ANNUAL REPORT 2012

In case of discrepancies between the french and the english text, the french version shall prevail.

CREDEM
INTERNATIONAL LUX

Bank Group CREDITO EMILIANO

Contents

CREDEM
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
Franco CALLOSI	Director
Roberto CATELLANI	Director
Rossano ZANICHELLI	Director

Management

Lorenzo MODESTINI	General Manager
Claudio BIANCHI	Deputy Manager
Gianni SURIANI	Administrative Manager
Giovanni IANNELLO	Credit & Risk Manager

External Auditor

DELOITTE Audit Sàrl - Luxembourg
Authorized Business Auditors

Management Report of the Board of Directors
at the close of the 2012 financial year

To the Shareholders,

We met at the Ordinary General Meeting to approve the financial statements for the 2012 financial year in accordance with Article 21 of the Articles of Association.

Economic development in the Euro area experienced a weak and fragile growth rate on average, with peripheral countries feeling the effects of a lengthy recession. Among the strongest economies, only Germany has had satisfactory economic growth. However, the economic figures for the last quarter are already showing a downward trend in economic activity for both peripheral countries and France.

In light of the sovereign debt crisis, the European Central Bank has adopted the Long-Term Refinancing Operation (LTRO) for an amount totalling nearly one thousand billion euro, which has made it possible to ease the strain on the banking system and consequently, on the government securities of the peripheral countries. At the start of summer, the European Central Bank sent clear signals to the financial markets that it would take all the steps necessary to preserve the Euro, which helped to halt the contagion between banks and the sovereign debt. In this context, all the monetary authorities have pursued a policy of expansion, whilst the Federal Reserve decided to extend “Operation Twist” until the end of the year, in order to keep long-term rates low and maintain accommodating financial conditions. The Bank of England also adopted an expansion policy and the European Central Bank reduced its key interest rate by 25 basis points.

With regard to the financial markets, the level of the spread borne by the peripheral countries has dropped, generating a positive performance in securities market prices. This positive trend also applies to the sector of high-yield issuers. The equity markets have experienced positive performance worldwide. Europe has achieved significantly positive performance, as in the German DAX and the French CAC 40, but also less impressive performance as in the Italian FTSE MIB and even negative performance as in the Madrid Stock Exchange.

Bank’s Activities

The administration and management services provided to Euromobiliare International Fund Sicav during the course of 2012 have been the main activity of the Bank, which provides administration, registration and transfer agency services, and also acts as domiciliary agent, main placement agent and manager for Euromobiliare International Fund Sicav.

In this context, the Bank supported the activities to migrate the SICAV to a new Depository Bank, an event which involved huge effort on the part of the Bank's services, making it possible to complete the definitive transfer in the month of September. The Bank broadened its range of sub-funds with the creation of two new sub-funds and the merger of four existing ones. The assets under management increased from € 593.000.000 (+13.3%) compared to 2011, achieving a balance of € 5.047.368.000 due to a combination of two factors: the rise in share prices and the occurrence of net positive flows.

The private banking activity includes the discretionary management service, the offer of the sub-funds of the Sicav Euromobiliare International Fund and trading services for shares, bonds and currencies and the traditional fixed-term deposits. The turmoil affecting the financial markets, particularly the turmoil seen in EU peripheral countries, has contributed to the very strong growth in the assets held by customers.

Customer deposits show a balance of € 757.230.000, a rise of € 154.356.000. The assets under discretionary management and the management products show a balance of € 123.700.000 (+ € 79.879.000). Finally, securities held by the Bank on behalf of third parties total € 742.704.000, an increase of € 352.371.000 compared to 2011 following new contributions and the rise in share prices.

At the end of the 2012 financial year, our debts represented by a security reached € 54.334.000, a drop of € 180.000.000 compared to 2011.

Issues have not given rise to interest rate risk since the Bank made use of hedging techniques.

The securities portfolio only comprises Italian Treasury Bonds with maturity in 2014, for a total of € 50.000.000.

Among its activities, the Bank operates the business of Depository Bank for Luxembourg insurance companies which has experienced a positive trend. The assets relating to this activity increased by € 16.614.000 to reach € 91.538.000.

With regard to lending, the balance of the portfolio of credits totals € 30.228.000 (-19.3%). In fact the lending activity has been characterised by management of the existing portfolio and concerns loans to private and corporate customers, for which the Bank has bank guarantees and pledges in place, either in the form of bank deposits, or in the form of mortgage guarantees. Guarantees issued totals € 6.649.000 and remains unchanged.

The balance sheet total shows a stable balance of € 1.004.833.472 (+0.36%) compared to 2011.

To 31 December 2012, the solvency ratio was 34.86% and the endurance tests performed with regard to interest rate risk have shown that the Bank's exposure to that risk is extremely low.

Cash management has been characterised by a broadly surplus degree of liquidity compared to that required by the regulator.

The increase in the assets under management of Euromobiliare International Fund Sicav has had a positive effect on the commission margin which totals € 28.468.000, a 28.3% increase, but which has above all benefitted from the extraordinary contribution of the performance fees.

