company or demands on cash repayments from customers (related parties).

3.9.3.2 Liquidity Risk Management and Reporting

The Bank manages its Liquidity Risk by meeting at least the minimum regulatory threshold under the Liquidity Coverage Ratio (LCR). The Bank is aware that the LCR will be phased-in gradually, starting at 60% in 2015 and reaching 100% in 2018.

The Bank also monitors the Net Stable Funding Ratio (NSFR) which minimum level will be fixed at 100% as of January 1, 2018.

Following to the start of the activity in relation to the customer’s deposits and the loan granting, the BoD has decided to include in the Risk Tolerance Statement a minimum level of 100% to be meet as from October 2015 and 120% as from 1 January 2018 in order to set prudentially additional buffer.

The Risk Management & Control Function monitors compliance with the above mentioned limits on a monthly basis.

Any breach of limits is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate information on breaches (if any) is communicated to the BoD on a recurrent basis, and at least monthly.

Reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis, unless otherwise required by context, special circumstances or events or material changes in the Bank’s liquidity situation.

The Risk and Credit Committee supervises the analysis performed by the Risk Management & Control Function and the related liquidity risks which the Bank may be exposed to. It may address corrective measures to be undertaken or included in the Investment, in light of changes in the related risks. Such actions are reported to the BoD on a quarterly basis.

3.10 Legal & Compliance Risk Management

Legal & Compliance risk is the risk of adverse effects for an institution which does not comply with currently prevailing standards. The Compliance Risk can cover a variety of risks such as reputational, legal, litigation and sanctions risks, including some aspects of operating risk, that are connected to all the Bank’s activities.

Compliance risk is also composed of:

Regulatory Risk: Risk of loss arising from non-compliance with laws and regulations, and lack of adequate documentation to demonstrate compliance.

Monitoring and Reporting Risk: Risk of loss arising from failure to comply with financial reporting standards, agreements or regulatory requirements, including risks resulting from actions taken by shareholders, regulators and customers who may have been harmed by incomplete, inaccurate or untimely reporting of financial performance.

DBC aims to fully comply with the applicable laws, regulations, policies, procedures and internal Code of Conduct.

Emerging regulations are monitored by the Compliance & Legal Function and by the Risk Management & Control Function and are reported to the AM and to the BoD. Additional strategies and procedures required to comply with regulations are put in place where necessary. The Compliance & Legal Function ensures that the Bank complies with AML/CBT regulation and is responsible of the Bank's compliance with the legal and regulatory framework. The Compliance & Legal Function is also in charge for the centralized monitoring of Customer's Complaints.

To mitigate the Compliance & Legal Risk, the Compliance & Legal Function performs regular due diligence reviews, including the control over the reporting schedule and process to the regulator, while the review of compliance with regulatory reporting requirements is performed by the Risk Management & Control Functionunder the supervision of the Risk and Credit Committee.

The Compliance & Legal Function also monitors on a daily basis the correspondence received or addressed to the regulators as well as new regulations. It updates and maintains the related records and is in charge for the diffusion of new regulations and reminder communication to employees and management staff.

Reports referring to these assessments are addressed to the Risk and Credit Committee, to the AM and to the BoD on a quarterly basis, unless otherwise required by context, special circumstances or events, urgent matters or related changes in regulation.

Any breach of compliance requirements is immediately reported to the Risk and Credit Committee and to the AM for corrective measures to be undertaken. Appropriate information on breaches (if any) is communicated to the BoD on a recurrent basis and at least monthly.

3.11 Reputation Risk Management

Reputation Risk is the risk arising from negative public opinion that may cause a decline in the customer base and costly litigation, or may impact DBC in a negative way that may affect its revenues.

Due to the type of activity and business that DBC will perform during the following year, the Bank considers that the risk of a reputation issue, which could directly have an impact on its results, is low. Notwithstanding, DBC may be exposed to reputation risks in respect to counterparts other than customers, i.e. mainly to reputation issues vis-à-vis the regulators or its shareholders.

Reputation Risk is managed and monitored by the Compliance & Legal Function.

3.12 Business and Strategic Risk Management

Business and strategic risk represents the probability of losses due to wrong strategic decisions or to a consequence of changes in competitive environment.

Due to the type of activities that will be performed during the following year, the Bank considers that the business and strategic risk, which could directly impact its results, is low. Notwithstanding, DBC may be exposed to business and strategic risk in respect to related parties customers which might consider the services offered by DBC not appropriate or not competitive, DBC may be also exposed to business and strategic risks in respect to its shareholders who might consider DBC's investment strategy and profitability not in line with expectations or if structural costs incurred by DBC became significantly higher than forecasted.

The Bank manages its business and strategic risk through reports which provide the following information:

- Accounting and key balance-sheet margin figures
- Return on investments and new investment proposals and strategies
- Reporting of key decisions taken by the different Committees, by the AM and by the BoD relating to the Bank's activities and services.

Business and Strategy risk is managed and monitored directly by the AM of the Bank who reports to the BoD on a quarterly basis.

