

ANNUAL REPORT 2009



CREDEM
INTERNATIONAL LUX

Bank Group CREDITO EMILIANO

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INTERNATIONAL LUX

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Capital and Shareholders

Credem International (Lux) S.A., or Credemlux for short (formerly Banco di Napoli International S.A.) has been operating in Luxembourg under its present business name since 3 November 1999, the date on which 95% of the shares in Banco di Napoli International S.A. were transferred to Credito Emiliano S.p.A of Reggio Emilia (Italy).

The majority share in the capital is held by Credito Emiliano S.p.A.

Board of Directors

Lucio ZANON DI VALGIURATA	Chairman
Fulvio ALBARELLI	Deputy Chairman
Sido BONFATTI	Director
Franco CALLOSI	Director
Roberto CATELLANI	Director

Management

Lorenzo MODESTINI	General Manager
Claudio BIANCHI	Deputy Manager
Gianni SURIANI*	Administrative Manager

External Auditor

DELOITTE S.A. - Luxembourg
Business Auditors

Management Report of the Board of Directors

for the end of financial year 2009

Dear Shareholders,

In accordance with Article 21 of the Statutes, we are meeting at the Ordinary General Meeting to approve the annual accounts for the financial year 2009.

2009 was characterized by a phase of global recession due to the world crisis that affected all economies. GDP, suffered a sharp fall during the first six months, particularly in industrialized countries. It was only in the third quarter that the first signs of a weak economic recovery appeared in the emerging countries and in Asia.

Governments adopted unprecedented measures to stimulate and support their economies and to limit the impact on employment, and Central Banks adopted expansionary policies that led to very low interest rates.

Share indexes recorded significant losses during the first quarter. From March onwards, Stock Markets saw price rises that first enabled accumulated losses to be recovered and then produced positive performances at the end of the year.

In this context, the Luxembourg banking sector recorded a slight increase of 1.4% in credit institutions' results before provisions by comparison to 2008. Net interest income fell by 11.7% and net commission income fell by 13.3%. As regards employment, 2009 saw a reduction of 2.97% in staffing in credit institutions.

On 31 December 2009 there were 149 banks on the market.

The Bank's activities

The Bank continued its activities in the traditional fields of services to UCITS, private banking, credits and the service of depository bank for Luxembourg insurance companies.

In the context of the functions of administrative, registration and transfer agent, domiciliation agent, lead placing agent and investment manager for Euromobiliare International Fund Sicav, the Bank completed the projects of updating the range of compartments constituting the Sicav. The Group's strategy of reorganizing the investment products offering saw the Bank involved in the updating of the Sicav's range of compartments. In this context, four compartments were merged and the name and management style was changed for seven compartments.

The private banking activity comprises the discretionary management service, the offering of the compartments of the Sicav Euromobiliare International Fund, the equity, bond and currency trading services and traditional term deposits. Low interest rates discouraged client investments in term deposits and the balance of these deposits was down compared to 2008. It should be noted that the effects of the adoption of measures to facilitate the repatriation of capital to Italy were seen during the last quarter of the financial year. On the other hand, the balance of the discretionary management area, for the most part of the bond-type, and management products, increased considerably. The balance of third party securities held by the Bank also showed a substantial increase.

Client deposits showed a balance of EUR 109,975,175, a reduction of 48.0% against 2008.

Bond issues amounted to EUR 1,389,912,000 at the end of the financial year. The issues do not give rise to an interest rate risk given that the Bank uses hedging techniques.

Assets under discretionary management and management products showed a balance of EUR 66,449,000 (+36.2%). Finally, third party securities held by the Bank showed a balance of EUR 612,676,716 (+48.8%).

The securities portfolio comprises almost exclusively securities issued by Italian credit institutions and Italian Treasury Bonds with a nominal amount of EUR 50,000,000 acquired during the financial year, for a total amount of EUR 1,219,810,014.

The credits activity was characterized by management of the existing portfolio, one portion of which is represented by financial institutions. As regards credits to private and corporate clients, the Bank has bank guarantees and pledges, either in the form of bank deposits or mortgage guarantees. The balance of the credit portfolio amounted to EUR 47,508,618 (-30.9%). The total of guarantees issued amounted to EUR 14,647,000 (-29.8%). The balance of positions resulting from the activity of depository bank for Luxembourg insurance companies was EUR 49,516,000 (+0.9%).

The balance sheet total was EUR 1,705,533,875, a reduction of 14% compared to the 2008 financial year.

In terms of the net result, the 2009 financial year showed a profit of EUR 16,068,995, an increase of 9.8%.

The reduction in interest rates which occurred during 2009 had a significant impact on net interest income, given that the bank operates a treasury management system characterized by a very high degree of liquidity. Net interest income was EUR 3,624,796 (-38.6%).

On the other hand, net commission income increased 25.2% to reach EUR 17,639,934. The recovery of the financial markets together with the updating of the range of compartments encouraged investment in the Sicav Euromobiliare International Fund, resulting in a substantial increase in assets under management. The growth of assets under discretionary management and third party securities held by the Bank also contributed to the good result from commission income.

It should be noted that the holding in Interconsult produced a dividend of EUR 391,000.

As regards costs, personnel costs showed a limited increase of 2.7%, which included a provision for performance bonuses to be paid in 2010. General costs increased by 0.8% and the overall rate of growth in costs was 2%.

As regards governance, the bank carried out an action plan during 2009 by introducing an internal own funds planning policy, together with rules for managing liquidity risk and a Contingency Liquidity Plan.

Moreover, on 31 December 2009, the solvency ratio was 21.8% and the endurance tests performed in the matter of interest rate risk demonstrated that the Bank was not exposed to this risk.

With regard to the organization and structure of internal controls, internal audit was delegated to the internal audit department of the Parent Company with effect from 1st January 2009. In this context, the compliance function was strengthened and the compliance policy, Charter and principles were revised and updated.

Risk management

The Bank manages risks through the identification of major risk factors, its organizational structure and the control processes related to its activity. The risk levels are determined by collegial organizations and are subject to permanent controls.

At the first level, the risks identified and their respective levels are subject to daily control by department managers. Then, the risk management function is responsible for a second level control in order to provide an overall view of the Bank's risk situations. At the third level, the Authorized Management, through reports drawn up by the Risk management function, regularly ensures the appropriateness of the risk and internal own funds policy, checks that it is implemented and complied with, and reports to the Board of Directors on these matters. In addition, the Authorized Management ensures the implementation of corrective measures if the risks situation and the management of own funds are not in compliance.

The operational risk is essentially related to the activities of collection and payment on behalf of clients, "custody" of clients' securities and wealth management. The Bank has instituted an "operational Incidents inventory" process, held within the Risk Management function, intended to monitor the frequency, gravity and potential impact of operational incidents and to identify potential corrective measures to prevent incidents from recurring.

The rate risk is controlled on a daily basis on the basis of analysis of the cash-flow gap. The structure of the balance sheet is designed to minimize the impact of possible fluctuations in interest rates.

With regard to the liquidity risk, the bank is structurally liquid and in order to minimize the liquidity risk, the Bank generally refinances with the same timeline as its outstanding debts. By aligning itself with the principles adopted within the CREDEM Group, short term liquidity management is based on the control of net flows over a period of 12 months. The management of structural liquidity provides for control of the correlation of long/medium term assets with liabilities characterized by a sufficient degree of stability.