The interest margin dropped slightly (-4.2%) and amounted to € 2.346.000 at the end of 2012.

The stake in the company Interconsult has produced a dividend of € 40.000.

Overheads have increased overall (+ 5.7%) compared to 2011, whilst staff costs have risen by 4.6% and administration costs by 7.7%.

The year 2012 has produced a profit of € 21.398.219, a rise of 14.1% compare to the profit in 2011.

The internal audit activity was duly carried out according to the predefined plan. The recommendations of the Internal Audit Department were subject to corrective measures with a view to on-going improvement in the security of the control environment.

The Compliance Department has ensured that the Bank complies with money laundering legislation and that its business is carried out according to the “best practice” principle.

Risk Management

The Bank manages risks by identifying major risk factors, and by control processes and organisation linked to its activity. The levels of risk are determined by the administration bodies and are subject to on-going checks.

At the first level, the risks identified and their respective levels are monitored daily by the heads of department. Next, the Risk Management Department is responsible for a second-level control so as to have an overall view of the bank's exposure to risk. At the third level, based on the reports drafted by the Risk Management Department, the Authorised Division/Management routinely ensures the adequacy of the internal capital and risk policy, checks that this is applied and observed and reports accordingly to the Board of Directors on these issues. Furthermore, the Authorised Division/Management makes provision for corrective measures to be put in place if the risk situation and internal capital management are not compliant.

The operational risk is basically linked to collection and payment on behalf of customers, looking after customers’ assets and asset management. The Bank has provided for an operational incident record system kept by the Risk Management

Department, designed to monitor the frequency, severity and potential impact of operational incidents and to identify any corrective measures to prevent a repeat of such incidents.

The interest rate risk is monitored on a daily basis by interest rate gap [risk] analysis. The balance sheet structure is designed to minimise the impact of any interest rate fluctuations.

The Bank is structurally liquid and in order to minimise the liquidity risk, it generally refinances itself according to the same maturity as its amounts outstanding. By conforming to the principles adopted within the CREDEM Group, short-term liquidity management is based on monitoring net flows over a 12-month period. The management of structural liquidity provides for the monitoring of the correlation of the medium/long-term assets with the liabilities characterised by a sufficient degree of stability.

The market risk is not part of the structure of activities developed by the Bank which does not have the role of “market maker” for the financial products. The Bank limits itself solely to hedging operations with regard to derivatives and the exchange market. The exchange positions stem from the activity carried out for customers and present very limited balances. Limits to the exchange risk are monitored by the Bank on a daily basis and a weekly report is sent to the Audit Department of the parent company.

The credit risk is analysed by the Credit service, then approved by the relevant bodies of the Bank. This risk is monitored by the Bank and Credit Department within the CREDEM Group which consolidates the credit risk vis-à-vis the same borrower. The credit policy is very cautious and is implemented within the internal limits set by the Bank in line with the policy strategies of the parent company. The risks vis-à-vis ordinary clients are, for the most part, covered by bank guarantees or by mortgages or liens. The assessment of these risks is regularly monitored at least once a month. The aim of the interbank activity, besides the aim of refinancing (which is very marginal, taking into account the Bank’s structure and activity), is to optimise the management of the liquidity. In line with the Group’s organisational model, the activity is carried out by concentrating nearly all investment at the level of the parent company (within any limits that may be set by the regulator). The activity vis-à-vis counterparties outside the Group is complementary, where it would not be feasible with the parent company.

Taking into account its activity and its company mission within the Group, the Bank has a significant concentration risk solely vis-à-vis the CREDEM Group, in terms of both direct and indirect risk. At the request of the Bank, the CSSF, in a letter dated 9 September 2008, granted an exemption with regard to major risks, on the limit of the risks taken vis-à-vis the parent company and its subsidiaries.

The Bank has finally established procedures and regulations in line with the Group’s general principles, to control and monitor legal, compliance, reputational, commercial and strategic risks.

Taking into account both regulatory limits and internal policies, capital requirements are monitored on an ongoing basis and are subject to an Internal Capital Adequacy Assessment Process (ICAAP) in place since 2008.

Remuneration Policy

The Remuneration Policy is based on aggressively entrepreneurial, merit-evaluation criteria typical of the Bank. It is consistent with the provisions of CSSF Circulars 10/437, 10/496 and 11/505 and the principles applied within the parent company, which is subject to the same regulatory requirements in accordance with the Directive 2010/76/EU .

The general principles of the policy are established by the Bank's Board of Directors, in accordance with legal and regulatory provisions. The policy is regularly updated to ensure that it is compatible with the changes in the Bank's activities and the risks it incurs.

The objectives of the Remuneration Policy are to encourage staff to meet in a lasting manner short and medium/long-term targets based, among other things, on a balance between the fixed and variable components of their overall remuneration. This entails adopting additional sustainability parameters, taking into account risk control, the cost of capital and capital adequacy.

A maximum limit linked to the fixed remuneration is envisaged for senior management.