4 Leverage Ratio

The leverage ratio measures the proportion of Tier 1 capital in relation to the Bank's total balance sheet without taking into account collaterals and without summing the weighted off-balance commitments. It is the ratio defined as the *"Sum of the balance sheet and off balance sheet commitments weighted divided by Tier 1 Capital".* This ratio is not based on risk but is an additional tool to limit the use of excessive leverage in the banking sector.

DBC satisfies largely the 3% threshold that has been set for the leverage ratio.

As at 30 June 2015 and 2014, the Bank's leverage ratio amounted to 18,5% (2014: 21,5%).

The risk of an excessive increase in the leverage ratio due to a possible decline in own funds caused by an absorption of losses or changes in accounting methodologies is regularly assessed by taking into account the leverage ratio into the various stress tests performed by the Bank.

The Bank's conservative approach in relation to distribution of profits allows a continuous strengthening of own funds and a strengthening in limits contained in the Risk Tolerance Statement. Through its conservative approach and in consideration of the nature of the Bank's business, DBC considers being able to maintain a leverage ratio that remains stable over time.

The Bank carries out quarterly monitoring of the evolution of its leverage ratio which is transmitted to the Risk and Credit Committee and to the BoD.

5 Unencumbered and encumbered assets

As at 30 June 2015 and 2014 the Bank doesn't have any encumbered assets. Given the nature of the Bank's activities and its business plan for the coming years, the Bank doesn't expect to have a high level of encumbered assets.

6 The Bank's Own Funds

6.1 Shareholders' Equity

6.1.1 Accounting Framework

The Bank's Annual Accounts are prepared and presented in conformity with the legal and accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg *(LUXGAAP)* while internal reports, regulatory reporting, risk management analysis, assessments and measurements are produced on the basis of the IAS *("International Accounting Standards)* and IFRS *("International Financial Reporting Standards")* as adopted by the EU.

6.1.2 Reconciliation between LUXGAAP and IFRS Treatment.

The following table summarizes the shareholders' equity of the Bank as at 30 June 2015 and 2014 and the reconciliation between LUXGAAP and IFRS:

Shareholders' Equity *Reconciliation between LUXGAAP and IAS/IFRS*	**30/06/2015**		
	Shareholders' Equity LUXGAAP	**Adjustments to IAS / IFRS Standards**	**Shareholders' Equity IAS/IFRS Standards**
	EUR/000	**EUR/000**	**EUR/000**
Subscribed capital - Ordinary Shares	200.000	-	200.000
Subscribed Capital - Mandatory Redeemable Preferred Shares (MRPS)	200.000	-200.000	-
Share premium attached to the Ordinary Shares	15.000	-	15.000
Share premium attached to the MRPS	557.800	-557.800	-
Previous year retained earnings	-10.943	3.351	-7.592
Legal reserve	150	-	150
Reserves AFS - Fixed-income securities	-	823	823
Profit or loss for the financial year	64.677	4.573	69.250
Total Shareholder's Equity	**1.026.684**	**-749.053**	**277.631**

Shareholders' Equity *Reconciliation between LUXGAAP and IAS/IFRS*	**30/06/2014**		
	Shareholders' Equity LUXGAAP	**Adjustments to IAS / IFRS Standards**	**Shareholders' Equity IAS/IFRS Standards**
	EUR/000	**EUR/000**	**EUR/000**
Subscribed capital - Ordinary Shares	200.000	-	200.000
Subscribed Capital - Mandatory Redeemable Preferred Shares (MRPS)	200.000	-200.000	-
Share premium attached to the Ordinary Shares	15.000	-	15.000
Share premium attached to the MRPS	557.800	-557.800	-
Previous year retained earnings	18	728	746
Legal reserve	150	-	150
Reserves AFS - Fixed-income securities	-	3.319	3.319
Profit or loss for the financial year	-10.961	2.623	-8.338
Total Shareholder's Equity	**962.007**	**-751.130**	**210.877**

6.1.3 Description of Shareholders' Equity and Related Adjustments from LUXGAAP to IFRS Standards

6.1.3.1 Capital, Share Premium Account

As at 30 June 2015 and 2014, the capital of the Bank is fixed at EUR 400 million represented by 2.000.000 Ordinary Shares of a par value of EUR 100,00, each with a share premium of a total amount of EUR 15 million attached, and by 2.000.000,00 MRPS without voting rights of a par value of EUR 100,00 each and with a share premium of a total amount of EUR 557,8 million attached.

All shares are registered shares, fully paid-up and owned by a Luxembourg company belonging to the Danieli Group.

Terms and Conditions relating to the Ordinary Shares, MRPS and related share premium accounts are described in the articles of association of the Bank.

As at 30 June 2015 and 2014, the total amount of (EUR 757,8 million) concerns the MRPS and the related share premium account which have been recognized as financial liabilities under IFRS treatment on the basis of the terms and conditions of these instruments.

6.1.3.2 Previous Year Retained Earnings

As at 30 June 2015, the adjustment of EUR 3,351 million includes the amount of EUR 0,728 million related to the First Time Adoption as at July 1, 2013 and an amount of EUR 2,623 million concerning the adjustments from LUXGAAP to IFRS in the loss for the financial year ended as at 30 June 2014.

