

ANNUAL REPORT 2010



CREDEM
INTERNATIONAL LUX

Bank Group CREDITO EMILIANO

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Capital and Shareholders

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

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

Board of Directors

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

Management

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

External Auditor

DELOITTE S.A. - Luxembourg
Authorized Business Auditors

Management Report of the Board of Directors for the end of financial year 2010

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 2010.

2010 was characterised by a phase of growth in GDP at world level, which was more important for Asian economies and emerging countries as a whole. As regards the Euro Zone Germany showed remarkable growth thanks to its exports, whereas it remained modest for the other sizeable economies of the Euro Zone. Finally, those countries which had to implement restrictive policies in order to decrease the public debts are still facing difficulties.

Central Banks adopted expansion policies, and interest rates have remained at very low levels. The Federal Reserve has moreover launched a State Bonds redemption program, and the European Central Bank was drawn to intervene following the crisis that hit those countries in the periphery of the Euro Zone so as to guarantee the liquidity necessary for financial markets.

The explosion of the sovereign risk of some countries within the Euro Zone affected financial markets, entailing an increase of “spreads” against German State Bonds, which reached record highs since the Euro’s creation. As regards stock exchange indices, the S&P 500 showed a rather positive performance. One witnessed in Europe a contradictory evolution: Germany started a high positive performance, while other countries showed less satisfactory results, and even negative performances.

As compared with 2009, the Luxembourg banking sector has suffered a strong lowering of results before provisions. The interest margin has dropped by 16% and commissions went up by 12.6%. The strong decrease in other net revenue has had a negative impact on results. The net result for your Bank in that context presents a significant rise of 36.7% for 2010.

Bank’s activities

The Bank ran its activities in the traditional area of services to UCITS, private banking, credits and custodian service for Luxembourg insurance companies.

Within the framework of its duties in a capacity as agent in charge of administration, registration and transfer, as domiciliary agent and as manager for Euromobiliare International Fund Sicav, the Bank finalised the projects aiming at updating the range of compartments making up the Sicav. All compartments have in that framework undergone modifications aiming at making the marketing of the product simpler ; two compartments have merged and two new ones have been launched along 2010.

The “private banking” activity comprises the discretionary management service, the offer of the compartments of the Euromobiliare International Fund Sicav as well as the services dealing with the negotiation of shares, bonds and currencies and traditional fixed deposits. Client deposits show a significant increase when compared with 2009, resulting from operations carried out by a “corporate” type clientele. The balance of the discretionary management sector, for the most part of the debenture kind and of management products has been substantially stable, while that of third party securities held by the Bank shows a strong decrease mostly due to the fall in rates.

Client deposits show a balance of EUR 240.152.598 a rise of 119.4% as compared with 2009.

Assets under discretionary management and management products show a balance of EUR 69.211.000 (+ 4.2%). And finally, third party securities held by the Bank show a balance in the amount of EUR 368.237.452 (- 39.9%).

At the end of 2010 and following the repayment of issues come due along the year, our debts represented by a security reached EUR 79.759.000. Since the Bank recurred to hedging techniques, issues do not entail an interest rate risk

The securities portfolio is almost exclusively made up of Italian Treasury Bonds for an amount of EUR 54.666.850.

The credits activity has been characterised by the management of the existing portfolio a residual portion of which is represented by financial institutions. As regards credits to both private and corporate clients, the Bank has mortgage guaranties and pledges, either in the form of bank deposits or in that of mortgage guaranties. The balance of the credits portfolio is in the amount of EUR 44.382.903 (- 6.6%).

The aggregate of issued guaranties is equal to EUR 5.997.207 (- 59%). The balance of positions arising from the activity as custodian bank for Luxembourg insurance companies is in the amount of EUR 55.243.944 (+ 11.6%).

The sum of the balance sheet presents a balance in the amount of EUR 617.322.668 i.e., a decrease of 63.8% when compared with the 2009 financial year.

In terms of net result, the 2010 financial year shows a profit in the amount of EUR 21.971.535, i.e., a progress of 36.7%.

