Mediobanca International (Luxembourg) S.A.
Société Anonyme

R.C.S. Luxembourg B 112.885

Annual accounts as at 30 June 2010
and
Directors' report
and
Report of the Approved Statutory Auditor

MEDIOBANCA INTERNATIONAL
(LUXEMBOURG) S.A.

A wholly-owned subsidiary of Mediobanca Group

Annual Accounts and Report
as at June 30, 2010

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00
HEAD OFFICE: 14, BOULEVARD ROOSEVELT – L-2450 LUXEMBOURG

www.mediobancaint.lu

BOARD OF DIRECTORS

		Term expires	Location
MASSIMO DI CARLO	CHAIRMAN	2011	ITALY
LUCA MACCARI	MANAGING DIRECTOR	2011	LUXEMBOURG
PETER W. GERRARD	»	2011	LUXEMBOURG
DANIEL CARDON DE LICHTBUER	DIRECTOR	2011	BELGIUM
STEFANO PELLEGRINO	»	2011	ITALY
SILVIO PERAZZINI	»	2011	ITALY
FEDERICO POTSIOS	»	2011	ITALY
ALEX SCHMITT	»	2011	LUXEMBOURG

LEGAL ADVISOR

BONN SCHMITT STEICHEN — LUXEMBOURG

APPROVED STATUTORY AUDITOR

ERNST & YOUNG S.A. — LUXEMBOURG

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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 2010
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The financial statements for the year ended 30 June 2010 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 2010, the Bank earned a net profit of €35,291,946 (30/06/2009: €29,236,828).

During the year under review notes worth a total of €732,748,590 were issued against the Bank's Medium Term Notes Programme and €2,483,375,161 were issued against its Short Term Programme. Customer lending amounted to €3,856,006,000 (2009: €3,561,390,000). Net fee and commission income during the year totalled €17,770,925 (2009: €13,950,422).

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 Bank's asset, earnings or financial situation.
The Bank does not own, nor has it acquired or disposed of during the period 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 & Advances to Mediobanca S.p.A	€ 804,908,000
Due to Mediobanca S.p.A.	€2,252,300,000

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	€	35,291,946
Balance on retained earnings	€	-
Total profit to be allocated	**€**	**35,291,946**
To specific reserve for N.W.T.	€	3,250,000
To free reserves	€	32,041,946

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 2010.

Luxembourg, 9 September 2010

The Board of Directors

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

REPORT OF THE APPROVED STATUTORY AUDITOR

ERNST & YOUNG

Report of the approved statutory auditor

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 2010, the statement of comprehensive income, 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 agréé"

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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 agréé", 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 agréé" 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.

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 2010, 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
Cabinet de révision agréé

Sylvie TESTA

Luxembourg, 9 September 2010

ANNUAL ACCOUNTS

BALANCE SHEET

	Assets	30/06/2010	30/06/2009
		€	€
10.	Cash and cash balances with Central Banks	25.450.327	35.018.777
20.	Financial assets held for trading	1.165.995.867	533.385.481
60.	Loans and advances to Credit Institutions	1.097.940.367	1.976.199.438
70.	Loans and advances to Customers	3.856.006.468	3.561.390.320
80.	Hedging derivatives	153.308.960	80.498.505
120.	Property, plant and equipment	3.474	21.142
130.	Tax assets	123.469.021	96.533.431
	a) current	-	-
	b) deferred	*123.469.021*	*96.533.431*
150.	Other assets	13.956.117	18.159.023
	TOTAL ASSETS	**6.436.130.601**	**6.301.206.117**

	Liabilities and net equity	30/06/2010	30/06/2009
		€	€
10.	Amounts due to Credit Institutions	2.609.899.418	3.278.768.730
20.	Amounts due to Customers	539.805.788	25.841.603
30.	Debt securities in issue	2.635.071.353	2.469.214.251
40.	Trading liabilities	290.193.008	257.360.249
60.	Hedging derivatives	33.243.193	13.188.621
80.	Tax liabilities	144.196.217	108.153.941
	a) current	*19.456.196*	*11.576.343*
	b) deferred	*124.740.021*	*96.577.598*
100.	Other liabilities	17.203.100	17.452.144
160.	Reserves	121.226.578	91.989.750
190.	Share capital	10.000.000	10.000.000
200.	Profit of the period	35.291.946	29.236.828
	TOTAL LIABILITIES AND EQUITY	**6.436.130.601**	**6.301.206.117**

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

STATEMENT OF COMPREHENSIVE INCOME

	CAPTION	30/06/2010	30/06/2009
		€	€
010.	Interests receivable and similar income	173.492.193	324.315.456
020.	Interests payable and similar charges	-138.946.212	-284.388.147
030.	**Net interest income**	**34.545.981**	**39.927.309**
040.	Fee and commission income	48.480.075	24.954.661
050.	Fee and commission expense	-30.709.150	-11.004.239
060.	**Net fee and commission income**	**17.770.925**	**13.950.422**
080.	Net trading income/expense	-3.191.621	-7.790.547
090.	Net hedging income/expense	-65.562	382.715
100.	Gain or loss on disposal or repurchase of:	65.917	-7.460.808
	a) loans and receivables	-	-
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) financial liabilities	*65.917*	*-7.460.808*
120.	**Total income**	**49.125.640**	**39.009.091**
130.	Value adjustments in respect of:	-2.104.602	-
	a) loans and receivables	*-1.717.025*	-
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) other financial operations	*-387.577*	-
140.	**Net income from the financial management**	**47.021.038**	**39.009.091**
180.	Administrative expenses:	-2.311.159	-2.278.465
	a) personnel costs	*-735.061*	*-768.804*
	b) other administrative expenses	*-1.576.098*	*-1.509.661*
200.	Value adjustments in respect of tangible assets	-17.668	-17.668
220.	Other operating income/expense	126.421	3.633
280.	**Profit (loss) of the ordinary activity before tax**	**44.818.632**	**36.716.591**
290.	Income tax on the ordinary activity	-9.526.686	-7.479.763
340.	**Profit (loss) for the year**	**35.291.946**	**29.236.828**
350.	Other comprehensive income, net of tax	-	-
360.	**Total comprehensive income for the year, net of tax**	**35.291.946**	**29.236.828**

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

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2009 TO 30/06/2010 (in €)

	Balance as of June 30, 2009	Allocation of the profit for the previous period		Changes during the reference period					Balance as of June 30, 2010
					Transactions involving equity				
		Reserves	Dividends and other fund applications	Changes to valuation reserves	New shares issued	Treasury shares derivatives	Stock options and others	Profit (loss) of the period	
Share capital	**10.000.000**	-	-	-	-	-	-	-	**10.000.000**
a) ordinary shares	10.000.000	-	-	-	-	-	-	-	10.000.000
b) other shares	-	-	-	-	-	-	-	-	-
Profit brought forward	-	-	-	-	-	-	-	-	-
Reserves	**91.989.750**	**29.236.828**	-	-	-	-	-	-	**121.226.578**
a) legal reserve	1.000.000	-	-	-	-	-	-	-	1.000.000
b) free reserve	84.411.000	26.636.828	-	-	-	-	-	-	111.047.828
c) special reserve[1]	6.361.750	2.600.000	-	-	-	-	-	-	8.961.750
d) FTA reserve	217.000	-	-	-	-	-	-	-	217.000
Valuation reserves	-	-	-	-	-	-	-	-	-
a) AFS securities	-	-	-	-	-	-	-	-	-
b) cash flow hedges	-	-	-	-	-	-	-	-	-
c) special laws – others	-	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-
Comprehensive income of the period	**29.236.828**	**-29.236.828**	-	-	-	-	-	**35.291.946**	**35.291.946**
Total equity	**131.226.578**	-	-	-	-	-	-	**35.291.946**	**166.518.524**

[1] As of 30 June 2010 and 2009 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 charge is recorded following the decision of the Shareholders meeting;
- The reserve will be maintained for a period at least of five years.