As at 30 June 2014, the adjustment of EUR 0,728 million is related to the First Time Adoption as at July 1, 2013 and the related transition to IFRS. It corresponds to the reversal of value adjustments on fixed-income securities included in the Bank's securities portfolio under LUXGAAP as at June 30, 2013.

6.1.3.3 Reserves

As at 30 June 2015 and 2014, the adjustment in reserves of an amount of EUR 0,823 million (2014: EUR 3,319 million) corresponds to the net impact, after deduction of deferred taxes, of the fair valuation of fixed-income securities included in the Bank's AFS (Available For Sale) securities portfolio.

6.1.3.4 Profit or loss for the financial year

As of 30 June 2015, the adjustment in the profit of the financial year of a total amount of EUR 4,573 million is composed of:

- EUR 0,195 million corresponding to the impact of the amortized cost on fixed-income debt securities included in the AFS (Available For Sale) securities portfolio.
- EUR 6,402 million related to unrealized gains on the fair valuation of options linked to the exchange rate;
- EUR 0,427 million corresponding to the net difference between LUXGAAP and IFRS related to gains on the sale of securities held in the Bank's structural portfolio respectively in the AFS portfolio;
- EUR (0,333 million) corresponding to the net difference between LUXGAAP and IFRS related to exchange gains realized on the evaluation of the Bank's structural portfolio respectively in the AFS portfolio;
- EUR 2,362 million corresponding to the value adjustment on securities in the Bank's structural portfolio which have been recognized in the Bank's profit and loss account under LUXGAAP;
- EUR (0,321 million) corresponding to the reversal of prior year's value adjustments on the bonds in the Bank's structural portfolio which have been recognized in the Bank's profit and loss account under LUXGAAP;
- EUR (3,186 million) corresponding to the impact in the current year taxes on profit following the reversal of prior year's deferred tax asset recognized under IFRS;
- EUR (0,973 million) corresponding to deferred taxes on the profit for the current financial year.

As of 30 June 2014 the adjustment of an amount of EUR 2,623 million is composed of:

- EUR 3,186 million corresponding to the deferred tax asset accounted for under IFRS and based on the tax loss of the Bank as of 30 June 2014;
- EUR (0,563 million) corresponding to the reversal of value adjustments on fixed-income securities included in the Bank's structural portfolio which have been recognized in the Bank's profit and loss accounted under LUXGAAP as at 30 June 2014. Under IFRS this unrealized loss is not recognized in the profit and loss account, but impacts the AFS reserve for its net amount, after deferred taxes.

6.2 The Bank's Regulatory Own Funds and Solvency Ratios

The following tables summarize the Bank's Regulatory Own Funds and Solvency Ratios as of 30 June 2015 and 2014 and provides a comparison with the Shareholders' Equity.

Regulatory Own Funds, Solvency Ratios and Shareholders' Equity	**30/06/2015**		
	Regulatory Own Funds	**Shareholders' Equity**	**Shareholders' Equity**
	Solvency Ratios	**IAS/IFRS Standards**	**LUXGAAP (*)**
	EUR/000	**EUR/000**	**EUR/000**
Capital instruments eligible as CET1 (Common Equity Tier 1) Capital	**215.000**	**215.000**	**972.800**
Paid up capital instruments	200.000	200.000	200.000
Memorandum item: Capital instruments not eligible		-	200.000
Share premium	15.000	15.000	572.800
Retained earnings	**-7.592**	**61.658**	**53.734**
Previous year retained earnings	-7.592	-7.592	-10.943
Profit or loss eligible	69.250	69.250	64.677
part of year end profit and loss not eligible	-69.250	-	-
Other reserves	**973**	**973**	**150**
CET1 Capital before regulatory prudential adjustments	**208.381**	**277.631**	**1.026.684**
Prudential deductions	**-823**	**-**	**-**
Deferred tax assets that rely on future profitability	-	-	-
Other CET1 deductions - AFS Reserves	-823	-	-
CET1 Capital	**207.558**	-	-
Capital instruments eligible as AT1 (Additional Tier 1) Capital	-	-	-
AT1 Capital before regulatory prudential adjustments	-	-	-
Prudential deductions	-	-	-
AT1 Capital	-	-	-
Total Tier 1 Capital (T1 = CET1 + AT1)	**207.558**	-	-
Capital instruments eligible as T2 (Tier 2) Capital	-	-	-
T2 Capital before regulatory adjustments	-	-	-
Prudential deductions	-	-	-
T2 Capital	-	-	-
Total Regulatory Capital (TRC = T1 +T2)	**207.558**	-	-
Total Risk-weighted Assets	**915.454**	-	-
Total Capital requirement (8% of Risk-weighted Assets)	**73.236**	-	-
Solvency Ratios			
Tier 1 Solvency Ratio	**22,67%**		
Total Solvency Ratio	**22,67%**		
(*) Approved Annual Accounts as at 30/06/2015			