The Bank applies the principle of proportionality which enables it not to have to apply the requirements governing granting part of the variable remuneration in the form of financial instruments, the retention policy, the deferment of part of the variable remuneration, the ex-post adjustment to risks and the creation of a Remuneration Committee.

Prospects

The services provided to Euromobiliare International Fund Sicav will enable us to carry on updating the product range either by creating new sub-funds or by restructuring existing ones. In the current highly volatile climate, we are expecting the financial markets to stabilise and that the assets under management will even experience moderate growth.

The private banking activity will undoubtedly be affected by financial market trends and by international governance of cross-border investments. Generally speaking, customers' tendency to favour deposit investment rather than investment in management products is expected to continue in 2013.

The prudent strategy pursued in the area of lending activity will continue to apply in 2013.

To date, we are not aware of any event occurring after 31 December 2012 which would be likely to have a significant impact on the Bank's financial standing to 31 December 2012.

Distribution of Profit

We propose that the shareholders who attended the General Meeting:

- approve the profit and loss account to 31 December 2012 in the version we have presented;

- allocate the profit for the year of € 21.398.219 to:

- the special reserve not available for the 5-year period	€	5.705.000
- retained earnings	€	7.643.219
- be distributed at the rate of € 1.15 for each of the 7.000.000 shares	€	8.050.000

After approval, the "Capital and Reserves" item totals € 115.325.004 distributed as follows:

- Paid-up capital:	€	44.000.000
- Statutory reserve:	€	4.400.000
- Free reserve:	€	53.576.785
- Retained earnings:	€	7.643.219
- Special reserve:	€	5.705.000

Chairman of the Board of Directors

Balance Sheet at 31 December 2012 (in EURO)

ASSETS	Notes	2012	2011
Cash, assets with central banks and post offices	4	**4.044.965**	**9.498.720**
Government stock and other stock admissible for refinancing at the central bank	4, 7, 11	**50.000.000**	**50.000.000**
Other stock admissible for refinancing at the central Bank		50.000.000	50.000.000
Receivables from credit institutions	4, 5, 12, 27	**882.503.176**	**886.565.304**
a) on call		26.378.624	20.089.139
b) other receivables		856.124.552	866.476.165
Receivables from clients	4, 6, 27	**30.228.446**	**37.483.561**
Bonds and other fixed-income securities	4, 7, 12	**-**	**2.700.081**
a) from other issuers		-	2.700.081
Holdings	8, 11	**113.618**	**113.618**
Intangible assets	11	**138.390**	**65.633**
Tangible assets	11	**6.044.032**	**5.796.107**
Other assets	9	**873.106**	**144.431**
Prepayment and accrued income	10	**30.887.739**	**8.908.648**
TOTAL ASSETS	3, 13	**1.004.833.472**	**1.001.276.103**

Notes refer to the Notes on Annual Accounts.

LIABILITIES AND EQUITY	Notes	2012	2011
Debts to credit institutions	4	**41.809.117**	**41.704.640**
a) on call		13.721.073	10.268.440
b) advance or advance notice		28.088.044	31.436.200
Debts to clients	4	**757.230.289**	**602.873.890**
Other debt		757.230.289	602.873.890
- on call		*26.365.462*	*34.903.742*
- advance or advance notice		*730.864.827*	*567.970.148*
Debt securities	4, 14, 21	**54.334.000**	**234.334.000**
a) bonds and debt securities in issue		-	180.000.000
b) others		54.334.000	54.334.000
Other liabilities	15	**398.330**	**336.485**
Prepayments and accrued expenses	16, 21	**19.967.323**	**8.126.207**
Provisions	17	**7.719.409**	**3.874.096**
a) provisions for taxes		4.938.239	1.019.350
b) other provisions	18	2.781.170	2.854.746
Subscribed Capital	19	**44.000.000**	**44.000.000**
Reserves	20	**57.976.785**	**47.282.158**
Results for financial year		**21.398.219**	**18.744.627**
TOTAL LIABILITIES	22	**1.004.833.472**	**1.001.276.103**

OFF BALANCE SHEET	Notes	2012	2011
Contingent liabilities	23	**6.847.282**	**6.866.459**
including:			
- guarantees and assets pledged as collateral security		6.847.282	6.866.459
Commitments	24	**100.602**	**336.039**
Fiduciary operations	29	**27.590.882**	**28.128.614**

Notes refer to the Notes on Annual Accounts.

Profit and Loss Account

for the Financial Year ended 31 December 2012 (in EURO)