The market risk does not apply to the structure of the activities carried on by the Bank, which does not act as market maker for financial products. With regard to derivatives and the exchange market, the Bank limits itself exclusively to hedging operations. The exchange positions are a result of the activity performed as counterparty to clients and show very limited balances. The limits on the exchange risk are controlled by the Bank on a daily basis and a weekly report is sent to the Parent Company's Audit function.

Credit risk is analyzed by the Credits department and then approved by the competent bodies in the Bank. It is monitored by the Bank and by the Credits function in the Credem Group which consolidates the credit risk vis-à-vis the same borrower. The credit policy is very prudent and is materialized in the internal limits established by the Bank in accordance with the principles of the Parent Company policy. The risks in respect of Ordinary Clients are, for the most part, covered by bank guarantees or by pledges over assets. The valuation of the pledged assets is checked regularly, at least monthly. The purpose of the interbank activity, apart from refinancing (very marginal, given the Bank's structure and activities) is to optimize liquidity management. In line with the Group's organizational model, the interbank activity is conducted by concentrating virtually all investments at the level of the Parent Company (subject to any limits set by the regulator). The activities with counterparties external to the Group are complementary, where the operations cannot be conducted with the Parent Company.

Taking account of its activities, and its role as a company at the service of the Group, the bank has a substantial concentration risk only towards the CREDEM Group, in terms of both direct and indirect risk.

The Bank has finally implemented procedures and regulations in line with the general principles of the Group, in order to master and control legal, compliance, reputational, business and strategic risks.

As of this date, we do not have knowledge of any event occurring after 31 December 2009 that could have a significant effect on the Bank's financial situation.

Prospects

The development of the financial markets during 2010 led us to continue the updating of the Euromobiliare International Fund Sicav product offering, either by creating new compartments or by reorganizing existing compartments. In this context we expect subsequent growth in assets under management.

The private banking business will be influenced by the persistence of low interest rates which should limit client demand for deposit products and encourage investments in securities, discretionary management and Mutual Funds. In this context, we must emphasise that the impact of the measures to facilitate the repatriation of capital to Italy is likely to continue during the 2010 financial year.

There will be no change in 2010 in the prudent strategy followed in the area of credits.

Prudential provisions

In the context of the circular-letter from the Luxembourg Financial Sector Supervisory Commission (CSSF) dated 3 February 2010, the balance of the Luxembourg Association for Deposit Guarantees (AGDL) provision amounted to EUR 1,665,092 on 31 December 2009 (31 December 2008: EUR 1,675,458). The transfer to this provision in the 2009 financial year was EUR 120,000 (31 December 2008: EUR 60,080), accounted for in "Other operating costs".

In its judgments of 8 and 9 October 2008, the Luxembourg District Court placed the AGDL-member credit institutions GLITNIR BANK Luxembourg S.A., KAUPHTING BANK Luxembourg S.A and LANDSBANKI Luxembourg S.A. in suspension of payments.

As a result of this financial reorganization measure, the AGDL triggered the indemnification mechanism in favor of the depositors and investors of these three banks. In response to the different calls from the AGDL, the Bank paid a total amount of EUR 130,366 (2008: EUR 91,924) accounted for by deduction from the lump-sum provision.

Following the restructuring of KAUPHTING BANK Luxembourg S.A., the AGDL reimbursed the advances paid in relation to this entity in the amount of EUR 70,886.

In accordance with the instructions from the CSSF, this amount was accounted for in "Other operating income". The bank is of the opinion that the reimbursements cannot be estimated in a reliable manner and as a consequence will account for future reimbursements as and when they are made.

The Bank did not recognize any lump-sum provision at 31 December 2009.

Distribution of Profits

We propose to the Shareholders at their General Meeting:

- that the Profit and Loss account at 31 December 2009 be approved as presented;

- o that the profit of EUR 16.068.995 for the financial year be distributed as follows:

- to the voluntary reserve:	EUR	4.028.995
- to be distributed at a rate of EUR 1.72 for each of the 7.000.000 shares	EUR	12.040.000

After approval, the Capital & Reserves item will stand at EUR 84.360.622 distributed as follows:

- Paid-up capital:	EUR	44.000.000
- Legal reserve:	EUR	4.400.000
- Voluntary reserve:	EUR	35.960.622

The Chairman of the Board of Directors

Balance Sheet at 31 December 2009 (in EURO)

ASSETS	Notes	2009	2008
Cash, assets with central banks and post offices	4	16.485.272	16.655.529
Government stock and other stock admissible for refinancing at the central bank	2, 4, 7, 11	52.002.400	1.972.600
Other stock admissible for refinancing at the central Bank		52.002.400	1.972.600
Receivables from credit institutions	4, 5, 12, 27	333.081.510	602.746.017
a) on call		33.278.834	143.190.248
b) other receivables		299.802.676	459.555.769
Receivables from clients	4, 6, 27	49.639.660	52.088.318
Bonds and other fixed-income securities	4, 7, 12	1.167.807.614	1.111.278.370
a) from other issuers		1.167.807.614	1.111.278.370
Holdings	8, 11	113.618	113.618
Intangible assets	11	98.268	204.158
Tangible assets	11	5.725.623	4.505.491
Other assets	9	152.159	236.973
Prepayment and accrued income	10	80.427.751	192.572.483
TOTAL ASSETS	2, 3, 13	1.705.533.875	1.982.373.557

Notes refer to the Notes on Annual Accounts.

LIABILITIES AND EQUITY	Notes	2009	2008
Debts to credit institutions	4, 21	56.481.886	182.044.257
a) on call		42.248.592	7.381.121
b) advance or advance notice		14.233.294	174.663.136
Debts to clients	4	109.945.175	211.268.103
Other debt		109.945.175	211.268.103
- <i>on call</i>		49.675.027	51.474.625
- <i>advance or advance notice</i>		60.270.148	159.793.478
Debt securities	4, 14,21	1.389.912.000	1.378.834.000
a) bonds and debt securities in issue		1.300.000.000	1.300.000.000
b) others		89.912.000	78.834.000
Other liabilities	15	3.025.378	1.499.788
Prepayments and accrued expenses	16	45.126.529	124.083.057
Provisions	17	4.642.285	4.312.725
a) provisions for taxes		2.114.960	1.873.109
b) other provisions	18	2.527.325	2.439.616
Subscribed Capital	19	44.000.000	44.000.000
Reserves	20	36.331.627	21.694.005
Results for financial year		16.068.995	14.637.622
TOTAL LIABILITIES	22	1.705.533.875	1.982.373.557

OFF BALANCE SHEET	Notes	2009	2008
Contingent liabilities	23	14.944.860	21.146.828
including:			
- guarantees and assets pledged as collateral security		14.944.860	21.146.828
Commitments	24	6.078.988	7.171.079
Fiduciary operations	29	25.295.340	44.971.396

Notes refer to the Notes on Annual Accounts.