The low level of interest rates which persisted along 2010 has had a significant impact on the interest margin, since the Bank implements a treasury management characterised by a very high liquidity level. The interest margin balance is in the amount of EUR 2.241.832 (- 38.1%).

On the other hand, the margin on commissions has increased by 43% to reach a balance of EUR 25.225.696. The updating of the range of compartments as well as the positioning of assets under management of Euromobiliare International Fund Sicav in flexible debenture-style compartments rather than in monetary-style compartments promoted the increase in commission revenue when compared with 2009 despite a decrease in assets under management of some – 4.4%. The balance of assets under management at the end of the financial year is at EUR 4.898.284.000.

One should note that the participation in the company Interconsult has generated a dividend in the amount of EUR 288.852.

On a par with the objectives aiming at improving the Bank's efficiency, personnel costs have decreased by 2.19% and administrative ones by 1.81%. Overhead expenses have been lowered overall by 2.05% as compared with 2009.

As at 31st December 2010 the solvency ratio was 61.34%, and endurance tests carried out in matters of interest rate risks showed that the Bank is not exposed to such risk.

The internal audit activity was duly carried out according to plans. Recommendations of the internal audit department have been subject to the implementation of corrective steps to improve the unfolding of the safety of process.

The Compliance department has ensured the full compliance of the Bank to the anti-laundering legislation as well as the unfolding of its affairs according to the best practice principle.

Risks management

The Bank manages risks through the identification of major risk factors, the organisation and control processes linked to its activity. Risk levels are determined by administrative corporate bodies and are subject to permanent controls.

At a first level the risks identified and their respective levels are subject to daily control by those executives in charge of the compartments. The risk management then takes charge of a second-level check so as to ensure a global vision of the Bank's risk

situation. At a third level the Authorised Management, through those reports provided by the Risk Management ensures on a regular basis the adequacy of the risk policy as well as its due respect, and adequately reports to the Board of Directors on those matters. The Authorised Management moreover provides for the implementation of corrective measures if the risk situation and the management of equity funds fail to comply.

The operational risk is essentially linked to cashing and payment activities for the account of clients, to the custody activity relating to clients' securities, as well as to the family estate management activity. The Bank provided for the setting up of a "census of Operational Incidents" working along with the Risk Management department, intended to control the frequency, seriousness and impact of operational incidents and to control possible corrective measures so as to prevent recurrent incidents from happening.

The rates risk is controlled on a daily basis through the treasury-gap analysis. The balance sheet's structure is designed so as to minimize the impact of possible interest rates fluctuations.

As regards the liquidity risk the Bank is currently liquid and, in order to minimize said liquidity risk, the Bank generally refinances itself according to the same expiry as its outstandings. Aligning on the principles adopted by the CREDEM Group the short-term liquidity management is based on the monitoring of net flows over a 12-month period. The management of the structural liquidity provides for the monitoring of the correlation of assets on the medium/long term with liabilities characterised by a sufficient stability level.

The market risk does not come within the structure of activities developed by the Bank which does not play any role as market maker on financial products. The Bank limits itself exclusively to hedging operations as regards derivative products and foreign exchange market. Foreign exchange positions issue from the activity carried out for clients and show very limited balances. Limits put on the exchange risk are controlled by the Bank on a daily basis, and a weekly report is sent to the audit department of the Parent Company.

The credit risk for its part is analysed by the Credits department and then approved by the Bank's competent corporate bodies. It is controlled by the Bank and by the Credits department of the CREDEM Group which consolidates the credit risk vis-à-vis a same borrower. The credit policy is very prudent and takes shape within the internal limits set by the Bank pursuant to principles of the policy established by the Parent Company. Risks towards Ordinary Clients are for the most part covered by bank guaranties or by pledged assets. The evaluation of those risks is subject to regular monitoring on a once-monthly basis at the least. The finality of the interbank activity, besides the refinancing finality (which is quite marginal taken into account of the structure of the Bank's activity) is to optimize the management of the liquidity. In line with the Group's organisational

model, the activity is achieved by concentrating the close-to-totality of investments at the level of the Parent Company (within such limits as are eventually set by the regulator). Activity for other parties outside the Group is complementary, in those cases where it could not be possible with the Parent Company.