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

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2008 TO 30/06/2009 (in €)

	Balance as of June 30, 2008	Allocation of the profit for the previous period		Changes during the reference period					Balance as of June 30, 2009
					Transactions involving equity				
		Reserves	Dividends and other fund applications	Changes to valuation reserves	New shares issued	Treasury shares derivatives	Stock options and others	Profit (loss) of the period	
Share capital	**10.000.000**	-	-	-	-	-	-	-	**10.000.000**
a) ordinary shares	10.000.000	-	-	-	-	-	-	-	10.000.000
b) other shares	-	-	-	-	-	-	-	-	-
Profit brought forward	-	-	-	-	-	-	-	-	-
Reserves	**77.619.512**	**14.370.238**	-	-	-	-	-	-	**91.989.750**
a) legal reserve	1.000.000	-	-	-	-	-	-	-	1.000.000
b) free reserve	72.540.762	11.870.238	-	-	-	-	-	-	84.411.000
c) special reserve[1]	3.861.750	2.500.000	-	-	-	-	-	-	6.361.750
d) FTA reserve	217.000	-	-	-	-	-	-	-	217.000
Valuation reserves	-	-	-	-	-	-	-	-	-
a) AFS securities	-	-	-	-	-	-	-	-	-
b) cash flow hedges	-	-	-	-	-	-	-	-	-
c) special laws – others	-	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-
Comprehensive income of the period	**14.370.238**	**-14.370.238**	-	-	-	-	-	**29.236.828**	**29.236.828**
Total equity	**101.989.750**	-	-	-	-	-	-	**29.236.828**	**131.226.578**

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

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

A.	Cash flow from operating activities	Amount 30/06/2010	Amount 30/06/2009
1.	**Operating activities**	**-410.437**	**79.629**
	– interest received	216.816	337.697
	– interest paid	-133.045	-266.490
	– net fee and commission received/paid	-491.500	-6.363
	– cash payments to employees	-822	-769
	– other expenses paid	-1.886	15.554
2.	**Cash generated/absorbed by financial assets**	**5.296.033**	**13.918.451**
	– amounts due from customers	-1.668.945	-1.897.180
	– amounts due from banks: on demand	4.442.220	15.336.370
	– amounts due from banks: other	2.437.729	1.407.156
	– other assets	85.029	-927.895
3.	**Cash generated/absorbed by financial liabilities**	**-4.885.595**	**-13.998.080**
	– amounts due to banks: on demand	-4.849.393	-57.185
	– amounts due to banks: other	191.728	70.851
	– amounts due to clients	-2.014.195	-8.705
	– debt securities in issue	1.892.974	-13.345.059
	– other liabilities	-106.709	-657.982
	Net cash flow (outflow) from operating activities	1	-
B.	**Cash flow from investing activities**		
	Cash absorbed by	-	-
	– acquisitions of tangible assets	-	-
	– acquisitions of intangible assets	-	-
	Net cash flow (outflow) from investing activities	-	-
C.	**Financing activities**		
	– issues/purchases of subordinated debts	-	-
	Net cash flow (outflow) from financing activities	-	-
	Net cash flow (outflow) during year	1	-

RECONCILIATION	Amount 30/06/2010	Amount 30/06/2009
Cash and cash equivalents: balance at 1 July	-	-
Total cash flow (outflow) during year	1	-
Cash and cash equivalents: exchange rate effect	-	-
Cash and cash equivalents: balance at 30 June	1	-

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

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

NOTES TO THE ANNUAL ACCOUNTS

PART A – 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

Mediobanca International (Luxembourg) S.A. is mostly focused on structured lending transactions and the related activity of buying and selling on the secondary market.

Corporate lending: the business handles loans to corporate, which are generally medium-to-long term, and are granted with a view to meeting our clients' needs for financing in relation either to specific investments or to structural needs generated by growth. Loans may be disbursed to all kinds of corporate clients, whether industrial or service-oriented, European or non-European, large or mid-size. Larger facilities may be syndicated to a select number of trusted banking counterparties or with the broader involvement of international banks.

Structured finance: the business is focused on transactions involving a considerable degree of financial leverage and limited recourse to the originator. Such deals usually arise as a result of industrial or infrastructure capital spending requirements, or of acquisitions of listed or non-listed companies launched inter alia with the backing of institutional investors. Such facilities are often structured in complex fashion, including in terms of contracts and guarantees, in order to maintain the risk profile of the transaction within limits that are acceptable to the banking community. Because of their size, such loans are often syndicated.

Export finance: this chiefly involves providing financial support to Italian exporters of goods and services to non-Italian counterparties usually located in emerging markets. It may take the form of financing with the benefit of insurance covers and interest rate subsidies from SIMEST, SACE or other European export credit agencies. The structuring of these transactions, which are often part-syndicated to other banking counterparties, goes hand-in-hand with advisory services provided to clients in respect of commercial negotiations with government organizations granting the insurance cover and/or interest rate subsidy.

The Bank raises funds on international markets, via the issuance of medium-long term or short term financial instruments under the terms of specific programs (Notes, Certificats de Dépôt, Commercial Papers) fully guaranteed by the Parent Company. Mediobanca S.p.A. guarantees a plafond of funding which could be drawn in different ways (i.e. overdraft on current accounts, medium-long term loans, money-market transactions) and provides as well treasury services.

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 as of 30th June 2010 were authorised for issue by the Board of Directors on 9th September 2010.

Parent company

The Bank is a wholly-owned subsidiary of Mediobanca – Banca di Credito Finanziario 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..

Mediobanca S.p.A. is the leading investment bank in Italy and helped for over 60 years clients grow, offering high-quality advisory services and providing finance in all its various forms, from more traditional bank credit to the most sophisticated solutions available on capital markets.

PART B – ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Bank's annual accounts for the period ended 30 June 2010 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) issued by the International Accounting Standards Board (IASB) which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002.

Section 2

General principles

The annual accounts comprise:

- balance sheet;
- statement of comprehensive income;
- statement of changes in equity;
- cash flow statement (direct method);
- notes to the annual accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 4, and show data for the period under review compared with that for the previous financial period.

Section 3

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, statement of comprehensive income and the statement of changes in equity are presented in Euro (€). Cash flow statement and notes to the annual accounts are presented in € 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.

Section 4

Accounting policies

Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial period except as follows:

IAS 1 Presentation of financial statements

The revised IAS 1 "Presentation of Financial Statements" is applied for annual periods starting on or after 1 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has elected to present one statement.

IFRS 7 Financial instruments: disclosures

The amended standard is applied for annual periods starting on or after 1 January 2009 and requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as disclosure of significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivatives transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Part C. The liquidity risk disclosures are presented in Part F.

IFRS 8 Operating segments

This standard is applied for annual periods starting on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment reporting upon its effective date. The Bank concluded that the operating segments determined in accordance with IFRS 8 are the same as business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Part E.

IFRS 3 (Revised 2008) Business combinations and IAS 27 (Revised 2008) Consolidated and separate financial statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. IFRS 3 (Revised 2008) 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 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. This standard has no impact for the Bank as of 30 June 2010.

Amendment to IAS 39 Financial instruments: recognition and measurement - Eligible hedged items

This amendment to IAS 39 is applicable for annual periods beginning on or after 1 July 2009. 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. This standard has no impact for the Bank as of 30 June 2010.

Amendments to IAS 32 Financial instruments: presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation

These amendments are applicable for annual periods beginning on or after 1 January 2009. 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. These amendments have no impact for the Bank as of 30 June 2010.

Standards issued but not yet effective

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). The Bank has decided not to early adopt these standards and interpretation before their effective dates.

- IAS 32 Financial instruments: presentation – Classification of right issues (amendment): this amendment will be effective for annual periods beginning on or after 1 February 2010.
- IFRIC 19 Extinguishing financial liabilities with equity instruments: this interpretation will be effective for annual periods beginning on or after 1 July 2010.
- IAS 24 Related party disclosures (revised): this will be effective for annual periods beginning on or after 1 January 2011.

Summary of significant accounting policy

Financial assets other than derivatives

Loans and advances

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale.

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

Loans and receivables are stated at amortized cost, i.e. initial values adjusted upwards or downwards to reflect: repayments of principal, amounts written down/back, and the difference between amounts drawn at disbursement and repayable at maturity amortized on the basis of the effective interest rate. The latter is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

Individual items are tested at annual and interim reporting dates to show whether or not there is evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the difference between their carrying amount at the time of the impairment test (amortized cost), and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Future cash flows are estimated to take account of anticipated collection times, the presumed value of receivables upon disposal of any collateral, and costs likely to be incurred in order to recover the exposure. Cash flows from loans expected to be recovered in the short term are not discounted.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through the comprehensive income.

