Mediobanca International (Luxembourg) S.A.
Société Anonyme

R.C.S. Luxembourg B 112.885

Annual accounts as at 30 June 2009
and
Directors' report
and
Independent Auditor's report

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MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Directors and other information

Board of Directors	**Term expires**	**Location**
Chairman		
Massimo DI CARLO	2011	Italy
Directors		
Daniel CARDON de LICHTBUER	2011	Belgium
Stefano PELLEGRINO	2011	Italy
Silvio PERAZZINI	2011	Italy
Federico POTSIOS	2011	Italy
Alex SCHMITT	2011	Luxembourg
Managing Directors		
Luca MACCARI	2011	Luxembourg
Peter W GERRARD	2011	Luxembourg

Legal Advisors

Bonn Schmitt Steichen — Luxembourg

Independent Auditor

Ernst & Young S.A. — Luxembourg

Mediobanca International (Luxembourg) S.A.

Head Office: 14, Boulevard Roosevelt, L-2450 Luxembourg
Mediobanca Banking Group
Share capital: €10,000,000 fully paid up

Grand-Duché de Luxembourg - Commission de Surveillance du Secteur Financier

FINANCIAL SITUATION AT 30 JUNE 2009

BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The financial statements for the year ended 30 June 2009 have been prepared in accordance with International Financial Accounting Standards as adopted by the European Union. Data presented for purposes of comparison has also been compiled on an IFRS-compliant basis.

In the period ended 30 June 2009, the Bank earned a net profit of €29,236,828 (30/06/2008: €14,370,237).

During the year under review, bonds worth a total of €1,507,705,000 were issued against the Bank's Medium Term Notes Programme, and bonds worth €6,344,273,000 were issued against its Short Term Programme. Customer lending amounted to €3,561,390,000 (2008: €3,074,471,000). Net fee and commission income during the year totalled - €17,185,741 (2008: €1,763,791).

No material risks relevant to the Bank arose during the course of the financial year.

No major events have occurred subsequent to the reporting date which could materially impact on the company's asset, earnings or financial situation.

The Bank does not own, nor has it acquired or disposed of during the year under review, any treasury shares or shares in the Parent company.

With respect to reporting requirements regarding the direction and co-ordination of Mediobanca International (Luxembourg) S.A. it should be noted that accounts outstanding between the Bank its Parent and other group companies are financial in nature and may be summarized as follows:

Parent Company:	
Loans and Advances to Mediobanca S.p.A.	€1,718,463,000
Due to Mediobanca S.p.A.	€3,115,285,000

In the forthcoming financial year, the Bank will carefully continue to develop its activities in the loan sector while keeping costs under control.

We propose the following allocation of Profits:

Profit for the year	€	29,236,828
Balance on retained earnings	€	-
Total profit to be allocated	**€**	**29,236,828**
To specific reserve for N.W.T.	€	2,600,000
To free reserves	€	26,636,828

pp. BOARD OF DIRECTORS
CHAIRMAN
(Mr. M. Di Carlo)

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the annual accounts of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the "Bank") give a true and fair view of the assets, liabilities, financial position and profit and loss of the Bank in accordance with applicable accounting standards. The Directors' report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the year ended 30 June 2009.

Luxembourg, 9 September 2009

The Board of Directors

Massimo Di Carlo	Luca Maccari	Peter W Gerrard
Silvio Perazzini	Stefano Pellegrino	Federico Potsios
Daniel Cardon de Lichtbuer	Alex Schmitt	

B.P. 780
L-2017 Luxembourg
Tel: +352 42 124 1
Fax: +352 42 124 5555
www.ey.com/luxembourg

R.C. Luxembourg B 47 771
TVA LU 16063074

Independent Auditor's report

To the Board of Directors of
Mediobanca International (Luxembourg) S.A.
Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of Mediobanca International (Luxembourg) S.A., which comprise the balance sheet as at 30 June 2009, and the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Responsibility of the "réviseur d'entreprises" (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Mediobanca International (Luxembourg) S.A. as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Sylvie TESTA

Luxembourg, 9 September 2009

Mediobanca International (Luxembourg) S.A.
Société Anonyme

Balance sheet
As of 30 June 2009
(expressed in EUR)

Grand-Duché de Luxembourg - COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER -

ASSETS	Note	30 June 2009	30 June 2008
Cash and cash balances with central banks	4	35.018.777	19.584.145
Financial assets held for trading	5, 36	533.385.481	110.499.435
of which: derivatives		*267.976.864*	*105.549.464*
of which: debt instruments		*265.408.617*	*4.949.971*
Loans and advances	6, 36	5.537.589.758	5.344.621.977
of which: loans and advances to credit institutions		*1.976.199.438*	*2.270.150.507*
of which: loans and advances to customers		*3.561.390.320*	*3.074.471.470*
Derivatives held for hedging	7, 33	80.498.505	20.878.405
Tangible assets	8	21.142	38.810
Tax assets	15	96.533.431	30.223.891
of which: deferred tax assets		*96.533.431*	*30.223.891*
Other assets	9, 36	18.159.023	609.275
Total assets		**6.301.206.117**	**5.526.455.938**

LIABILITIES		30 June 2009	30 June 2008
Financial liabilities held for trading	10, 36	257.360.249	105.549.264
of which: derivatives		*257.360.249*	*105.549.264*
Amounts due to credit institutions	11, 36	3.278.768.730	3.450.719.939
of which: subordinated debts (Tier 2 funds)		*39.251.870*	*39.256.114*
Amounts due to customers	12, 36	25.841.603	35.214.379
Debt securities in issue	13	2.469.214.251	1.751.774.370
Derivatives held for hedging	14, 36	13.188.621	36.956.408
Tax liabilities	15	108.153.941	34.784.637
of which: deferred tax liabilities		*96.577.598*	*30.708.413*
Other liabilities	16, 36	17.452.144	9.467.191
Total liabilities		**6.169.979.539**	**5.424.466.188**
SHAREHOLDERS' EQUITY			
Issued capital	17	10.000.000	10.000.000
Reserves	18	91.989.750	77.619.512
Profit for the year		29.236.828	14.370.238
Total shareholders' equity		**131.226.578**	**101.989.750**
Total liabilities and shareholders' equity		**6.301.206.117**	**5.526.455.938**

The accompanying notes form an integral part of these annual accounts.

Mediobanca International (Luxembourg) S.A.
Société Anonyme

Income statement
For the year ended 30 June 2009
(expressed in EUR)

	Note	30 June 2009	30 June 2008
Net interest income	20		
Interest and similar income	21, 36	324.315.456	321.059.979
Interest expenses and similar charges	22, 36	- 253.251.984	- 302.486.807
		71.063.472	**18.573.172**
Net fee and commission income	23, 36		
Fee and commission income		24.954.661	19.449.035
Fee and commission expenses		- 42.140.402	- 17.685.244
		- 17.185.741	**1.763.791**
Net gains and losses on financial assets and liabilities held for trading	24, 36	**- 23.486.422**	**760.283**
Net gains and losses from hedge accounting	25, 36	**382.715**	**- 248.783**
Foreign exchange differences	26	**15.695.875**	**- 912.935**
Net realized gains and losses on financial assets and liabilities not measured at fair value through profit or loss	27	**- 7.460.808**	---
Net other operating income/expenses			
Other operating income		5.286	56.641
Other operating expenses		- 1.653	- 130
		3.633	**56.511**
Administrative expenses	28, 32, 35, 36	**- 2.278.465**	**- 2.465.920**
Depreciation			
Tangible assets	29	- 17.668	- 16.925
Intangible assets		---	- 24.000
		- 17.668	**- 40.925**
Profit before tax		**36.716.591**	**17.485.194**
Income tax expenses	15, 30	**- 7.479.763**	**- 3.114.956**
Net profit for the year		**29.236.828**	**14.370.238**

The accompanying notes form an integral part of these annual accounts.

Mediobanca International (Luxembourg) S.A.
Société Anonyme

Statement of changes in equity
For the year ended 30 June 2009
(expressed in EUR)

	Balance at 30 June 2008	Allocation of the profits	Profit for the year ended 30 June 2009	Balance at 30 June 2009
Issued capital:				
a) ordinary shares	10.000.000	---	---	10.000.000
b) other shares	---			
Profit brought forward	---	---	---	---
Reserves:				
a) Legal reserve (1)	1.000.000	---	---	1.000.000
b) Free reserves	72.540.762	11.870.238	---	84.411.000
c) Special reserves (2)	3.861.750	2.500.000	---	6.361.750
d) FTA reserves	217.000	---	---	217.000
Net profit for the year	14.370.238	- 14.370.238	29.236.828	29.236.828
Net equity	**101.989.750**	---	**29.236.828**	**131.226.578**

	Balance at 30 June 2007	Allocation of the profits	Profit for the year ended 30 June 2008	Balance at 30 June 2008
Issued capital:				
a) ordinary shares	10.000.000	---	---	10.000.000
b) other shares	---	---	---	---
Profit brought forward	969.803	- 969.803	---	---
Reserves:				
a) Legal reserve (1)	1.000.000	---	---	1.000.000
b) Free reserves	64.511.008	8.029.754	---	72.540.762
c) Special reserves (2)	1.925.000	1.936.750	---	3.861.750
d) FTA reserves	217.000	---	---	217.000
Net profit for the year	8.996.701	- 8.996.701	14.370.238	14.370.238
Net equity	**87.619.512**	---	**14.370.238**	**101.989.750**

(1) Legal reserve recorded under Luxembourg law (see note 18)
(2) Reserves linked to exoneration of Net Wealth Tax charge subject to conditions (see note 18)

Mediobanca International (Luxembourg) S.A.
Société Anonyme

Cash flow statement
For the year ended 30 June 2009
(expressed in EUR/K)

		Amount	
A.	**Cash flow from operating activities**	**30 June 2009**	**30 June 2008**
1.	**Operating activities**	**79.629**	**42.103**
	– interest received	337.697	328.663
	– interest paid	- 266.490	- 295.051
	– net fee and commission received	- 6.363	10.927
	– cash payments to employees	- 769	- 702
	– other expenses paid	15.554	- 1.734
2.	**Cash generated/absorbed by financial assets**	**13.918.451**	**1.330.886**
	– amounts due from customers	- 1.897.180	475.755
	– amounts due from banks: on demand	15.336.370	1.343.251
	– amounts due from banks: other	1.407.156	- 487.840
	– other assets	- 927.895	- 280
3.	**Cash generated/absorbed by financial liabilities**	**- 13.998.080**	**- 1.372.983**
	– amounts due to banks: on demand	- 57.185	---
	– amounts due to banks: other	70.851	- 296.504
	– amounts due to clients	- 8.705	- 30.552
	– debt securities in issue	- 13.345.059	- 1.044.253
	– other liabilities	- 657.982	- 1.674
	Net cash flow (outflow) from operating activities	---	6
B.	**Cash flow from investing activities**		
	Cash absorbed by	---	- 7
	– acquisitions of tangible assets	---	- 7
	Net cash flow (outflow) from investing activities	---	- 7
C.	**Financing activities**		
	– issues/purchases of subordinated debts	---	---
	Net cash flow (outflow) from financing activities	---	---
	Net cash flow (outflow) during year	---	**- 1**

RECONCILIATION

	Amount	
	30 June 2009	**30 June 2008**
Cash and cash equivalents: balance at 1 July	---	1
Total cash flow (outflow) during year	---	- 1
Cash and cash equivalents: exchange rate effect	---	---
Cash and cash equivalents: balance at 30 June	---	---

The accompanying notes form an integral part of these annual accounts.