Taking its activity into account, as well as its mission as a company in the service of the Group, the Bank runs a significant concentration risk only towards the CREDEM Group in terms of both direct and indirect risks.

The Bank has finally implemented procedures and regulations in line with the Group's overall principles pertaining to the mastery and control of legal, compliance, standing, business and strategic risks.

We have no knowledge as at the present day regarding any event having taken place after 31 December 2010 which might have had a significant impact on the Bank's financial situation.

Perspectives

The activity of services rendered to Euromobiliare International Fund Sicav will lead us to pursue the updating of the offer of products either through the launching of new compartments or through the reorganisation of existing compartments. We expect in that context a moderate growth of assets under management.

Along 2011 the Bank will be brought to play an even more fully integrated role within the framework of the Credito Emiliano Group's treasury. A project is indeed in the process of finalisation so as to breach the short-term capital market through issues of Euro Commercial Paper and Euro Certificates of Deposit intended for European investors.

The private banking activity will be influenced by the evolution of the international regulatory framework pertaining to transfrontier investments, which might very well impact along 2011.

The prudent strategy implemented in the area of credits will not undergo variations along 2011.

Allocation of corporate profits

We propose to the Shareholders convened in a General Meeting :

- To approve the Profit and Loss account as at 31st December 2010 in the version we present ;

- To allocate the result for the financial year in the amount of EUR 21.971.535 as follows:

- To the free reserve : EUR 6.921.535

- To be distributed on the basis of EUR 2.15
for each one of the 7,000.000 shares EUR 15.050.000

Following approval, the Capital & Reserves item is in the amount of EUR 91.282.157 allocated as follows :

- Paid up corporate capital : EUR 44.000.000

- Legal reserve : EUR 4.400.000

- Free reserve : EUR 42.882.157

The Chairman of the Board of Directors

Balance Sheet at 31 December 2010

(in EURO)

ASSETS	Notes	2010	2009
Cash, assets with central banks and post offices	4	12.538.685	16.485.272
Government stock and other stock admissible for refinancing at the central bank	2, 4, 7, 11	51.996.400	52.002.400
Other stock admissible for refinancing at the central Bank		51.996.400	52.002.400
Receivables from credit institutions	4, 5, 12, 27	344.856.148	333.081.510
a) on call		183.172.212	33.278.834
b) other receivables		161.683.936	299.802.676
Receivables from clients	4, 6, 27	197.166.782	49.639.660
Bonds and other fixed-income securities	4, 7, 12	2.670.450	1.167.807.614
a) from other issuers		2.670.450	1.167.807.614
Holdings	8, 11	113.618	113.618
Intangible assets	11	80.285	98.268
Tangible assets	11	5.856.199	5.725.623
Other assets	9	57.365	152.159
Prepayment and accrued income	10	1.986.736	80.427.751
TOTAL ASSETS	2, 3, 13	617.322.668	1.705.533.875

Notes refer to the Notes on Annual Accounts.

LIABILITIES AND EQUITY	Notes	2010	2009
Debts to credit institutions	4, 21	180.040.536	56.481.886
a) on call		159.261.294	42.248.592
b) advance or advance notice		20.779.242	14.233.294
Debts to clients	4	240.152.598	109.945.175
Other debt		240.152.598	109.945.175
- <i>on call</i>		183.746.624	49.675.027
- <i>advance or advance notice</i>		56.405.974	60.270.148
Debt securities	4, 14, 21	79.759.000	1.389.912.000
a) bonds and debt securities in issue		-	1.300.000.000
b) others		79.759.000	89.912.000
Other liabilities	15	5.338.682	3.025.378
Prepayments and accrued expenses	16	1.631.664	45.126.529
Provisions	17	4.068.031	4.642.285
a) provisions for taxes		1.421.415	2.114.960
b) other provisions	18	2.646.616	2.527.325
Subscribed Capital	19	44.000.000	44.000.000
Reserves	20	40.360.622	36.331.627
Results for financial year		21.971.535	16.068.995
TOTAL LIABILITIES	2, 22	617.322.668	1.705.533.875

OFF BALANCE SHEET	Notes	2010	2009
Contingent liabilities	23	6.171.414	14.944.860
including:			
- guarantees and assets pledged as collateral security		6.171.414	14.944.860
Commitments	24	-	6.078.988
Fiduciary operations	29	27.247.827	25.295.340

Notes refer to the Notes on Annual Accounts.