Profit and Loss Account
for the Financial Year ended 31 December 2009 (in EURO)

	Notes	2009	2008
Interest and similar income		175.034.590	73.734.323
<i>of which: on fixed-income securities</i>		<i>55.851.900</i>	<i>1.344.571</i>
Interest and similar expenses		(171.409.794)	(67.833.116)
Income from securities		391.000	356.000
a) Income from holdings		391.000	356.000
Commissions received		38.054.579	30.377.372
Commissions paid		(20.414.645)	(16.286.676)
Gains/(losses) on financial operations		94.648	40.045
Other operating income	30	143.475	147.625
General administrative costs	32, 33	(4.716.766)	(4.626.355)
a) Personnel expenses		(2.925.271)	(2.848.396)
<i>of which:</i>			
<i>- salaries and pay</i>		<i>(2.510.960)</i>	<i>(2.464.394)</i>
<i>- welfare contributions</i>		<i>(349.520)</i>	<i>(321.728)</i>
<i>of which:</i>			
<i>pension contributions</i>	32	<i>(230.061)</i>	<i>(232.389)</i>
b) other administrative costs		(1.791.495)	(1.777.959)
Impairment losses on intangible and tangible assets	11	(277.356)	(321.176)
Other operating costs	31	(124.941)	(99.884)
Reversal of impairment losses on receivables and provisions for contingent liabilities and commitments		51.668	11.646
Impairment losses on securities classified as financial fixed assets, equity investments and interests in associated companies		-	(223)
Profit/(loss) from ordinary activities after taxes		16.826.458	15.499.581
Other taxes not included in above item		(757.463)	(861.959)
Results for financial year		16.068.995	14.637.622

Notes refer to the Notes on Annual Accounts.

Notes to annual accounts

NOTE 1 – GENERAL POINTS

1.1. Constitution and Administration of the Bank

Credem International (Lux) S.A. (formerly Banco de Napoli International S.A.) (The "Bank") was formed in the Grand Duchy of Luxembourg on 20 December 1973 under the company name "Luxembourg-Italian Bank S.A.". Its constitution was published at Memorial C, number 9 of 16 January 1974.

On 3 November 1999, an Extraordinary General Meeting of the Bank's shareholders decided to change the corporate name of the Bank to "Credem International (Lux) S.A." or in abbreviated form to "Credemlux" (decision recorded in Memorial C, number 953 dated 13 December 1999).

On 3 November 1999, 95% of the Bank's shares were transferred by « Società per la Gestione di Attività - S.G.A. S.p.A. (« SGA ») » to Credito Emiliano S.p.A of Reggio Emilia, an Italian private bank quoted on the Milan Stock Exchange.

On 1 April 2000, the assets and liabilities of the Succursale de Credito Emiliano S.p.A, registered in Luxembourg since 1996, were transferred to Credem International (Lux) S.A. so as to form a single entity within the territory of Luxembourg (published in Memorial C, number 348, dated 16 May 2000).

The 5% remaining shares in the Bank held by SGA were transferred as follows: 4.99% acquired by Credito Emiliano S.p.A on 27 July 2000 and 0.01% sold to Banca Euromobiliare S.p.A Milan on the same date.

The Bank is a direct subsidiary of Credito Emiliano S.p.A. ("Parent Company"), whose Head Office is at via Emilia S. Pietro, 4, I - 42100 Reggio Emilia.

Credito Emiliano S.p.A. is a holding of CREDEM HOLDING S.p.A, established in Italy and whose Head Office is at the same address.

The consolidated accounts of Credito Emiliano S.p.A. and CREDEM HOLDING S.p.A can be obtained from the above address.

The commercial policy and the accounting principles for the Bank are decided and monitored by the Board of Directors insofar as they are not determined by the laws and regulations of Luxembourg.

1.2. Nature of Business

The corporate purpose of the Bank is to carry out all banking and credit activities.

The main activities of the Bank on 31 December 2009, were in the following fields:

- Credits: investment in international banking credit; mortgage loans to residents; credit lines for natural and/or moral persons;
- Private clients: besides offering wealth management services, the Bank offers a range of private banking services, such as term deposits, safekeeping of securities, etc.;
- Services to the Group: domiciliation agent, investment manager, administrative, registration and transfer agent as well as lead placing agent for SICAV EUROMOBILIARE INTERNATIONAL FUND, or "Eurofundlux" for short.

The Bank acts to a considerable extent in cooperation with its Parent Company and with other companies belonging to the « Gruppo Bancario Credito Emiliano - Credem ».

The Bank is exempt from the requirement to publish consolidated accounts and a consolidated management report.

1.3. Annual accounts

The financial year coincides with the calendar year.

The Bank draws up its annual accounts in (EUR), which is the currency of its capital.

NOTE 2 – MAIN ACCOUNTING METHODS

The Bank's annual accounts are drawn up in accordance with the legal and regulatory requirements in force in the Grand Duchy of Luxembourg.

The following accounting principles are particularly important:

2.1. Conversion of items into currencies

The Bank uses the multi currency accounting method which consists in recording assets and liabilities in their currencies of origin. For drawing up the annual accounts in Euros, sums in foreign currencies are converted into EUR as follows:

- With the exception of "Tangible and intangible assets", which are converted at historic rates, foreign assets and liabilities are converted into EUR at the exchange rate current on the date of the balance sheet;
- Income from interest and commissions and payments in interest and commissions, general expenses and assorted income in foreign currencies are converted into Euros at the exchange rates current on the transaction date.

Forward exchange transactions are valued at the rate for the period current at the end of the financial year. Non realised capital loss is subject to provisions whilst latent capital gains are not taken into account. Exchange losses and gains resulting from the valuation of assets/liabilities covered by swap transactions are neutralised by entering in prepayments and accrued income. Premiums and discounts on such operations are amortized in profit and loss interest accounts over the remaining term of the contract.

2.2. Derivative Financial Instruments

Any commitments of the Bank resulting from derivative financial instruments, such as interest rate swaps, forward rate agreements, financial futures and options are recorded on the transaction date under off balance items.

On the calculation date of the balance sheet, a provision is made, at the market price for transactions not closed, for non realised capital loss recorded at the time of the particular valuation. This provision is recorded under liabilities under the item: "Provisions: other provisions". No provision is made when a financial instrument exactly covers an item under assets or liabilities and where the economic unit is fixed, or when a financial instrument is covered by a transaction in the opposite direction so that the position is considered as closed.

2.3. Value Adjustments on Loans and Provisions

Provisions for sovereign risk and specific depreciation and amortisation, made up of individual debts for which the Bank believes repayment is uncertain, are included as deductions to assets. They are recorded in the same currency of the related assets.

For irrecoverable debts, or for debts where the possibility that payment of interest by the debtor can be reasonably set aside, the pro rata calculation of interest is terminated and the account is placed on a non-accrual basis. Any pro rata interest existing on the decision date is reversed.

Provisions for contingencies and charges are also entered in the currency of the accounts in order to cover certain or probable losses, clearly designated as to their nature, whose sum or date is still uncertain on the balance sheet calculation date.

2.4. Transferable securities

Transferrable securities are entered in the balance sheet at their acquisition price. The acquisition price is calculated on the basis of weighted average prices. However, when securities linked to an interest rate swap are sold, in order to know the result of the transaction, the acquisition cost represents the real cost of the securities identified for the sale. Depreciation and amortisation are then recorded as deductions on assets. For fixed rate securities comparable to financial assets, the difference between the acquisition cost and the repayment value is written off on a pro rata temporis basis.

Securities issued on a discounted base are subject to a specific accounting treatment: the difference between the issue (or purchase) value and the redemption (or sale) value is considered an income distributed over the period of time during which the security remains in the Bank's portfolio.

