

# ANNUAL REPORT 2008

**CREDEMLUX**

**CREDEM INTERNATIONAL (LUX) s.a.**

CREDITO EMILIANO Bank Group



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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

*\* since 01 December 2008*

## External Auditor

DELOITTE S.A. - Luxembourg  
Business Auditors

# **Management Report of the Board of Directors**

## **for the end of financial year 2008**

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 2008.

The macro-economic scenario deteriorated progressively during 2008 with the weakness to which the United States was subject during the first quarter worsening and spreading, triggering a domino effect, first in the developed countries and then in the emerging countries.

The financial crisis, of which the first symptoms were visible during the summer of 2007 with the explosion of American subprime loans and their associated credit derivatives, gradually spread throughout the banking system. It culminated in the bankruptcies of Bear Stearns (3/08) and Lehman (9/08) and has negatively affected market development.

Equity indices have recorded average losses of approximately 35-40%, pushed down by the cumulated effect of the financial crisis, the recession and the downward revision of company profits.

In this context the Luxembourg banking sector saw a reduction in the profits of credit institutions which fell by 8.6% before provisions, in comparison to 2007. Net interest income increased by 24.3% whereas fees fell 10%. Employment grew considerably in 2008 with a 4% increase in the banking workforce, although this trend was reversed during the last quarter.

On 31 December 2008 there were 152 banks on the market.

The UCITS service business was affected by the financial crisis, with asset volumes falling by 24.2%.

### **Business**

The Bank has carried on its business in the traditional fields of UCITS services, private banking, lending and deposit bank for Insurance Companies in Luxemburg. During 2008, the Bank created a prospectus for the public offer of notes and covered warrant securities and issued zero coupon securities within the framework of synergies with the Parent Company and the other components of the Credito Emiliano Bank Group.

The Bank finished the projects to update the range of funds that make up the Sicav in the context of its role as an agent for administration, registration and transfer, as a paying agent, and as the principal management and investment agent for Euromobiliare International Fund Sicav. Customers requested more low-risk investment products following the collapse of the financial market indices and the liquidity crisis which came about during the second half of 2008. It is within this context that four funds were merged and two funds changed name and style of management. Furthermore, other interventions, such as the creation of new classes of shares, were made in two funds.

The private banking business comprises the discretionary management service, the offer of the Euromobiliare International Fund Sicav funds along with share, bond, and currency trading services and traditional fixed-term deposits. There was a very significant increase in customer deposits throughout the period. As a result, the average volumes were substantially higher than those of 2007. Customer deposits show a lower balance than that of 2007, following a transaction for a very high amount made at the end of the year. In this context, the discretionary management sector, which is mainly invested in bonds and the management product sector, recorded a substantial decrease in assets. The turbulence on the financial markets had a considerable impact on the balance of third-party securities held by the Bank, which fell very significantly.

Customer deposits amounted to EUR 211,268,103 a 12.6% decrease compared with 2007. If the specific transaction mentioned above is not taken into account, the balance grew by 7.85%.

Bond issues amounted to EUR 1,378,834,000 at the end of the financial year, which explains the considerable increase in the 2008 balance sheet amounts. The issues do not give rise to an interest rate risk, as the Bank implements hedging techniques.

Discretionary management assets and management products amounted to EUR 48,774,000 (-30.45%). Finally, third-party securities held by the Bank amounted to EUR 411,803,874 (-54.5%). The securities portfolio is almost exclusively made of securities issued by Italian credit institutions for a total of EUR 1,113,250,970.

The lending business is characterised by the management of the existing portfolio for financial institutions in accordance with Group strategy. Participation in a specific corporate lending operation organised by the Group, based on the guarantee received by one of the Banks in the Group, enabled the loan portfolio balance to be increased to EUR 68,715,030 (+52.5%). The guarantees issued total EUR 20,871,000 (-58.6%). The reduction can be explained by the expiry of a certain number of guarantees associated with a specific transaction for a total of EUR 35,000,000.

The balance of the positions deriving from the work of depositary bank for Luxembourg insurance companies stands at EUR 49,054,000.

The total balance stands at EUR 1,982,373,557 following the issue of the above-mentioned securities, an increase of 279.9% over financial year 2007.

The net result for financial year 2008 shows a profit of EUR 14,637,622 which is 14.24% down compared with 2007.

The developments on the financial markets has determined a new configuration of the Bank's income. Indeed, the Bank, which has a cash flow management characterised by a very high level of liquidity, benefitted from the interest rates 2008 increase and this is reflected in an almost 48% increase in net interest income.