Profit and Loss Account

for the Financial Year ended 31 December 2009

(in EURO)

	Notes	2010	2009
Interest and similar income		91.359.654	175.034.590
<i>of which: on fixed-income securities</i>		<i>37.104.234</i>	<i>55.851.900</i>
Interest and similar expenses		(89.117.822)	(171.409.794)
Income from securities		288.852	391.000
a) Income from holdings		288.852	391.000
Commissions received		60.314.449	38.054.579
Commissions paid		(35.088.753)	(20.414.645)
Gains/(losses) on financial operations		77.383	94.648
Other operating income	30	124.072	143.475
General administrative costs	32, 33	(4.620.170)	(4.716.766)
a) Personnel expenses		(2.861.150)	(2.925.271)
<i>of which:</i>			
<i>- salaries and pay</i>		<i>(2.444.794)</i>	<i>(2.510.960)</i>
<i>- welfare contributions</i>		<i>(348.964)</i>	<i>(349.520)</i>
<i>of which:</i>			
<i>pension contributions</i>	32	<i>(237.499)</i>	<i>(230.061)</i>
b) other administrative costs		(1.759.020)	(1.791.495)
Impairment losses on intangible and tangible assets	11	(259.702)	(277.356)
Other operating costs	31	(275.316)	(124.941)
Reversal of impairment losses on receivables and provisions for contingent liabilities and commitments		1.607	51.668
Impairment losses on securities classified as financial fixed assets, equity investments and interests in associated companies		-	-
Profit/(loss) from ordinary activities after taxes		22.804.254	16.826.458
Other taxes not included in above item		(832.719)	(757.463)
Results for financial year		21.971.535	16.068.995

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 2010, were in the following fields:

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

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

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

1.3. Annual accounts

The financial year coincides with the calendar year.

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

NOTE 2 – MAIN ACCOUNTING METHODS

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

The following accounting principles are particularly important:

2.1. Conversion of items into currencies

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

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

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

2.2. Derivative Financial Instruments

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

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

a financial instrument is covered by a transaction in the opposite direction so that the position is considered as closed.

2.3. Value Adjustments on Loans and Provisions

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

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

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

2.4. Transferable securities

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

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

2.5. Bonds and Other Fixed-Income Securities

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

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

Transferable securities are valued in the following way:

- *Long term investments:*

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

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

- *Investment portfolio:*

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

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

2.6. Shares and Other floating rate investment securities

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

2.7. Holdings

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

2.8. Debts Securities

Bonds issued by the Bank are recognized in liabilities at their redemption value and the interest is calculated *pro rata* via the accruals and charges account. Redemption premiums are treated as interest and are recognized among assets and depreciated throughout the life of the debt. The redemption premium *pro rata* is accounted in a straight line basis for zero rate loan issues in the prepayment and accrued income.

2.9. Delivered pensions operations

The Bank recurred to delivered pension operations which entailed a pledge in the form of a liquidities deposit pledged in favour of the Bank.

Such operations have been carried out with infra-group other parties.

2.10. 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.

2.11. 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.

2.12. 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 2010, the Bank's securities portfolio was composed of Italian Treasury Bonds at fixed and variable rates, securities issued by a Multilateral Development Bank and securities issued by the Parent Company.

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

During financial year 2010, 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 390.207.596 as at 31st December 2010 and is apportioned as follows on the various elements of assets (guaranties included) :

- Nostro and interbank investments	: 343.523.896
- Others	: 46.683.700
of which :	
- Bonds and other fixed income transferable securities	: 798.720

The following tables (comparative 2010 and 2009) give an analysis of the Bank's exposure to risk on 31 December 2010 by area and by "risk countries" of borrower origin or attached guarantees.