2.5. Bonds and Other Fixed-Income Securities

The Bank has divided its fixed-rate securities portfolio into two categories whose main characteristics are as follows:

- Transferable securities included in the financial assets portfolio, destined to be used on a long term basis for the activities of the Bank;
- Those included under the investment portfolio; these are transferable securities which are not included in the financial assets portfolio which, in principle, are acquired either for investment/income purposes, or for constituting a certain assets structure or a certain secondary liquidity.

Transferable securities are valued in the following way:

- *Long term investments:*

Fixed interest transferable securities included in the financial assets portfolio are valued at acquisition prices when they fulfil the necessary conditions. Other fixed rate transferable securities included in the financial assets portfolio are valued according to the lower of cost or market method.

Valuation of fixed rate transferable securities considered as financial assets is adjusted from the agio - the positive difference between the acquisition value and the repayment value - or from the disagio - the negative difference between the acquisition value and the repayment value - counted on a pro rata temporis basis under the profit and loss account.

- *Investment portfolio:*

Fixed rate transferable securities included in the financial assets portfolio are valued according to the lower of cost or market method.

With regard to securities hedged by an Interest Rate Swap and which constitute an economic unit, these were maintained at their acquisition cost except in the case of other-than-temporary impairments, in which case a value adjustment was recorded.

2.6. Shares and Other floating rate investment securities

Shares and other floating-rate transferable securities are valued following the lower of cost or market method on the balance sheet calculation date.

2.7. Holdings

Creating a long term relationship with the enterprises in which they are held, holdings are maintained at acquisition cost except in the event of long term depreciation, in which case a value correction is introduced.

2.8. Debts Securities

Bonds issued by the Bank are recognized in liabilities at their redemption value and the interest is calculated *pro rata* via the accruals and charges account. Redemption premiums are treated as interest and are recognized among assets and depreciated

throughout the life of the debt. The redemption premium *pro rata* is accounted in a straight line basis for zero rate loan issues in the prepayment and accrued income.

2.9. Other Intangible Assets

The value of other intangible assets whose use is limited in time is reduced by amortization calculated in such a way as to systematically reduce the value of such items on a straight line basis over their estimated useful life.

2.10. Tangible assets

Tangible assets are valued at their acquisition price.

Land is not subject to depreciation.

The value of tangible assets whose use is limited in time is lessened by deductions to value calculated so as to write off the value of these items in a linear fashion over their entire estimated life.

2.11. Taxes

Tax expenses are counted for the relevant financial year to which the taxes apply and not for the financial year in which they are paid.

NOTE 3 – PRINCIPLES OF RISK MANAGEMENT

3.1. Market Risk, Interest Rate Risk, Exchange Rate Risk

All investments and/or all uncovered transactions constitute financial assets (open positions as regards interest rates, exchange rates or other market prices) through which the Bank exposes itself to market risk.

The Bank does not take any trading position and does not hold any trading books. It only processes market activities on behalf of its clients at prices fixed by the same on the basis of contracts concluded with the Bank's counterparties.

On 31 December 2009, the Bank's securities portfolio was composed of Italian Treasury Bonds at fixed and variable rates, securities issued by a Multilateral Development Bank and securities issued by the Parent Company.

By virtue of its activities, the Bank is led to make use of financial instruments including derivatives. These derivative instruments are concluded for purposes of covering interest rate and currency risks.

During financial year 2009, the Bank employed Interest Rate Swaps in order to hedge its exposure to the interest rate risk related to debt securities. Fixed-rate coupons were exchanged for variable-rate coupons until such time as the last coupon for the debt securities have been redeemed.

3.2. Credit Risk

The Bank is exposed to credit risk - a risk that a borrower will be unable to repay the sums due when the contract expires.

The Bank draws up a scale for risk which determines whether the Bank will assume the risk in question: characteristics of borrowers by group, by residence and by sector in which the borrowers operate.

Credit risk analysis is carried out for current contracts on a regular basis for debts and derivatives in relation to current contracts and credit risk simulations are performed for drawing up new contracts.

Exposure to credit risk can be limited by requiring guarantees in kind or personal guarantees from borrowers.

The following tables (comparative 2009 and 2008) give an analysis of the Bank's exposure to risk on 31 December 2009 by area and by "risk countries" of borrower origin or attached guarantees.

3.2 Credit Risk (continued)

On 31/12/2009	Stock admissible for refinancing with the Central Bank	Bank receivables	Clients receivables	Bonds and other fixed income investment securities	Holdings	Other assets	Total	Commitments	Derivative Instruments (*)
Risk Country									
<u>Zone A</u>									
Multilateral				1.736.086			1.736.086		
Italy	52.002.400	328.242.112	35.854.834	1.166.071.528			1.582.170.874	3.000.000	1.439.912.000
Luxembourg		1.245.618	8.652.612		113.618		10.011.848		
United States		22.945					22.945		
Austria							-		
Sw itzerland		7.347	4.895.692				4.903.039		
France			29.437				29.437		
Belgium		69.242	12.623				81.865		
United Kingdom		14.345					14.345		
Hungary							-		
Germany		46.993					46.993		
Spain							-		
Iceland							-		
Portugal							-	3.000.000	
Slovenia		428.571					428.571		
Latvia		3.000.000					3.000.000		
Denmark							-		
Sw eden		4.337					4.337		
<u>Other countries</u> (< EUR 1.000)			906				906		
<u>Cash deposits</u>			193.556				193.556	78.988	
<u>Not Broken Dow n</u>						102.889.073	102.889.073		
Totals	52.002.400	333.081.510	49.639.660	1.167.807.614	113.618	102.889.073	1.705.533.875	6.078.988	1.439.912.000

(*) Operations associated with Exchange and Interest Rates

3.2 Credit Risk (continued)

On 31/12/2008	Stock admissible for refinancing with the Central Bank	Bank receivables	Clients receivables	Bonds and other fixed income investment securities	Holdings	Other Assets	Total	Commitments	Derivative Instruments (*)
Risk Country									
<u>Zone A</u>									
Italy	1 972 600	581 214 585	39 315 822	1 111 278 370			1 733 781 377	3 000 000	1 384 331 196
Luxembourg		1 599 386	5 559 142		113 618		7 272 146		3 206 720
United States		38 136					38 136		
Austria									
Switzerland		13 802	4 800 000				4 813 802		
France			35 429				35 429		
Belgium		55 002	23 057				78 059		
United Kingdom		1 228 245					1 228 245		
Hungary		5 060 271					5 060 271		
Germany		17 682					17 682		
Spain		2 000 000					2 000 000		
Iceland									
Portugal		6 121 991	38				6 122 029		
Slovenia		2 396 825					2 396 825		
Latvia		3 000 000					3 000 000		
Denmark									
<u>Other Countries</u> (< EUR 1 000)		92	537				629		
<u>Cash Deposits</u>			2 354 292				2 354 292	4 171 079	
<u>Not Broken Down</u>						214 174 635	214 174 635		
Totals	1 972 600	602 746 017	52 088 318	1 111 278 370	113 618	214 174 635	1 982 373 557	7 171 079	1 387 537 916

(*) Operations associated with Exchange and Interest Rates

3.3. Liquidity Risk

The Bank generally refinances with the same timeline as its outstanding debts, other than for notice deposits which are processed daily and renewed in sections with expiry dates that vary from two days to a week, depending on the cash flow requirements.