Regulatory Own Funds, Solvency Ratios and Shareholders' Equity	30/06/2014		
	Regulatory Own Funds	Shareholders' Equity	Shareholders' Equity
	Solvency Ratios	IAS/IFRS Standards	LUXGAAP (*)
	EUR/000	EUR/000	EUR/000
Capital instruments eligible as CET1 (Common Equity Tier 1) Capital	**215.000**	**215.000**	**972.800**
Paid up capital instruments	200.000	200.000	200.000
Memorandum item: Capital instruments not eligible		-	200.000
Share premium	15.000	15.000	572.800
Retained earnings	**-7.592**	**-7.592**	**-10.943**
Previous year retained earnings	746	746	18
Profit or loss eligible	-8.338	-8.338	-10.961
part of year end profit and loss not eligible	-	-	-
Other reserves	**3.469**	**3.469**	**150**
CET1 Capital before regulatory prudential adjustments	**210.877**	**210.877**	**962.007**
Prudential deductions	**-6.505**	-	-
Deferred tax assets that rely on future profitability	-3.186	-	-
Other CET1 deductions - AFS Reserves	-3.319	-	-
CET1 Capital	**204.372**	-	-
Capital instruments eligible as AT1 (Additional Tier 1) Capital	-	-	-
AT1 Capital before regulatory prudential adjustments	-	-	-
Prudential deductions	-	-	-
AT1 Capital	-	-	-
Total Tier 1 Capital (T1 = CET1 + AT1)	**204.372**	-	-
Capital instruments eligible as T2 (Tier 2) Capital	**-**	-	-
T2 Capital before regulatory adjustments	-	-	-
Prudential deductions	-	-	-
T2 Capital	-	-	-
Total Regulatory Capital (TRC = T1 +T2)	**204.372**	-	-
Total Risk-weighted Assets	**707.311**	-	-
Total Capital requirement (8% of Risk-weighted Assets)	**56.585**	-	-
Solvency Ratios			
Tier 1 Solvency Ratio	**28,89%**		
Total Solvency Ratio	**28,89%**		
(*) Approved Annual Accounts as at 30/06/2014			

6.3 Description of Regulatory Own Funds and prudential deductions

6.3.1 Common Equity Tier 1 (CET1) Capital

As at 30 June 2015 and 2014 the Bank’s Common Equity Tier 1 (CET1) Capital available for regulatory capital requirements amounts to EUR 207,56 million (2014: EUR 204,37 million) after deducting prudential adjustments provided by the CSSF Regulation N° 14-01 on the implementation of some discretions of Regulation (EU) No 575/2013.

6.3.2 Prudential Adjustments

As at 30 June 2015 and 2014, the following prudential adjustments have been made for the calculation of the Bank's Common Equity Tier 1 (CET1) Capital:

- (EUR 0,823 million) - (2014: -EUR 3,319 million) corresponding to the net impact, after deduction of deferred taxes, of the fair valuation of fixed-income securities included in the AFS (Available For Sale) portfolio of the Bank.
- (2014: -EUR 3,186 million) corresponding to the deferred tax asset accounted for under IFRS and based on the tax loss of the Bank as of 30 June 2014;

As at 30 June 2015 and 2014 no item relating to the lump sum and the AGDL provision have been recognized in the Bank's annual accounts given the nature of deposits from customers as at 30 June 2015 (corporates belonging to the same group) and the absence of deposit from customers as at 30 June 2014. Therefore no deduction from Common Equity Tier 1 (CET1) Capital was necessary in accordance with CSSF Circular 14/599.

6.3.3 Additional Tier 1 (AT1) Capital and Tier 2 Capital

As at June 30 2015 and 2014 there are no items or instruments eligible for AT1 and Tier 2 Capital.

6.3.4 Treatment of MRPS under IFRS and for Regulatory Purposes

The Bank has issued MRPS without voting rights and related share premium account for a total amount of EUR 757,8 million.

On the basis of the terms and conditions governing these shares & share premium account, MRPS have been recognized under IFRS as financial liabilities and are not eligible for CET 1, AT1 and Tier 2 Capital and have therefore not been included in the Bank's Regulatory Own Funds.

Nevertheless, as stated in its Capital Contingency Plan included in the ICAAP Document (Pillar II) established by the Bank and approved by the BoD (see section 7), the Bank's shareholders have agreed to make available to DBC, upon simple request of the BoD, additional capital of an amount up to EUR 250 million through the conversion into Tier 1 Capital of MRPS and related Share Premium.

6.4 Capital Requirements, Adequacy and Solvency Ratio

6.4.1 Pillar I Capital Requirements, Adequacy and Solvency Ratio

The following tables detail the Bank's Pillar I capital requirements as at 30 June 2015 and 2014 by exposures classes and risk types, further to the Bank's capital surplus and its Solvency Ratio calculation.