3.2 Credit Risk (continued)

On 31/12/2010	Stock admissible for refinancing with the Central Bank	Bank receivables	Clients receivables	Bonds and other fixed income investment securities	Holdings	Other assets	Total	Commitments	Derivative Instruments (*)
Risk Country									
<u>Zone A</u>									
Multilateral				1.871.730			1.871.730		
Italy	51.996.400	341.002.601	34.778.543	798.720			428.576.264	–	129.759.000
Luxembourg		1.968.849	10.255.466		113.618		12.337.933		
United States		45.161					45.161		
Austria							–		
Sw itzerland		2.253	4.615.000				4.617.253		
France			62.525				62.525		
Belgium		35.305	20.567				55.872		
United Kingdom		54.146					54.146		
Hungary							–		
Germany		76.609					76.609		
Spain							–		
Iceland							–		
Portugal							–		
Slovenia		–					–	–	
Latvia		1.666.667					1.666.667		
Denmark							–		
Sw eden		4.557					4.557		
<u>Other countries</u> (< EUR 1.000)			1.153				1.153		
<u>Cash deposits</u>			147.433.528				147.433.528	–	
<u>Not Broken Dow n</u>						20.519.270	20.519.270		
Totals	51.996.400	344.856.148	197.166.782	2.670.450	113.618	20.519.270	617.322.668	–	129.759.000

(*) Operations associated with Exchange and Interest Rates

3.2 Credit Risk (continued)

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

(*) Operations associated with Exchange and Interest Rates

3.3. 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 31/12/10	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Savings Banks, Central Banks, Postal Cheques Accounts	62.413	-	-	12.476.272	12.538.685
Stock admissible for Refinancing with the Central Bank	-	1.996.400	50.000.000	-	51.996.400
Receivables from credit institutions	343.522.815	1.333.333	-	-	344.856.148
Receivables from clients	154.617.949	4.827.500	28.259.430	9.461.903	197.166.782
Bonds and fixed-income securities	-	-	2.670.450	-	2.670.450
TOTAL FINANCIAL ASSETS	498.203.177	8.157.233	80.929.880	21.938.175	609.228.465
NON-FINANCIAL ASSETS					8.094.203
TOTAL ASSETS					617.322.668

FINANCIAL LIABILITIES ON 31/12/10	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years or unlimited term	TOTAL
Debts to credit institutions	159.561.294	-	-	20.479.242	180.040.536
Debts to clients	235.942.018	1.346.855	-	2.863.725	240.152.598
Debts represented by securities	-	-	79.759.000	-	79.759.000
TOTAL FINANCIAL LIABILITIES	395.503.312	1.346.855	79.759.000	23.342.967	499.952.134
NON-FINANCIAL LIABILITIES					117.370.534
TOTAL LIABILITIES					617.322.668

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

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

NOTE 5 – RECEIVABLES FROM CREDIT INSTITUTIONS

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

	2010	2009
European Union	344.808.734	333.051.218
Other OECD Countries	47.414	30.292
TOTAL	344.856.148	333.081.510

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

On 31 december 2010 and 31 december 2009, no depreciation was applied to receivables from credit institutions.

NOTE 6 – RECEIVABLES FROM CLIENTS

The geographical breakdown of receivables from clients:

	2010	2009
European Union	197.165.629	49.638.933
Other Countries (out of OECD)	1.153	727
TOTAL	197.166.782	49.639.660

Depreciation applied to client receivables amounted to EUR 34.744 on 31 december 2010 (2009: EUR 35.763).

On 31 December 2010 and 2009, 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 :

2010	Listed securities	Unlisted securities	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	51.996.400	-	51.996.400	53.321.400
Bonds and Other Fixed-Income Securities	2.670.450	-	2.670.450	2.677.088
	54.666.850	-	54.666.850	55.998.488

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

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:

2010	Maturity less than one year	Maturity more than one year	Fair Value
Other stock admissible for Refinancing with the Central Bank	1.996.400	50.000.000	53.321.400
Bonds and Other Fixed-Income Securities	-	2.670.450	2.677.088
	1.996.400	52.670.450	55.998.488

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

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

2010	Financial Fixed Assets	Investment Portfolio	Total	Fair Value
Other stock admissible for Refinancing with the Central Bank	50.000.000	1.996.400	51.996.400	53.321.400
Bonds and Other Fixed-Income Securities	-	2.670.450	2.670.450	2.677.088
	50.000.000	4.666.850	54.666.850	55.998.488

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

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 2010 and 2009, the securities in the financial fixed assets portfolio, specifically designated as such by the decision-making body, were linked to interest rate swaps. Considering the securities and their hedging as an economic unit, the Bank included the financial fixed assets in the assets at their acquisition price.