3.4. Operational Risk

Operational Risk is made up of the following components:

- the risk associated with the information system
- the risk associated with processes
- the risk associated with people
- the risk associated with external events.

The Bank takes this into account via a set of provisions and procedures that enable the Bank:

- on the one hand to be alerted
- on the other hand to hedge against the potential risks mentioned.

Moreover, as soon as a risk has been identified and is probable and quantifiable, it is subject to a specific provision. The potential loss associated with this risk is accounted for in full in the profit and loss account.

In addition the checks and arrangements in place are well known to staff, thus at the same time reducing the risk of data processing errors. A low staff turnover rate as well as training suitable for the tasks to be carried out strengthens control over procedures and systems.

NOTE 4 – BREAKDOWN OF PRIMARY FINANCIAL INSTRUMENTS BY RESIDUAL DURATION

The primary financial assets and liabilities are shown by their residual expiry terms:

FINANCIAL ASSETS ON 31/12/09	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Savings Banks, Central Banks, Postal Cheques Accounts	38.835	-	-	16.446.437	16.485.272
Stock admissible for Refinancing with the Central Bank	-	-	52.002.400	-	52.002.400
Receivables from credit institutions	229.387.355	101.694.155	2.000.000	-	333.081.510
Receivables from clients	8.311.771	5.730.338	21.006.851	14.590.700	49.639.660
Bonds and fixed-income securities	699.335	1.165.073.827	2.034.452	-	1.167.807.614
TOTAL FINANCIAL ASSETS	238.437.296	1.272.498.320	77.043.703	31.037.137	1.619.016.456
NON-FINANCIAL ASSETS					86.517.419
TOTAL ASSETS					1.705.533.875

FINANCIAL LIABILITIES ON 31/12/09	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Debts to credit institutions	17.248.182	4.698.000	-	34.535.704	56.481.886
Debts to clients	87.992.847	6.146.950	-	15.805.378	109.945.175
Debts represented by securities		1.302.000.000	85.462.000	2.450.000	1.389.912.000
TOTAL FINANCIAL LIABILITIES	105.241.029	1.312.844.950	85.462.000	52.791.082	1.556.339.061
NON-FINANCIAL LIABILITIES					149.194.814
TOTAL LIABILITIES					1.705.533.875

FINANCIAL ASSETS ON 31/12/08	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Savings Banks, Central Banks, Postal Cheques Accounts	148.437	-	-	16.507.092	16.655.529
Stock admissible for Refinancing with the Central Bank	-	-	1.972.600	-	1.972.600
Receivables from credit institutions	430.276.787	169.040.659	3.428.571	-	602.746.017
Receivables from clients	4.500.846	3.664.947	23.435.616	20.486.908	52.088.318
Bonds and fixed-income securities	-	-	1.111.278.370	-	1.111.278.370
TOTAL FINANCIAL ASSETS	434.926.070	172.705.606	1.140.115.157	36.994.000	1.784.740.834
NON-FINANCIAL ASSETS					197.632.723
TOTAL ASSETS					1.982.373.557

FINANCIAL LIABILITIES ON 31/12/08	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Debts to credit institutions	84.710.651	35.148.028	-	62.185.578	182.044.257
Debts to clients	155.351.600	29.686.657	-	26.229.845	211.268.103
Debts represented by securities	-	-	1.316.147.000	62.687.000	1.378.834.000
TOTAL FINANCIAL LIABILITIES	240.062.251	64.834.685	1.316.147.000	151.102.423	1.722.146.360
NON-FINANCIAL LIABILITIES					210.227.197
TOTAL LIABILITIES					1.982.373.557

NOTE 5 – RECEIVABLES FROM CREDIT INSTITUTIONS

The geographical distribution of receivables from credit institutions, including call deposits, is as follows:

	2009	2008
European Union	333.051.218	602.694.078
Other OECD Countries	30.292	51.939
TOTAL	333.081.510	602.746.017

The maximum credit risk on receivables from credit institutions corresponds, in principle, to the notional sum of those receivables.

On 31 december 2009 and 31 december 2008, no depreciation was applied to receivables from credit institutions.

NOTE 6 – RECEIVABLES FROM CLIENTS

The geographical breakdown of receivables from clients:

	2009	2008
European Union	49.638.933	52.087.780
Other OECD Countries	727	538
TOTAL	49.639.660	52.088.318

Depreciation applied to client receivables amounted to EUR 35.763 on 31 December 2009 (2008: EUR 38.355)

On 31 December 2009 and 2008, amounts due from customers did not contain any loans or advances to members of administration or management (See note 32 also).

NOTE 7 – TRANSFERABLE SECURITIES

The transferable securities recorded under “Other stock admissible for Refinancing with the Central Bank” and “Bonds and Other Fixed-Income Securities” are displayed as follows:

- Listed/unlisted :

2009	Listed securities	Unlisted securities	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	52.002.400	-	52.002.400	55.197.400
Bonds and Other Fixed-Income Securities	2.733.787	1.165.073.827	1.167.807.614	1.149.190.661
	54.736.187	1.165.073.827	1.219.810.014	1.204.388.061

2008	Listed securities	Unlisted securities	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	1,972,600		1,972,600	1,972,600
Bonds and Other Fixed-Income Securities	-	1,111,278,370	1,111,278,370	1,090,072,996
	1,972,600	1,111,278,370	1,113,250,970	1,092,045,596

Transferable securities recorded under “Other stock admissible for Refinancing with the Central Bank” and “Bonds and Other Fixed-Income Securities” can be divided as follows:

- According to maturity dates:

2009	Maturity less than one year	Maturity more than one year	Fair Value
Other stock admissible for Refinancing with the Central Bank		52.002.400	55.197.400
Bonds and Other Fixed-Income Securities	1.165.773.162	2.034.452	1.149.190.661
	1.165.773.162	54.036.852	1.204.388.061

2008	Maturity less than one year	Maturity more than one year	Fair Value
Other stock admissible for Refinancing with the Central Bank	-	1,972,600	1,972,600
Bonds and Other Fixed-Income Securities	-	1,111,278,370	1,090,072,996
	-	1,113,250,970	1,092,045,596

- According to the type of portfolio to which they belong:

2009	Financial Fixed Assets	Investment Portfolio	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	50.000.000	2.002.400	52.002.400	55.197.400
Bonds and Other Fixed-Income Securities	1.165.073.827	2.733.787	1.167.807.614	1.149.190.661
	1.215.073.827	4.736.187	1.219.810.014	1.204.388.061

2008	Financial Fixed Assets	Investment Portfolio	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	-	1.972.600	1.972.600	1.972.600
Bonds and Other Fixed-Income Securities	1.110.300.120	978.250	1.111.278.370	1.090.072.996
	1.110.300.120	2.950.850	1.113.250.970	1.092.045.596

okTransferable securities are considered as financial fixed assets if they are intended to serve the Bank's business on a long term basis.

On 31 December 2009 and 2008, the securities in the financial fixed assets portfolio, specifically designated as such by the decision-making body, were linked to interest rate swaps. Considering the securities and their hedging as an economic unit, the Bank included the financial fixed assets in the assets at their acquisition price.

For transferable securities issued on a discounted basis, the difference between the price and the redemption value has been considered to be an income and has been calculated *pro rata* in a linear manner.

NOTE 8 – HOLDINGS

A summary table of the movements of the Bank's holdings during the financial year can be found in note 12 of the present annual financial statements.