However, fees fell by almost 23.5%. The concentration of assets managed by Euromobiliare International Fund Sicav in cash funds, firstly, and the contraction of discretionary management assets and third-party securities held by the Bank, secondly, caused a decline in fee income compared with 2007.

It should be noted that our share in Interconsult produced a dividend of EUR 356,000.

As regards costs, personnel costs grew only slightly, by 2.85%, and this includes a provision for performance bonuses to be paid in 2009. General costs grew by 1.9% and the overall increase in costs was 2.5%.

The Bank has paid special attention to its relationships with its employees and its clients. It should be noted within this context that the Bank developed and adopted an updated version of the Internal Code of Conduct during 2008, which dictates the general principles that aim to ensure the correctness, morality and honesty of employees' relationships with the Bank and with clients. On the administrative organisation front, the Bank launched a project to implement an internal capital adequacy assessment process (ICAAP). In this regard, an analysis of the types of risk was carried out with the aim of identifying and planning the action to implement the ICAAP process. Moreover, the solvency ratio as of 31 December 2008 was 15.97% and the endurance tests carried out regarding interest rate risks showed that the Bank is not exposed to this risk.

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 (Association pour la Garantie des Dépôts Luxembourg) triggered the compensation mechanism in favour of the depositors and investors of these three banks. The Bank paid a total amount of EUR 91,924 in response to 2 calls from the AGDL on 23/10/08.

## **Risk Management**

The Bank manages risk by identifying major risk factors, linking organization to risk control processes. Levels of risk are set by collegial organisations and are subject to continuous controls.

Liquidity risk is managed on daily basis, using cash gap analysis. The balance sheet has been structured so as to minimise the impact of any interest rate fluctuations.

Market risk does not affect the structure of the business developed by the Bank, which does not play the role of market maker for financial products. The Bank limits itself exclusively to hedging transactions for derivative products and the foreign exchange market. Exchange positions derive from the business carried out in relations with customers and present very limited balances. The limits on exchange rate risk are monitored by the Bank on a daily basis and a weekly report is sent to the Parent Company's Audit Unit.

Credit risk is analysed by the Loans Department and then approved by the competent bodies of the Bank. It is controlled by the Bank and by the Credit unit within the Credem Group which consolidates credit risk in relation to individual borrowers. The credit policy is very prudent and is maintained within internal limits set by the Bank following the policy of the parent company. Part of the credit portfolio is guaranteed by pledged securities and deposits as well as by guarantees granted by banking institutions.

We have no knowledge so far of any event occurring after 31 December 2008 which is likely to have a significant effect on the Bank's financial situation.

## **Outlook**

Developments on the financial markets during 2009 will lead us to continue to update our offer of Euromobiliare International Fund Sicav products either by creating new funds or by reorganising existing ones.

As regards private banking, we consider that customer demand for low-risk deposits will grow, especially if the markets do not become less volatile during 2009. The prudent strategy followed in the field of credit will not change during 2009.

## **Distribution of Profits**

We propose to the Shareholders at their General Meeting:

- that the Profit and Loss account at 31 December 2008 be approved as presented;
- that the profit of EUR 14,637,622 for the financial year be distributed as follows:

- to the voluntary reserve:	EUR	7,622
- to be distributed at a rate of EUR 2.09 for each of the 7,000,000 shares	EUR	14,630,000

After approval, the Capital & Reserves item will stand at EUR 65,701,626 distributed as follows:

- Paid-up capital:	EUR	44,000,000
- Legal reserve:	EUR	4,400,000
- Voluntary reserve:	EUR	17,301,626

The Chairman of the Board of Directors

## Balance Sheet at 31 December 2008 (in EURO)

ASSETS	Notes	2008	2007
<b>Cash, assets with central banks and post offices</b>	4	16,655,529	8,199,966
<b>Government stock and other stock admissible for refinancing at the central bank</b>	2, 4, 7, 11	1,972,600	1,746,538
Other stock admissible for refinancing at the central Bank		1,972,600	1,746,538
<b>Receivables from credit institutions</b>	4, 5, 12, 27	602,746,017	484,423,621
a) on call		143,190,248	100,587,710
b) other receivables		459,555,769	383,835,911
<b>Receivables from clients</b>	4, 6, 27	52,088,318	19,018,289
<b>Bonds and other fixed-income securities</b>	4, 7, 12	1,111,278,370	996,750
a) from public debt issuers		-	-
b) from other issuers		1,111,278,370	996,750
<b>Holdings</b>	8, 11	113,618	113,618
<b>Intangible assets</b>	11	204,158	224,821
<b>Tangible assets</b>	11	4,505,491	4,581,319
<b>Other assets</b>	9	236,973	298,708
<b>Prepayment and accrued income</b>	10	192,572,483	2,163,627
<b>TOTAL ASSETS</b>	2, 3, 13	1,982,373,557	521,767,257