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

NOTE 8 – HOLDINGS

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

On 31 December 2010, 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%	1.949.289	1.344.768

The Bank also holds a 152 EUR share (2009: 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:

	2010	2009
Precious Metals	32.609	32.609
Other Assets	24.756	119.550
TOTAL	57.365	152.159

On 31 december 2010, the most important part of « Other assets » is made up of the VAT to be recovered from the Tax Administration for 2009 (EUR 10.985).

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

NOTE 10 - PREPAYMENT AND ACCRUED INCOME

The prepayment and accrued income item comprises the following elements:

	2010	2009
Interest <i>pro rata</i>	1.535.431	8.367.759
Income on derivatives	-	34.992.963
Redemption premiums on debt securities (zero rate issue)	451.305	37.067.029
	1.986.736	80.427.751

NOTE 11 - MOVEMENTS OF FIXED ASSETS

	Fixed assets					Value adjustments					
	Gross Value	In	Out	Transfers	Gross Value	Cumulation	Allocations	Outflows	Transfers	Cumulation	Net Value
	31/12/2009				31/12/2010	31/12/2009				31/12/2010	31/12/2010
Stock admissible for Refinancing with the Central Bank	50.000.000	-	-	-	50.000.000	-	-	-	-	-	50.000.000
Bonds	1.165.073.827	34.926.173	(1.200.000.000)	-	-	-	-	-	-	-	-
Holdings	113.770	-	-	-	113.770	152	-	-	-	152	113.618
Intangible Assets	1.575.900	43.817	(50.750)	-	1.568.967	1.477.632	61.800	(50.750)	-	1.488.682	80.285
Concessions, patents, licences, trademarks, rights	1.575.900	43.817	(50.750)	-	1.568.967	1.477.632	61.800	(50.750)	-	1.488.682	80.285
Tangible assets	11.473.216	328.479	(1.574.431)	-	10.227.264	5.747.593	197.903	(1.574.431)	-	4.371.065	5.856.199
Land and buildings	7.187.757	320.826	-	-	7.508.583	1.708.752	135.650	-	-	1.844.402	5.664.181
<i>of which: for the Bank's own business</i>	<i>6.254.816</i>	<i>320.826</i>	<i>-</i>	<i>-</i>	<i>6.575.642</i>	<i>1.541.689</i>	<i>120.002</i>	<i>-</i>	<i>-</i>	<i>1.661.691</i>	<i>4.913.951</i>
<i>Other</i>	<i>932.941</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>932.941</i>	<i>167.063</i>	<i>15.648</i>	<i>-</i>	<i>-</i>	<i>182.711</i>	<i>750.230</i>
Techniques and machines	693.282	7.653	(245.257)	-	455.678	558.384	50.556	(245.257)	-	363.683	91.995
Other installations, tools and furniture	3.592.177	-	(1.329.174)	-	2.263.003	3.480.457	11.697	(1.329.174)	-	2.162.980	100.023

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

Receivables from linked companies on 31 December 2010 concerned the following items:

Related Companies	2010	2009
Receivables from credit institutions	341.002.601	328.242.112
Bonds and other fixed-income securities	798.720	1.166.072.732
TOTAL	341.801.321	1.494.314.844

On this same date and on 31 December 2009, the Bank holds no receivable with any company related in terms of holdings.

NOTE 13 – ASSETS IN FOREIGN CURRENCIES

On 31 December 2010, the total sum of assets made out in foreign currencies, converted to Euros, amounted to EUR 10.222.721 (2009: EUR 31.725.629).