On 31 December 2009, the Bank has a direct holding in the following company which is not a credit institution and which is not listed on any stock exchange.

	Capital Currency	Company Capital	Percentage Held	Shareholders' Equity	Result*
Interconsult S.A (Luxembourg)	EUR	400.000	33,33%	1.471.077	842.185

The Bank also holds a 152 EUR share (2008: 152 EUR) in Copetra (France). Following a letter from the legal representative of this Company, it seems probable that liquidation by order of the court will lead to closure on the ground of insufficient assets. The sum for this holding will therefore be written off at 100%.

NOTE 9 - OTHER ASSETS

The Other Assets item is composed of the following elements:

	2009	2008
Precious Metals	32.609	32.609
Other Assets	119.550	204.364
TOTAL	152.159	236.973

On 31 December 2009, VAT advances paid, on made up the greater part of Other Assets (EUR 69.351).

NOTE 10 - PREPAYMENT AND ACCRUED INCOME

The prepayment and accrued income item comprises the following elements:

	2009	2008
Interest <i>pro rata</i>	8.367.759	7.412.663
Income on derivatives	34.992.963	89.759.136
Redemption premiums on debt securities (zero rate issue)	37.067.029	95.400.684
	80.427.751	192.572.483

NOTE 11 - MOVEMENTS OF FIXED ASSETS

	Fixed assets				Value adjustments						
	Gross Value 31/12/2008	In	Out	Transfers	Gross Value 31/12/2009	Cumulation 31/12/2008	Allocations	Outflows	Transfers	Cumulation 31/12/2009	Net Value 31/12/2009
Stock admissible for Refinancing with the Central Bank	-	50.000.000	-	-	50.000.000	-	-	-	-	-	50.000.000
Bonds	1.110.300.120	54.773.707	-	-	1.165.073.827	-	-	-	-	-	1.165.073.827
Holdings	113.770	-	-	-	113.770	152	-	-	-	152	113.618
Intangible Assets	1.572.568	3.332	-	-	1.575.900	1.368.409	109.223	-	-	1.477.632	98.268
Concessions, patents, licences, trademarks, rights	1.572.568	3.332	-	-	1.575.900	1.368.409	109.223	-	-	1.477.632	98.268
Tangible assets	10.084.951	1.388.265	-	-	11.473.216	5.579.459	168.134	-	-	5.747.593	5.725.623
Land and buildings	5.732.107	1.286.169	-	169.481	7.187.757	1.621.909	86.843	-	-	1.708.752	5.479.005
<i>of which: for the Bank's own business</i>	4.799.166	1.286.169	-	169.481	6.254.816	1.470.494	71.195	-	-	1.541.689	4.713.127
<i>Other</i>	932.941	-	-	-	932.941	151.415	15.648	-	-	167.063	765.878
Techniques and machines	611.957	81.325	-	-	693.282	489.181	69.203	-	-	558.384	134.898
Other installations, tools and furniture	3.740.887	20.771	-	(169.481)	3.592.177	3.468.369	12.088	-	-	3.480.457	111.720

NOTE 12 – RECEIVABLES ON LINKED COMPANIES IN WHICH THE BANK IS CONNECTED BY HOLDINGS

Receivables from linked companies on 31 December 2009 concerned the following items:

Related Companies	2009	2008
Receivables from credit institutions	328.242.112	557.214.585
Bonds and other fixed-income securities	1.166.072.732	1.111.278.370
TOTAL	1.494.314.844	1.668.492.955

On this same date and on 31 December 2008, the Bank holds no receivable with any company related in terms of holdings.

NOTE 13 – ASSETS IN FOREIGN CURRENCIES

On 31 December 2009, the total sum of assets made out in foreign currencies, converted to Euros, amounted to EUR 31.725.629 (2008: EUR 109,149,835).

NOTE 14 - DEBTS REPRESENTED BY SECURITIES

2009	Maturity less than one year	Maturity more than one year	Total
Bonds	1.300.000.000	-	1.300.000.000
Cash certificates and certificates of deposit	2.000.000	87.912.000	89.912.000
TOTAL	1.302.000.000	87.912.000	1.389.912.000

2008	Maturity less than one year	Maturity more than one year	Total
Bonds	-	1.300.000.000	1.300.000.000
Cash certificates and certificates of deposit	-	78.834.000	78.834.000
TOTAL	-	1.378.834.000	1.378.834.000

The Bank issued debt instruments during the financial year for a total of EUR 11.078.000 fully subscribed by entities of the group to which it belongs.

The subscription proceeds were invested with the Parent Company as follows: 86.34% (securities issued at zero interest) for the purchase of securities for the investment security portfolio and 13.66% (securities issued at non-zero interest) for bank loans.

NOTE 15 - OTHER LIABILITIES

The Other Liabilities item comprises the following elements:

	2009	2008
Privileged Creditors	561.583	555.574
Miscellaneous Creditors	2.463.795	944.214
TOTAL	3.025.378	1.499.788

96.2% of the elements under miscellaneous creditors in 2009 represents fees to be settled within the framework of the SICAV Eurofundlux (100% in 2008).

NOTE 16 – PREPAYMENTS AND ACCRUED EXPENSES

The accruals and charges item comprises the following elements:

	2009	2008
Interest <i>pro rata</i>	8.045.815	28.499.478
Charges on derivatives	37.080.714	95.405.334
Others	-	178.245
TOTAL	45.126.529	124.083.057

NOTE 17 – PROVISIONS

The outstanding amount of provisions on closure of the financial year can be broken down as follows:

	2009	2008
Provisions for taxes	2.114.960	1.873.109
AGDL (See note 18)	1.665.092	1.675.458
Other	862.233	764.158
TOTAL	4.642.285	4.312.725

Other provisions include litigation provisions totalling EUR 120,949 (31 December 2008: EUR 120,949). The remaining amount can, for the most part, be explained by provisions for costs to be paid.

The Bank did not recognize any lump-sum provision at 31 December 2009.

NOTE 18 - ASSOCIATION FOR DEPOSIT GUARANTEES, Luxembourg

On 25 September 1989, all credit institutions in the banking sector of the Grand Duchy of Luxembourg joined the non-profit association "the Association for Deposit Guarantees", or AGDL, as associates.

In accordance with the law dated 05 April 1993 and amended by laws dated 11 June 1997 and 27 July 2000, the AGDL's sole purpose is to set up a system for guaranteeing deposits and for compensating investors ("the Guarantee"). Clients guaranteed are all natural persons, without regard to nationality or residence. Companies subject to the laws of a Member State of the European Union which are small enough to be authorised to draw up a summary balance sheet, in accordance with Article 35 of the law amended on 19 December 2002 concerning commercial companies, are also guaranteed.

In the event of the insolvency of a member state, Circular CSSF 09/393 of 27 February 2009 draws attention to the new maximum compensation amount per depositor. As of January 2009 this has been increased from EUR 20,000 to EUR 100,000 (Article 62-2 (2) of the law of 5 April 1993 on the Financial Sector, as modified by Article 44 of the law of 19 December 2008 on the State Budget for Revenues and Expenditure for the financial year 2009). The maximum compensation amount per investor, however, remains unchanged at EUR 20,000.

The Guarantee amount constitutes an absolute ceiling and cannot be increased by interest, charges or anything else.