Note 1 – Corporate information

Corporate matters

Mediobanca International (Luxembourg) S.A. (the "Bank") was incorporated under the name of "Mediobanca International Limited" on 13 September 1990 under the Companies Law of the Cayman Islands, with its registered office at Ugland House, South Church Street, P.O. Box 309 George Town, Grand Cayman, Cayman Islands, British West Indies.

On 21 December 2005, the shareholders of the Bank decided to transfer the registered office and the principal establishment of the Bank from the Cayman Islands to the Grand Duchy of Luxembourg and declared that the Bank had accordingly adopted the Luxembourg nationality. In addition, the shareholders of the Bank decided to adopt the form of "Société Anonyme" and to change the name of the Bank into Mediobanca International (Luxembourg) S.A..

Nature of the Bank's business

The activities of the Bank are:

- Raising funds on international markets, via the issuance of bonds and other financial instruments.
- Corporate lending operations serving corporate clients, either directly or by participating in syndicated lending. All corporate lending is fully guaranteed by the Parent company or SACE (Italian economic public agency).

Outsourcing

Since inception, the Bank has outsourced a significant part of its activities to the Parent company under the terms of a servicing contract.

Annual accounts

The Bank's financial year runs from 1 July to 30 June.

The annual accounts were authorised for issue by the Bank's Board of Directors on 9 September 2009.

Parent company

The Bank is a wholly-owned subsidiary of Mediobanca - Banca di Credito Finanziaria S.p.A. (hereafter "Mediobanca S.p.A."), having its registered office in Piazzetta Enrico Cuccia n. 1, Milan, Italy. The annual accounts of the Bank are included in the consolidated financial statements of Mediobanca S.p.A..

Note 2 – Significant accounting policies

Note 2.1 - Basis of preparation

The annual accounts are prepared on the historical cost basis except for financial instruments held for trading, for derivatives concluded for hedging purposes, which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The balance sheet, income statement, statement of changes in equity and the cash flow statement are presented in Euro (EUR). Notes to the annual accounts are presented in EUR/K unless otherwise stated.

The preparation of annual accounts in accordance with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by Management in the application of IFRS as adopted by the European Union that have significant effect on the annual accounts and estimates with a significant risk of material adjustments in the next year are developed in note 3.

Statement of compliance

The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted for use in the European Union (EU).

Note 2.2 - Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations. With the exception of the amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets (see below), the adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Bank. They did, however, give rise to additional disclosures.

Note 2 – Significant accounting policies (continued)

Note 2.2 - Change in accounting policies (continued)

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of held for trading if they are no longer held for the purpose of being sold or repurchased in the near term.

- Financial assets that would be eligible for classification as loans and advances (i.e. those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from Held for trading to Loans and advances, if the entity has the intention and the ability to hold them for the foreseeable future.
- Financial assets that are not eligible for classification as loans and advances may be transferred from held for trading to available-for-sale or to held-to-maturity, only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.
The Bank has not reclassified any assets out of held for trading during the year ended 30 June 2009.

Certain standards, amendments and interpretations have been issued but are not yet effective (only standards amendments and interpretations that may be applicable to the Bank are mentioned below):

- *IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements*

  The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The standard is to be applied prospectively. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Application of the revised standards will become mandatory for the Bank's 2010 financial statements.

Note 2 – Significant accounting policies (continued)

Note 2.2 - Change in accounting policies (continued)

- *IAS 1 (Revised) Presentation of Financial Statements*

  The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

  This standard requires all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the annual accounts.

  The changes introduced by the revision are presentational in nature, and will not have an impact on the results of the Bank.

- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

  Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and become effective for annual periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

  The amendments to IAS 32 and IAS 1 are not expected to have any impact on the financial performance or position of the Bank as the Bank has not issued such instruments.

- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

  This amendment to IAS 39 was issued on 31 July 2008 and is applicable for annual periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Bank is still assessing the effect of the revised standards on its annual accounts.

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Note 2 – Significant accounting policies (continued)

Note 2.2 - Change in accounting policies (continued)

- *Amendments to IFRS 7 Financial Instruments: Disclosures*

  The IASB published an amendment to IFRS 7 in March 2009. In particular, the amendment requires disclosure of the level of the fair value hierarchy into which fair value measurements are categorised based on a three level fair value hierarchy for financial instruments, a detailed reconciliation from beginning to ending balances for those instruments where significant unobservable inputs or valuation techniques have been used in their valuation, and a movement analysis between the different levels of the fair value hierarchy and the reasons for those movements. In addition, the amendment provides further clarification around liquidity risk disclosures and additional quantitative disclosures based on liquidity risk of financial liabilities.

  The amendment applies for financial years beginning on or after 1 January 2009. Comparative disclosures are not required in the year of transition.

- *IFRS 8: Operating segments*

  IFRS 8 was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009.

Note 2.3 - Summary of significant accounting policy

(a) Financial assets other than derivatives

(i) Classification

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and advances, held-to-maturity financial assets, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(a) Financial assets other than derivatives (continued)

As of 30 June 2009 and 2008, the Bank did not apply the amended fair value option of IAS 39.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's Management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity financial assets, the entire category would be required to be reclassified as available-for-sale.

As of 30 June 2009 and 2008, the Bank did not use this category of financial assets.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

As of 30 June 2009 and 2008, the Bank did not use this category of assets.

(ii) Initial recognition and subsequent measurement

Purchases of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on value date. Loans are recognised when cash is advanced to the borrowers.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. The interest calculated using the effective interest method is recognised in the income statement.

Gains and losses arising from changes in the fair value of the financial assets measured at fair value through profit or loss are included in the income statement in the period in which they arise.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(a) Financial assets other than derivatives (continued)

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Changes in fair value of financial assets held for trading are included in the income statement.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(iv) Reclassification of financial assets

Effective from 1 July 2008, the Bank may reclassify, in certain circumstances, non-derivative financial assets out of the held for trading category and into the available-for-sale, loans and advances, or held-to-maturity categories. From this date it may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and advances category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(a) Financial assets other than derivatives (continued)

The Bank may reclassify a non-derivative trading asset out of the held for trading category and into the loans and advances category if it meets the definition of loans and advances and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Reclassification is at the election of Management, and is determined on an instrument by instrument basis. The Bank did not reclassify any financial instrument as of 30 June 2009.

(b) Financial liabilities other than derivatives

(i) Classification

The Bank classifies its financial liabilities other than derivatives in the following categories: Financial liabilities measured at amortised cost and Financial liabilities at fair value through profit or loss.

As of 30 June 2009 and 2008, the amended fair value option was not used.

(ii) Initial recognition and subsequent measurement

Interest-bearing liabilities - other than financial liabilities held for trading - are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Financial liabilities at fair value through profit or loss are measured at fair value through the income statement.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(b) Financial liabilities other than derivatives (continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(c) "Day 1" profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in Net gains and losses on financial assets and liabilities held for trading. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(d) Derivative financial instruments

(i) Classification

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains and losses on investments held for trading are recognised in the income statement. The Bank assesses whether embedded derivatives are required to be separated from the host contracts when the Bank becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Initial recognition and subsequent measurement

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are restated at fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the items being hedged.

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Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(d) Derivative financial instruments (continued)

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

(iii) Trading

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments. The gain or loss on remeasurement to fair value of trading derivatives is recognised immediately in the income statement.

(iv) Hedging

The Bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resulting gains and losses is set out below.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

Fair value hedge

Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognised asset or liability, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the income statement. These amounts are included in the caption "Net gains and losses from hedge accounting".

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(d) Derivative financial instruments (continued)

Cash flow hedge

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognised assets or liabilities (or homogeneous groups/portfolios thereof) or anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

When a hedged anticipated transaction or firm commitment results in the recognition of an asset or liability, the cumulative gain or loss on the hedging instrument recognised in equity is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss recognised in equity is transferred to the income statement at the same time that the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

As at 30 June 2009 and 2008, the Bank has no cash flow hedged transactions.

(e) Repurchase agreements and reverse repurchase agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The advances are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they relate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in the interest caption.

As at 30 June 2009 and 2008, the Bank did not enter into repurchase agreements or reverse repurchase agreements.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or realise the asset and settle the liability simultaneously.

(g) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.
A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Indicators of impairment include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank has granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and advances as well as held-to-maturity investments), the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(g) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(g) Impairment of financial assets (continued)

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assess at each balance sheet date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in equity.

As of 30 June 2009 and 2008, the Bank has not recorded any impairment.

(h) Tangible assets

The Bank recognises the cost of replacing part of a property, plant and equipment item at incurrence in the carrying amount of this item if that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(h) Tangible assets (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Taken into consideration the nature of the Bank's tangible assets, depreciation rate used is 20%.

The residual value, if not insignificant, and useful lives are reassessed annually and adjusted, if appropriate.

(i) Intangible assets

Intangible assets, mainly composed of software acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets comprise acquired software, including developments costs and are amortised from the date they are available for use over their estimated useful (5 years).

(j) Other assets

Other assets are stated at cost less impairment.

(k) Impairment of non financial assets

The carrying amounts of the Bank's assets, except deferred income tax assets and financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

As of 30 June 2009 and 2008, the Bank has not booked any impairment on non financial assets.

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Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and short-term highly liquid investments with maturities of three months or less when purchased.

(m) Pension plans

As of 30 June 2009 and 2008, the Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under Administrative expenses. The Bank has no defined benefit obligation regarding post employee benefit to be recognised under IAS 19.

(n) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. Where the Bank expects part or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

As of 30 June 2009 and 2008, the Bank has not booked any provisions.

(o) Other liabilities

Other liabilities are stated at cost.

(p) Interest income and expenses

For all instruments measured at amortised cost, interest income and expenses are recognised in the income statement as they accrue, taking into account the effective yield of the asset and the liability or an applicable floating rate. Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(q) Fee and commission income and expenses

Fee and commission income arises on financial services provided by the Bank. Fee and commission income is recognised when the corresponding service is provided.

Fee and commission expenses arise on financial services received by the Bank in relation to its lending activity. They are recognized when the corresponding service is received or on an accrued basis for guarantees received on loans.

(r) Net gains and losses on financial assets and liabilities held for trading

Gains and losses on financial instruments measured at fair value through profit or loss includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading or designated at fair value through profit or loss.