NOTE 14 - DEBTS REPRESENTED BY SECURITIES

2010	Maturity less than one year	Maturity more than one year	Total
Bonds	-	-	-
Cash certificates and certificates of deposit	-	79.759.000	79.759.000
TOTAL	-	79.759.000	79.759.000

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

During the financial year 2010, the Bank has not issued debt instruments.

NOTE 15 - OTHER LIABILITIES

The Other Liabilities item comprises the following elements:

	2010	2009
Privileged Creditors	284.400	561.583
Miscellaneous Creditors	5.054.282	2.463.795
TOTAL	5.338.682	3.025.378

98,9% of the elements under miscellaneous creditors in 2010 represents fees to be settled within the framework of the SICAV Eurofundlux (96,2 % in 2009).

NOTE 16 – PREPAYMENTS AND ACCRUED EXPENSES

The accruals and charges item comprises the following elements:

	2010	2009
Interest <i>pro rata</i>	1.180.359	8.045.815
Charges on derivatives	451.305	37.080.714
TOTAL	1.631.664	45.126.529

NOTE 17 – PROVISIONS

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

	2010	2009
Provisions for taxes	1.421.415	2.114.960
AGDL (See note 18)	1.785.092	1.665.092
Other	861.524	862.233
TOTAL	4.068.031	4.642.285

Other provisions include litigation provisions totalling EUR 270.949 (31 december 2009: 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 2010.

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 2010 stood at EUR 1.785.092 (31 December 2009: EUR 1.665.092). The allocation for financial year 2010 was EUR 120.000 (31 December 2009: EUR 120.000), accounted in « Other Operating Expense».

Following the restructuring of KAUPHTING BANK Luxembourg S.A, the AGDL reimbursed the advances paid in relation to this entity in the amount of EUR 30.331 (EUR 70.886 in 2009). In accordance with the instructions from the CSSF, this amount was accounted for in “Other operating income”. The Bank is of the opinion that the reimbursements cannot be estimated in a reliable manner and will as a consequence account for future reimbursements as and when they are made.

NOTE 19 - SUBSCRIBED CAPITAL

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

NOTE 20 - CHANGES IN RESERVES AND PROFITS CARRIED FORWARD

	Legal Reserve	Other Reserves	Profits Carried Forward
Balance at 1 January 2010	4.400.000	31.931.627	-
Profit of the Financial Year closed on 31 December 2009	-	-	16.068.995
Appropriation of income			
Transfer to reserves	-	4.028.995	(4.028.995)
Dividends paid	-	-	(12.040.000)
Balance at 31 December 2010	4.400.000	35.960.622	-

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 2010, debts to related companies show the following items:

Related Company	2010	2009
Debts to credit institutions	9.067.809	30.628.361
Debts represented by securities	79.759.000	1.389.912.000
Other liabilities	-	231.833
Total	88.826.809	1.420.772.194

On this same date and on 31 December 2009, 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 2010, converted into EUR, was EUR 10.222.721 (2009: EUR 31.725.628).

NOTE 23 - CONTINGENT LIABILITIES

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

	2010			2009		
	Related Companies	Others	Total	Related Companies	Others	Total
Guarantees and other credit substitutes	-	6.171.414	6.171.414	-	14.944.860	14.944.860

None of the companies in which the Bank has an equity interest were subject to contingent liabilities on 31 December 2010 and 31 December 2009.

NOTE 24 - COMMITMENTS

The commitments include the following:

	2010			2009		
	Related Companies	Others	Total	Related Companies	Others	Total
Unused confirmed credits	-	-	-	-	6.078.988	6.078.988

None of the companies in which the Bank has an equity interest were subject to a commitment on 31 December 2010 and 31 December 2009.

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 2010 and 2009.