The Bank constitutes a provision for any future commitments associated with the guarantee, in respect of the limits of the Grand Ducal Regulation of 21 December 1991 related to the enforcement of Article 167 paragraph 1 (5) of the Law of 4 December 1967 on income tax.

The balance of the AGDL provision at 31 December 2009 stood at EUR 1.665.092 (31 December 2008: EUR 1.675.458). The allocation for financial year 2009 was EUR 120.000 (31 December 2008: EUR 60.080), accounted in « Other Operating Expense».

In its judgements of 8 and 9 October 2008, the Luxembourg District Court placed the Credit Institutions members of AGDL, GLITNIR BANK Luxembourg S.A., KAUPHTING BANK Luxembourg S.A. and LANDSBANKI Luxembourg S.A. under bankruptcy protection.

Following this restructuring measure, AGDL triggered the compensation mechanism in favour of the depositors and investors of these three banks. In response to different calls from the AGDL, the Bank paid a total amount of EUR 130.366 (EUR 91.924 in 2008) which amount has been deducted from the above mentioned provision.

Following the restructuring of KAUPHTING BANK Luxembourg S.A, the AGDL reimbursed the advances paid in relation to this entity in the amount of EUR 70,886. In accordance with the instructions from the CSSF, this amount was accounted for in "Other operating income". The Bank is of the opinion that the reimbursements cannot be estimated in a reliable manner and will as a consequence account for future reimbursements as and when they are made.

NOTE 19 - SUBSCRIBED CAPITAL

The subscribed and paid up capital of the Bank amounts to 44,000,000 EUR represented by seven million undesignated shares of nominal value.

NOTE 20 - CHANGES IN RESERVES AND PROFITS CARRIED FORWARD

	Legal Reserve	Other Reserves	Profits Carried Forward
Balance at 1 January 2009	4.400.000	17.294.005	-
Profit of the Financial Year closed on 31 December 2008	-	-	14.637.622
Appropriation of income	-	14.637.622	(14.637.622)
Transfer to reserves	-	-	-
Dividends paid	-	-	-
Balance at 31 December 2009	4.400.000	31.931.627	-

In accordance with the law on limited companies 5% of the net profits are withheld each year and allocated to a legal reserve until said reserve reaches 10% of the company capital. This allocation is implemented during the following financial year. The legal reserve may not be distributed.

NOTE 21 - DEBTS TO LINKED COMPANIES WITH WHICH THE BANK IS CONNECTED BY HOLDINGS

On 31 December 2009, debts to related companies show the following items:

Related Company	2009	2008
Debts to credit institutions	30.628.361	136.611.229
Debts represented by securities	1.389.912.000	1.378.834.000
Other liabilities	231.833	-
Total	1.420.772.194	1.515.445.229

On this same date and on 31 December 2008, the Bank was not indebted to any company related in terms of holdings.

NOTE 22 - LIABILITIES IN FOREIGN CURRENCIES

The grand total of foreign currency liabilities on 31 December 2009, converted into EUR, was EUR 31.725.628 (2008: EUR 109.038.375).

NOTE 23 - CONTINGENT LIABILITIES

The Bank's contingent liabilities can be broken down as follows:

	2009			2008		
	Related Companies	Others	Total	Related Companies	Others	Total
Guarantees and other credit substitutes	-	14.944.860	14.944.860	-	21.146.828	21.146.828

None of the companies in which the Bank has an equity interest were subject to contingent liabilities on 31 December 2009 and 31 December 2008.

NOTE 24 - COMMITMENTS

The commitments include the following:

	2009			2008		
	Associated Companies	Others	Total	Associated Companies	Others	Total
Unused confirmed credits	-	6.078.988	6.078.988	-	7.171.079	7.171.079

None of the companies in which the Bank has an equity interest were subject to a commitment on 31 December 2009 and 31 December 2008.

NOTE 25 - ASSETS PROVIDED BY THE BANK TO GUARANTEE ITS OWN COMMITMENTS

The Bank had not provided any assets to guarantee its own commitments as of 31 December 2009 and 2008.

NOTE 26 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments linked to exchange and interest rates, broken down by type of instrument and residual maturity, are exclusively coverage instruments.

At 31/12/2009	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	TOTAL (notional)	Market Value
Transactions linked to Exchange Rates	-	-	-	-	-	-
<i>Direct trading transactions</i>						
Forward exchange transactions						
Forex Forward	-	-	-	-		-
Forex swaps	-	-	-	-		-
Transactions linked to Interest Rates	-	1.302.000.000	135.462.000	2.450.000	1.439.912.000	(8.500.869)
<i>Direct trading transactions</i>						
Interest rate swaps	-	1.302.000.000	135.462.000	2.450.000	1.439.912.000	(8.500.869)

At 31/12/2008	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	TOTAL (notional)	Market Value
Transactions linked to Exchange Rates	3.851.517	4.852.399	-	-	8.703.916	278.925
<i>Direct trading transactions</i>						
Forward exchange transactions						
Forex Forward	576.862	-	-	-	576.862	57.343
Forex swaps	3.274.655	4.852.399	-	-	8.127.054	221.582
Transactions linked to Interest Rates	-	-	1.316.147.000	62.687.000	1.378.834.000	(34.126.081)
<i>Direct trading transactions</i>						
Interest rate swaps	-	-	1.316.147.000	62.687.000	1.378.834.000	(34.126.081)

NOTE 27 - CREDIT RISK INFORMATION

Distribution of amounts due from banks by type of activity:

	2009	2008
Interbank Investments	322.318.898	440.976.682
Loan Contracts	3.428.571	18.579.087
Other Receivables	7.334.041	143.190.248
TOTAL	333.081.510	602.746.017

Distribution of amounts due from customers by economic sector:

	2009	2008
Public sector	-	-
Non-financial Companies	4.906.880	4.980.246
Financial Companies	41.449.106	43.308.184
Private Customers	3.283.674	3.799.888
TOTAL	49.639.660	52.088.318

Distribution of amounts due from customers by guarantees obtained by the Bank:

	2009	%	2008	%
Guaranteed Receivables	43.903.540	88,4	49.968.381	95,9
Non-Guaranteed Receivables	5.736.120	11,6	2.119.937	4,1
TOTAL	49.639.660	100,0	52.088.318	100,0

The Bank has some bank guarantees and pledges in the form of either bank deposits or mortgage guarantees.

Credit Risk Measurement associated with derivative financial instruments:

	Notional Amount	Credit Risk Equivalent	Guarantees	Net Risk Exposure
At 31 December 2009	EUR	EUR	EUR	EUR
<i>Level of solvency of the counterparties</i>				
<u>Forward Exchange Transactions</u>				
Weighted at 2%				
<u>Interest Rate Swaps</u>	1.339.912.000	11.246.450	-	11.246.450
Weighted at 0,5%	1.202.000.000	6.010.000	-	6.010.000
Weighted at 2%	8.153.000	163.060	-	163.060
Weighted at 3%	14.147.000	424.410	-	424.410
Weighted at 4%	113.162.000	4.526.480	-	4.526.480
Weighted at 5%	2.450.000	122.500	-	122.500
	1.339.912.000	11.246.450	-	11.246.450

	Notional Amount	Credit Risk Equivalent	Guarantees	Net Risk Exposure
At 31 December 2008	EUR	EUR	EUR	EUR
<i>Level of solvency of the counterparties</i>				
<u>Forward Exchange Transactions</u>	8.426.978	168.540	-	168.540
Weighted at 2%	8.426.978	168.540	-	168.540
<u>Interest Rate Swaps</u>	1.278.834.000	15.720.230	-	15.720.230
Weighted at 1%	1.202.000.000	12.020.000	-	12.020.000
Weighted at 4%	14.147.000	565.880	-	565.880
Weighted at 5%	62.687.000	3.134.350	-	3.134.350
	1.287.260.978	15.888.770	-	15.888.770

The Initial Risk method is used. This entails multiplying the notional amounts for each instrument by a variable percentage depending on the length of the contracts i.e. the contractual term for contracts on exchange rates and the residual term for contracts on interest rates.