Notes refer to the Notes on Annual Accounts

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>2008</b>	<b>2007</b>
<b>Debts to credit institutions</b>	<b>4, 21</b>	<b>182,044,257</b>	<b>165,519,300</b>
a) on call		7,381,121	9,216,669
b) advance or advance notice		174,663,136	156,302,631
<b>Debts to clients</b>	<b>4</b>	<b>211,268,103</b>	<b>241,776,402</b>
Other debt		211,268,103	241,776,402
- <i>on call</i>		51,474,625	25,275,974
- <i>advance or advance notice</i>		159,793,478	216,500,428
<b>Debt securities</b>	<b>4, 14, 21</b>	<b>1,378,834,000</b>	<b>40,000,000</b>
a) bonds and debt securities in issue		1,300,000,000	40,000,000
b) others		78,834,000	-
<b>Other liabilities</b>	<b>15</b>	<b>1,499,788</b>	<b>1,939,339</b>
<b>Prepayments and accrued expenses</b>	<b>16</b>	<b>124,083,057</b>	<b>3,071,666</b>
<b>Provisions</b>	<b>17</b>	<b>4,312,725</b>	<b>3,766,545</b>
a) provisions for taxes		1,873,109	1,354,034
b) other provisions	18	2,439,616	2,412,511
<b>Subscribed Capital</b>	<b>19</b>	<b>44,000,000</b>	<b>44,000,000</b>
<b>Reserves</b>	<b>20</b>	<b>21,694,005</b>	<b>4,625,494</b>
<b>Results for financial year</b>		<b>14,637,622</b>	<b>17,068,511</b>
<b>TOTAL LIABILITIES</b>	<b>22</b>	<b>1,982,373,557</b>	<b>521,767,257</b>

<b>OFF BALANCE SHEET</b>	<b>Notes</b>	<b>2008</b>	<b>2007</b>
<b>Contingent liabilities</b>	<b>23</b>	<b>21,146,828</b>	<b>50,478,373</b>
including:			
- guarantees and assets pledged as collateral security		21,146,828	50,478,373
<b>Commitments</b>	<b>24</b>	<b>7,171,079</b>	<b>5,170,879</b>
<b>Fiduciary operations</b>	<b>29</b>	<b>44,971,396</b>	<b>43,558,613</b>

Notes refer to the Notes on Annual Accounts

**Profit and Loss Account  
for the Financial Year ended 31 December 2008**

**(in EURO)**

	Notes	2008	2007
<b>Interest and similar income</b>		<b>73,734,323</b>	<b>20,236,642</b>
<i>of which: on fixed-income securities</i>		<i>1,344,571</i>	<i>143,989</i>
<b>Interest and similar expenses</b>		<b>(67,833,116)</b>	<b>(16,247,963)</b>
<b>Income from securities</b>		<b>356,000</b>	<b>270,000</b>
a) Income from holdings		356,000	270,000
<b>Commissions received</b>		<b>30,377,372</b>	<b>38,618,366</b>
<b>Commissions paid</b>		<b>(16,286,676)</b>	<b>(20,212,398)</b>
<b>Gains/(losses) on financial operations</b>		<b>40,045</b>	<b>76,395</b>
<b>Other operating income</b>	<b>30</b>	<b>147,625</b>	<b>33,031</b>
<b>General administrative costs</b>		<b>(4,626,355)</b>	<b>(4,515,408)</b>
a) Personnel expenses	32, 33	(2,848,396)	(2,770,232)
<i>of which:</i>			
<i>- salaries and pay</i>		<i>(2,464,394)</i>	<i>(2,401,007)</i>
<i>- welfare contributions</i>		<i>(321,728)</i>	<i>(294,146)</i>
<i>of which:</i>			
<i>pension contributions</i>	32	<i>(232,389)</i>	<i>(216,846)</i>
b) other administrative costs		(1,777,959)	(1,745,176)
<b>Impairment losses on intangible and tangible assets</b>	<b>11</b>	<b>(321,176)</b>	<b>(320,458)</b>
<b>Other operating costs</b>	<b>31</b>	<b>(99,884)</b>	<b>(102,673)</b>
<b>Reversal of impairment losses on receivables and provisions for contingent liabilities and commitments</b>		<b>11,646</b>	<b>141,591</b>
<b>Impairment losses on securities classified as financial fixed assets, equity investments and interests in associated companies</b>		<b>(223)</b>	<b>-</b>
<b>Profit/(loss) from ordinary activities after taxes</b>		<b>15,499,581</b>	<b>17,977,125</b>
Other taxes not included in above item		(861,959)	(908,614)
<b>Results for financial year</b>		<b>14,637,622</b>	<b>17,068,511</b>

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 2008, 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.