Pillar I Capital Requirements, Adequacy and Solvency Ratio	30/06/2015			
	Approach	Exposure at Default (EAD)	Risk Weighted Assets (RWAs)	Capital Requirements
		EUR/000	EUR/000	EUR/000
Credit Risk	**Standarised**	**1.125.829**	**451.794**	**36.144**
Central Governments or Central Banks		111	-	-
Multilateral Development Banks		13.573	-	-
Institutions		1.014.796	364.704	29.176
Corporates		97.204	86.945	6.956
Other Items		145	145	12
Foreign Exchange Risk	**Standarised**	**446.379**	**446.379**	**35.710**
Operational Risk	**Basic Indicator**	**15.641**	**15.641**	**1.251**
Risk exposure for credit valuation adjustment	**Standarised**	**1.640**	**1.640**	**131**
Total		**1.589.489**	**915.454**	**73.236**
Total Pillar I Capital Requirements		-	-	**73.236**
Total Regulatory Capital		-	-	**207.558**
Total Regulatory Capital Surplus		-	-	**134.322**
Solvency Ratio (Regulatory Capital / RWAs)		-	-	**22,67%**
Pillar I Capital Adequacy Ratio		-	-	**283,41%**
		-	-	
Capital Conservation Buffer (CCB) of 2,5%		-	-	**22.886**
Total Pillar I Capital Requirements including CCB		-	-	**96.122**
Total Regulatory Capital Surplus including CCB		-	-	**111.436**
Pillar I Capital Adequacy Ratio including CCB		-	-	**215,93%**

Pillar I Capital Requirements, Adequacy and Solvency Ratio	30/06/2014			
	Approach	Exposure at Default (EAD)	Risk Weighted Assets (RWAs)	Capital Requirements
		EUR/000	EUR/000	EUR/000
Credit Risk	**Standarised**	**967.817**	**310.499**	**24.840**
Central Governments or Central Banks		-	-	-
Multilateral Development Banks		11.127	-	-
Institutions		908.179	267.200	21.376
Corporates		48.461	43.249	3.460
Other Items		49	49	4
Foreign Exchange Risk	**Standarised**	**356.743**	**356.743**	**28.539**
Operational Risk	**Basic Indicator**	**40.069**	**40.069**	**3.206**
Risk exposure for credit valuation adjustment	**Standarised**	-	-	-
Total		**1.364.629**	**707.311**	**56.585**
Total Pillar I Capital Requirements		-	-	**56.585**
Total Regulatory Capital		-	-	**204.372**
Total Regulatory Capital Surplus		-	-	**147.787**
Solvency Ratio (Regulatory Capital / RWAs)		-	-	**28,89%**
Pillar I Capital Adequacy Ratio		-	-	**361,18%**
		-	-	
Capital Conservation Buffer (CCB) of 2,5%		-	-	**17.683**
Total Pillar I Capital Requirements including CCB		-	-	**74.268**
Capital Surplus including CCB		-	-	**130.104**
Pillar I Capital Adequacy Ratio including CCB		-	-	**275,18%**

6.4.2 Capital conservation buffers

The CRR indicates that Banks have to maintain the following capital buffers:

- a capital conservation buffer
- a specific countercyclical capital buffer
- a systemic risk capital buffer

The CSSF Regulation N° 14-01 on the implementation of certain discretions of Regulation (EU) No 575/2013 defines in its article 6 that Banks submitted to the CRR have to maintain a CET1 capital conservation buffer corresponding to 2,5% of the total amount of their Risk Weighted Assets (RWAs).

As at 30 June 2015 and 2014, countercyclical and systemic risk capital buffers were not yet applicable.

7 The Bank's Internal Capital Adequacy Assessment Process (ICAAP)

The main objectives of the ICAAP is to self-assess capital adequacy in respect of the risks which the Bank is or may be exposed to, considering its business model and strategy, as well as its defined risk appetite and risk-bearing capacity. According to CSSF Circular 07/301 relating to the ICAAP, financial institutions have to set up "*healthy, efficient and exhaustive strategies and processes, allowing institutions to assess and maintain at any time the amount, type of allocation of internal capital they deem appropriate to cover the type and level of risks to which they are or could be exposed*".

DBC has established its first ICAAP document as regards to the financial year ended on 30 June 2014. This work has been organized in different phases and has involved different bodies within DBC such as the BoD, the AM, the Risk Management & Control Function and Compliance Function and the Internal Auditor. The ICAAP process undertaken includes different topics/tasks which are summarized here below and which are updated whenever estimated necessary by the AM and the BoD. The last review and update has been made in the frame of the work performed for the establishment of the ICAAP report regarding the financial year ended on 30 June 2015..

7.1 Definition of a Risk Appetite Framework.

Taking into account the gradual implementation of the risk management framework and the nature of the Bank's business and projected activities, which consists for a significant part into the management of assets arising from the Bank's own funds, the BoD has decided to define a Risk Tolerance Framework rather than a Risk Appetite model. The Risk Tolerance Framework has been defined through the establishment of a Risk Tolerance Statement. The Risk Tolerance Statement includes a certain number of key indicators and internal limits that are linked to the approved Investment Policy of the Bank and which together are designated firstly to ensure the safeguarding of the Bank's activity to a continuous compliance with regulatory obligations and requirements and secondly to meet the Bank's objectives in terms of return on investments.