If the reasons which brought about the loss of value cease to apply, the original value of the loan is recovered in the comprehensive income account in subsequent accounting periods up to the value of amortized cost.

Accounts for which there are no objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the comprehensive income, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with reference to the entire portfolio of loans deemed to be performing at that date.

Held for trading financial assets

These comprise debt securities with fixed or otherwise determinable payments and fixed maturities. At the settlement date such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the comprehensive income.

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date (Level 1 assets). If no market prices are available, other valuation methods and models are used based on market-derived data (Level 2 assets), e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions, or alternatively valuations based on internal estimates (Level 3 assets). Equities and other complex instruments for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the comprehensive income under the heading *Net trading income/expense*.

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.

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.

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 comprehensive income 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 comprehensive income.

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 2010.

Financial liabilities other than derivatives

The Bank classifies its financial liabilities other than derivatives in the following category: Financial liabilities measured at amortised cost.

Financial liabilities measured at amortised cost

These include the items Due to banks, Due to customers and Debt securities in issue less any shares bought back.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured notes are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued notes are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through the profit and loss account.

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 comprehensive income.

Derivative financial instruments

Derivatives, including separated embedded derivatives, are 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 comprehensive income. 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.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are restated at fair value. The method of recognizing 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.

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 comprehensive income. These embedded derivatives are measured at fair value with changes in fair value recognized in the comprehensive income.

(I) Trading

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

(II) 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 hedged 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 re-measurement of both the hedging instrument and the hedged item are recognised in the comprehensive income. These amounts are included in the caption "Net hedging income/expense".

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 re-measurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the comprehensive income.

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 comprehensive income at the same time that the hedged transaction affects comprehensive income 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 comprehensive income immediately.

As at 30 June 2010 and 2009 the Bank does not hold any cash flow hedged transactions.

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.

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 2010 and 2009 the Bank did not enter into repurchase agreements or reverse repurchase agreements.

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 comprehensive income 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.

Depreciation is charged to the comprehensive income 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.

Other assets

Other assets are stated at cost less impairment.

Pension plans

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.

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 comprehensive income 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.

Other liabilities

Other liabilities are stated at cost.

Tax assets and liabilities

Income taxes are recorded in the comprehensive income, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Deferred taxes are calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

"Day1" 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 trading income/expense. 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 comprehensive income when the inputs become observable or when the instrument is derecognised.

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.

Transfer and derecognition of financial assets

Financial assets are derecognized as and when the bank is no longer entitled to receive cash flows deriving from them, or when they are sold and the related risk and benefits are transferred accordingly. Tangible and intangible assets are derecognized upon disposal, or when an asset is permanently retired from use and no further earnings or benefits are expected to derive from it.

Assets or group of assets which are sold continue to be recognized if the risks and benefits associated with them (in the relevant technical form) continue to be attributable to the Bank. A corresponding amount is then entered as a liability to offset any amounts received (as "other amounts due" or "amounts due under repo transactions").

The main forms of activity carried out by the bank which require underlying assets to be derecognized refer to items received as a part of the depositary bank activity, the return on which is collected in the form of a commission; these items are not recorded as long as the related risks and benefits continue to accrue entirely to the end-investor.

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.

For financial assets carried at amortised cost (such as loans and advances), 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.

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 comprehensive income. 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 credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors (financial, budget and business analysis are performed taking into consideration most recent data).

Future cash flows of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Estimates of changes in future cash flows reflect changes in related observable data from year to year and certain components of expected loss models (Probability of default, Loss Given Default, etc) are used to determine the amount charged to comprehensive income.

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 comprehensive income. 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. .

Interest income and expenses

For all instruments measured at amortised cost, interest income and expenses are recognised in the comprehensive income 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.

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.

Net trading income/expense

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.

Taxes

Income tax on the comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the comprehensive income 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.

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.

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.

Foreign currency translation

The annual accounts are presented in euro (€), 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 euro are re-translated into euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such conversion is recorded in the comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the balance sheet date.

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.

More specifically in order to better represent the Bank's business and its effective profit worthiness, costs due for guarantees received on lending portfolio have been reclassified from caption "050. Fee and commission expenses" into caption "02. Interest payable and similar charges".

Related parties

Related parties are defined by IAS 24 as:

a) Individuals or entities which directly or indirectly:

1. are subject to joint control by the Bank (including parent companies, subsidiaries and associates);

2. own an interest in the Bank which enables them to exert a significant influence over it: "significant influence" is presumed to exist in cases where an individual or entity owns a shareholding of more than 5% of the share capital of Mediobanca International (Luxembourg) S.A., along with the entitlement to appoint at least one member of the Board of Directors;

b) associate companies;

c) management with strategic responsibility, that is, those individuals vested with powers and responsibilities, directly or indirectly, in respect of the planning, management and control of the activities of the parent company, including directors and members of the statutory audit committee;

d) subsidiaries, companies controlled jointly and/or subject to significant influence by one of the individuals referred to under the foregoing letter c), or in which the said individuals hold, directly or indirectly, a significant share of the voting rights or are shareholders or hold strategic positions such as Chairman or Managing Director;

e) close relations of the individuals referred to under the foregoing letter c), that is, individuals who might be expected to be able to influence or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents), and the entities controlled or controlled jointly or otherwise subject to significant influence by one of these individuals, or in which they directly or indirectly hold a significant share of the voting rights;

f) staff pension schemes operated by the parent company or by any other entity related to it.

Section 5

Significant accounting estimates and judgement

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Going concern

The Bank's Board of Directors 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 Board of Directors 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.

PART C – NOTES TO THE BALANCE SHEET

ASSETS

Section 1

Heading 10: Cash and cash balances with Central Banks

1.1 Cash and cash balances with Central Banks (in € k)

	30/06/2010	30/06/2009
a) Cash	1	—
b) Demand deposit held at Central Banks	25.449	35.019
Total	**25.450**	**35.019**

Credit institutions established in Luxembourg are required to hold a minimum reserve 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.

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition (in € k)

Item/Value	30/06/2010			30/06/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	282.651	—	—	265.409	—	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	282.651	—	—	265.409	—	—
2. Equities	—	—	—	—	—	—
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	**282.651**	—	—	**265.409**	—	—
B. Derivative products						
1. Financial derivatives	—	414.351	141.928	—	77.774	133.996
1.1 Trading	—	322.044	—	—	17.662	—
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	92.307	141.928	—	60.112	133.996
2. Credit derivatives	—	325.696	1.370	—	56.207	—
2.1 Trading	—	294.875	—	—	50.446	—
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	30.821	1.370	—	5.761	—
Total B	—	**740.047**	**143.298**	—	**133.981**	**133.996**
Total (A+B)	**282.651**	**740.047**	**143.298**	**265.409**	**133.981**	**133.996**

Level 1: fv is calculated on the basis of market prices ruling at the reporting date.

Level 2: fv is calculated on the basis of valuation methods or models based on market-derived data (e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions).

Level 3: fv is calculated on the basis of internal estimates.