No value adjustments are recorded for securities that are hedged by an Interest Rate Swap and which comprise an economic unit.

## 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.

## 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 2008, the Bank's securities portfolio was composed of variable-income securities issued by Italian credit institutions and 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 2008, 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 2008 and 2007) give an analysis of the Bank's exposure to risk on 31 December 2008 by area and by "risk countries" of borrower origin or attached guarantees.

### 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			<b>1 733 781 377</b>	3 000 000	1 384 331 196
Luxembourg		1 599 386	5 559 142		113 618		<b>7 272 146</b>		3 206 720
United States		38 136					<b>38 136</b>		
Austria									
Switzerland		13 802	4 800 000				<b>4 813 802</b>		
France			35 429				<b>35 429</b>		
Belgium		55 002	23 057				<b>78 059</b>		
United Kingdom		1 228 245					<b>1 228 245</b>		
Hungary		5 060 271					<b>5 060 271</b>		
Germany		17 682					<b>17 682</b>		
Spain		2 000 000					<b>2 000 000</b>		
Iceland									
Portugal		6 121 991	38				<b>6 122 029</b>		
Slovenia		2 396 825					<b>2 396 825</b>		
Latvia		3 000 000					<b>3 000 000</b>		
Denmark									
<u>Other Countries</u> (< EUR 1 000)		92	537				<b>629</b>		
<u>Cash Deposits</u>			2 354 292				<b>2 354 292</b>	4 171 079	
<u>Not Broken Down</u>						214 174 635	<b>214 174 635</b>		
<b>Totals</b>	<b>1 972 600</b>	<b>602 746 017</b>	<b>52 088 318</b>	<b>1 111 278 370</b>	<b>113 618</b>	<b>214 174 635</b>	<b>1 982 373 557</b>	<b>7 171 079</b>	<b>1 387 537 916</b>

(\*) Operations associated with Exchange and Interest Rates

### 3.2 Credit Risk (Continued)

On 31/12/2007	Stock admissible for refinancing with the Central Bank	Bank receivables	Client receivables	Bonds and other fixed income investment securities	Holdings	Other Assets	Total	Commitments	Derivative Instruments (*)
Risk Country									
<u>Zone A</u>									
Italy	1 746 538	421 184 108	1 571 065	996 750			<b>425 498 461</b>		3 277 920
Luxembourg		933 588	6 007 612		113 618		<b>7 054 818</b>	86 274	
United States		756 412					<b>756 412</b>		
Austria		32 548 129					<b>32 548 129</b>		
Switzerland		18 924	4 230 000				<b>4 248 924</b>		
France			35 049				<b>35 049</b>		10 000 000
Belgium		105 192	34 305				<b>139 497</b>		
United Kingdom		5 975					<b>5 975</b>		30 000 000
Hungary		7 502 779					<b>7 502 779</b>		
Holland							<b>0</b>		
Germany		2 917					<b>2 917</b>		
Spain		2 000 000					<b>2 000 000</b>		
Greece							<b>0</b>		
Iceland		3 000 000					<b>3 000 000</b>		
Portugal		6 000 000					<b>6 000 000</b>		
Slovenia		4 365 079					<b>4 365 079</b>		
Malta							<b>0</b>		
Latvia		3 000 000					<b>3 000 000</b>		
Denmark		3 000 000					<b>3 000 000</b>		
<u>Non Zone A</u>									
Algeria							<b>0</b>		
<u>Other Countries</u> (< EUR 1 000)		518	291				<b>809</b>		
<u>Cash Deposits</u>			7 139 967				<b>7 139 967</b>	5 084 605	
<u>Not Broken Down</u>						15 468 441	<b>15 468 441</b>		
<b>Total</b>	<b>1 746 538</b>	<b>484 423 621</b>	<b>19 018 289</b>	<b>996 750</b>	<b>113 618</b>	<b>15 468 441</b>	<b>521 767 257</b>	<b>5 170 879</b>	<b>43 277 920</b>

(\*) 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:

<b>FINANCIAL ASSETS ON 31/12/08</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years or unlimited term</b>	<b>TOTAL</b>
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
<b>TOTAL FINANCIAL ASSETS</b>	<b>434,926,070</b>	<b>172,705,606</b>	<b>1,140,115,157</b>	<b>36,994,000</b>	<b>1,784,740,834</b>
NON-FINANCIAL ASSETS					197,632,723
<b>TOTAL ASSETS</b>					<b>1,982,373,557</b>