The limits included in the Risk Tolerance Statement and in the Investment Policy have been fixed by leveraging on the impact assessment conducted for the major source of material risks on which the Bank is exposed given the size, nature and complexity of its activities and after completion of a first identification process of these risks. These limits are reviewed by the BoD whenever necessary and at least annually.

7.2 Risks Identification

This process has been carried out according to the following steps:

7.2.1 Identification of risks

The Risk Management Policy approved by the BoD contains an analysis and a description of material risks as well as mitigation strategies and is for the time being reviewed on quarterly basis.

The table below indicates both material and non-material risks as identified by the BoD and the AM on the basis of the work performed by the Risk Management & Control Function:

Material Risks			Pillar II Risks deemed as not material or relevant for DBC	
Risk Category	**Pillar I**	**Pillar II**	**Risk Category**	**Pillar II**
Credit Risk	✓	✓	Underwriting Risk	✓
Settlement Risk and free deliveries	✓	✓	Pension Risk	✓
Market Risk and Foreign Exchange Risk	✓	✓	Transfer Risk	✓
Operational Risk	✓	✓	Securitization Risk	✓
Concentration Risk		✓	Model Risk	✓
Liquidity Risk		✓	Macroeconomic Risk	✓
Legal and Compliance Risk		(*)		
Reputation Risk		(*)		
Business and Strategic Risk		(*)		
Residual Risk		(*)		

(*) Identified as a material risk but not quantified as of 30 June 2015.

The above list of risks represents the material risks currently identified by the Bank and is considered to be exhaustive in the current set of activities. However, the Bank is conscious that it can be exposed in the future to new or emerging risk(s) or to non-material risks currently identified as not material that could become material. The Bank will therefore have to address and manage them as they arise.

The Bank also considers that within material risks identified, the most significant risks i.e. with the highest potential negative impacts, that may arise given the nature of its business, are the following:

- Credit Risk
- Interest Risk deriving from its non-trading activities
- Foreign Exchange Risk
- Operational Risk
- Concentration Risk

7.2.2 Assessment of risk materiality

The BoD estimates that a risk is considered "material" if this risk can generate a loss of more than EUR 100 thousand or its equivalent in a currency other than Euro. Materiality has been derived from the internal estimate of a single event/incident loss impact and of its likelihood assessment. 8 levels of Impact and Likelihood have been defined.

7.3 Risk assessment and quantification

For the most significant material risks identified, DBC has conducted a review based on CSSF Circular CSSF 07/301.

The measurement of the minimum capital requirement for the major risks identified has been based on Pillar I minimum requirements. For Pillar II risk quantification, the material risks have been quantified using a self-assessment approach and for certain risks using the methodology applied for stress-test analysis.

The assessment has been performed by the AM and the Risk Management & Control Function which have considered each category of major source of risks and which have assessed these risks to be greater than the materiality level set of EUR 100 thousand. The impact and the likelihood for the major source of risks and sub-risks have been assessed over a one year horizon. The likelihood is based on how likely the AM estimates that each risk could have a potential financial impact in a one year time horizon e.g. 0,25 represents 1 time every 4 years. A one year time horizon is usually considered by banks as relevant to recapitalize from a major loss event.

The inherent risk has been calculated by multiplying the financial impact by the likelihood and represents for DBC the financial loss to be expected on a one year basis before taking into account the existence of controls. The residual risk reflects the level of potential risk remaining after the current controls have been taken into account. This approach is considered acceptable for each of the most important risks.

7.4 Capital Adequacy and process, capital projection

Capital adequacy and process aim to link the Bank's available financial resources with capital needs *(i.e. Available Capital Resources versus Total Internal Capital Estimates*), and represent the loss-absorbing financial capacity and availability. The internal capital represents the amount of capital that DBC considers for the time being sufficient to operate with in relation to the risks it faces. Internal capital has been defined as the sum of the regulatory capital requirements (Pillar I) and the capital requirements for the risks partially or not comprised in the regulatory capital (Pillar II), including the results of stress tests.

7.5 Stress testing

In order to assess the adequacy of the Pillar II capital requirement calculation, stress tests have been used to analyse the impact of exceptional but plausible events on the capital of DBC. The objective of this assessment was to ensure that DBC's risk mitigation controls, capital and the capital contingency plan can withstand the consequences of a high-impact low-likelihood event.

Stress tests are tools used to gauge the potential vulnerability to exceptional but plausible scenarios.

Stress Test scenarios have been derived from the Pillar II risk assessment results. The most plausible scenarios have been chosen by the AM of DBC.

7.5.1 Inclusion of MRPS in the Bank's own funds

DBC has issued 2.000.000 MRPS without voting rights for a nominal value of EUR 200 million and with a share premium attached amounting to EUR 557,8 million. This total amount of EUR 757,8 million is not included within Pillar 1 regulatory capital and has partially been considered for quantification of Available Pillar II capital versus Pillar II capital requirement as part of DBC's internal policy. The characteristics of the MRPS *(i.e. sufficient maturity condition before any redemption, flexibility of payment, subordination, fully paid-in with share premium and held by the shareholders)* allow the Bank to consider them as available capital under Pillar II *(i.e. 'internal own funds' in accordance with CSSF Circular 07/301)* for an amount which has been defined in line with the Risk Tolerance of the Bank.