	Notes	2012	2011
Interest and similar income		**26.411.935**	**14.300.928**
of which: on fixed-income securities		*2.148.202*	*2.188.094*
Interest and similar expenses		**(24.065.304)**	**(11.851.100)**
Income from securities		**44.000**	**443.000**
a) Income from holdings		44.000	443.000
Commissions received		**80.381.409**	**58.649.669**
Commissions paid		**(51.882.910)**	**(36.441.868)**
Gains/(losses) on financial operations		**25.813**	**353**
Other operating income	**30**	**389.815**	**46.421**
General administrative costs	**32, 33**	**(4.974.541)**	**(4.706.042)**
a) Personnel expenses		(3.141.077)	(3.003.155)
of which:			
- salaries and pay		*(2.666.051)*	*(2.557.928)*
- welfare contributions		*(405.480)*	*(378.822)*
of which:			
pension contributions	32	*(267.499)*	*(245.025)*
b) other administrative costs		(1.833.464)	(1.702.887)
Impairment losses on intangible and tangible assets	**11**	**(282.888)**	**(277.850)**
Value adjustments on client receivables		**(113.857)**	**-**
Other operating costs	**31**	**(105.947)**	**(104.718)**
Reversal of impairment losses on receivables and provisions for contingent liabilities and commitments		**33.264**	**13.777**
Impairment losses on securities classified as financial fixed assets, equity investments and interests in associated companies		**-**	**-**
Tax on profit/(loss) from ordinary activities		**(4.382.004)**	**-**
Profit/(loss) from ordinary activities after taxes		**21.478.785**	**20.072.570**
Other taxes not included in above item		(80.566)	(1.327.943)
Results for financial year		**21.398.219**	**18.744.627**

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 2012, were in the following fields:

- 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.

- Private clients: besides offering wealth management services, the Bank offers a range of private banking services, such as term deposits, safekeeping of securities, etc.;

- Credits: investment in international banking credit; mortgage loans to residents; credit lines for natural and/or moral persons;

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.

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 financial year coincides with the calendar year.

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

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 recognised on the conclusion of these contracts are recorded pro rata temporis under interest income.

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. 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.

2.5. <u>Shares and Other floating rate investment securities</u>

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

2.6. <u>Holdings</u>

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.

2.7. 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.

2.8. 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.

2.9. 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.

2.10. 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.

2.11. Presentation of comparative financial data

The presentation of the annual accounts has changed from the presentation adopted for the financial year ending 31 December 2011. As a result, and in order to ensure sufficient comparability between the two financial years, certain comparative figures for the financial year ending 31 December 2011 have been reclassified as follows:

(1) EUR 4.267.617 corresponding to commissions receivable on the SICAV Euromobiliare classified under “Receivables from clients” and reclassified under Prepayments and accrued income - Accruals;

(2) EUR 1.992.462 corresponding to commissions payable classified under “Debts to credit institutions” and EUR 3.936.923 classified under “Other liabilities” and reclassified under Prepayments and accrued income – Deferred income.

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 2012, the Bank's securities portfolio was composed of Italian Treasury Bonds at fixed rates.

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 2012, 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.

At the request of the Bank the CSSF approved the total exemption of the risks taken by the Credito Emiliano banking group within the framework of the calculation of great risks limits in accordance with Part XVI item 24 of Circular 06/273, as subsequently modified. The amount of exposures covered by that exemption is in the amount of EUR 913.619.932 as at 31st December 2012 and is apportioned as follows on the various elements of assets (guaranties included):

-	Nostro and interbank investments	552.629.316
-	Others	360.990.616

The following tables (comparative 2012 and 2011) give an analysis of the Bank's exposure to risk on 31 December 2012 by area and by “risk countries” of borrower origin or attached guarantees.

3.2 Credit Risk (continued)

On 31/12/2012 Risk Country	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 (*)**
Zone A									
Italy	50.000.000	879.625.783	26.299.150	-	-	-	**955.924.933**	-	104.334.000
Luxembourg	-	6.460.020	2.045.927	-	113.618	-	**8.619.565**	-	-
United States	-	37.543	729	-	-	-	**38.272**	-	-
Austria	-	-	-	-	-	-	-	-	-
Switzerland	-	41.344	-	-	-	-	**41.344**	-	-
France	-	-	1.396.783	-	-	-	**1.396.783**	-	-
Belgium	-	65.217	21.934	-	-	-	**87.151**	-	-
United Kingdom	-	275.315	137	-	-	-	**275.452**	-	-
Hungary	-	-	-	-	-	-	-	-	-
Germany	-	1.029	-	-	-	-	**1.029**	-	-
Spain	-	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-	-
Portugal	-	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-	-
Latvia	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	-	-	-	-
Sweden	-	3.922	-	-	-	-	**3.922**	-	-
Uruguay	-	-	1.617	-	-	-	**1.617**	-	-
Other Countries (< EUR 1.000)		-	466	-	-	-	**466**	-	-
Cash deposits	-	-	461.703	-	-	-	**461.703**	100.602	-
Not broken down	-	-	-	-	-	37.981.235	**37.981.235**	-	-
Total	**50.000.000**	**886.510.173**	**30.228.446**	**-**	**113.618**	**37.981.235**	**1.004.833.472**	**100.602**	**104.334.000**