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 31/12/2010	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	TOTAL (notional)	Market Value
Transactions linked to Exchange Rates	-	-	-	-	-	-
<i>Direct trading transactions</i>						
Forward exchange transactions						
Forex Forward	-	-	-	-	-	-
Forex swaps	-	-	-	-	-	-
Transactions linked to Interest Rates	-	-	129.759.000	-	129.759.000	(9.255.431)
<i>Direct trading transactions</i>						
Interest rate swaps	-	-	129.759.000	-	129.759.000	(9.255.431)

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

NOTE 27 - CREDIT RISK INFORMATION

Distribution of amounts due from banks by type of activity:

	2010	2009
Interbank Investments	192.855.685	322.318.898
Loan Contracts	1.666.667	3.428.571
Other Receivables	150.333.796	7.334.041
TOTAL	344.856.148	333.081.510

Distribution of amounts due from customers by economic sector:

	2010	2009
Public sector	-	-
Non-financial Companies	4.615.000	4.906.880
Financial Companies	189.233.981	41.449.106
Private Customers	3.317.801	3.283.674
TOTAL	197.166.782	49.639.660

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

	2010	%	2009	%
Guaranteed Receivables	189.809.909	96,3%	43.903.540	88,4
Non-Guaranteed Receivables	7.356.873	3,7%	5.736.120	11,6
TOTAL	197.166.782	100,0%	49.639.660	100,0

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

Credit Risk Measurement associated with derivative financial instruments:

	Notional Amount	Credit Risk Equivalent	Net Risk Exposure
At 31 december 2010	EUR	EUR	EUR
<i>Level of solvency of the counterparties</i>			
<u>Forward Exchange Transactions</u>			
Weighted at 2%			
<u>Interest Rate Swaps</u>	129.759.000	3.775.800	3.775.800
Weighted at 0,5%	-	-	-
Weighted at 2%	14.147.000	282.940	282.940
Weighted at 3%	113.162.000	3.394.860	3.394.860
Weighted at 4%	2.450.000	98.000	98.000
Weighted at 5%	-	-	-
	129.759.000	3.775.800	3.775.800

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

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 2010 comprises miscellaneous income of EUR 124.072 (2009: EUR 143.475) in particular the writeback of provisions for risks and charges established in the past, in the amount of EUR 65.739 and whose existence is no longer justified and an amount of EUR 30.331 representing two reimbursements from the AGDL in the case of the KAUPHTING BANK Luxembourg S.A. loss (please refer to note 18).

In 2009 Sundry operating income included, in particular, provisions for risks and charges set aside in the past for a total of EUR 69.168 whose existence is no longer justified.

NOTE 31 - OTHER OPERATING EXPENSE

	2010	2009
Expenses from previous financial years	1.388	1.772
Sundry	273.928	123.169
TOTAL	275.316	124.941

The Sundry operating expense item for 2010 essentially comprises the allocation to the AGDL provision which stood at EUR 120.000 (2009 : EUR 120.000) and the making up of a provision for « contention-compensation » for an amount of EUR 150.000 (2009 : -)

NOTE 32 - MANAGEMENT AND ADMINISTRATIVE BODIES

	2010	2009
<i>Emoluments:</i>		
- Administrative Body Members	66.700	66.700
- Management Body Members	675.199	513.445
<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:

	2010	2009
Directors	3	3
Management	7	8
Employees	14	14
TOTAL	24	25

NOTE 34 - STATUTORY AUDITORS' FEES

	2010	2009
Statutory Auditing of the Annual Financial Statements	113.00	107.000
Other audit missions	-	-
TOTAL	113.000	107.000

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 2010, 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 2010, the profit and loss account for the financial year closing on that date, and the Notes to Annual Accounts containing a summary of the main accounting methods and other explanatory notes.

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

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

Responsibilities of Companies Auditor

Our responsibility is to express an opinion on the accounts in the light of our audit. We have carried out the audit according to the International Auditing Rules as adopted 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 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 2010, 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.

Olivier Lefèvre

Partner

29 march 2011

Ordinary Annual General Meeting of Shareholders of 19 April 2011

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 2010 as they are presented by the Board of Directors.

SECOND RESOLUTION

The Annual Shareholders' Meeting approves the proposals made by the Board of Directors in relation to the distribution of the profit balance for the financial year 2009, and decides to distribute the profit for appropriation, which amounts to EUR 21.971.535, as follows:

to the voluntary reserve:	EUR 6.921.535
to be distributed at a rate of EUR 2,15	
<u>for each of the 7,000,000 shares:</u>	<u>EUR 15.050.000</u>
I.e. a total amount of:	EUR 21.971.535

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 2010.