(s) Taxes

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

(ii) Deferred tax

Deferred income tax is provided using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(s) Taxes (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Note 2 – Significant accounting policies (continued)

Note 2.3 - Summary of significant accounting policy (continued)

(s) Taxes (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Foreign currency translation

The annual accounts are presented in euro (EUR), which is the Bank's functional and presentational currency.

Foreign currency transactions are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in euro are retranslated into euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(u) Reclassifications of prior year figures

Where necessary, certain prior year figures have been reclassified to conform with changes to the current year's presentation for comparative purpose.

Note 3 – Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the annual accounts continue to be prepared on the going concern basis.

(b) Estimation of fair values of financial instruments

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(i) Securities

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(ii) Derivatives

The fair value of derivatives is calculated, for listed instruments, on the basis of market prices ruling at the reporting date. When market prices are not available and/or reliable, valuation methods and models are used based on market-derived data (e.g. valuation of listed instruments with similar characteristics, discounted cash flow analysis, option price calculation methods, or valuation used in comparable transactions). Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost.

When discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Note 3 – Significant accounting estimates and judgments (continued)

(b) Estimation of fair values of financial instruments (continued)

(iii) Non listed interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(iv) Other financial assets / liabilities

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

(c) Impairment

Assets are subjected to impairment tests at annual reporting dates. In determining whether an impairment loss should be recognised, the Bank makes judgements to ascertain whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted instruments. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to profit and loss accounts.

(d) Deferred taxes

Provisions for income taxes have been calculated on the basis of current, advance and deferred obligations. Advance and deferred tax are calculated on the basis of temporary differences - without time limits - between the carrying amount of an asset or liability and its tax base.
Deferred income tax assets and liabilities have been stated using the assumptions that the deferred income tax assets and liabilities are determined by reference to Luxembourg accounting principles.

Note 4 – Cash and cash balances with central banks (in EUR/K)

	30 June 2009	30 June 2008
Petty cash	---	---
Cash balances with central banks	35.019	19.584
Total	**35.019**	**19.584**

Credit institutions established in Luxembourg are required to hold minimum reserves with the Luxembourg Central Bank. These deposits represent 2% of some of their liabilities. Compliance with the reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period, thus reserves of credit institutions can vary from one day to another following their treasury management, the money market or their expectations in interest rates.

Mandatory reserve deposits with the central bank are not used in the Bank's day to day operations.

Note 5 – Financial assets held for trading (in EUR/K)

Caption	30 June 2009		30 June 2008	
	Listed	Unlisted	Listed	Unlisted
A) Liquid assets				
1. Debt securities	265.409	---	4.950	---
1.1 Structured notes	---	---	---	---
1.2 Other debt securities	*265.409*	---	*4.950*	---
2. Equities	---	---	---	---
3. O.I.C.R. units	---	---	---	---
4. Loans and advances	---	---	---	---
5. Impaired assets	---	---	---	---
6. Assets sold but not derecognized (1)	---	---	---	---
Total (A)	**265.409**	**---**	**4.950**	---
B) Derivative products	**265.409**	---	**4.950**	---
1. Derivatives on interest rates	---	211.769	---	101.453
1.1 trading	---	---	---	---
1.2 linked to fair value option	---	---	---	---
1.3 other	---	*211.769*	---	*101.453*
2. Credit derivatives	---	56.208	---	4.096
2.1 trading	---	---	---	---
2.2 linked to fair value option	---	---	---	---
2.3 other	---	*56.208*	---	*4.096*
Total (B)	---	**267.977**	---	**105.549**
Total (A+B)	265.409	267.977	4.950	**105.549**

(1) Securities under repurchase transactions

Note 5 – Financial assets held for trading (in EUR/K) (continued)

Derivatives

Type of derivatives / Underlying	Interest rates		Foreign currency/gold		Equities		Credit		30 June 2009		30 June 2008	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
A) Listed derivative products	---	---	---	---	---	---	---	---	---	---	---	---
Total A	---	---	---	---	---	---	---	---	---	---	---	---
B) Unlisted derivative products												
1) Financial derivatives:	231.174	76.633	63.400	1.141	382.494	135.135	---	---	677.068	212.909	339.820	101.453
– with exchange of principal	---	---	63.400	1.141	---	---	---	---	63.400	1.141	---	---
- options bought	---	---	---	---	---	---	---	---	---	---	---	---
- other derivatives	---	---	63.400	1.141	---	---	---	---	63.400	1.141	---	---
– without exchange of principal	231.174	76.633	---	---	382.494	135.135	---	---	613.668	211.768	339.820	101.453
- options bought	---	---	---	---	---	---	---	---	---	---	---	---
- other derivatives	231.174	76.633	---	---	382.494	135.135	---	---	613.668	211.768	339.820	101.453
2) Credit derivatives:	---	---	---	---	---	---	270.951	55.068	270.951	55.068	110.000	4.096
– with exchange of principal	---	---	---	---	---	---	---	---	---	---	---	---
– without exchange of principal	---	---	---	---	---	---	270.951	55.068	270.951	55.068	110.000	4.096
Total B	**231.174**	**76.633**	**63.400**	**1.141**	**382.494**	**135.135**	**270.951**	**55.068**	**948.019**	**267.977**	**449.820**	**105.549**
Total (A+B)	**231.174**	**76.633**	**63.400**	**1.141**	**382.494**	**135.135**	**270.951**	**55.068**	**948.019**	**267.977**	**449.820**	**105.549**

Note 6 – Loans and advances (in EUR/K)

Total net carrying amounts	**30 June 2009**	**30 June 2008**
Unquoted loans and advances to:		
- Credit institutions	1.976.200	2.270.151
- Corporate customers	3.561.390	3.074.471
	5.537.590	**5.344.622**

Impairment allowance for loans and advances

As of 30 June 2009 and 2008, the Bank has not booked any specific and/or collective impairment on its lending portfolio.

Guarantees received as collateral

Loans and advances are secured by the following guarantees received by the Bank:

Total net carrying amounts	**30 June 2009**	**30 June 2008**
Loans and advances to credit institutions secured by :		
- Central banks and EU Governments	201.184	201.689
- Credit institutions	56.362	65.052
Loans and advances to customers secured by :		
- Credit institutions	3.561.390	3.074.471
- Other real guarantees	2.043	2.043

Loans and advances to credit institutions - breakdown

	30 June 2009	**30 June 2008**
Loans and advances to credit institutions		
1. Current accounts	220	26.645
2. Term deposits	1.664.885	503.538
3. Other loans and advances:	311.095	1.739.968
3.1 repo transactions	---	---
3.2 financial leases	---	---
3.3 other	*311.095*	*1.739.968*
4. Debt securities	---	---
5. Impaired assets	---	---
6. Assets sold but not derecognized	---	---
Total	**1.976.200**	**2.270.151**

Note 6 – Loans and advances (in EUR/K) (continued)

Loans and advances to customers - breakdown

	30 June 2009	30 June 2008
Loans and advances to customers		
1. Current accounts	---	---
2. Term deposits	---	---
3. Other loans and advances:	3.561.390	3.074.471
3.1 repo transactions	---	---
3.2 financial leases	---	---
3.3 other	*3.561.390*	*3.074.471*
4. Credit cards, personal loans and loans guaranteed by payrolls	---	---
5. Factoring	---	---
6. Debt securities	---	---
7. Assets sold but not derecognized	---	---
Total	**3.561.390**	**3.074.471**

As of 30 June 2009, the Bank has classified under "non performing loans" two syndicated loans which are currently under restructuring. No impairment has been booked at the end of the year as both positions are fully guaranteed by the Parent company. Interests on non performing loans have been paid by the counterparties.

	30 June 2009	30 June 2008
Loans and advances to customers		
a. Performing loans	3.408.719	3.074.471
b. Non performing loans	152.671	---
Total	**3.561.390**	**3.074.471**

Note 7 – Derivatives held for hedging – Assets (in EUR/K)

The Bank has entered into interest rate swaps contracts for a global notional amount of EUR/K 374.449 (30 June 2008: EUR/K 149.751) to hedge interest rate risk relating to financial liabilities. Transactions qualify for hedge accounting and are accordingly treated as a fair value hedge; the fair value of the swaps amounts to EUR/K 80.499 as at 30 June 2009 (30 June 2008: EUR/K 20.878).

	30 June 2009				30 June 2008			
	Listed		Unlisted		Listed		Unlisted	
Type of derivatives	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
1) Derivatives on interest rates	---	---	374.449	80.499	---	---	149.751	20.878
Total	---	---	**374.449**	**80.499**	---	---	**149.751**	**20.878**

***Note 7 – Derivatives held for hedging – Assets** (in EUR/K) (continued)*

Classification per items and risk covered

Hedged items – 30 June 2009	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
• Financial assets available-for-sale	---	---	---	---	---	---	---
• Lending portfolio	---	---	---	---	---	---	---
• Financial assets held-to-maturity	---	---	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL ASSETS	---	---	---	---	---	---	---
• Financial liabilities	80.499	---	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL LIABILITIES	80.499	---	---	---	---	---	---
TOTAL	80.499	---	---	---	---	---	---

Note 7 – Derivatives held for hedging – Assets (in EUR/K) (continued)

Hedged items – 30 June 2008	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Gen
	Interest risk	Currency risk	Credit risk	Other risks			
• Financial assets available-for-sale	---	---	---	---	---	---	
• Lending portfolio	---	---	---	---	---	---	
• Financial assets held-to-maturity	---	---	---	---	---	---	
• Portfolio	---	---	---	---	---	---	
TOTAL ASSETS	---	---	---	---	---	---	
• Financial liabilities	20.878	---	---	---	---	---	
• Portfolio	---	---	---	---	---	---	
TOTAL LIABILITIES	20.878	---	---	---	---	---	
TOTAL	20.878	---	---	---	---	---	

Note 8 – Tangible assets (in EUR/K)

The following movements have occurred in the tangible assets during the financial year:

Tangible assets	Gross value at the beginning of the financial year	Additions	Disposals	Gross value at the end of the financial year	Accumulated depreciation	Net carrying amount as at 30 June 2009	Net carrying amount as at 30 June 2008
Tangible assets	**88**	---	---	**88**	**- 67**	**21**	**39**
of which:							
Other fixtures and fittings, tools and equipment	88	---	---	88	- 67	21	39

Note 8 – Tangible assets (in EUR/K) (continued)

Breakdown of the caption tangible assets:

	30 June 2009			30 June 2008		
A. Core assets	**Gross**	**Amortisation**	**Net**	**Gross**	**Amortisation**	**Net**
1.1 owned	88	- 67	21	88	- 49	39
a) lands	---	---	---	---	---	---
b) buildings	---	---	---	---	---	---
c) furnitures	38	- 28	10	38	- 20	18
d) electronic equipments	50	- 39	11	50	- 29	21
e) others	---	---	---	---	---	---
1.2 acquired under finance leases	---	---	---	---	---	---
a) lands	---	---	---	---	---	---
b) buildings	---	----	---	---	---	---
c) furnitures	---	---	---	---	---	---
d) electronic equipments	---	---	---	---	---	---
e) others	---	---	---	---	---	---
TOTAL A	**88**	**- 67**	**21**	**88**	**- 49**	**39**
B. Assets held for investment purposes						
2.1 owned	---	---	---	---	---	---
a) lands	---	---	---	---	---	---
b) buildings	---	---	---	---	---	---
2.2 acquired under finance leases	---	---	---	---	---	---
a) lands	---	---	---	---	---	---
b) buildings	---	---	---	---	---	---
TOTAL B	---	---	---	---	---	---
TOTAL (A+B)	88	- 67	21	88	- 49	39

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Note 9 – Other assets (in EUR/K)

	30 June 2009	30 June 2008
- Withholding tax	24	343
- Value added tax	---	31
- Upfront premiums	17.260	---
- Commissions receivable on guarantees	772	---
- Other	103	235
Total	**18.159**	**609**

Upfront premiums refer to payments made on derivatives negotiated on the trading portfolio of the Bank, which have been capitalized and will be reversed on a prorata basis to the income statement.