(*) Operations associated with Exchange AND Interest Rates

3.2 Credit Risk (continued)

On 31/12/2011 Risk Country	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 (*)**
Zone A									
Multilateral				1.932.921			**1.932.921**		
Italy	50.000.000	884.409.583	30.297.594	767.160			**965.474.337**	–	104.334.000
Luxembourg		11.419.724	2.352.024		113.618		**13.885.366**		
United States		28.672					**28.672**		
Austria							–		
Switzerland		4.541	4.315.000				**4.319.541**		
France			62.168				**62.168**		
Belgium		82.688	22.394				**105.082**		
United Kingdom		41.126					**41.126**		
Hungary							–		
Germany		587					**587**		
Spain							–		
Iceland							–		
Portugal							–	–	
Slovenia		–					–		
Latvia							–		
Denmark							–		
Sweden		4.181					**4.181**		
Uruguay			1.299				**1.299**		
Other countries (< EUR 1.000)			824				**824**		
Cash deposits			432.258				**432.258**	336.039	
Not broken down						14.987.741	**14.987.741**		
Total	**50.000.000**	**895.991.102**	**37.483.561**	**2.700.081**	**113.618**	**14.987.741**	**1.001.276.103**	**336.039**	**104.334.000**

(*) Operations associated with Exchange and Interest Rates

The Bank's exposures are essentially with Italy. The Bank holds transferable securities recorded under "Other stock admissible for Refinancing with the Central Bank". This relates to an Italian Treasury Bill for EUR 50.000.000 valued at the lower cost of market. The Bank has interbank claims with Italy for EUR 879.625.783, relating to claims on its parent company only. Exposures with Italian non-bank creditors whose primary activities are in Italy represent EUR 26.299.150 guaranteed by bank deposits of EUR 26.297.500.

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 31/12/12	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Savings Banks, Central Banks, Postal Cheques Accounts	37.968	-	-	4.006.997	4.044.965
Stock admissible for Refinancing with the Central Bank	-	-	50.000.000	-	50.000.000
Receivables from credit institutions	841.335.828	41.167.348	-	-	882.503.176
Receivables from clients	3.315.939	8.036	25.668.544	1.235.927	30.228.446
TOTAL FINANCIAL ASSETS	**844.689.735**	**41.175.384**	**75.668.544**	**5.242.924**	**966.776.587**
NON-FINANCIAL ASSETS					38.056.885
TOTAL ASSETS					**1.004.833.472**

FINANCIAL LIABILITIES ON 31/12/12	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Debts to credit institutions	16.187.405	-	-	25.621.712	41.809.117
Debts to clients	736.747.856	16.844.481	-	3.637.952	757.230.289
Debts represented by securities	-	9.447.000	44.887.000	-	54.334.000
TOTAL FINANCIAL LIABILITIES	**752.935.261**	**26.291.481**	**44.887.000**	**29.259.664**	**853.373.406**
NON-FINANCIAL LIABILITIES					151.460.066
TOTAL LIABILITIES					**1.004.833.472**

FINANCIAL ASSETS AU 31/12/11	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Savings Banks, Central Banks, Postal Cheques Accounts	72.922	-	-	9.425.798	9.498.720
Stock admissible for Refinancing with the Central Bank	-	-	50.000.000	-	50.000.000
Receivables from credit institutions	792.092.997	94.472.307	-	-	886.565.304
Receivables from clients	2.943.087	6.863.696	25.823.478	1.853.300	37.483.561
Bonds and fixed-income securities	1.932.920	767.161	-	-	2.700.081
TOTAL FINANCIAL ASSETS	**797.041.926**	**102.103.164**	**75.823.478**	**11.279.098**	**986.247.666**
NON FINANCIAL ASSETS					15.028.437
TOTAL ASSETS					**1.001.276.103**

FINANCIAL LIABILITIES ON 31/12/11	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Debts to credit institutions	10.268.440	250.000	-	31.186.200	41.704.640
Debts to clients	595.648.000	4.602.147	-	2.623.743	602.873.890
Debts represented by securities	100.000.000	80.000.000	54.334.000	-	234.334.000
TOTAL FINANCIAL LIABILITIES	**705.916.440**	**84.852.147**	**54.334.000**	**33.809.943**	**878.912.530**
NON-FINANCIAL LIABILITIES					122.363.573
TOTAL LIABILITIES					**1.001.276.103**

NOTE 5 – RECEIVABLES FROM CREDIT INSTITUTIONS

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

	2012	2011
European Union	882.424.290	886.532.090
Other OECD Countries	78.886	33.214
TOTAL	882.503.176	886.565.304

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

On 31 December 2012 and 31 December 2011, no depreciation was applied to receivables from credit institutions.

NOTE 6 – RECEIVABLES FROM CLIENTS

The geographical breakdown of receivables from clients net of value adjustments:

	2012	2011
European Union	30.225.634	37.481.509
Other Countries (out of OECD)	2.812	2.052
TOTAL	30.228.446	37.483.561

Depreciation applied to client receivables amounted to EUR 146.176 on 31 December 2012 (2011: EUR 33.567).