2.2 Movements on level 3 fair value hierarchy (in € k)

	Held for trading
1. Opening balance (01/07/2009)	**133.996**
2. Increases	**11.025**
2.1 Purchases	1.838
2.2 Transfers from other levels	—
2.3 Other increases	9.187
3. Decreases	**-1.723**
3.1 Sales	-663
3.2 Transfers to other levels	—
3.3 Other decreases	-1.060
4. Closing balance (30/06/2010)	**143.298**

2.3 Financial assets held for trading: by borrower/issuer (in € k)

Item/Value	30/06/2010	30/06/2009
A. CASH ASSETS		
1. Debt securities	282.651	265.409
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	24.960	45.802
d. Other issuers	257.691	219.607
2. Equities	—	—
a. Banks	—	—
b. Other issuers	—	—
- insurances	—	—
- financial companies	—	—
- non-financial companies	—	—
- others	—	—
3. OICR units	—	—
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
5. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
6. Assets sold but not derecognized	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total A	**282.651**	**265.409**
B. DERIVATIVE PRODUCTS		
a. Banks	614.382	70.669
b. Customers	268.963	197.307
Total B	**883.345**	**267.976**
Total A+B	**1.165.996**	**533.385**

2.4 Financial assets held for trading: derivative products (in € k)

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		30/06/2010		30/06/2009	
	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:	900.046	393.656	338.196	20.695	411.157	141.928	—	—	1.649.399	556.279	677.068	212.909
– with exchange of principal	—	—	338.196	20.695	—	—	—	—	338.196	20.695	63.400	1.141
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	338.196	20.695	—	—	—	—	338.196	20.695	63.400	1.141
– without exchange of principal	900.046	393.656	—	—	411.157	141.928	—	—	1.311.203	535.584	613.668	211.768
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	900.046	393.656	—	—	411.157	141.928	—	—	1.311.203	535.584	613.668	211.768
2) Credit derivatives:	—	—	—	—	—	—	1.154.169	327.066	1.154.169	327.066	270.951	55.068
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	1.154.169	327.066	1.154.169	327.066	270.951	55.068
Total B	**900.046**	**393.656**	**338.196**	**20.695**	**411.157**	**141.928**	**1.154.169**	**327.066**	**2.803.568**	**883.345**	**948.019**	**267.977**
Total (A+B)	**900.046**	**393.656**	**338.196**	**20.695**	**411.157**	**141.928**	**1.154.169**	**327.066**	**2.803.568**	**883.345**	**948.019**	**267.977**

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2.5 Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period (in € k)

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	**265.409**	—	—	—	**265.409**
B. Additions	42.371	—	—	—	42.371
B.1 Acquisitions	10.780	—	—	—	10.780
B.2 Increases in fair value	17.855	—	—	—	17.855
B.3 Other increases	13.736	—	—	—	13.736
C. Reductions	25.129	—	—	—	25.129
C.1 Disposals	7.904	—	—	—	7.904
C.2 Redemptions	14.786	—	—	—	14.786
C.3 Reductions in fair value	2.436	—	—	—	2.436
C.5 Other reductions	3	—	—	—	3
D. Balance at end of period	**282.651**	—	—	—	**282.651**

Section 6

Heading 60 – Loans and advances to credit institutions

6.1 Loans and advances to credit institutions: composition (in € k)

Type of transactions/Value	30/06/2010	30/06/2009
1. Current accounts and demand deposits	655.513	220
1.1 current accounts	577.684	220
1.2 stock lending deposits[1]	77.829	—
1.3 others deposits on demand	—	—
2. Term deposits	96.029	1.664.885
3. Other receivables:	346.398	311.095
3.1 amounts due under repo agreements	—	—
3.2 amounts due under finance leases	—	—
3.3 amounts due under stock lending transactions	92.097	—
3.4 other amounts due	254.301	311.095
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
Total book value	**1.097.940**	**1.976.200**
Total fair value	**1.097.173**	**1.976.563**

None of the loans and borrowings of the Bank is hedged with financial instruments. The Bank does not book any receivable under the terms of finance lease (IAS 17).

[1] As a part of the securities lending agreement, the Bank has received cash as collateral.

Section 7

Heading 70: Loans and advances to customers

7.1 Loans and advances to customers: composition (in € k)

Type of transactions/Value	30/06/2010	30/06/2009
1. Current accounts	—	—
2. Amounts due under repo agreements	—	—
3. Loans	3.856.006	3.561.390
4. Credit cards, personal loans and salary – guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	—	—
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Assets sold but not derecognized	—	—
Total book value	**3.856.006**	**3.561.390**
Total fair value	**3.805.977**	**3.381.274**

7.2 Loans and advances to customers: by borrower/issuer (in € k)

Type of transactions/Value	30/06/2010		30/06/2009	
	Performing	**Non-performing**	**Performing**	**Non-performing**
1. Debt securities:	—	—	—	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	—	—	—	—
- non-financial undertakings	—	—	—	—
- financial companies	—	—	—	—
- insurances	—	—	—	—
- other entities	—	—	—	—
2. Loans and advances to:	3.744.846	111.160	3.408.719	152.671
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	3.744.846	111.160	3.408.719	152.671
- non-financial undertakings	3.744.846	111.160	3.408.719	152.671
- financial companies	—	—	—	—
- insurances	—	—	—	—
- other entities	—	—	—	—
Total	**3.744.846**	**111.160 (*)**	**3.408.719**	**152.671**

(*) subsequent event: the outstanding balance refers to a single customer and 95% of the overall exposure in terms of capital and interests has been reimbursed on the 11th August 2010

7.3 Loans and advances to customers: assets subject to specific hedging (in € k)

Type of transactions/Value	30/06/2010	30/06/2009
1. Items subject to specific fair value hedges for:	—	—
a) interest rate risk	441.256	—
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**441.256**	—

The Bank does not book any receivable under the terms of finance lease (IAS 17).

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by type of hedging and levels (in € k)

	30/06/2010 Fair value			Notional value	30/06/2009 Fair value			Notional value
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivatives	—	153.309	—	341.497	—	80.499	—	374.449
1) Fair value	—	153.309	—	341.497	—	80.499	—	374.449
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	**153.309**	—	**341.497**	—	**80.499**	—	**374.449**

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8.2 Hedging derivatives: by type of contract and underlying asset (in € k)

Type of derivatives/Underlying assets	Interest rates		Foreign currency/gold		Equities		Credit		30/06/2010		30/06/2009	
	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:	325.198	150.597	16.299	2.712	—	—	—	—	341.497	153.309	374.449	80.499
– with exchange of principal	—	—	16.299	2.712	—	—	—	—	16.299	2.712	—	—
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	—	—	16.299	2.712	—	—	—	—	16.299	2.712	—	—
– without exchange of principal	325.198	150.597	—	—	—	—	—	—	325.198	150.597	374.449	80.499
– options bought	—	—	—	—	—	—	—	—	—	—	—	—
– other derivatives	325.198	150.597	—	—	—	—	—	—	325.198	150.597	374.449	80.499
2) Credit derivatives:	—	—	—	—	—	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
Total B	**325.198**	**150.597**	**16.299**	**2.712**	—	—	—	—	**341.497**	**153.309**	**374.449**	**80.499**
Total (A+B)	**325.198**	**150.597**	**16.299**	**2.712**	—	—	—	—	**341.497**	**153.309**	**374.449**	**80.499**

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8.3 Hedging derivatives: by portfolio hedged and hedge type (in € k)

30/06/2010 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	129.802	—	—	—	—	—	—
2. Debt securities in issue	20.795	2.712	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	**150.597**	**2.712**	—	—	—	—	—
TOTAL	**150.597**	**2.712**	—	—	—	—	—

30/06/2009 Operations/Type of hedging	Fair Value Hedge					Cash Flow Hedge	
	Specific				Generic	Specific	Generic
	Interest risk	Currency risk	Credit risk	Other risks			
1. Financial assets available-for-sale	—	—	—	—	—	—	—
2. Lending portfolio	—	—	—	—	—	—	—
3. Financial assets held-to-maturity	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—
TOTAL ASSETS	—	—	—	—	—	—	—
1. Amounts due to Banks/Customers	62.979	—	—	—	—	—	—
2. Debt securities in issue	17.520	—	—	—	—	—	—
3. Portfolio	—	—	—	—	—	—	—
TOTAL LIABILITIES	**80.499**	—	—	—	—	—	—
TOTAL	**80.499**	—	—	—	—	—	—

Section 12

Heading 120: Property, plant and equipment

12.1 Movements in tangible assets (in € k)

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 30/06/2010	Net carrying amount as at 30/06/2009
Tangible assets	88	—	—	88	-85	3	21
of which:							
Other fixtures and fittings, tools and equipment	88	—	—	88	-85	3	21

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12.2 Breakdown of tangible assets (in € k)

	30/06/2010			30/06/2009		
A. Core assets	Gross	Amortisation	Net	Gross	Amortisation	Net
1.1 owned	88	-85	3	88	-67	21
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
c) furniture	38	-36	2	38	-28	10
d) electronic equipments	50	-49	1	50	-39	11
e) others	—	—	—	—	—	—
1.2 acquired under finance leases	—	—	—	—	—	—
a) lands	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—
c) furniture	—	—	—	—	—	—
d) electronic equipments	—	—	—	—	—	—
e) others	—	—	—	—	—	—
TOTAL A	88	-85	3	88	-67	21
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	-85	3	88	-67	21

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Section 13

Heading 130: Tax assets

13.1 Changes in deferred tax assets during the period (in € k)

Deferred tax assets	**30/06/2010**	**30/06/2009**
1. Initial amount	96.533	30.224
1.1 Initial amount	96.533	30.224
2. Additions	123.469	96.533
2.1 Deferred tax originating during the period	123.469	96.533
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other addition	123.469	96.533
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	96.533	30.224
3.1 Deferred tax reversed during the period	96.533	30.224
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	96.533	30.224
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	**123.469**	**96.533**

Section 15

Heading 150: Other assets

15.1 Other assets (in € k)

	30/06/2010	30/06/2009
- Withholding tax	—	24
- Value added tax	—	—
- Upfront premiums	7.476	17.260
- Commissions receivable	6.429	772
- Other	51	103
Total	**13.956**	**18.159**

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 comprehensive income.