7.6 Contingency Plan

DBC's Shareholders and BoD have agreed upon a Capital Contingency Plan in relation to stress tests performed and related risks which the Bank may be exposed to in case of catastrophic events.

On the basis of such Capital Contingency Plan, DBC's shareholders have agreed to make available to DBC, upon simple request of the BoD, additional capital of an amount up to EUR 250 million, through the conversion into Tier 1 Capital of MRPS without voting rights currently issued by DBC and owned by the shareholders for a total amount of EUR 757,8 million.

Estimates related to DBC's capital adequacy *(incl. Pillar 1, Pillar II, Stress tests)* have been therefore performed by considering that EUR 250 million of MRPS are to be included in DBC's internal own funds.

7.7 Capital Adequacy of the Bank

The Bank’s capital adequacy under the ICAAP process as of 30 June 2015 and 2014 is represented in the following tables:

Risk Category	30/06/2015			
	Pillar I	Pillar II	Stress Test	Internal Capital Estimates
	EUR/000			
Credit Risk	36.275	83.722	50.950	170.947
Settlement and free delivery Risk	-	-	-	-
Foreign Exchange Risk	35.710	-14.725	-	20.985
Interest Rate Risk	-	17.456	-	17.456
Operational Risk	1.251	1.151	3.725	6.127
Liquidity Risk	-	-	-	-
Total Capital Requirements	**73.236**	**87.604**	**54.675**	**215.514**
Regulatory Available Capital (*)	-	-	-	218.198
MRPS under Contingency Plan	-	-	-	250.000
Total Available Capital Resources	-	-	-	**468.198**
Solvency Ratio	-	-	-	**17,38%**
Capital Adequacy Ratio	-	-	-	**217,24%**

(*) The exchange gain deriving from the evaluation in EUR at the year-end of the whole assets held by DBC in USD has been recognized in the Profit & Loss account of the Bank as at 30 June 2015. The financial year as of 30 June 2015 closed with a net profit after tax of EUR 69,25 million *(FINREP)* and EUR 64,68 million under LUXGAAP. The net exchange gain after tax deriving from the evaluation in EUR at the year-end of the whole assets held by DBC amounted to EUR 58,61 million (FINREP).

For Pillar 1, Pillar 2 and Stress Test estimates, the amount of EUR 69,25 has been included in DBC’s available capital and the amount of EUR 58,61 million has been deducted from DBC’s available capital as at 30 June 2015 in consideration that part of the exchange gain (in respect to the amount of USD 300 million) was realized only in July 2015.

Risk Category	30/06/2014			
	Pillar I	Pillar II	Stress Test	Internal Capital Estimates
	EUR/000			
Credit Risk	24.840	53.410	60.550	138.800
Settlement and free delivery Risk	-	-	-	-
Foreign Exchange Risk	31.110	7.194	-	38.304
Interest Rate Risk	-	19.620	-	19.620
Operational Risk	3.206	-391	3.012	5.827
Liquidity Risk	-	-	-	-
Total Capital Requirements	**59.155**	**79.834**	**63.562**	**202.551**
Regulatory Available Capital	-	-	-	204.372
MRPS under Contingency Plan	-	-	-	250.000
Total Available Capital Resources	-	-	-	**454.372**
Solvency Ratio	-	-	-	**17,95%**
Capital Adequacy Ratio	-	-	-	**224,32%**

In the framework of the ICAAP documents concerning the financial year ended on 30 June 2014 given the significant fluctuation of the EUR/USD exchange rate since 30 June 2014 to which DBC was exposed to by reason of its net exposure in USD, Pillar 1 regulatory capital requirement as of 30 June 2014 has been prudently estimated at EUR 59,16 million *(*EUR *56,58 million as of 30 June 2014).* This Pillar 1 capital estimates were based on projections made for the coming three years by taking into account the EUR/USD exchange rate level of 1,2524 applicable on the date of establishment of the ICAAP report *(i.e. 1,3658 as of 30 June, 2014).*

7.8 Reverse Stress testing

Reverse stress testing starts from the assumption of a severely impaired situation (e.g. a situation in which capital or liquidity buffers are insufficient or DBC's business model is called into question) and aims to identify adverse events or combinations of adverse events which may trigger such situation. This approach, the purpose of which is to identify the scenarios with a strong negative impact for the institution, is particularly suitable for the assessment of choices and hypotheses regarding the business model, the risk profile and the institution's capacity to manage and bear risks.

Reverse Stress test is a way for the Bank to test the resilience of the Bank when it faces extreme risk, for instance an important variation of the EUR/USD combined with the failure to apply the stop-loss limits defined in DBC's Risk Tolerance Framework.