<b>FINANCIAL LIABILITIES ON 31/12/08</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years or unlimited term</b>	<b>TOTAL</b>
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
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>240,062,251</b>	<b>64,834,685</b>	<b>1,316,147,000</b>	<b>151,102,423</b>	<b>1,722,146,360</b>
NON-FINANCIAL LIABILITIES					210,227,197
<b>TOTAL LIABILITIES</b>					<b>1,982,373,557</b>

<b>FINANCIAL ASSETS ON 31/12/07</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years or unlimited term</b>	<b>TOTAL</b>
Savings Banks, Central Banks, Postal Cheques Accounts	53,984	-	-	8,145,982	8,199,966
Stock admissible for Refinancing with the Central Bank	-	748,928	997,610	-	1,746,538
Receivables from credit institutions	411,041,570	57,492,144	15,889,907	-	484,423,621
Receivables from clients	7,741,094	1,763,571	5,863,362	3,650,262	19,018,289
Bonds and fixed-income securities	-	-	996,750	-	996,750
<b>TOTAL FINANCIAL ASSETS</b>	<b>418,836,648</b>	<b>60,004,643</b>	<b>23,747,629</b>	<b>11,796,244</b>	<b>514,385,164</b>
NON-FINANCIAL ASSETS					7,382,093
<b>TOTAL ASSETS</b>					<b>521,767,257</b>

<b>FINANCIAL LIABILITIES ON 31/12/07</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years or unlimited term</b>	<b>TOTAL</b>
Debts to credit institutions	49,012,233	5,270,508	-	111,236,559	165,519,300
Debts to clients	192,044,604	12,262,215	-	37,469,583	241,776,402
Debt represented by securities	-	40,000,000	-	-	40,000,000
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>241,056,837</b>	<b>57,532,723</b>	<b>-</b>	<b>148,706,142</b>	<b>447,295,702</b>
NON-FINANCIAL LIABILITIES					74,471,555
<b>TOTAL LIABILITIES</b>					<b>521,767,257</b>

## NOTE 5 – RECEIVABLES FROM CREDIT INSTITUTIONS

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

	<b>2008</b>	<b>2007</b>
European Union	602,694,078	480,648,285
Other OECD Countries	51,939	3,775,336
<b>TOTAL</b>	<b>602,746,017</b>	<b>484,423,621</b>

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

On 31 december 2008 and 31 december 2007, no depreciation was applied to receivables from credit institutions.

## NOTE 6 – RECEIVABLES FROM CLIENTS

The geographical breakdown of receivables from clients:

	<b>2008</b>	<b>2007</b>
European Union	52,087,780	18,917,535
Other Countries	538	100,754
<b>TOTAL</b>	<b>52,088,318</b>	<b>19,018,289</b>

Depreciation applied to client receivables amounted to EUR 38,355 on 31 December 2008 (2007: EUR 83,512)

On 31 December 2008 and 2007, 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:

<b>2008</b>	<b>Listed securities</b>	<b>Unlisted securities</b>	<b>Total</b>	<b>Fair Value</b>
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

<b>2007</b>	<b>Listed securities</b>	<b>Unlisted securities</b>	<b>Total</b>	<b>Fair value</b>
Other stock admissible for Refinancing at the Central Bank	1,746,538	-	1,746,538	1,748,522
Bonds and Other Fixed-Income Securities	996,750	-	996,750	996,750
	2,743,288	-	2,743,288	2,745,272

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:

<b>2008</b>	<b>Maturity less than one year</b>	<b>Maturity more than one year</b>	<b>Fair Value</b>
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

<b>2007</b>	<b>Maturity less than one year</b>	<b>Maturity more than one year</b>	<b>Fair Value</b>
Other stock admissible for Refinancing with the Central Bank	748,928	997,610	1,748,522
Bonds and Other Fixed-Income Securities	-	996,750	996,750
	748,928	1,994,360	2,745,272

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

<b>2008</b>	<b>Financial Fixed Assets</b>	<b>Investment Portfolio</b>	<b>Total</b>	<b>Fair Value</b>
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

<b>2007</b>	<b>Financial Fixed Assets</b>	<b>Investment Portfolio</b>	<b>Total</b>	<b>Fair Value</b>
Other stock admissible for Refinancing with the Central Bank	1,746,538	-	1,746,538	1,748,522
Bonds and Other Fixed-Income Securities	-	996,750	996,750	996,750
	1,746,538	996,750	2,743,288	2,745,272

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

Financial fixed assets were measured on 31 December 2008 at their purchase price. Since these are securities issued on a discounted basis, the difference between the price and the redemption value is considered to be an income and is calculated *pro rata* in a linear manner.