NOTE 28 - BREAKDOWN OF INCOME BY GEOGRAPHICAL MARKET

In accordance with Article 69 of the law on annual accounts of credit institutions, no information concerning the geographical breakdown of products need be provided.

NOTE 29 - MANAGEMENT AND AGENCY SERVICES

These services comprise the following activities:

- Asset management;
- Custody and administration of securities;
- Safety-deposit box hire;
- Fiduciary representation;
- Within the framework of the SICAV Eurofundlux: administrative agent, transfer and registration agent, lead placing agent and investment and domiciliation agent.

NOTE 30 - OTHER OPERATING INCOME

The total of Other Operating Income recognized in the profits and loss account at 31 December comprises miscellaneous income of EUR 143,475 (2008: EUR 147,625) in particular the writeback of provisions for risks and charges established in the past, in the amount of EUR 69,168 and whose existence is no longer justified and an amount of EUR 70,886 representing two reimbursements from the AGDL in the case of the KAUPHTING BANK Luxembourg S.A. loss (please refer to note 18).

In 2008 Sundry operating income included, in particular, provisions for risks and charges set aside in the past for a total of EUR 129,604 whose existence is no longer justified.

NOTE 31 - OTHER OPERATING EXPENSE

	2009	2008
Expenses from previous financial years	1.772	38.889
Sundry	123.169	60.995
TOTAL	124.941	99.884

The Sundry operating expense item for 2009 and 2008 essentially comprises the allocation to the AGDL provision which stood at EUR 120.000 in 2009 and EUR 60.080 in 2008.

NOTE 32 - MANAGEMENT AND ADMINISTRATIVE BODIES

	2009	2008
<i>Emoluments:</i>		
- Administrative Body Members	66.700	66.700
- Management Body Members	513.445	417.537
<i>Loans, advances, and guarantee commitments:</i>		
- Management Body Members	-	-

The Bank is committed to an additional staff pension fund regime, which has been contracted out to an insurance company.

An additional personnel health insurance contract has been signed between the Bank and an insurance company.

NOTE 33 - STAFF

The average number of personnel employed by the bank during the financial year is as follows:

	2009	2008
Directors	3	2
Management	8	9
Employees	14	14
TOTAL	25	25

NOTE 34 - STATUTORY AUDITORS' FEES

	2009	2008
Statutory Auditing of the Annual Financial Statements	107.000	105.000
	-	15.000
TOTAL	107.000	120.000

These amounts are stated net of value added tax.

NOTE 35 – RENTAL COMMITMENTS

The Bank has contracted into certain other commitments that have not been recognized either on the balance sheet or off the balance sheet and these concern commitments to pay fixed rents in the future for the buildings or property rented, including leasing operations.

NOTE 36 - TRANSACTIONS WITH RELATED PARTIES

In the period ending on 31 December 2009, the Bank did not conduct any significant transaction with related parties (based on the definition of International Accounting Standard 24 "Related Parties") which was not conducted under normal market conditions.

REPORT OF THE INDEPENDENT AUDITORS

To the Board of Directors of

Credem International (Lux) S.A.

10, 12 Avenue Pasteur

L-2310 Luxembourg

Report on Annual Accounts

We have undertaken an audit of the enclosed company accounts pertaining to Credem International (Lux) S.A., and enclose the balance sheet as of 31 December 2009, the profit and loss account for the financial year closing on that date, and the Notes to Annual Accounts containing a summary of the main accounting methods and other explanatory notes.

Responsibilities of the Board of Directors in the drawing up and presentation of the annual accounts

The Board of Directors is responsible for drawing up and honestly presenting the annual accounts, in accordance with legal and regulatory obligations relating to the drawing up and presentation of annual accounts in force in Luxembourg. This responsibility includes: the design, setting in place and monitoring of internal controls relating to the drawing up and honest presentation of the annual accounts, which should contain no significant anomalies (whether such anomalies are the result of fraud or error); the choice and application of appropriate accounting methods and reasonable accounting estimates made in the light of circumstances.

Responsibilities of Companies Auditor

Our responsibility is to express an opinion on the accounts in the light of our audit. We have carried out the audit according to the International Auditing Rules as adopted by the Association of Companies Auditors. These rules require that we follow the ethical rules in place and that we plan and carry out the audit for purposes of obtaining a reasonable assurance that the annual accounts do not contain any significant anomalies.

An audit implies procedures whose goal is to uncover evidential data for the sums and other information given in the annual accounts. The choice of procedures depends upon the judgement of the company's auditor, as does the evaluation of the risk that the annual accounts may contain significant anomalies, whether such anomalies are due to fraud or mistake. In proceeding to evaluate risk, the companies' auditor takes into account the internal control mechanisms used in the organization relating to the preparation and honest presentation of the annual accounts with the aim of defining audit procedures which are appropriate in the circumstances, and not with the aim of giving an opinion on the efficacy of the latter.

An audit also includes an appraisal of the accounting methods used and the reasonableness of the accounting estimates made by the Board of Directors, as well as an appraisal of the overall presentation of the annual accounts. In our judgement, the evidential data gathered are sufficient for and relevant to the basis of our opinion.

Opinion

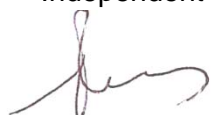
In our view, the annual accounts give a faithful estimate of the assets and of the financial situation of **Credem International (Lux) S.A.** on 31 December 2008, and of the results for the financial year which ended on that date, in accordance with the legal and regulatory requirements relating to the drawing up and presentation of accounts in force in Luxembourg.

Report on the other Legal or Regulatory Obligations

The management report, which is the responsibility of the Board of Directors, is in agreement with the Annual Accounts.

Deloitte S.A.

Independent Auditor



Vafa Moayed

Partner

15 march 2010

Resolutions

Ordinary Annual General Meeting of Shareholders of 30 March 2010

FIRST RESOLUTION

The Annual Shareholders' Meeting, after having read and understood both the report of the Board of Directors and the report of the Companies Auditor, approves the annual accounts for the fiscal year 2009 as they are presented by the Board of Directors.

SECOND RESOLUTION

The Annual Shareholders' Meeting approves the proposals made by the Board of Directors in relation to the distribution of the profit balance for the financial year 2009, and decides to distribute the profit for appropriation, which amounts to EUR 16,068,995, as follows:

to the voluntary reserve:	EUR	4,028,995
to be distributed at a rate of EUR 1.72		
<u>for each of the 7,000,000 shares:</u>	<u>EUR</u>	<u>12,040,000</u>
I.e. a total amount of:	EUR	16,068,995

THIRD RESOLUTION

The Annual Shareholders' Meeting discharges the Members of the Board with regard to the results of the approved Annual Accounts for the year 2009.