Commissions receivable refer to amounts due from the Parent company in connection with the regularisation on guarantees on the lending portfolio (loans and advances to customers); these commissions are claimed on a quarterly basis.

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Note 10 – Financial liabilities held for trading (in EUR/K)

	30 June 2009		30 June 2008	
	Listed	**Unlisted**	**Listed**	**Unlisted**
A. Liquid liabilities				
1. Amounts due to banks	---	---	---	---
2. Amounts due to customers	---	---	---	---
3. Debt securities	---	---	---	---
Total A	---	---	---	---
B. Derivative instruments				
1. Financial derivatives	---	**227.529**	---	**101.453**
1.1 Trading derivatives	---	---	---	-
1.2 Derivatives at fair value option	---	---	---	-
1.3 Other	---	227.529	---	101.453
2. Credit derivatives	---	**29.831**	---	**4.096**
2.1 Trading derivatives	---	---	---	-
2.2 Derivatives at fair value option	---	---	---	-
2.3 Other	---	29.831	---	4.096
Total B	---	**257.360**	---	**105.549**
Total A+B	---	**257.360**	---	**105.549**

Note 10 – Financial liabilities held for trading (in EUR/K) (continued)

Type of derivatives / Underlying	Interest rate		Foreign currency/gold		Equities		Credit		30 June 2009		30 June 2008	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
A) Listed derivative products	---	---	---	---	---	---	---	---	---	---	---	---
Total A	---	---	---	---	---	---	---	---	---	---	---	---
B) Unlisted derivative products												
1) Financial derivatives:	117.966	60.217	339.711	27.005	625.030	140.307	---	---	1.082.707	227.529	339.820	101.453
- with exchange of principal	---	---	339.711	27.005	---	---	---	---	339.711	27.005	---	---
- options issued	---	---	---	---	---	---	---	---	---	---	---	---
- other derivatives	---	---	339.711	27.005	---	---	---	---	339.711	27.005	---	---
– without exchange of principal	117.966	60.217	---	---	625.030	140.307	---	---	742.996	200.524	339.820	101.453
- options issued	---	---	---	---	---	---	---	---	---	---	---	---
- other derivatives	117.966	60.217	---	---	625.030	140.307	---	---	742.996	200.524	339.820	101.453
2) Credit derivatives:	---	---	---	---	---	---	310.124	29.831	310.124	29.831	110.000	4.096
-- with exchange of principal	---	---	---	---	---	---	---	---	---	---	---	---
– without exchange of principal	---	---	---	---	---	---	310.124	29.831	310.124	29.831	110.000	4.096
Total B	**117.966**	**60.217**	**339.711**	**27.005**	**625.030**	**140.307**	**310.124**	**29.831**	**1.392.831**	**257.360**	**449.820**	**105.549**
Total (A+B)	**117.966**	**60.217**	**339.711**	**27.005**	**625.030**	**140.307**	**310.124**	**29.831**	**1.392.831**	**257.360**	**449.820**	**105.549**

Note 11 – Amounts due to credit institutions (in EUR/K)

	30 June 2009	30 June 2008
- Loans with agreed maturity	204.295	3.341.376
- Current accounts and deposits on demand	3.074.474	-
Total	**3.278.769**	**3.341.376**

As of 30 June 2009, amounts due to the Parent company are EUR/K 3.115.285 (2008: EUR/K 3.380.686), of which EUR/K 39.252 (2008: EUR/K 39.256) relates to the issue of a subordinated debt assimilated to Tier 2 capital.

At the reference date, the Bank holds among the caption "Amounts due to credit institutions" schuldscheins subscribed by credit institutions, which have been hedged by interest rate swaps under fair value hedge. The fair values of the hedged items are as follows:

	30 June 2009	30 June 2008
Amounts due to credit institutions: Fair Value Hedge (specific)		
a) Interest rate risk	165.038	109.344
b) Currency risk	---	---
c) Other risks	---	---
Total	**165.038**	**109.344**

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Note 12 – Amounts due to customers (in EUR/K)

As of 30 June 2009 and 2008, they are composed of:

	30 June 2009	30 June 2008
• Time deposits	1.502	8.200
• Loans	24.340	27.014
Total	**25.842**	**35.214**

At the reference date, the Bank holds among the caption "Amount due to customers" schuldscheins subscribed by third parties, which have been hedged by interest rate swaps under fair value hedge. The fair values of the hedged items are as follows:

	30 June 2009	30 June 2008
Amount due to customers: Fair Value Hedge (specific)		
a) Interest rate risk	24.340	27.014
b) Currency risk	---	---
c) Other risks	---	---
Total	**24.340**	**27.014**

Note 13 – Debt securities in issue (in EUR/K)

As of 30 June 2009 and 2008, the debt securities in issue are composed of:

	30 June 2009			30 June 2008		
	Book value	Fair value risk free	Fair value	Book value	Fair value risk free	Fair value
A. Listed securities	**2.060.872**	**2.077.526**	**2.060.582**	**1.196.677**	**1.194.053**	**1.185.653**
Bonds	786.229	802.883	785.939	1.196.677	1.194.053	1.185.653
- Structured	311.068	316.336	307.366	294.422	294.422	286.918
- Other	475.161	486.547	478.573	902.255	899.631	898.735
Other	1.274.643	1.274.643	1.274.643	---	---	---
- Structured	---	---	---	---	---	---
- Other [(1)]	1.274.643	1.274.643	1.274.643	---	---	---
B. Unlisted securities	**408.342**	**432.076**	**414.920**	**555.097**	**555.960**	**554.798**
Bonds	408.342	432.076	414.920	125.225	126.088	124.926
- Structured	264.447	274.069	269.640	17.314	20.429	20.183
- Other	143.895	158.007	145.280	107.911	105.659	104.743
Other	---	---	---	429.872	429.872	429.872
- Structured	---	---	---	---	---	---
- Other	---	---	---	429.872	429.872	429.872
Total	**2.469.214**	**2.509.602**	**2.475.502**	**1.751.774**	**1.750.013**	**1.740.451**

[(1)] The "certificats de dépôt" (from 13 February 2009) and commercial papers (from 4 May 2009) Programs obtained the Step Market (Short-Term Euro Commercial Paper) label.

All the bonds issued by the Bank are non convertible.

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Note 13 – Debt securities in issue (in EUR/K) (continued)

At the reference date, the Bank holds among the caption "Debt securities in issue" notes, which have been hedged by financial instruments classified under fair value hedge. These debt securities in issue are composed as follows:

	30 June 2009	30 June 2008
Debt securities: Fair value hedge		
a) Interest rate risk	437.992	368.165
b) Currency risk	---	---
c) Other risks	---	---
Total (A)	**437.992**	**368.165**

Debt securities in issue measured at amortised cost are composed as follows:

	30 June 2009	30 June 2008
1. Debt securities	**756.579**	**953.737**
a) Structured	296.758	147.943
b) Other	459.821	805.794
2. Other financial instruments	**1.274.643**	**429.872**
a) Structured	---	---
b) Other	1.274.643	429.872
Total (B)	**2.031.222**	**1.383.609**

Total (A + B)	2.469.214	1.751.774

Notes to the annual accounts (continued)
As of 30 June 2009

Note 14 – Derivatives held for hedging - Liabilities (in EUR/K)

The Bank has entered into interest rate swaps contracts for a global notional amount of EUR/K 185.696 (30 June 2008: EUR/K 376.828) to hedg interest rate risk relating to financial liabilities. Transactions qualify for hedge accounting and are accordingly treated as a fair value hedge; the fa value of the swaps amounts to EUR/K 13.189 as at 30 June 2009 (30 June 2008: EUR/K 36.956).

	30 June 2009				**30 June 2008**			
	Listed		**Unlisted**		**Listed**		**Unlisted**	
Type of derivatives	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
1) Derivatives on interest rates	---	---	176.160	11.274	---	---	357.825	34.834
2) Cross currency interest rate swaps	---	---	9.536	1.915	---	---	19.003	2.122
Total	---	---	**185.696**	**13.189**	---	---	**376.828**	**36.956**

Note 14 – Derivatives held for hedging - Liabilities (in EUR/K) (continued)

Classification per items and risk covered

Hedged items – 30 June 2009	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
• Financial assets available-for-sale	---	---	---	---	---	---	---
• Lending portfolio	---	---	---	---	---	---	---
• Financial assets held-to-maturity	---	---	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL ASSETS	---	---	---	---	---	---	---
• Financial liabilities	11.274	1.915	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL LIABILITIES	**11.274**	**1.915**	---	---	---	---	---
TOTAL	**11.274**	**1.915**	---	---	---	---	---

Note 14 – Derivatives held for hedging - Liabilities (in EUR/K) (continued)

Hedged items – 30 June 2008	**Fair Value Hedge**					**Cash Flow Hedge**	
	Specific				**Generic**	**Specific**	**Generic**
	Interest risk	**Currency risk**	**Credit risk**	**Other risks**			
• Financial assets available-for-sale	---	---	---	---	---	---	---
• Lending portfolio	---	---	---	---	---	---	---
• Financial assets held-to-maturity	---	---	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL ASSETS	---	---	---	---	---	---	---
• Financial liabilities	34.834	2.122	---	---	---	---	---
• Portfolio	---	---	---	---	---	---	---
TOTAL LIABILITIES	34.834	2.122	---	---	---	---	---
TOTAL	34.834	2.122	---	---	---	---	---

Note 15 – Tax expenses, assets and liabilities (in EUR/K)

	30 June 2009	**30 June 2008**
Tax assets	96.533	30.224
of which: deferred tax assets	*96.533*	*30.224*
Tax liabilities	108.154	34.785
of which: deferred tax liabilities	*96.577*	*30.708*

The Bank is liable for all taxes to which the credit institutions are subject to in Luxembourg. The Bank opts for the exoneration of the net wealth tax charge of EUR 517.280 (30 June 2008: EUR 452.800) provided the following conditions are fulfilled:

(1) A reserve equivalent to 5 times the net wealth tax liability is created. A new reserve has to be created each year. This requires a decision of the general shareholders' meeting and this reserve has to appear in the balance sheet. If the profit of the year is not sufficient to create the reserve, it is possible to transfer the profit of the preceding years to create such reserve.