Financial fixed assets were measured on 31 December 2007, by applying the Lower of Cost or Market Value method.

The financial fixed assets recognized in the balance sheet at 31 December 2007 were all sold during the financial year, with a loss of EUR 223.

## 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 2008, 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%	1,627,129	1,073,813

The Bank also holds a 152 EUR share (2007: 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:

	<b>2008</b>	<b>2007</b>
Precious Metals	32,609	32,609
Other Assets	204,364	266,099
<b>TOTAL</b>	<b>236,973</b>	<b>298,708</b>

On 31 December 2008, VAT advances paid, on made up the greater part of Other Assets (EUR 98,744).

## NOTE 10 – PREPAYMENT AND ACCRUED INCOME

The prepayment and accrued income item comprises the following elements:

	<b>2008</b>	<b>2007</b>
Interest <i>pro rata</i>	7,412,663	1,785,501
Income on derivatives	89,759,136	378,126
Redemption premiums on debt securities (zero rate issue)	95,400,684	-
	<b>192,572,483</b>	<b>2,163,627</b>

**NOTE 11 – MOVEMENTS OF FIXED ASSETS**

	Fixed assets				Value adjustments						
	Gross Value 31/12/2007	In	Out	Transfers	Gross Value 31/12/2008	Cumulation 31/12/2007	Allocations	Outflows	Transfers	Cumulation 31/12/2008	Net Value 31/12/2008
<b>Stock admissible for Refinancing with the Central Bank</b>	1,746,538	2,009,000	(1,746,538)	-	2,009,000	-	36,400	-	-	36,400	1,972,600
<b>Bonds</b>	999,050	1,110,300,120	-	-	1,111,299,170	2,300	18,500	-	-	20,800	1,111,278,370
<b>Holdings</b>	113,770	-	-	-	113,770	152	-	-	-	152	113,618
<b>Intangible Assets</b>	1,438,973	133,595	-	-	1,572,568	1,214,152	154,257	-	-	1,368,409	204,158
Concessions, patents, licences, trademarks, rights	1,438,973	133,595	-	-	1,572,568	1,214,152	154,257	-	-	1,368,409	204,158
<b>Tangible assets</b>	9,993,860	91,090	-	-	10,084,951	5,412,541	166,918	-	-	5,579,459	4,505,491
Land and buildings	5,732,106	-	-	-	5,732,106	1,535,068	86,841	-	-	1,621,909	4,110,196
<i>of which: for the Bank's own business</i>	4,799,166	-	-	-	4,799,166	1,399,300	71,194	-	-	1,470,494	3,328,671
<i>Other</i>	932,941	-	-	-	932,941	135,768	15,647	-	-	151,415	781,525
Techniques and machines	520,867	91,090	-	-	611,957	423,818	65,363	-	-	489,181	122,777
Other installations, tools and furniture	3,740,887	-	-	-	3,740,887	3,453,655	14,714	-	-	3,468,369	272,518

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

Receivables from linked companies on 31 December 2008 concerned the following items:

<b>Related Companies</b>	<b>2008</b>	<b>2007</b>
Receivables from credit institutions	557,214,585	382,012,041
Bonds and other fixed-income securities	1,111,278,370	996,750
<b>TOTAL</b>	<b>1,668,492,955</b>	<b>383,008,791</b>

On this same date and on 31 December 2007, the Bank holds no receivable with any company related in terms of holdings.

**NOTE 13 – ASSETS IN FOREIGN CURRENCIES**

On 31 December 2008, the total sum of assets made out in foreign currencies, converted to Euros, amounted to EUR 109,149,835 (2007: EUR 89,754,254).

**NOTE 14 – DEBTS REPRESENTED BY SECURITIES**

<b>2008</b>	<b>Maturity less than one year</b>	<b>Maturity more than one year</b>	<b>Total</b>
Bonds	-	1,300,000,000	1,300,000,000
Cash certificates and certificates of deposit	-	78,834,000	78,834,000
<b>TOTAL</b>	<b>-</b>	<b>1,378,834,000</b>	<b>1,378,834,000</b>

<b>2007</b>	<b>Maturity less than a year</b>	<b>Maturity more than a year</b>	<b>Total</b>
Bonds	40,000,000	-	40,000,000
Cash certificates and certificates of deposit	-	-	-
<b>TOTAL</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>

The Bank issued debt instruments during the financial year for a total of EUR 1,378,834,000 fully subscribed by entities of the group to which it belongs.