On 31 December 2012 and 2011, 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/non listed :

2012	Listed securities	Unlisted securities	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	50.000.000	-	50.000.000	51.777.500
	50.000.000	-	50.000.000	51.777.500

2011	Listed securities	Unlisted securities	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	50.000.000	-	50.000.000	49.000.000
Bonds and Other Fixed-Income Securities	2.700.081	-	2.700.081	2.700.366
	52.700.081	-	52.700.081	51.700.366

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:

2012	**Maturity less than one year**	**Maturity more than one year**	**Fair Value**
Other stock admissible for Refinancing with the Central Bank	-	50.000.000	51.777.500
Bonds and Other Fixed-Income Securities	-	-	-
	-	50.000.000	51.777.500

2011	**Maturity less than one year**	**Maturity more than one year**	**Fair Value**
Other stock admissible for Refinancing with the Central Bank	-	50.000.000	49.000.000
Bonds and Other Fixed-Income Securities	2.700.081	-	2.700.366
	2.700.081	50.000.000	51.700.366

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

2012	**Financial Fixed Assets**	**Investment Portfolio**	**Total**	**Fair Value**
Other stock admissible for Refinancing with the Central Bank	50.000.000	-	50.000.000	51.777.500
Bonds and Other Fixed-Income Securities	-	-	-	-
	50.000.000	-	50.000.000	51.777.500

2011	**Financial Fixed Assets**	**Investment Portfolio**	**Total**	**Fair Value**
Other stock admissible for Refinancing with the Central Bank	50.000.000	-	50.000.000	49.000.000
Bonds and Other Fixed-Income Securities	-	2.700.081	2.700.081	2.700.366
	50.000.000	2.700.081	52.700.081	51.700.366

Transferable 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 2012 and 2011, 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 11 of the present annual financial statements.

On 31 December 2012, 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%	707.585	63.863

The Bank also holds a 152 EUR share (2011: 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:

	2012	2011
Precious Metals	32.609	32.609
Other Assets	840.497	111.822
TOTAL	873.106	144.431

On 31 December 2012, the most important part of « Other assets » is made up of several amounts to be recovered whose the receivable from the Tax Administration with regard to the advance on wealth tax for the 2012 financial year (EUR 756.020).

NOTE 10 - PREPAYMENT AND ACCRUED INCOME

The prepayment and accrued income item comprises the following elements:

	2012	2011
Interest *pro rata*	2.812.963	3.203.357
Redemption premiums on debt securities (zero rate issue, certificates of deposit)	-	1.349.929
Prepaid expenses	109.850	87.745
SICAV commissions receivable	27.964.926	4.267.617
TOTAL	30.887.739	8.908.648

NOTE 11 - MOVEMENTS OF FIXED ASSETS

	Fixed assets					Value adjustments					
	Gross Value 31/12/2011	**In**	**Out**	**Transfers**	**Gross Value 31/12/2012**	**Cumulation 31/12/2011**	**Allocations**	**Outflows**	**Transfers**	**Cumulation 31/12/2012**	**Net Value 31/12/2012**
Stock admissible for Refinancing with the Central Bank	**50.000.000**	**-**	**-**	**-**	**50.000.000**	**-**	**-**	**-**	**-**	**-**	**50.000.000**
Bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Holdings	**113.770**	**-**	**-**	**-**	**113.770**	**152**	**-**	**-**	**-**	**152**	**113.618**
Intangible Assets	**1.624.726**	**145.863**	**(390.532)**	**(13.337)**	**1.366.720**	**1.559.093**	**59.769**	**(390.532)**	**-**	**1.228.330**	**138.390**
Concessions, patents, licences, trademarks, rights	1.624.726	145.863	(390.532)	(13.337)	1.336.720	1.559.093	59.769	(390.532)	-	1.228.330	138.390
Tangible assets	**10.218.688**	**471.043**	**(126.158)**	**-**	**10.563.574**	**4.422.581**	**223.119**	**(126.158)**	**-**	**4.519.542**	**6.044.032**
Land and buildings	7.608.093	239.329	-	-	7.847.422	1.985.391	154.319	-	-	2.139.710	5.707.712
of which: for the Bank's own business	*6.675.152*	*239.329*	-	-	*6.914.481*	*1.787.033*	*138.672*	-	-	*1.925.705*	*4.988.776*
Other	*932.941*	-	-	-	*932.941*	*198.358*	*15.647*	-	-	*214.005*	*718.936*
Techniques and machines	347.592	226.332	(83.957)	-	489.968	262.661	56.697	(83.957)	-	235.401	254.567
Other installations, tools and furniture	2.263.003	5.382	(42.201)	-	2.226.184	2.174.529	12.103	(42.201)	-	2.144.431	81.753

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

Receivables from linked companies on 31 December 2012 concerned the following items:

Related Companies	**2012**	**2011**
Receivables from credit institutions	882.503.176	886.565.304
Bonds and other fixed-income securities	-	2.700.081
TOTAL	882.503.176	889.265.385

On this same date and on 31 December 2011, the Bank holds no receivable with any company related in terms of holdings.

NOTE 13 – ASSETS IN FOREIGN CURRENCIES

On 31 December 2012, the total sum of assets made out in foreign currencies, converted to Euros, amounted to EUR 18.547.179 (2011: EUR 16.227.377).