(2) This reserve is maintained for a period of at least 5 years after the year of the credit.

The amount of net wealth tax that can be reduced is the lower of net wealth tax and corporate income tax before tax credits, and the reduction will be equalled to one fifth of the reserve booked.

The income tax expense is composed as follows:

	30 June 2009	**30 June 2008**
Current tax expenses	7.920	3.280
Deferred tax income	- 440	- 165
Total	**7.480**	**3.115**

Note 15 – Tax expenses, assets and liabilities (in EUR/K) (continued)

Current tax liabilities

Their changes over the year are as follows:

	Corporate income tax (IRC)	**Municipal business tax (ICC)**	**Total**
Balance at the beginning of the year	**- 3.076**	**- 1.000**	**- 4.076**
A. Current fiscal liabilities	- 3.856	- 1.150	- 5.006
B. Advances paid	780	150	930
Increase	- 6.117	- 1.803	- 7.920
- Provision of the year	- 6.117	- 1.803	- 7.920
- Transfers	---	---	---
- Other	---	---	---
Decrease	320	100	420
- Payments / Advances	320	100	420
- Transfers	---	---	---
- Other	---	---	---
Total A. Fiscal liabilities	- 9.973	- 2.953	- 12.926
Total B. Advances paid	1.100	250	1.350
Total A+B. Current fiscal liabilities	**- 8.873**	**- 2.703**	**- 11.576**

Deferred income tax assets and liabilities

	30 June 2009	30 June 2008
Deferred income tax assets	96.533	30.224
Deferred income tax liabilities	- 96.577	- 30.708
Net	**- 44**	**- 484**

Note 15 – Tax expenses, assets and liabilities (in EUR/K) (continued)

Deferred income tax assets and deferred income tax liabilities are attributable to the following:

	1 July 2008	Income statement	30 June 2009
Financial assets held for trading	- 14.579	- 58.261	- 72.840
Loans and advances	1.317	- 94	1.223
Derivatives held for hedging - Assets	- 6.175	- 16.243	- 22.418
Other assets	---	- 195	- 195
Financial liabilities held for trading	14.579	57.967	72.546
Due to credit institutions and customers	3.031	13.928	16.959
Debts securities in issue	- 9.065	10.584	1.519
Derivatives held for hedging - Liabilities	11.297	- 7.028	4.269
Other liabilities	---	18	18
Provisions	- 889	- 236	- 1.125
Net deferred income tax assets/(liabilities)	**- 484**	**440**	**- 44**

Deferred tax assets

A. Initial amount	**30.224**
1.1 Initial amount	30.224
B. Increases	**96.533**
2.1 Deferred tax assets recognized in the period	96.533
a) related to previous years	---
b) due to changes in accounting criteria	---
c) value recoveries	---
d) other	96.533
2.2 New taxes or tax rate increases	---
2.3 Other increases	---
C. Decreases	**- 30.224**
3.1 Deferred tax assets eliminated in the period	- 30.224
a) write off	---
b) reverse to income statement	- 30.224
c) due to changes in accounting criteria	---
3.2 Tax rate reductions	---
3.3 Other decreases	---
D. Final amount	**96.533**

Note 15 – Tax expenses, assets and liabilities (in EUR/K) (continued)

Deferred tax liabilities

A. Initial amount	**30.708**
1.1 Initial amount	30.708
B. Increases	**96.577**
2.1 Deferred tax assets recognized in the period	96.577
a) related to previous years	---
b) due to changes in accounting criteria	---
c) value recoveries	---
d) other	96.577
2.2 New taxes or tax rate increases	---
2.3 Other increases	---
C. Decreases	**- 30.708**
3.1 Deferred tax assets eliminated in the period	- 30.708
a) write off	---
b) reverse to income statement	- 30.708
c) due to changes in accounting criteria	---
3.2 Tax rate reductions	---
3.3 Other decreases	---
D. Final amount	**96.577**

Note 16 – Other liabilities (in EUR/K)

	30 June 2009	30 June 2008
- Invoices pending settlement	133	184
- Salary related contributions	7	9
- Income received in advance	7.001	1.674
- Commissions payable	9.315	---
- Upfront premiums	996	---
- Other	---	7.600
Total	17.452	9.467

Upfront premiums refer to payments received on derivatives negotiated among the trading portfolio of the Bank, which have been capitalized and will be reversed on a prorata basis to the income statement.

Commissions payable refer to amounts due to the Parent company for guarantee letters received on the lending portfolio.

Note 17 – Issued capital

On 21 December 2005, the shareholders of the Bank decided to adopt the form of "Société Anonyme", to change the name of the Bank to Mediobanca International (Luxembourg) S.A. and to restructure the capital of the Bank by replacing the 10 million shares with a par value of EUR 1 with 1 million shares with a par value of EUR 10, all of the shares being fully subscribed by Mediobanca Group. As of 21 December 2005, the issued capital of the Bank amounted to EUR 10.000.000 and was divided into 1 million shares of a par value of EUR 10 each.

As of 30 June 2009 and 2008, the issued capital of the Bank amounts to EUR 10.000.000 and is divided into 1 million shares with a par value of EUR 10 each.

Note 18 – Reserves

Under Luxembourg law an amount equal to at least 5% of the net profit must be allocated to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution.

As of 30 June 2009 and 2008, the Bank has opted for the exoneration of the net wealth tax charge provided that the following conditions have been respected:

- A reserve equivalent to 5 times the net wealth tax liability is recorded following the decision of the Shareholders' meeting;
- The reserve will be maintained for a period at least of five years.

Note 19 – Assets and liabilities denominated in foreign currency

At 30 June 2009, the aggregate amount of the Bank's assets denominated in currencies other than EUR, translated into EUR amounts to EUR 1.240.802.416 (30 June 2008: EUR 804.700.711).

At 30 June 2009, the aggregate amount of the Bank's liabilities denominated in currencies other than EUR, translated into EUR amounts to EUR 1.455.421.803 (30 June 2008: EUR 806.652.112).

Note 20 – Net interest income (in EUR/K)

	30 June 2009	30 June 2008
Loans and advances	275.047	300.644
Other	49.268	20.416
Total interest and similar income	**324.315**	**321.060**
Loans and deposits	114.192	171.098
Debt securities in issue	110.040	117.021
Other	29.020	14.368
Total interest expenses and similar charges	**253.252**	**302.487**
Net interest income	**71.063**	**18.573**

Note 21 – Interest and similar income (in EUR/K)

	Performing assets			Non performing assets [1]	30 June 2009	30 June 2008
	Securities	Loans	Other financial assets			
1. Financial assets held for trading	12.138	---	---	---	12.138	306
2. Loans and advances to credit institutions	---	110.950	---	---	110.950	129.124
3. Loans and advances to customers	---	154.410	---	9.687	164.097	171.520
4. Hedging derivatives	---	---	37.130	---	37.130	20.110
5. Other assets	---	---	---	---	---	---
Total	**12.138**	**265.360**	**37.130**	**9.687**	**324.315**	**321.060**

[1] Under the caption "non performing assets" are reported two syndicated loans which are currently under restructuring; no impairment has been booked as of 30 June 2009, both positions being fully secured by the Parent company.

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Note 21 – Interest and similar income (in EUR/K) (continued)

Interests receivable from hedging derivatives: composition

Items/Sectors	30 June 2009	30 June 2008
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	---	---
A.2 Specific fair value hedges of liabilities	37.130	20.110
A.3 General interest rate risk hedges	---	---
A.4 Specific cash flow hedges of assets	---	---
A.5 Specific cash flow hedges of liabilities	---	---
A.6 General cash flow hedges	---	---
Total positive differences (A)	**37.130**	**20.110**
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	---	---
B.2 Specific fair value hedges of liabilities	---	---
B.3 General interest rate risk hedges	---	---
B.4 Specific cash flow hedges of assets	---	---
B.5 Specific cash flow hedges of liabilities	---	---
B.6 General cash flow hedges	---	---
Total negative differences (B)	---	---
C. Balance of differences arising on hedges (A – B)	**37.130**	**20.110**

Note 22 – Interest expenses and similar charges (in EUR/K)

	Debts	Notes	Other liabilities	30 June 2009	30 June 2008
1. Amounts due to credit institutions	108.872	---	---	108.872	168.977
2. Amounts due to customers	5.320	---	---	5.320	2.121
3. Debt securities in issue	---	110.040	---	110.040	117.021
4. Hedging derivatives	---	---	29.020	29.020	14.301
5. Other liabilities	---	---	---	---	67
Total	**114.192**	**110.040**	**29.020**	**253.252**	**302.487**

Note 22 – Interest expenses and similar charges (in EUR/K) (continued)

Interests payable from hedging derivatives: composition

Items/Sectors	30 June 2009	30 June 2008
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	---	---
A.2 Specific fair value hedges of liabilities	---	---
A.3 General interest rate risk hedges	---	---
A.4 Specific cash flow hedges of assets	---	---
A.5 Specific cash flow hedges of liabilities	---	---
A.6 General cash flow hedges	---	---
Total positive differences (A)	---	---
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	---	---
B.2 Specific fair value hedges of liabilities	29.020	14.301
B.3 General interest rate risk hedges	---	---
B.4 Specific cash flow hedges of assets	---	---
B.5 Specific cash flow hedges of liabilities	---	---
B.6 General cash flow hedges	---	---
Total negative differences (B)	**29.020**	**14.301**
C. Balance of differences arising on hedges (A – B)	**29.020**	**14.301**

Note 23 – Net fee and commission income/expenses (in EUR/K)

	30 June 2009	30 June 2008
Loans and advances	24.445	18.727
Other	509	722
Total fee and commission income	**24.954**	**19.449**
Loans and advances	- 42.140	- 16.907
Other	---	- 778
Total fee and commission expenses	**- 42.140**	**- 17.685**
Net fee and commission income/expenses	**- 17.186**	**1.764**

Note 24 – Net gains and losses on financial assets and liabilities held for trading (in EUR/K)

	Financial instruments other than derivatives	**Financial derivatives**	**30 June 2009**	**30 June 2008**
Interests	---	**- 6.030**	**- 6.030**	**11**
Interest income	---	7.664	7.664	133
Interest expenses	---	- 13.694	- 13.694	- 122
Total interests	---	**- 6.030**	**- 6.030**	**11**
Realized gains	**557**	**18.933**	**19.490**	**838**
Derivatives	---	18.933	18.933	---
Other	557	---	557	838
Realized losses	---	**- 33.354**	**- 33.354**	---
Derivatives	---	- 33.354	- 33.354	---
Other	---	---	---	---
Unrealized gains	**16.077**	**139.108**	**155.185**	**64.838**
Derivatives	---	139.108	139.108	64.838
Other	16.077	---	16.077	---
Unrealized losses	**- 3.992**	**- 154.785**	**- 158.777**	**- 64.927**
Derivatives	---	- 154.785	- 154.785	- 64.621
Other	- 3.992	---	- 3.992	- 306
Unrealised and realised gains/losses	**12.642**	**- 30.098**	**- 17.456**	**749**
Total	**12.642**	**- 36.128**	**- 23.486**	**760**