The Bank has started in July 2015 the implementation of a reverse stress testing program which includes the performance of tests in assuming a severely impaired situation for the main identified risks (Credit, Foreign Exchange (FX) and Operational Risk). These Reverse Stress Test allowed the Bank to estimate scenario which could lead to DBC to face a critical situation.

7.9 Use of ICAAP Embedded in Business Process

In order to maintain an adequate capital adequacy and internal risk governance, the AM and the BoD of DBC will use the results of the ICAAP to ensure that DBC has adequate capital to cover its risks and operates effectively within its Risk Tolerance Framework.

Circular 07/301 mentions that the ICAAP is subject to a periodic review in order to ensure that:

- The coverage of risks remains comprehensive and adapted to the scale, diversity and complexity of DBC's activities and that the amount, the type and the distribution of internal capital are appropriate in relation to the risks incurred;
- The internal ICAAP processes are fully operating and effective.

The risk and capital management processes have been enhanced through the gradually inclusion of the ICAAP as an integral part of these processes. The BoD and the AM also use the ICAAP to maintain an effective link between DBC's risk tolerance statement and its capital, thus ensuring that DBC has adequate capital to cover its risks and operate effectively within its Risk Tolerance Framework.

The ICAAP is reviewed and challenged by the BoD on an annual basis, as part of the business planning and risk identification process, or when any major changes to the business strategy and risk profile occur.

For instance, significant change in business model, investment policy of own funds or an unplanned significantly increase in deposits from customers are examples of events that will be taken into account in evaluating potential changes to the ICAAP. Moreover, DBC performs stress testing and scenario analysis exercises in determining its capital assessment needs. Three year projections are assessed at least annually and recalculated following any significant changes to the business profile and strategy.

8 Remuneration Policy

In consideration of the size and the nature of the Bank's activities the remuneration policy in existence does not foresee for the time being any compensation plan, variable remuneration or benefits of any kind, except for lunch vouchers and allowance of parking, that are granted to employees and management staff.

During the financial years as at 30 June 2015 and 2014 there were no variable components of remuneration, deferred remuneration, vested or unvested, awarded or paid-out and reduced through performance adjustment. Remunerations are only paid in cash.

All matters relating to employees and management staff are dealt directly at the level of the BoD without any role of shareholders in the decision-making process. Decisions relating, amongst others, to assessment and sign-on, determination of fixed remuneration, analysis of backgrounds, skills and honourability are taken by the BoD in meetings which are held whenever necessary and supported by written minutes.

To oversee remunerations, the BoD relies also on an external consultant specialized in labour law in the Luxembourg banking sector and in backgrounds and skills assessment to whom the Bank has already entrusted the on-going payroll calculation and the establishment of the employment agreement, including remuneration level assessments in accordance with the laws and practices applicable in the banking sector.

During the financial year ended 2015 and 2014 there was no individual being remunerated EUR 1 million or more per financial year.

A more extensive remuneration policy including, inter alia, a remuneration structure, performance management and assessment as well as compensation plan and principles is planned but not yet approved by the BoD.

This policy will be established by the BoD with the legal support of external consultants and once approved by the BoD, it will be disclosed to all employees and management staff and to the public and shareholders.

As at 30 June 2015 and 2014, quantitative information relating to workforce and remuneration is as follows:

Workforce	30/06/2015		
	Number of individuals	Type of Agreement	Type of remuneration
Board members	4	Appointment agreement	Directors Fees
Members of the Authorized Management	1	Employment agreement	Remuneration
Members of the Authorized Management	2	Appointment agreement	Fees
Staff members	3	Employment agreement	Remuneration

Workforce	30/06/2014		
	Number of individuals	Type of Agreement	Type of remuneration
Board members	4	Appointment agreement	Directors Fees
Members of the Authorized Management	1	Employment agreement	Remuneration
Members of the Authorized Management	2	Appointment agreement	Fees
Staff members	2	Employment agreement	Remuneration

Information on total remunerations paid for the financial years	30/06/2015	30/06/2014
	Total gross amount	Total gross amount
	EUR/000	EUR/000
Board members and members of the Authorized Management	543	299
Staff members	195	136
Total	**739**	**436**

9 Recovery and Resolution Plan

The 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 (hereinafter the **"BRRD"**) has been published on June 12, 2014 with effective date as of January 1, 2015.

As at 30 June 2015, the Bank already started to work on its internal recovery plan which shall allow the Bank to face a severe crisis in an independent way in order to restore its financial situation. Alert and management systems as well as a crisis communication plan will be defined.

In parallel to the recovery plan to be developed by the Bank, the supervisory authorities will prepare a resolution plan that will allow the national resolution authority to liquidate or dismantling the credit institution, while maintaining the necessary functions for the on-going of the economy, without recourse to public funds. The resolution plan will only be activated if the recovery plan fails.

10 Declaration of the Board of Directors

The BoD ensures that DBC's risk management arrangements are adequate with regard to the Bank's profile and strategy. Arrangements and processes described in this report are already implemented or being part of an internal ongoing program with the aim to reach this objective.