Commissions receivable refer to amounts due from third parties in connection with the corporate lending and the depositary bank activities.

Liabilities

Section 1

Heading 10: Amounts due to credit institutions

1.1 Amounts due to credit institutions: composition (in € k)

Type of transaction/amounts	30/06/2010	30/06/2009
1. Due to central banks	—	—
2. Due to banks	2.609.899	3.278.769
2.1 Current accounts and demand deposits	620.287	3.074.474
2.2 Term deposits	153.329	—
2.3 Borrowings	1.836.283	204.295
2.3.1 Leasing & stock lending	92.097	—
2.3.2 Others	1.744.186	204.295
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Other amounts due	—	—
Total book value	**2.609.899**	**3.278.769**
Total fair value	**2.609.899**	**3.278.769**

1.2 Breakdown of Heading 10: "Amounts due to credit institutions" - subordinated debt

Subordinated liabilities included - under the heading *Due to banks* – nominal amount of € 39.250.000 referring to subordinated debt assimilated to Tier2 capital.

1.3 Amounts due to credit institutions: items subject to specific hedges (in € k)

	30/06/2010	30/06/2009
1. Items subject to specific fair value hedges for:	187.673	165.038
a) interest rate risk	187.673	165.038
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**187.673**	**165.038**

Items subject to micro fair value hedge are Schuldscheins subscribed by third credit institutions.

Heading 20: Amounts due to customers

2.1 Amounts due to customers: composition (in € k)

Type of transaction/amounts	30/06/2010	30/06/2009
1. Current accounts and demand deposits	—	—
2. Term deposits	467.129	1.502
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	72.677	24.340
4.1 leasing	—	—
4.2 others	72.677	24.340
5. Amounts due under commitments to buyback own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	—	—
6.1 Amounts due under reverse repo agreements	—	—
6.2 Others	—	—
7. Other amounts due	—	—
Total book value	**539.806**	**25.842**
Total fair value	**539.806**	**25.842**

2.2 Amounts due to customers: items subject to specific hedges (in € k)

	30/06/2010	30/06/2009
1. Items subject to specific fair value hedges for:	72.677	24.340
a) interest rate risk	72.677	24.340
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	**72.677**	**24.340**

Items subject to micro fair value hedge are Schuldscheins subscribed by non-financial corporate entities.

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition (in € k)

Type of transaction/amounts	30/06/2010		30/06/2009	
	Book value	Fair Value[1]	Book value	Fair Value[1]
A. Listed securities	2.206.019	2.187.729	2.060.872	2.077.526
1. notes	1.464.579	1.446.289	786.229	802.883
1.1 structured	955.856	935.979	311.068	316.336
1.2 others	508.723	510.310	475.161	486.547
2. other securities [A]	741.440	741.440	1.274.643	1.274.643
2.1 structured	—	—	—	—
2.2 others	741.440	741.440	1.274.643	1.274.643
B. Unlisted securities	429.052	420.349	408.342	432.076
1. notes	429.052	420.349	408.342	432.076
1.1 structured	290.494	290.872	264.447	274.069
1.2 others	138.558	129.477	143.895	158.007
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
Total	**2.635.071**	**2.608.078**	**2.469.214**	**2.509.602**

[1] Fair value does not include issuer risk; if issuer risk is considered, the fair value of debt securities issued would reduce by € 23 m approximately.

[A] "Certificats de dépôt" and commercial papers programs obtained the Step Market (short-term euro commercial paper) label.

3.2 Debt securities: items subject to specific hedging (in € k)

Type of transaction/amounts	30/06/2010	30/06/2009
A. Securities subject to specific fair value hedges	573.714	437.992
1. Interest rate risk	550.472	437.992
2. Currency risk	23.242	—
3. Other risks	—	—
B. Securities subject to specific cash flow hedges	—	—
1. Interest rate risk	—	—
2. Currency risk	—	—
3. Other risks	—	—
Total	**573.714**	**437.992**

3.3 Debt securities: items measured at amortised cost (in € k)

Type of transaction/amounts	30/06/2010	30/06/2009
A. Debt securities	1.319.917	756.579
1. Structured	852.972	296.758
2. Other	466.945	459.821
B. Other financial instruments	741.440	1.274.643
1. Structured	—	—
2. Other	741.440	1.274.643
Total	**2.061.357**	**2.031.222**

Section 4

Heading 40: Financial liabilities held for trading

4.1 Financial liabilities held for trading: composition (in € k)

Type of transaction/amounts	30/06/2010			30/06/2009		
	FV			FV		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash liabilities	—	—	—	—	—	—
1. Amount due to banks	—	—	—	—	—	—
2. Amount due to customers	—	—	—	—	—	—
3. Debt securities	—	—	—	—	—	—
B. Derivatives instruments	—	146.895	143.298	—	123.364	133.996
1. Financial derivatives	—	117.327	141.928	—	93.533	133.996
1.1 Trading derivatives	—	25.020	—	—	33.421	—
1.2 Linked to FV option	—	—	—	—	—	—
1.3 Other	—	92.307	141.928	—	60.112	133.996
2. Credit derivatives	—	29.568	1.370	—	29.831	—
2.1 Trading derivatives	—	15.033	—	—	18.033	—
2.2 Linked to FV option	—	—	—	—	—	—
2.3 Other	—	14.535	1.370	—	11.798	—
Total	—	**146.895**	**143.298**	—	**123.364**	**133.996**

Level 1: fair value is calculated on the basis of market prices ruling at the reporting date.

Level 2: fair value is calculated on the basis of valuation methods or models based on market-derived data (e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions).

Level 3: fair value is calculated on the basis of internal estimates.

4.2 Movements on level 3 fair value hierarchy (in € k)

	Held for trading
1. Opening balance (01/07/2009)	**-133.996**
2. Increases	**-11.025**
2.1 Issue	-468
2.2 Transfers from other levels	—
2.3 Other increases	-10.557
3. Decreases	**1.723**
3.1 Reimbursement	663
3.2 Transfers to other levels	—
3.3 Other decreases	1.060
4. Closing balance (30/06/2010)	**-143.298**

4.3 Financial liabilities held for trading: derivative products (in € k)

	Interest rate		Foreign currency/gold		Equity		Credit		30/06/2010		30/06/2009	
Type of transaction/amounts	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**	**Notional**	**FV**
A. Listed derivative products	—	—	—	—	—	—	—	—	—	—	—	—
B. Unlisted derivative products												
1. Financial derivatives	477.966	107.541	89.642	9.786	411.157	141.928	—	—	978.765	259.255	1.082.707	227.529
1.1 With exchange of principal	—	—	89.642	9.786	—	—	—	—	89.642	9.786	339.711	27.005
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	—	—	89.642	9.786	—	—	—	—	89.642	9.786	339.711	27.005
1.2 Without exchange of principal	477.966	107.541	—	—	411.157	141.928	—	—	889.123	249.469	742.996	200.524
- options issued	—	—	—	—	—	—	—	—	—	—	—	—
- other derivatives	477.966	107.541	—	—	411.157	141.928	—	—	889.123	249.469	742.996	200.524
2. Credit derivatives	—	—	—	—	—	—	664.779	30.938	664.779	30.938	310.124	29.831
2.1 With exchange of principal	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Without exchange of principal	—	—	—	—	—	—	664.779	30.938	664.779	30.938	310.124	29.831
Total	**477.966**	**107.541**	**89.642**	**9.786**	**411.157**	**141.928**	**664.779**	**30.938**	**1.643.544**	**290.193**	**1.392.831**	**257.360**

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Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of hedging/underlying levels (in € k)

	30/06/2010 Fair value			Notional value	30/06/2009 Fair value			Notional value
	level 1	level 2	level 3		level 1	level 2	level 3	
A. Financial derivates	—	33.243	—	1.159.790	—	13.189	—	185.696
1) *Fair value*	—	33.243	—	1.159.790	—	13.189	—	185.696
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) *Fair value*	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	**33.243**	—	**1.159.790**	—	**13.189**	—	**185.696**

Level 1: fair value is calculated on the basis of market prices ruling at the reporting date.