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Note 25 – Net gains and losses from hedge accounting (in EUR/K)

	30 June 2009	30 June 2008
A. Gains due to:		
A.1 Fair value hedging derivatives	82.398	20.169
A.2 Hedged financial assets (FV HD)	---	---
A.3 Hedged financial liabilities (FV HD)	9.629	27.781
A.4 Cash flow hedging derivatives	---	---
Total hedging gains (A)	**92.027**	**47.950**
B. Losses due to:		
B.1 Fair value hedging derivatives	---	27.656
B.2 Hedged financial assets (FV HD)	---	---
B.3 Hedged financial liabilities (FV HD)	91.644	20.543
B.4 "Cash flow hedging" derivatives	---	---
Total hedging losses (B)	**91.644**	**48.199**
Total (A – B)	**383**	**- 249**

Note 26 – Foreign exchange differences (in EUR/K)

	30 June 2009	30 June 2008
A. Foreign exchange differences		
A.1 Revaluations	740.177	240.188
A.2 Devaluations	- 722.539	- 241.101
Total (A)	**17.638**	**- 913**
B. Spot exchange on derivatives		
B.1 Gains	4.899	---
B.2 Losses	- 6.841	---
Total (B)	**- 1.942**	---
Total (A + B)	**15.696**	**- 913**

Note 27 – Net realized gains and losses on financial assets and liabilities not measured at fair value through profit or loss (in EUR/K)

	30 June 2009			30 June 2008		
	Gains	**Losses**	**Net profit (loss)**	**Gains**	**Losses**	**Net profit (loss)**
Financial assets						
1. Due from banks	---	---	---	---	---	---
2. Due from customers	---	---	---	---	---	---
3. AFS securities	---	---	---	---	---	---
3.1 Debt securities	---	---	---	---	---	---
3.2 Equities	---	---	---	---	---	---
3.3 OICR units	---	---	---	---	---	---
3.4 Loans and advances	---	---	---	---	---	---
4. Financial assets held-to-maturity	---	---	---	---	---	---
Total assets	---	---	---	---	---	---
Financial liabilities						
1. Due to banks	---	---	---	---	---	---
2. Due to customers	---	---	---	---	---	---
3. Debt securities in issue	8.461	- 15.922	- 7.461	---	---	---
Total liabilities	**8.461**	**- 15.922**	**- 7.461**	---	---	---

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Note 28 – Administrative expenses (in EUR/K)

	30 June 2009	30 June 2008
A) Wages, salaries and fees		
1) Staff	313	211
- Wages and salaries	*278*	*188*
- Social contributions	*35*	*19*
- Other expenses	---	*4*
2) Payment to external pension fund	21	13
- Defined contribution plan	*21*	*13*
- Defined benefit plan	---	---
3) Expenses for seconded personnel	326	368
4) Other	108	125
Total wages, salaries and fees	**768**	**717**
B) Other administrative expenses		
- Advisory and audit fees	149	246
- Legal fees	53	
- Listing fees	31	67
- Marketing and promotions	---	1
- Maintenance, repairs and refurbishment	7	---
- Rents and leases	146	150
- Service providers	12	29
- Couriers	*2*	*5*
- Telephone and web services	*7*	*12*
- Other	*3*	*12*
- Stationery and printing	25	6
- Agency and travel expenses	33	41
- Membership subscription	111	18
- IT maintenance and software implementation	410	659
- Bank charges	22	42
- Outsourcing services	260	260
- Other	51	2
Total other administrative expenses	**1.310**	**1.521**
C) Indirect taxation		
- VAT	200	228
Total indirect taxation	**200**	**228**
Total administrative expenses	**2.278**	**2.466**

Note 29 – Depreciation (in EUR/K)

	Depreciation	Adjustments for impairment	Amounts recoveres	30 June 2009	30 June 2008
A. Tangible assets					
A.1 Owned:	- 18	---	---	- 18	- 17
– Core	- 18	---	---	- 18	- 17
– Investment	---	---	---	---	---
A.2 Acquired under finance leases:	---	---	---	---	---
– Core	---	---	---	---	---
– Investment	---	---	---	---	---
Total	- 18	---	---	- 18	- 17

Note 30 – Income tax expenses (in EUR/K)

	30 June 2009	30 June 2008
1. Current taxes	- 7.920	- 3.280
2. Changes in current tax for previous financial years	---	---
3. Deferred tax assets	66.309	17.733
3.1 Related to previous fiscal exercises (reverse to the income statement)	*- 30.224*	*-12.491*
3.2 Generated in the fiscal exercise	*96.533*	*30.224*
4. Deferred tax liabilities	- 65.869	- 17.568
4.1 Related to previous fiscal exercises (reverse to the income statement)	*30.708*	*13.140*
4.2 Generated in the fiscal exercise	*- 96.577*	*- 30.708*
Total	**- 7.480**	**- 3.115**

Note 31 – Guarantees and commitments

The Bank's guarantees and commitments may be analyzed as follows (in EUR/K):

	30 June 2009	30 June 2008
1. Financial guarantees given to:	4	4
1.1 Suppliers	4	4
2. Guarantees given	**25.695**	**36.090**
2.1 Financial guarantees	23.832	36.090
2.2 Commercial guarantees	1.863	---
3. Irrevocable commitments to lend funds to:	**502.954**	**859.687**
a) Banks	---	30.143
i) specific	---	30.143
ii) stand-by basis	---	---
b) Customers	502.954	829.544
i) specific	502.954	829.544
ii) stand-by basis	---	---
Total	**528.653**	**895.781**

Unused confirmed credits and guarantees given are secured by guarantees received by the Bank as follows (in EUR/K):

Total net carrying amounts	30 June 2009	30 June 2008
Unused confirmed credits secured by:		
- Central banks and EU Governments	---	311
- Credit institutions	502.954	859.376
Guarantees secured by:		
- Central banks and EU Governments	---	---
- Credit institutions	25.695	36.090

The Bank is a member of the non-profit making organisation "Association pour la Garantie des Dépôts, Luxembourg" (AGDL) that was established on 25 September 1989. The articles of association of the AGDL were revised following a general meeting of Shareholders held on 18 February 2009. The AGDL has as its sole objective the establishment of a mutual system for the guarantee of cash deposits for the benefit of customers of the member credit institutions of the Association and for claims arising from investment transactions in favour of investors with the credit institutions and investment firms which are members of the Association.

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Note 31 – Guarantees and commitments (continued)

The guarantee of cash deposits and of claims arising from investment transactions in favour of clients, individuals and certain companies as defined by the regulations is limited to a maximum amount fixed at the equivalent value in all currencies of EUR 100.000 per cash deposit and EUR 20.000 per claim arising out of investment transactions.

If the guarantee is called, the annual payment to be made by each member is limited to 5% of Shareholders' equity.

Note 32 – Staff numbers

As at 30 June 2009 and 2008, the Bank's staff is as follows:

	30 June 2009	30 June 2008
Management – Senior	2	2
Management – Middle	3	3
Other staff	3	2
Total	8	7

As of 30 June 2009 and 2008, the Bank's Senior Management consists of 2 Managing Directors, who are not included on the Bank's payroll. Also, 1 member of the Middle Management is not included directly on the Bank's payroll but is on secondment from the Parent company.

Note 33 – Risk management

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor business risks through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks.

Note 33 – Risk management (continued)

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Some of the activities of the risk management are delegated to the relating department of the Head-Office on the basis of a service contract.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Board of Directors.

(a) Market Risk: qualitative information

The risk policy of the Group consists in concentrating risks at the Parent company's level where a risk management system monitors market risks on a daily basis. The system calculates value at risk (VaR) for the Bank's entire trading and investment portfolios. Such global measurement is made possible by the mentioned policy of concentrating all risks deriving from movements in interest and exchange rates, including risks linked to both lending and funding activities, at the Bank's finance division. Interest rate risk also includes risks arising from movements in market curves linked to the credit rating of individual names.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that may be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical[1] simulations as well as the parametric method.

The sensitivity of the Bank portfolio of assets and liabilities to interest rate movements is calculated daily with respect both to its banking and trading books.

Liquidity risk is also calculated daily in view of the prospective timing of future cash flows, in order to establish the projected maturities for future cash requirements.

Counterparty risk

This is neutralised at the Bank level using guarantee letters or credit derivatives transactions. The risk is then measured at the Group level in terms of expected potential market value, a maximum potential exposure to the Bank's various counterparties based on a given confidence level and over a specified time horizon.

[1] Determines portfolio value based on random and historical variations in risk factors.

Note 33 – Risk management (continued)

(a) Market Risk: qualitative information (continued)

Hedging

Fair value hedging

Fair value hedge is used to neutralize exposure to interest, currency or credit risk for particular asset or liability positions, via derivative contracts entered into exclusively with the Parent company.

Cash flow hedging

At the reference date, the Bank has not entered in any derivative contracts for cash flow hedging purposes.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contracted obligations.

Loans to customers are fully guaranteed by Mediobanca S.p.A., with the exception of loans granted to foreign banks in connection with the export activities of Italian companies, which are guaranteed by SACE group and which carry a zero risk weighting under Basel agreements.

Management is involved at a close level in the monitoring of the Bank's fund raising and corporate lending activity.

A risk committee has been established, which passes resolutions in respect of each lending transaction. Three directors approve the terms and conditions thereof. The Bank's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of the loan (having regard *inter alia* to the maturity, the average size of the facilities concerned and the credit rating of the counterparty involved, including both internal and external ratings) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels and, if successful, are submitted for approval to the Risk Committee. Once the finance has been disbursed, the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants have not been breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the Bank's Management.

Note 33 – Risk management (continued)

(b) Credit risk (continued)

Following the Basel II provisions, an assessment of the entire lending portfolio is realized annually and an internal rating assigned to all positions.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives and excluding tangible assets and tax assets. The maximum exposure is shown before the effect of mitigation through the use of collateral agreements.

In EUR/K	**Maximum exposure 30 June 2009**	**Maximum exposure 30 June 2008**
Cash and cash balances with central banks	35.019	19.584
Financial assets held for trading	533.385	110.499
Loans and advances	5.537.590	5.344.622
Derivatives held for hedging	80.499	20.878
Other assets	18.159	609
Total	**6.204.652**	**5.496.192**

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of change in values.