The subscription proceeds were invested with the Parent Company as follows: 87.03% (securities issued at zero interest) for the purchase of securities for the investment security portfolio and 12.97% (securities issued at non-zero interest) for bank loans.

#### NOTE 15 – OTHER LIABILITIES

The Other Liabilities item comprises the following elements:

	<b>2008</b>	<b>2007</b>
Privileged Creditors	555,574	809,609
Miscellaneous Creditors	944,214	1,129,730
<b>TOTAL</b>	<b>1,499,788</b>	<b>1,939,339</b>

100% of the elements under miscellaneous creditors in 2008 and 2007 represents fees to be settled within the framework of the SICAV Eurofundlux.

#### NOTE 16 – PREPAYMENTS AND ACCRUED EXPENSES

The accruals and charges item comprises the following elements:

	<b>2008</b>	<b>2007</b>
Interest <i>pro rata</i>	28,499,478	2,977,723
Charges on derivatives	95,405,334	27,221
Others	178,245	66,723
<b>TOTAL</b>	<b>124,083,057</b>	<b>3,071,667</b>

## NOTE 17 – PROVISIONS

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

	2008	2007
Provisions for taxes	1,873,109	1,354,034
AGDL (See note 18)	1,675,458	1,707,302
Other	764,158	705,209
TOTAL	4,312,725	3,766,545

Other provisions include litigation provisions totalling EUR 120,949 (31 December 2007: 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 2008.

## 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 2008 stood at EUR 1,675,458 (31 December 2007: EUR 1,707,302). The allocation for financial year 2008 was EUR 60,080 (31 December 2007: EUR 100,000).

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 91,924 which amount has been deducted from the above mentioned provision.

#### **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**

	<b>Legal Reserve</b>	<b>Other Reserves</b>	<b>Profits Carried Forward</b>
Balance at 1 January 2008	4,400,000	225,494	-
Profit of the Financial Year closed on 31 December 2007	-	-	17,068,511
Appropriation of income	-	-	-
Transfer to reserves	-	17,068,511	(17,068,511)
Dividends paid	-	-	-
Balance at 31 December 2008	4,400,000	17,294,005	-

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 2008, debts to related companies show the following items:

<b>Related Company</b>	<b>2008</b>	<b>2007</b>
Debts to credit institutions	136,611,229	106,854,639
Debts represented by securities	1,378,834,000	40,000,000
Total	1,515,445,229	146,854,639

On this same date and on 31 December 2007, 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 2008, converted into EUR, was EUR 109,038,375 (2007: EUR 89,754,254).

## NOTE 23 – CONTINGENT LIABILITIES

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

	2008			2007		
	Related Companies	Others	Total	Related Companies	Others	Total
Guarantees and other credit substitutes	-	21,146,828	21,146,828	-	50,478,373	50,478,373

None of the companies in which the Bank has an equity interest were subject to contingent liabilities on 31 December 2008 and 31 December 2007.

## NOTE 24 - COMMITMENTS

The commitments include the following:

	2008			2007		
	Associated Companies	Others	Total	Associated Companies	Others	Total
Unused confirmed credits	-	7,171,079	7,171,079	-	5,170,879	5,170,879

None of the companies in which the Bank has an equity interest were subject to a commitment on 31 December 2008 and 31 December 2007.

## 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 2008 and 2007.

## 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.

<b>At 31/12/2008</b>	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	<b>TOTAL (notional)</b>	<b>Market Value</b>
<b>Transactions linked to Exchange Rates</b>	3,851,517	4,852,399	-	-	<b>8,703,916</b>	<b>278,925</b>
<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
<b>Transactions linked to Interest Rates</b>	-	-	1,316,147,000	62,687,000	<b>1,378,834,000</b>	<b>(120,620,589)</b>
<i>Direct trading transactions</i>						
Interest rate swaps	-	-	1,316,147,000	62,687,000	1,378,834,000	(120,620,589)

<b>At 31/12/2007</b>	Within 3 months	3 - 12 months	1 - 5 years	In excess of 5 years	<b>TOTAL (notional)</b>	<b>Market Value</b>
<b>Transactions linked to Exchange Rates</b>		3,277,920	-	-	<b>3,277,920</b>	<b>50,188</b>
<i>Direct trading transactions</i>						
Forward exchange transactions						
Forex Forward	-	-	-	-	-	-
Forex swaps	-	3,277,920	-	-	3,277,920	50,188
<b>Transactions linked to Interest Rates</b>	-	40,000,000	-	-	<b>40,000,000</b>	<b>8,500</b>
<i>Direct trading transactions</i>						
Interest rate swaps	-	40,000,000	-	-	40,000,000	8,500