Level 2: fair value is calculated on the basis of valuation methods or models based on market-derived data (e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions).

Level 3: fair value is calculated on the basis of internal estimates.

6.2 Hedging derivatives: by portfolio hedged/hedge type (in € k)

Hedged items	Fair value hedges					Cash flow hedge		30/06/2010	30/06/2009
	Specific				Generic	Specific	General		
	Interest Risk	Exchange rate	Credit risk	Other					
1. AFS Securities	—	—	—	—	—	—	—	—	—
2. Loans and advances	23.558	—	—	—	—	—	—	23.558	—
3. Financial assets HTM	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL ASSETS	**23.558**	—	—	—	—	—	—	**23.558**	—
1. Amounts due	—	—	—	—	—	—	—	—	—
2. Financial liabilities	8.720	965	—	—	—	—	—	9.685	13.189
3. Portfolio	—	—	—	—	—	—	—	—	—
TOTAL LIABILITIES	**8.720**	**965**	—	—	—	—	—	**9.685**	**13.189**
TOTAL	**32.278**	**965**	—	—	—	—	—	**33.243**	**13.189**

Section 8

Heading 80: Tax liabilities

8.1 Tax liabilities: current tax liabilities (in € k)

	30/06/2010	30/06/2009
Corporate income tax (IRC)	14.894	8.873
Municipal business tax (ICC)	4.562	2.703
Other	—	—
Total	**19.456**	**11.576**

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 € 645.000 (30 June 2009: € 517.280) 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.

8.2 Current tax liabilities: composition (in € k)

	IRC	ICC	total
Balance at the beginning of the year			
A. Current fiscal liabilities (+)	9.973	2.953	12.926
B. Advances paid (-)	1.100	250	1.350
A.1 Increase (+)	6.341	1.959	8.300
- provision of the year	6.341	1.959	8.300
- transfers	—	—	—
- others	—	—	—
B.1 Decrease (-)	320	100	420
- payments/advances	320	100	420
- transfers	—	—	—
- others	—	—	—
Total A. Fiscal liabilities (+)	16.314	4.912	21.226
Total B. Advances paid (-)	1.420	350	1.770
Current fiscal liabilities (A-B)	14.894	4.562	19.456

8.3 Changes in deferred tax liabilities during the period (in € k)

Deferred tax liabilities	**30/06/2010**	**30/06/2009**
1. Initial amount	96.577	30.708
1.1 Initial amount	96.577	30.708
2. Additions	124.740	96.577
2.1 Deferred tax originating during the period	124.740	96.577
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other addition	124.740	96.577
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	96.577	30.708
3.1 Deferred tax reversed during the period	96.577	30.708
a) amounts written off as unrecoverable	—	—
b) reverse to comprehensive income	96.577	30.708
c) due to changes in accounting policies	—	—
3.2 Reduction in tax rates	—	—
3.3 Other reductions	—	—
Total	**124.740**	**96.577**

Section 10

Heading 100: Other liabilities

10.1 Other liabilities (in € k)

	30/06/2010	30/06/2009
1. Pending invoices	47	133
2. Wages accrued, contributions and amounts withheld from staff for payment	2	7
3. Impairment guarantees and commitments	388	—
4. Financial guarantees on CDS products (as required under IAS 37)	—	—
5. Deferred income	350	7.001
6. Upfront premiums	4.557	996
7. Amounts payable on loans and receivables	11.702	9.315
8. Other items	157	—
Total	**17.203**	**17.452**

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 prorate basis to the comprehensive income.

Amounts payable on loans and receivables mainly refer to amounts due to the Parent company for guarantees received on the customers' lending portfolio.

Section 16

Heading 160: Reserves

16.1 Reserves (in € k)

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 dividends distribution and has been already fully provisioned on the previous exercises.

As of June 30, 2009 the Bank has taken up the option to credit net wealth tax against the tax itself, provided that the following conditions have been respected:

- The IRC (corporate income tax) charge must be at least equal to the IF (net wealth tax) charge in order to credit the entire amount of the IF, if not only the amount of IF equivalent to the IRC charge can be credited;
- By June 2010 the company has to book a reserve for an amount at least 5 times the IF tax charge due for the financial year 2009;
- This reserve will be maintained for a minimum period of 5 years.

(in € k)	**30/06/2010**	**30/06/2009**
A. Reserves	121.227	91.990
A.1 legal reserve	1.000	1.000
A.2 free reserve	111.048	84.411
A.3 special reserve[1]	8.962	6.362
A.4 FTA reserve	217	217

[1] Reserve linked to the exoneration of net wealth tax charge.

Section 19

Heading 190: Share capital

19.1 Share capital

As of 30 June 2010 and 2009, 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.

Authorised capital and issue share capital coincide.

Other information

1. Guarantees and commitments (in € k)

	30/06/2010	30/06/2009
1. Financial guarantees given to:	44.980	23.832
a) Banks	-	-
b) Customers	44.980	23.832
2. Commercial guarantees given to:	-	1.863
a) Banks	-	-
b) Customers	-	1.863
3. Irrevocable commitments to lend funds:	1.286.621	502.954
a) Banks	-	-
b) Customers	1.286.621	502.954
4. Commitment underlying credit derivatives: hedge sales	1.217.217	489.433
Total	**2.548.818**	**1.018.082**

Amounts are shown net of collective impairment booked at the reporting date.

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 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.

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 € 100.000 per cash deposit and € 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.

PART D – NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition (in € k)

	Performing assets			Non performing assets [1]	30/06/2010	30/06/2009
	Debt securities	Loans	Other financial assets			
1. Financial assets held for trading	25.980	—	—	—	25.980	12.138
2. Financial assets at fair value	—	—	—	—	—	—
3. AFS securities	—	—	—	—	—	—
4. Financial assets held to maturity	—	—	—	—	—	—
5. Loans and advances to credit institutions	—	11.223	157	—	11.380	110.950
6. Loans and advances to customers	—	102.803	—	4.743	107.546	164.097
7. Hedging derivatives	—	—	28.586	—	28.586	37.130
8. Financial assets sold but not derecognized	—	—	—	—	—	—
9. Other assets	—	—	—	—	—	—
Total	**25.980**	**114.026**	**28.743**	**4.743**	**173.492**	**324.315**

[1] Under the caption *non-performing* are reported interests attributable to a single credit exposure currently under restructuring.

1.2 Interest and similar income: differences arising on hedging transactions (in € k)

	30/06/2010	30/06/2009
A. Positive differences on transactions involving:	28.586	37.130
A.1 Specific fair value hedge of assets	1.322	—
A.2 Specific fair value hedge of liabilities	27.264	37.130
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedge of assets	—	—
A.5 Specific cash flow hedge of liabilities	—	—
A.6 General cash flow hedge	—	—

1.3 Interest and similar income: other information (in € k)

	30/06/2010	30/06/2009
1.3.1 Interests receivable on financial assets denominated in currencies other than Euro	44.710	51.428
1.3.2 Interests receivable in respect of financial leasing transactions	—	—
1.3.3 Interests income on receivables involving customers' funds held on a non discretionary basis	—	—

1.4 Interest expense and similar charges: composition (in € k)

	Payables	Notes	Other liabilities	30/06/2010	30/06/2009
1. Amount due to Banks	-72.663	—	—	-72.663	-140.008
2. Amount due to customers	-2.322	—	—	-2.322	-5.320
3. Debt securities	—	-51.958	—	-51.958	-110.040
4. Trading liabilities	—	—	—	—	—
5. Liabilities at fair value	—	—	—	—	—
6. Liabilities in respect of assets sold but not yet derecognized	—	—	—	—	—
7. Other liabilities	—	—	—	—	—
8. Hedging derivatives	—	—	-12.003	-12.003	-29.020
Total	**-74.985**	**-51.958**	**-12.003**	**-138.946**	**-284.388**