NOTE 14 - DEBTS REPRESENTED BY SECURITIES

2012	**Maturity less than one year**	**Maturity more than one year**	**Total**
Other	9.447.000	44.887.000	54.334.000
TOTAL	9.447.000	44.887.000	54.334.000

2011	**Maturity less than one year**	**Maturity more than one year**	**Total**
Bonds and certificates in circulation	180.000.000	-	180.000.000
Other	-	54.334.000	54.334.000
TOTAL	180.000.000	54.334.000	234.334.000

NOTE 15 - OTHER LIABILITIES

The Other Liabilities item comprises the following elements:

	2012	2011
Privileged Creditors	375.976	311.669
Miscellaneous Creditors	22.354	24.816
TOTAL	398.330	336.485

In 2012, these elements comprise particularly social charges for an amount of EUR 183.318, and taxes for an amount of EUR 118.310.

NOTE 16 – PREPAYMENTS AND ACCRUED EXPENSES

The accruals and charges item comprises the following elements:

	2012	2011
Interest *pro rata*	1.875.366	2.094.255
Commission sharing pro rata	580.867	96.499
Other	6.919.	6.068
SICAV commission payable	17.504.171	5.929.385
TOTAL	19.967.323	8.126.207

NOTE 17 – PROVISIONS

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

	2012	2011
Provisions for taxes (1)	4.938.239	1.019.350
AGDL (See note 18)	1.989.092	1.887.092
Other (2)	792.078	967.654
TOTAL	7.719.409	3.874.096

1) The Bank is liable for all taxes to which Luxembourg credit institutions are subject. The Bank has been taxed by the Luxembourg authorities up to the 2012 tax year. On 31 December 2012, the wealth tax burden due for the financial year was reduced by EUR 1.141.000. In accordance with the tax legislation in force since 1 January 2002, the Bank intends to reduce its wealth tax burden within the limit of the Group Income Tax ("IRC") burden for the year, before the allocation of tax credits. In order to comply with the legislation and benefit from this reduction in tax burden for the 2012 financial year, the Bank undertakes, by a decision of the next General Meeting of Shareholders, to set up and maintain for 5 years a special reserve for the reduction of wealth tax equal to five times the tax burden thereby reduced. The unavailability period of this reserve is five years from the year following the calculation of the wealth tax.

2) The "Other provisions" include the provisions for disputes and damages for EUR 120.949 (31 December 2011: EUR 270.949). The remaining amount is explained principally by provisions for expenses payable and provisions for bonuses and leave not taken.

   On 31 December 2012 and 31 December 2011, the Bank did not record any fixed provision.

NOTE 18 - ASSOCIATION FOR DEPOSIT GUARANTEES, Luxembourg

The Bank is a member of the Association pour la Garantie des Dépôts, Luxembourg A.S.B.L. ("A.G.D.L."). The purpose of the A.G.D.L. is to establish a mutual deposit guarantee system in favour of clients of credit institutions that are members of the association, without distinction as to nationality or residence.

In accordance with its articles of association, the A.G.D.L. will reimburse the depositor the value of its guaranteed cash deposits and will reimburse the investor the value of its guaranteed credit up to a maximum of the exchange value in any currency of (i) EUR 100.000 per cash deposit and (ii) EUR 20.000 per guaranteed credit resulting from investment transactions other than those relating to a cash deposit, irrespective of the number of accounts the client has with the same credit institution.

The balance of the AGDL provision at 31 December 2012 stood at EUR 1.989.092 (31 December 2011: EUR 1.887.092). The allocation for financial year 2012 was EUR 102.000 (31 December 2011: EUR 102.000), accounted in « Other Operating Expense».

Following the restructuring of KAUPHTING BANK Luxembourg S.A and within the framework of the liquidation of Landsbanki Luxembourg S.A., the AGDL reimbursed the advances paid in relation to these entities in the amount of EUR 13.399 (EUR 14.224 in 2011). In accordance with the instructions from the CSSF, these amounts were 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 2012	4.400.000	42.882.158	-
Profit of the Financial Year closed on 31 December 2011	-	-	18.744.627
Appropriation of income			
Transfer to reserves	-	10.694.627	(10.694.627)
Dividends paid	-	-	(8.050.000)
Balance at 31 December 2012	4.400.000	53.576.785	-

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 2012, debts to related companies show the following items:

Related Company	2012	2011
Debts represented by securities	54.334.000	54.334.000
Prepayments and accrued expenses	1.264.860	1.250.387
Total	55.598.860	55.584.387

On this same date and on 31 December 2011, 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 2012, converted into EUR, was EUR 18.547.179 (2011: EUR 16.223.740).

NOTE 23 - CONTINGENT LIABILITIES

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

	2012			2011		
	Related Companies	Others	Total	Related Companies	Others	Total
Guarantees and other credit substitutes	-	6.847.282	6.847.282	-	6.866.459	6.866.459

None of the companies in which the Bank has an equity interest were subject to contingent liabilities on 31 December 2012 and 31 December 2011.

NOTE 24 - COMMITMENTS

The commitments include the following:

	2011			2010		
	Related Companies	**Others**	**Total**	**Related Companies**	**Others**	**Total**
Unused confirmed credits	-	100.602	100.602	-	336.039	336.039

None of the companies in which the Bank has an equity interest were subject to a commitment on 31 December 2012 and 31 December 2011.