## NOTE 27 - CREDIT RISK INFORMATION

Distribution of amounts due from banks by type of activity:

	<b>2008</b>	<b>2007</b>
Interbank Investments	440,976,682	453,429,830
Loan Contracts	18,579,087	28,867,858
Other Receivables	143,190,248	2,125,933
<b>TOTAL</b>	<b>602,746,017</b>	<b>484,423,621</b>

Distribution of amounts due from customers by economic sector:

	<b>2008</b>	<b>2007</b>
Public sector	-	-
Non-financial Companies	4,980,246	4,431,977
Financial Companies	43,308,184	8,659,950
Private Customers	3,799,888	5,926,362
<b>TOTAL</b>	<b>52,088,318</b>	<b>19,018,289</b>

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

	<b>2008</b>	<b>%</b>	<b>2007</b>	<b>%</b>
Guaranteed Receivables	49,968,381	95.9	16,010,993	84.2
Non-Guaranteed Receivables	2,119,937	4.1	3,007,296	15.8
<b>TOTAL</b>	<b>52,088,318</b>	<b>100.0</b>	<b>19,018,289</b>	<b>100.0</b>

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:

<b>At 31 December 2008</b>	<b>Notional Amount</b> EUR	<b>Credit Risk Equivalent</b> EUR	<b>Guarantees</b> EUR	<b>Net Risk Exposure</b> EUR
<i>Level of solvency of the counterparties</i>				
<b><u>Forward Exchange Transactions</u></b>	<b>8,426,978</b>	<b>168,540</b>	-	<b>168,540</b>
Weighted at 2%	8,426,978	168,540	-	168,540
<b><u>Interest Rate Swaps</u></b>	<b>1,278,834,000</b>	<b>15,720,230</b>	-	<b>15,720,230</b>
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
	<b>1,287,260,978</b>	<b>15,888,770</b>	-	<b>15,888,770</b>

<b>On 31 December 2007</b>	<b>Notional Amount</b>	<b>Credit Risk Equivalent</b>	<b>Guarantees</b>	<b>Net Risk Exposure</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<i>Level of solvency of the counterparts</i>				
<b><u>Forward Exchange Transactions</u></b>	<b>3,148,139</b>	<b>62,963</b>	-	<b>62,963</b>
Weighted at 2%	3,148,139	62,963	-	62,963
<b><u>Interest rate swaps</u></b>	<b>40,000,000</b>	<b>200,000</b>	-	<b>200,000</b>
Weighted at 1%	40,000,000	200,000	-	200,000
	<b>43,148,139</b>	<b>262,963</b>	-	<b>262,963</b>

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 the following items:

	<b>2008</b>	<b>2007</b>
Recovery of receivables from previous financial years	-	4,142
Sundry	147,625	28,889
<b>TOTAL</b>	<b>147,625</b>	<b>33,031</b>

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.

In 2007 Sundry operating income included, in particular, provisions for risks and charges set aside in the past for a total of EUR 17,138 whose existence is no longer justified.

### NOTE 31 – OTHER OPERATING EXPENSE

	<b>2008</b>	<b>2007</b>
Expenses from previous financial years	38,889	1,750
Sundry	60,995	100,923
<b>TOTAL</b>	<b>99,884</b>	<b>102,673</b>

The Sundry operating expense item for 2008 and 2007 essentially comprises the allocation to the AGDL provision which stood at EUR 60,080 in 2008 and EUR 100,000 in 2007.

**NOTE 32 – MANAGEMENT AND ADMINISTRATIVE BODIES**

	<b>2008</b>	<b>2007</b>
<i>Emoluments:</i>		
- Administrative Body Members	66,700	66,700
- Management Body Members	417,537	395,101
<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:

	<b>2008</b>	<b>2007</b>
Directors	2	2
Management	9	8
Employees	14	15
TOTAL	25	25

**NOTE 34 – STATUTORY AUDITORS' FEES**

	<b>2008</b>	<b>2007</b>
Statutory Auditing of the Annual Financial Statements	105,000	82,000
	15,000	
TOTAL	120,000	82,000

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.

## 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 2008, 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) 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

Olivier Lefèvre

*Partner*

11 March 2009

# **Resolutions**

## **Ordinary Annual General Meeting of Shareholders of 31 March 2009**

### **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 2008 as they are presented by the Board of Directors.

### **SECOND RESOLUTION**

The Annual Shareholders' has decided at the unanimously to allocate the results of the year to the voluntary reserve.

### **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 2008.