In EUR/K	**Maximum exposure 30 June 2009**	**Maximum exposure 30 June 2008**
Commitments	502.954	859.687
Guarantees	25.699	36.094
Total	**528.653**	**895.781**

For more detail on the maximum credit exposure to credit risk for each class of financial instruments, references shall be made to the specific notes.

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Note 33 – Risk management (continued)

(b) Credit risk (continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of credit risk assets (Financial assets held for trading and Loans and advances), based on the Bank's credit rating system (in EUR/K):

	Neither past due nor impaired						
	Prime Quality 30 June 2009	High grade 30 June 2009	Standard grade 30 June 2009	Sub-standard grade 30 June 2009	Not Rated	Past due or individually impaired 30 June 2009	TOTAL 30 June 2009
Financial assets held for trading	---	126.044	81.984	---	325.357	---	533.385
Loans and advances to credit institutions	---	1.718.654	257.546	---	---	---	1.976.200
Loans and advances to customers	---	203.162	2.137.667	1.220.561	---	---	3.561.390
Total	---	**2.047.860**	**2.477.197**	**1.220.561**	**325.357**	---	**6.070.975**

	Neither past due nor impaired						
	Prime Quality 30 June 2008	High grade 30 June 2008	Standard grade 30 June 2008	Sub-standard grade 30 June 2008	Not Rated	Past due or individually impaired 30 June 2008	TOTAL 30 June 2008
Financial assets held for trading	---	110.499	---	---	---	---	110.499
Loans and advances to credit institutions	---	2.001.172	268.979	---	---	---	2.270.151
Loans and advances to customers	---	677.956	1.809.215	587.300	---	---	3.074.471
Total	---	**2.789.627**	**2.078.194**	**587.300**	---	---	**5.455.121**

Note:
Prime quality: AAA
High grade: AA-A
Standard grade: BBB-BB
Sub-standard grade: B and less

Note 33 – Risk management (continued)

(b) Credit risk (continued)

Geographical allocation of risks

As at 30 June 2009 and 2008, the distribution by geographical area of the risks held in the financial instruments held for trading and loans and advances before taking into account collateral held and other credit enhancements, without considering credit risk assets included in disposal groups classified as held for sale, can be summarized as follows:

	30 June 2009		30 June 2008	
In EUR/K	**Financial instruments held for trading**	**Loans and advances**	**Financial instruments held for trading**	**Loans and advances**
Australia	9.949	6.071	---	4.381
Belgium	---	3.669	---	60.358
Bolivia	---	281	---	941
Canada	---	29.570	---	20.422
Germany	---	578.071	4.950	378.108
Denmark	56.280	64.697	---	75.203
Spain	---	32.314	---	27.988
Finland	---	33.903	---	33.132
France	---	1.107.849	---	1.050.666
United Kingdom	7.786	492.317	---	330.934
Italy	75.291	1.718.463	105.549	2.003.362
Luxembourg	215.915	785.793	---	703.097
Norway	---	1.223	---	---
Netherlands	4.952	203.357	---	240.350
Poland	---	7.180	---	---
Russia	---	257.546	---	266.741
Switzerland	15.755	3.402	---	---
USA	147.457	211.884	---	148.939
Total	**533.385**	**5.537.590**	**110.499**	**5.344.622**

Note 33 – Risk management (continued)

(b) Credit risk (continued)

Sectorial allocation of risks

An industry sector analysis of the Bank's financial instruments held for trading and Loans and Advances, before and after taking into account collateral held or other credit enhancements, without considering credit risk assets included in disposal groups classified as held for sale, is as follows:

In EUR/K	30 June 2009		30 June 2008	
	Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
Food and beverage	291.057	---	231.086	---
Manufacturing	12.342	---	38.092	---
Construction and materials	821.750	---	436.114	---
Energy	59.959	---	7.016	---
Financial services	2.918.978	1.793.945	3.119.939	---
Materials	96.184	---	283.762	---
Health care	254.949	---	189.801	---
Education	7.866	---	8.517	---
General retailers	188.996	---	60.217	---
Telecommunications	142.920	---	74.813	---
Media	183.642	---	195.195	---
Consumers	29.358	---	156.135	---
Transport	622.764	---	476.173	---
Gambling	96.967	---	69.347	---
Utility	77.293	---	59.541	---
Other	265.950	192.686	49.373	---
TOTAL	6.070.975	1.986.631	5.455.121	---

Net maximum exposure consists of the gross maximum exposure less the amount of the collateral given at the reference date. All outstanding exposures are fully guaranteed (principal + interests) by the Parent company via guarantee letters or credit derivatives; loans granted to foreign banks in connection with the export activities of Italian companies, are guaranteed by SACE group.

Concentration of risks

In order to avoid a too high concentration of risks, the Bank is required to respect two criteria under Luxembourg regulation. Firstly, in order to avoid a too high concentration of risk, the Bank is required to observe the following limits on a permanent basis:

Note 33 – Risk management (continued)

(b) Credit risk (continued)

- the total risk exposure towards a single client or group of connected clients must not exceed 25% of the own funds of the Bank; however, the Bank received a derogation from the CSSF in March 2006 due to the fact that all loans are guaranteed by the Parent company or Italian Government agencies and are consolidated with the Parent company which is subject to supervision by the Bank of Italy;
- the total risk exposure towards the Parent company or subsidiaries of the Bank must not exceed 20% of the own funds of the Bank;
- the total value of all large exposures must not exceed 800% of the own funds of the Bank.

Impairment

As of 30 June 2009 and 2008, nor specific, neither collective impairments have been recorded by the Bank.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Liquidity risk is monitored by the calculation of the Bank's liquidity ratio in the manner laid out by the CSSF reporting instructions.

Liquidity risk is also measured through indicators based on the definite cash inflows and outflows to take place in the coming months. These are used to generate a time profile for future cash requirements, which is produced daily for measurements based on definite cash flows (i.e. not including possible renewals/early redemptions). This analysis is then used as the basis for comparison with the amount of cash actually available in order to show up any potential problems that could materialize in the months to come.
The liquidity management is done at the Parent company level. Weekly, the Risk Management department deliver to the Managing Directors a detailed report on the liquidity position of the Group in which the situation of the Bank is included as well as the position of all others Group entities. This report is sent to the Top Management of Mediobanca S.p.A. and it expresses also stress scenarios in which the Bank has hypothesis of funding restrictions, use of commitments and emergency procedures (sale of asset on illiquid markets, etc).

The Bank completed a formal diagnosis of its Liquidity Risk Management techniques, tools and practices to ensure compliance with the requirements set by Luxembourg regulation and assessed its position with regards to liquidity management leading practices.

*Note 33 – **Risk management (continued)***

(c) Liquidity risk (continued)

The analysis followed the regulatory requirements set by the CSSF Circular 09/403 issued on 28 May 2009 and the Règlement 2009/04 issued by the Banque Centrale du Luxembourg on 29 April 2009. It is important to highlight that both regulations are based on the recommendations issued by the Committee of European Banking Supervisors (CEBS) and the principles issued by the Basel Committee on Banking Supervision (BCBS). The analysis also considered international leading practices advised by liquidity working groups such as International Faculty of Finance (IFF).

Duration analysis

The tables below present the analysis of the financial captions of the Bank by residual maturity dates:

*Note 33 – **Risk management (continued)***

(c) Liquidity risk (continued)

30 June 2009 (EUR/K)	< 1month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Undetermined
Cash and cash balances with central banks	35.019	---	---	---	---	---	---	---
Financial assets held for trading	---	---	---	24.909	147.330	222.454	138.692	---
Derivatives held for hedging	173	---	---	---	1.733	14.927	63.666	---
Loans and advances	988.173	794.025	399.499	653.183	336.863	1.534.208	831.639	---
Other assets	920	---	---	492	6.868	9.900	---	96.533
Total assets	**1.024.285**	**794.025**	**399.499**	**678.584**	**492.794**	**1.781.489**	**1.033.997**	**96.533**
Financial liabilities held for trading	480	---	---	479	116.109	47.432	92.860	---
Derivatives held for hedging	---	---	---	---	895	8.693	3.601	---
Amount due to credit institutions and customers	3.075.975	---	---	---	5	---	189.379	---
Subordinated liabilities	---	---	---	---	---	---	---	39.252
Debt securities in issue	294.810	654.697	327.319	39.799	568.706	476.273	107.610	---
Other liabilities	23.766	8	130	4.192	---	932	---	96.577
Shareholders' equity	---	---	---	---	---	---	---	131.227
Total liabilities	**3.395.031**	**654.705**	**327.449**	**44.470**	**685.715**	**533.330**	**393.450**	**267.056**
Commitments and guarantees	1.477	1.670	3.156	4.020	89.355	320.849	108.126	---

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Note 33 – Risk management (continued)

(c) Liquidity risk (continued)

30 June 2008 (EUR/K)	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Undetermined	Total
Cash and cash balances with central banks	19.584	---	---	---	---	---	---	---	**19.584**
Financial assets held for trading	---	1.450	162	---	1.453	32.953	74.481	---	**110.499**
Derivatives held for hedging	---	---	---	---	202	1.267	19.409	---	**20.878**
Loans and advances	319.620	395.655	708.167	774.951	180.835	1.634.832	1.277.248	53.314	**5.344.622**
Other assets	---	---	---	---	---	---	---	30.873	**30.873**
Total assets	**339.204**	**397.105**	**708.329**	**774.951**	**182.490**	**1.669.052**	**1.371.138**	**84.187**	5.526.456
Financial liabilities held for trading	---	1.450	162	---	1.453	32.953	69.531	---	**105.549**
Derivatives held for hedging	---	1.217	---	---	---	17.131	18.608	---	**36.956**
Amounts due to credit institutions	65.575	101.617	641.642	25.693	156.245	1.382.232	1.026.387	12.074	**3.411.465**
Amounts due to customers	8.200	---	---	---	---	---	26.947	67	**35.214**
Debt securities in issue	213.484	261.130	66.809	749.243	71.947	217.551	160.358	11.252	**1.751.774**
Subordinated liabilities	---	---	---	---	---	---	39.250	6	**39.256**
Other liabilities	---	---	---	---	---	---	---	44.252	**44.252**
Shareholders' equity	---	---	---	---	---	---	---	101.990	**101.990**
Total liabilities	287.259	**365.414**	708.613	**774.936**	**229.645**	**1.649.867**	**1.341.081**	**169.641**	5.526.456
Commitments and guarantees	6	7	218.916	328	10.076	252.405	414.043	---	**895.781**

Note 33 – Risk management (continued)

(d) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank does not take foreign exchange risk: the funding in non-Euro currencies is done on the basis of the same features of the loans in terms of interest rate and maturity.