1.5 Interest expense and similar charges: differences arising on hedging transactions (in € k)

	30/06/2010	30/06/2009
A. Negative differences on transactions involving:	-12.003	-29.020
A.1 Specific fair value hedge of assets	-4.431	—
A.2 Specific fair value hedge of liabilities	-7.572	-29.020
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedge of assets	—	—
A.5 Specific cash flow hedge of liabilities	—	—
A.6 General cash flow hedge	—	—

1.6 Interest expense and similar charges: other information (in € k)

	30/06/2010	30/06/2009
1.6.1 Interests payable on financial liabilities denominated in currencies other than Euro	-29.508	-35.225
1.6.2 Interests payable on liabilities in respect of financial leasing transactions	—	—
1.6.3 Interests payable on customers' funds held on a non discretionary basis	—	—

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition (in € k)

	30/06/2010	30/06/2009
a) guarantees given	383	353
b) credit derivates	—	—
c) management, trading and advisory services:	—	—
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
4. securities under custody and non-discretionary	—	—
5. depositary services	800	—
6. securities placing	—	156
7. procurement of orders	—	—
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization servicing	—	—
f) factoring servicing	—	—
g) tax collection and receipt services	—	—
h) lending services	47.297	24.446
Total	**48.480**	**24.955**

2.2 Fee and commission expense (in € k)

	30/06/2010	30/06/2009
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and services:	—	—
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 clients' portfolios	—	—
4. securities custody and non-discretionary management	—	—
5. securities placing	—	—
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	—	—
e) lending services	-30.709	-11.004
Total	**-30.709**	**-11.004**

Section 3

Heading 80: Net trading income (expense)

3.1 Net trading income (expense): composition (in € k)

	Value increases	Dealing profits	Value reductions	Dealing losses	30/06/2010	30/06/2009
1. Trading assets	6.823	1.448	-2.334	—	**5.937**	**12.642**
1.1 Debt securities	6.823	1.448	-2.334	—	**5.937**	**12.642**
1.2 Equities	—	—	—	—	—	—
1.3 OICR units	—	—	—	—	—	—
1.4 Loans and receivables	—	—	—	—	—	—
1.5 Others	—	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Payables	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
3. Other financial assets and liabilities: difference arising on exchange rates	385.216	—	-418.276	—	**-33.060**	**15.696**
4. Derivative products	727.147	759	-703.464	-511	**23.931**	**-36.128**
4.1 Financial derivatives:	443.951	1	-400.460	-436	**43.056**	**-21.507**
– on debt securities/interest rates	394.080	1	-350.497	-436	**43.148**	**11.399**
– on equities/share indexes	12.642	—	-14.025	—	**-1.383**	**-4.405**
– on foreign currency/gold	37.229	—	-35.938	—	**1.291**	**-28.501**
– others	—	—	—	—	—	—
4.2 Credit derivatives	283.196	758	-303.004	-75	**-19.125**	**-14.621**
Total	**1.119.186**	**2.207**	**-1.124.074**	**-511**	**-3.192**	**-7.790**

Section 4

Heading 90: Net hedging income (expense)

4.1 Net hedging income (expense): composition (in € k)

	30/06/2010	30/06/2009
A. Income from:		
A.1 Fair value hedge derivatives	78.298	82.398
A.2 Financial assets hedged (fair value)	22.521	—
A.3 Financial liabilities hedged (fair value)	—	9.629
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	**100.819**	**92.027**
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-22.536	—
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-78.348	-91.644
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	**-100.884**	**-91.644**
C. Net hedging income (A-B)	**-65**	**383**

Section 5

Heading 130: Adjustments for impairment

5.1 Adjustments for impairment: lending portfolio (in € k)

Transactions/Income-linked components	Value adjustments			Amounts recovered				30/06/2010	30/06/2009
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	—	—	—
B. Due from customers	—	—	-1.717	—	—	—	—	-1.717	—
C. Total	—	—	**-1.717**	—	—	—	—	**-1.717**	—

Legend

A = interests

B = other amounts recovered

5.2 Adjustments for impairment: other financial transactions (in € k)

Transactions/Income-linked components	Value adjustments			Amounts recovered				30/06/2010	30/06/2009
	Specific		Portfolio	Specific		Portfolio			
	Write offs	Others		A	B	A	B		
A. Guarantees given	—	—	-22	—	—	—	—	-22	—
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	-366	—	—	—	—	-366	—
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	—	**-388**	—	—	—	—	**-388**	—

Legend

A = interest

B = other amounts recovered

Section 6

Heading 180: Administrative expenses

6.1 Personnel cost: composition (in € k)

	30/06/2010	30/06/2009
1.Employees	-341	-334
a) wages and salaries	-306	-278
b) social security charges	-15	-23
c) severance indemnities	—	—
d) pension contributions	-18	-12
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	—	—
– defined contribution	-2	-21
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	—
i) other staff benefits	—	—
2. Other staff	-259	-326
3. Board members	-135	-108
Total	**-735**	**-768**

6.2 Other administrative expenses: composition (in € k)

	30/06/2010	30/06/2009
– outside consultants' fees	-155	-202
– legal fees due in respect of credit recovery	—	—
– share and bond administration	-84	-31
– advertising	-5	—
– insurance	-2	—
– rents and leases	-151	-146
– maintenance, repairs and refurbishment	-1	-7
– service providers	-3	-5
– financial information subscriptions	-1	—
– stationery and printing	-2	-25
– membership subscriptions	-78	-111
– postal, telephone, fax and telex charges	-25	-7
– newspapers, magazines and library acquisitions	—	—
– other staff expenses	-35	-33
– utilities	—	—
– EDP costs	-500	-410
– bank charges	-16	-22
– travel and secondment	-39	—
– outsourced activities	-260	-260
– other expenses	-17	-51
Total other expenses	**-1.374**	**-1.310**
– indirect and other taxes	-202	-200
Total indirect tax	**-202**	**-200**
Total other administrative expenses	**-1.576**	**-1.510**

Section 7

Heading 200: Net adjustments to tangible assets

7.1 Net adjustments to tangible assets: composition (in € k)

	Depreciation	Adjustments for impairment	Amounts recoveries	30/06/2010	30/06/2009
A. Tangible assets					
A.1 Owned:	-18	—	—	-18	-18
– Core	-18	—	—	-18	-18
– Investment	—	—	—	—	—
A.2 Acquired under finance leases:	—	—	—	—	—
– Core	—	—	—	—	—
– Investment	—	—	—	—	—
Total	**-18**	—	—	**-18**	**-18**

Section 8

Heading 220: Other operating income (expenses)

8.1 Other operating income (expenses): composition (in € k)

	30/06/2010	30/06/2009
A. Other income (expenses) – other	88	4
– Sundry other expense reimbursements	—	—
– Direct debit expense reimbursements	—	—
– Release provision	18	—
– Other income	81	4
– Other charges	-11	—
B. Other income (expenses) – amounts recovered	38	—
– withholding tax	38	—
– Amounts recovered from staff	—	—
– Amounts recovered from clients	—	—
–Other amounts recovered	—	—
Total	**126**	**4**

Section 9

Heading 290: Income tax on the ordinary activity

9.1 Income tax on the ordinary activity: composition (in € k)

	30/06/2010	30/06/2009
1. Current taxes	-8.300	-7.920
2. Changes in current tax for previous financial years	—	—
3. Decrease in current tax for period	—	—
4. Changes in deferred tax assets	26.936	66.309
4.1 related to previous fiscal exercise (reverse to the comprehensive income)	-96.533	-30.224
4.2 generated in the fiscal exercise	123.469	96.533
5. Changes in deferred tax liabilities	-28.163	-65.869
5.1 related to previous fiscal exercise (reverse to the comprehensive income)	96.577	30.708
5.2 generated in the fiscal exercise	-124.740	-96.577
Total	**-9.527**	**-7.480**

PART E – OPERATING SEGMENT INFORMATION

A. Primary segment reporting

The Bank does not run separate accounts or reporting for individual divisions or other business segments, primary because the business is essentially focused on wholesale banking. Upper management uses specific markets segment reporting (i.e. geographical, economic sector, ratings) to evaluate segment's income, expenses, assets, liabilities and so on in order to assess profitability and riskiness of the business.