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 2012 and 2011.

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 31/12/2012	**Within 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**TOTAL (notional)**	**Market Value**
Transactions linked to Interest Rates		**9.447.000**	**94.887.000**	**-**	**104.334.000**	**(3.903.953)**
Direct trading transactions						
Interest rate swaps	-	9.447.000	94.887.000	-	104.334.000	(3.903.953)

At 31/12/2011	**Within 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**TOTAL (notional)**	**Market Value**
Transactions linked to Interest Rates	**-**		**104.334.000**		**104.334.000**	**(5.661.192)**
Direct trading transactions						
Interest rate swaps	-		104.334.000		104.334.000	(5.661.192)

NOTE 27 - CREDIT RISK INFORMATION

Distribution of amounts due from banks by type of activity:

	2012	2011
Interbank Investments	554.369.393	818.808.149
Other Receivables	328.133.783	67.757.155
TOTAL	882.503.176	886.565.304

Distribution of amounts due from customers by economic sector:

	2012	2011
Non-financial Companies	1.350.000	4.315.000
Financial Companies	26.710.028	30.656.074
Private Customers	2.168.418	2.512.487
TOTAL	30.228.446	37.483.561

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

	2012	%	2011	%
Guaranteed Receivables	29.719.550	98,3%	37.338.141	99,6%
Non-Guaranteed Receivables	508.896	1,7%	145.420	0,4%
TOTAL	30.228.446	100,0%	37.483.561	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:

At 31 December 2012	Notional Amount EUR	Credit Risk Equivalent EUR	Net Risk Exposure EUR
Level of solvency of the counterparties			
Forward Exchange Transactions			
Weighted at 2%			
Interest Rate Swaps	**104.334.000**	**996.105**	**996.105**
Weighted at 0,5%	9.447.000	47.235	47.235
Weighted at 1%	94.887.000	948.870	948.870
Weighted at 3%	-	-	-
Weighted at 4%	-	-	-
Weighted at 5%	-	-	-
	104.334.000	**996.105**	**996.105**

At 31 December 2011	Notional Amount EUR	Credit Risk Equivalent EUR	Net Risk Exposure EUR
Level of solvency of the counterparties			
Forward Exchange Transactions			
Weighted at 2%			
Interest Rate Swaps	**104.334.000**	**1.992.210**	**1.992.210**
Weighted at 1%	9.447.000	94.470	94.470
Weighted at 2%	94.887.000	1.897.740	1.897.740
Weighted at 3%	-	-	-
Weighted at 4%	-	-	-
Weighted at 5%	-	-	-
	104.334.000	**1.992.210**	**1.992.210**

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 2012 comprises miscellaneous income of EUR 389.815 (2011: EUR 46.421) in particular the writeback of provisions for risks and charges established in the past, in the amount of EUR 226.693 and whose existence is no longer justified; an amount of EUR 13.399 representing three reimbursements from the AGDL regarding the liquidation of LANDSBANKI Luxembourg S.A. and in the case of the KAUPHTING BANK Luxembourg S.A. loss (please refer to note 18); surplus tax and VAT of EUR 19.871 paid during last years.

NOTE 31 - OTHER OPERATING EXPENSE

	2012	**2011**
Expenses from previous financial years	48	1.061
Sundry	105.899	103.657
TOTAL	105.947	104.718

The Sundry operating expense item for 2012 essentially comprises the allocation to the AGDL provision which stood at EUR 102.000 (2011: EUR 102.000).

NOTE 32 - MANAGEMENT AND ADMINISTRATIVE BODIES

	2012	**2011**
Emoluments:		
- Administrative Body Members	66.700	66.700
- Management Body Members	691.288	550.389
Loans, advances, and guarantee commitments:		
- 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:

	2012	**2011**
Directors	4	3
Management	6	7
Employees	15	14
TOTAL	25	24

NOTE 34 - STATUTORY AUDITORS' FEES

	2012	2011
Statutory Auditing of the Annual Financial Statements	117.000	115.000
Other audit missions	-	-
TOTAL	117.000	115.000

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 2011, 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 2012, the profit and loss account for the financial year closing on that date and a summary of the main accounting methods and other explanatory notes.

Responsibilities of the Board of Directors in 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 and for internal controls judged necessary in order to allow the drawing up of annual accounts which should contain no significant anomalies due to fraud or error.

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 for Luxembourg by the Commission de Surveillance du Secteur Financier. 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 internal control running.

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 2012, 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 Audit

Emmanuelle Miette
Partner

30 march 2012

Ordinary Annual General Meeting of Shareholders of 16 April 2013

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 2012 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 2011, and decides to distribute the profit for appropriation, which amounts to EUR 21.398.219, as follows:

To the special reserve not available for the 5-year period:	EUR 5.705.000
retained earnings:	EUR 7.643.219
to be distributed at a rate of EUR 1,15	
for each of the 7.000.000 shares:	EUR 8.050.000
I.e. a total amount of:	EUR 21.398.219

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 2012.