As at 30 June 2009 and 2008, the assets and liabilities denominated in EUR, in USD and in other currencies are as follows (in EUR/K):

30 June 2009 (in EUR/K)	**EUR**	**USD**	**Other**	**Total**
Cash and cash balances with central banks	35.019	---	---	**35.019**
Loans and advances	4.398.547	669.472	469.571	**5.537.590**
Other assets	626.837	101.442	318	**728.597**
Total assets	**5.060.403**	**770.914**	**469.889**	**6.301.206**
Amounts due to customers	25.842	---	---	**25.842**
Amounts due to credit institutions	2.370.000	490.692	418.077	**3.278.769**
Other liabilities	2.318.716	490.220	56.432	**2.865.368**
Shareholders' equity	131.227	---	---	**131.227**
Total liabilities	**4.845.785**	**980.912**	**474.509**	**6.301.206**

30 June 2008 (in EUR/K)	**EUR**	**USD**	**Other**	**Total**
Cash and cash balances with central banks	19.584	---	---	**19.584**
Loans and advances	4.540.422	467.284	336.916	**5.344.622**
Other assets	161.922	1	327	**162.250**
Total assets	**4.721.928**	**467.285**	**337.243**	**5.526.456**
Amounts due to customers	35.214	---	---	**35.214**
Amounts due to credit institutions	2.859.081	347.667	243.972	**3.450.720**
Other liabilities	1.723.692	117.234	97.606	**1.938.532**
Shareholders' equity	101.990	---	---	**101.990**
Total liabilities	**4.719.977**	**464.901**	**341.578**	**5.526.456**

Note 33 – Risk management (continued)

(e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

According to the CSSF Circular 06/273 as amended, the Bank performs semi-annually a "test d'endurance en matière de risque de taux d'intéret" based on two interest rate curves scenarios (+200 bps and -200 bps) defined by the Regulator.

Interest rate risk is controlled on an ongoing basis by the Management using peculiar risk management reports. The gap analysis report is available every day, showing the sensitivity of the balance sheet for a 1 basis point shift of the interest rate curve. A monthly ALM Report points out the mismatching of the balance sheet in terms of maturity and rate refixing. Based on reporting evidences, the Management of the Bank – in coordination with the Treasury Department of the Parent company – decides on possible remedial measures (if needed) concerning the "mix" of funding (Notes, overdraft on current account, time deposits, loans, etc) in order to obtain a better matching with the lending.

According to the part VIII of the Circular CSSF 08/338, an "endurance test" of interest rate risk was carried out as at 30 June 2009. The simulation was based on two different scenarios (parallel shift of the interest rate curve +200 and -200 bps). The results achived are described herein after:

- Scenario +200 bps: - EUR 20.725.798,10.
- Scenario -200 bps: EUR 20.316.792,08.

The tables below show the interest rate risk by re-pricing dates:

Note 33 – Risk management (continued)

(e) Interest rate risk (continued)

30 June 2009 (EUR/K)	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or undetermined	Total
Cash and cash balances with central banks	35.019	---	---	---	---	---	35.0
Financial assets held for trading	1.305	63.918	33.250	---	5.840	429.072	533.3
Derivatives held for hedging	56.269	14.442	9.788	---	---	---	80.4
Loans and advances	2.079.651	795.202	433.893	564.533	---	1.664.311	5.537.5
Other assets	---	---	---	---	---	114.713	114.7
Total	**2.172.244**	**873.562**	**476.931**	**564.533**	**5.840**	**2.208.096**	**6.301.2**
Financial liabilities held for trading	4.682	33.452	882	---	---	218.344	257.3
Derivatives held for hedging	2.276	7.421	3.492	---	---	---	13.1
Amounts due to credit institutions and customers	3.074.474	5	---	---	---	190.880	3.265.3
Debt securities in issue	133.010	390.814	310.101	---	7.328	1.627.961	2.469.2
Subordinated liabilities	---	---	---	---	39.252	---	39.2
Other liabilities	---	---	---	---	---	125.605	125.6
Shareholders' equity	---	---	---	---	---	131.227	131.2
Total	**3.214.442**	**431.692**	**314.475**	**---**	**46.580**	**2.294.017**	**6.301.2**
Gap	**- 1.042.198**	**441.870**	**162.456**	**564.533**	**- 40.740**	**- 85.921**	

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Note 33 – Risk management (continued)

(e) Interest rate risk (continued)

30 June 2008 (EUR/K)	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 9 months	≥ 9 months < 12 months	≥ 12 months or undetermined	Total
Cash and cash balances with central banks	19.584	---	---	---	---	---	19.584
Financial assets held for trading	---	---	---	---	---	110.499	110.499
Derivatives held for hedging	1.212	7.323	7.821	---	4.522	---	20.878
Loans and advances	2.513.079	1.328.442	325.169	389.360	788.572	---	5.344.622
Other assets	---	---	---	---	---	30.873	30.873
Total	**2.533.875**	**1.335.765**	**332.990**	**389.360**	**793.094**	**141.372**	**5.526.456**
Financial liabilities held for trading	---	---	---	---	---	105.549	105.549
Derivatives held for hedging	3.239	11.158	5.023	3.127	2.122	12.287	36.956
Amounts due to credit institutions	1.908.235	807.105	241.200	345.581	---	109.344	3.411.465
Amounts due to customers	8.200	---	---	---	---	27.014	35.214
Debt securities in issue	224.981	493.771	100.498	44.429	7.605	880.490	1.751.774
Subordinated liabilities	---	---	---	---	39.256	---	39.256
Other liabilities	---	---	---	---	---	44.252	44.252
Shareholders' equity	---	---	---	---	---	101.990	101.990
Total	**2.144.655**	**1.312.034**	**346.721**	**393.137**	**48.983**	**1.280.926**	**5.526.456**
Gap	**389.220**	**23.731**	**-13.731**	**- 3.777**	**744.111**	**-1.139.554**	**---**

Note 33 – Risk management (continued)

(f) Operational risk

Operational risk is the risk of incurring losses as a result of external events or the inadequacy or malfunctioning of procedures, staff and internal systems. Operational risk includes legal risk, but does not include strategic or reputational risk.

The Bank has decided to adopt the Basic Indicator Approach ("BIA") in order to calculate the capital requirement for covering operational risk, applying a margin of 15% to the average of the last three annual readings of total income. Based on this method of calculation the capital requirement as at 30 June 2009 is EUR 2,1 million.

Segregation of duties, internal procedures, and technological systems in force mitigate the risk of losses due to errors or inadequacies.

In the review of its internal procedures as part of the "Head of Company Financial Reporting" project, the Bank has sought to identify the majority of the sources of possible risk and the relevant measures to be taken to control and mitigate them, by formulating company procedures in order to deal with them, and focusing mitigation activity on the most serious aspects. With reference to the possibility of losses caused by interruptions in operations or due to systems being unavailable, the Bank has drawn up operating continuity and disaster recovery plans to ensure that activity is able to continue and to limit the operating losses in the event of prolonged interruptions. The Bank regularly reviews the operating continuity and disaster recovery plans with a view to ensuring that they are consistent with its activities and current operating strategies.
Control of internal access (individual system users) and external access (IT attacks) is carried out via the relevant computer and observation tools. Insurance policies have been taken out to cover the most valuable staff members and assets. As for the possibility of risk deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the care taken in performing these activities by the Parent company and Group's IT Consortium entity.

Note 34 – Capital management

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. In particular, the ratio between risk-weighted assets and regulatory capital must not fall below 8%.

Since its inception, one of the distinguishing features of the italian Banking Group *Mediobanca* has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines. Such surplus capital is justified by the nature of the operations on corporate markets.

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Note 34 – Capital management (continued)

The Bank maintains locally an actively managed capital base to cover risks inherent to the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Commission de Surveillance du Secteur Financier supervising the Bank.

Regulatory capital has been calculated on the basis of CSSF Circulars 06/273 as amended and 07/301 as amended which transpose the prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Luxembourg regulatory framework.

During the years ended 30 June 2009 and 2008, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it, if needed, in the light of changes in economic conditions and the risk characteristics of its activities. No changes yet have been made in the objectives, policies and processes from the previous years however, it is under constant scrutiny of the Board of Directors of the Bank.

In EUR	**30 June 2009**	**30 June 2008**
Original own funds (Tier 1) (*)	131.226.578	107.341.321
Additional own funds (Tier 2)	39.250.000	39.250.000
Total own funds (Tier 1 + Tier 2)	**170.476.578**	**146.591.321**
Credit/Counterparty risk (Standardised approach)	72.009.488	63.425.887
Market risk (Standardised Approach)	399.034	206.528
Operational risk (Basic Indicator Approach)	2.146.801	2.526.807
Total capital requirements (Pillar 1)	**74.555.323**	**66.159.222**
Pillar 2 Risk (Internal Assessment)	9.300.000	not available
Total capital requirements (Pillar 1 + Pillar 2)	**83.855.323**	**66.159.222**
Solvency ratio (%)	**18,29**	**17,72**

(*) The amounts shown under the caption *Original own funds* include the profit of the fiscal year.

Note 35 – Audit fees

As of 30 June 2009 and 2008, the audit fees are split as follows (in EUR):

	30 June 2009	30 June 2008
Audit fees	83.000	98.600
Audit related fees	10.560	8.500
Total	**93.560**	**107.100**

Note 36 – Related party disclosures (in EUR/K)

Identity of related parties

The Bank has a related party relationship with its Parent company, entities of its Group and with its directors and executive officers.

The amounts of assets, liabilities, income and expenses as at 30 June 2009 and 2008 concerning Group entities and the Parent company are as follows:

Assets and liabilities	**30 June 2009**	**30 June 2008**
Financial assets held for trading	69.696	20.887
Loans and advances to credit institutions	1.718.463	2.003.259
Derivatives held for hedging	80.499	20.878
Other assets	16.758	195
Total assets	**1.885.416**	**2.045.219**
Financial liabilities held for trading	246.650	105.549
Amounts due to credit institutions	3.115.285	3.380.686
Derivatives held for hedging	13.189	36.956
Other liabilities	13.011	7.686
Total liabilities	**3.388.135**	**3.530.877**

Income and expenses	**30 June 2009**	**30 June 2008**
Interest and similar income	122.400	144.995
Interest expenses and similar charges	- 121.943	- 178.729
Fee and commission income	---	---
Fee and commission expenses	- 40.293	- 15.629
Net gains and losses on financial assets and liabilities held for trading	- 136.815	- 70.480
Net gains and losses from hedge accounting	77.510	- 7.481
Administrative expenses	- 836	- 897

Note 36 – Related party disclosures (in EUR/K) (continued)

The Bank's incurred in expenses with respect to the remuneration of the members of the administrative, management and supervisory bodies of the Bank are as follows:

	30 June 2009	30 June 2008
Administrative bodies	38	---
Key management personnel	435	331
	473	**331**

As of 30 June 2009 and 2008, neither advances nor guarantees were granted to Directors or Senior Management. In addition, Directors and Senior Management do not benefit from any pension plan contributions.

Note 37 – Segment reporting

Lending constitutes the sole business segment of the Bank.

In terms of geographical segment reporting, the Bank is mainly active in Europe.

Note 38 – Events after the balance sheet date

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 30 June 2009 and the date when the present annual accounts were authorized for issue.