B. Secondary segment reporting

B.1 Income statement figures by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	ASIA	OCEANIA
Net interest income	-21.856	25.345	25.430	3.928	1.700
Net fee and commission income	4.234	13.610	282	-358	3
Net trading income/expense	57.662	-60.442	-902	—	490
Net hedging income/expense	-1.986	1.921	—	—	—
Gain or loss on disposal or repurchase	66	—	—	—	—
Value adjustments	-100	-1.813	-192	—	—
Administrative expenses	-2.089	-222	—	—	—
Value adjustments on tangible assets	-18	—	—	—	—
Other operating income (expenses)	106	20	—	—	—
Income tax	-9.527	—	—	—	—
Net profit/loss 2010	**26.492**	**-21.581**	**24.618**	**3.570**	**2.193**
Net profit/loss 2009	**27.899**	**-36.652**	**26.546**	**10.973**	**471**

B.2 Financial statement data by geographical region (in € k)

	LUXEMBOURG	EUROPE	AMERICA	ASIA	OCEANIA
Cash and cash balances with Central Banks	25.450	—	—	—	—
Financial assets held for trading	263.775	782.032	120.189	—	—
Loans and advances to Credit Institutions	192	897.005	—	200.744	—
Loans and advances to Customers	883.484	2.615.526	349.310	—	7.687
Hedging derivatives	—	153.309	—	—	—
Property, plant and equipment	3	—	—	—	—
Tax assets	123.469	—	—	—	—
Other assets	702	13.221	33	—	1
A. Total assets 30/06/2010	**1.297.075**	**4.461.093**	**469.532**	**200.744**	**7.688**
Amount due to Banks	-92.097	-2.517.803	—	—	—
Amount due to customers	-400.006	-139.800	—	—	—
Debt securities in issue	-2.635.071	—	—	—	—
Financial liabilities held for trading	-17.692	-272.501	—	—	—
Hedging derivatives	-13.123	-20.121	—	—	—
Tax liabilities	-144.196	—	—	—	—
Other liabilities	-44	-17.123	-35	—	—
Shareholders' equity	-131.227	—	—	—	—
B. Total liabilities 30/06/2010 [1]	**-3.433.456**	**-2.967.348**	**-35**	—	—
Total assets 30/06/2009	**1.090.174**	**4.564.190**	**373.275**	**257.546**	**16.021**
Total liabilities 30/06/2009 [1]	**-2.691.610**	**-3.580.255**	**-86**	**-3**	**-15**

[1] Profit for the period excluded

PART F – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

1.1 Credit risk

QUALITATIVE INFORMATION

Corporate banking

The Group'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. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved. 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 (i.e. covenants). Any deterioration in the risk profile of a loan is brought swiftly to the attention of head of the operating unit and management.

Leverage finance

As a part of its corporate lending activity the Bank takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flows over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure and borrowing is commensurate with future cash flow levels. The purpose of such transactions is never for Mediobanca International (Luxembourg) S.A. to acquire target companies, as the majority stakes are held directly by the private equity funds.

Loan impairment provisions

The Bank assumes directly the credit risk for some exposures, under the aim to advance the core business taking into account the positive relation between risk and profitability. The Risk Committee defines the positions and the risks that can be taken based on a credit portfolio analysis in order to pursue an optimal diversification among geographical areas, industry sector and class of rating.

The Bank maintains partial or complete guarantees on certain exposures, depending on the creditworthiness, market sector and nature of each loan. Such guarantees are issued by the Parent Bank or public agencies (i.e. SACE, UFK, Hermes).

According to the IAS 39, the Bank regularly reviews its loan portfolios to assess for impairment. Impairment provisions are established to recognize incurred impairment losses in loan portfolios carried at amortized cost. In determining whether an impairment has occurred at the balance sheet date, the Bank considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on loan repayment obligations. Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

QUANTITATIVE INFORMATION

A.1.1 *Financial assets by portfolio and credit quality (in € k)*

Portfolio/Quality	Non-performing	Performing	Other assets	Total
1. Financial assets held for trading	—	—	1.165.996	1.165.996
Banks	—	—	24.960	24.960
Customers	—	—	257.691	257.691
Derivative instruments	—	—	883.345	883.345
2. AFS securities	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
3. Financial assets held to maturity	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
4. Due from banks	—	1.097.940	—	1.097.940
5. Due from customers	111.160	3.744.846	—	3.856.006
6. Financial assets recognized at fair value	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
7. Financial assets being sold	—	—	—	—
Banks	—	—	—	—
Customers	—	—	—	—
8. Hedging derivatives	—	—	153.309	153.309
Total at 30/06/2010	**111.160**	**4.842.786**	**1.319.305**	**6.273.251**
Total at 30/06/2009	**152.671**	**5.384.918**	**613.885**	**6.151.474**

A.1.2 *Financial assets by portfolio and credit quality (in € k)*

Portfolio/Quality	Impaired assets			Other assets			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	1.165.996	—	1.165.996	1.165.996
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	1.097.940	—	1.097.940	1.097.940
5. Due from customers	111.160	—	111.160	3.746.563	-1.717	3.744.846	3.856.006
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	153.309	—	153.309	153.309
Total at 30/06/2010	**111.160**	—	**111.160**	**6.163.808**	**-1.717**	**6.162.091**	**6.273.251**
Total at 30/06/2009	**152.671**	—	**152.671**	**5.998.803**	—	**5.998.803**	**6.151.474**

A.1.3 *Cash and off balance sheet exposures to credit institutions (in € k)*

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	—	—
e) Other assets	1.122.900	—	—	1.122.900
Total A at 30/06/2010	**1.122.900**	—	—	**1.122.900**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	—	—
b) Other assets	—	—	—	—
Total B at 30/06/2010	—	—	—	—

A.1.4 *Cash and off balance sheet exposures to customers (in € k)*

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing[1]	111.160	—	—	111.160
c) Other assets	4.004.254	—	-1.717	4.002.537
Total A at 30/06/2010	**4.115.414**	—	**-1.717**	**4.113.697**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired[1]	8.000	—	—	8.000
b) Other assets	1.323.989	—	-388	1.323.601
Total B at 30/06/2010	**1.331.989**	—	**-388**	**1.331.601**

[1] The outstanding balances as of 30 June 2010 refer to a single customer and 95% of the overall exposure in terms of capital and interests has been reimbursed on the 11th August 2010. No specific impairment has been booked at the end of the year as the position is fully guaranteed by the Parent company.

A.1.5 *Cash exposure to customers: trends in gross impaired positions/accounts (in € k)*

Description/Category	Non- performing
A. Gross exposure at start of period	152.671
of which: accounts sold but not derecognized	—
B. Additions	—
B.1 transfers from performing loans	—
B.2 transfer from other categories of impaired assets	—
B.3 other additions	10.266
C. Reductions	—
C.1 transfer to performing loans	29.356
C.2 amounts written off	—
C.3 amounts collected	17.500
C.4 gains realized on disposal	—
C.5 transfers to other categories of impaired assets	—
C.6 other reductions	4.921
D. Gross exposure at end of period	111.160
of which: accounts sold but not derecognized	—

A.3.1 *Secured cash exposure to banks and customers at 30/06/2010 (in € k)*

	Total exposure	Real guarantees			Personal guarantees							
					Credit derivatives				Financial guarantees			
		Properties	Securities	Other assets	Governments	Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others
1. Secured exposures to banks:												
1.1 completely secured	226.992	—	—	—	—	—	24.960	—	—	202.032	—	—
1.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured exposures to customers:												
2.1 completely secured	2.265.346	—	—	—	—	—	252.426	—	—	3.548	2.009.372	—
2.2 partly secured	1.597.986	—	—	—	—	—	—	—	—	69.915	1.109.007	—

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A.3.2 *Secured off-balance sheet exposure to banks and customers at 30/06/2010 (in € k)*

	Amount	Real guarantees			Personal guarantees							
					Credit derivatives				Endorsements			
		Properties	Securities	Other assets	Governments	Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others
1. Secured exposures to banks:												
1.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured exposures to customers:												
2.1 completely secured	1.107.945	—	—	—	—	—	—	—	—	82.091	1.025.854	—
2.2 partly secured	219.524	—	—	—	—	—	—	—	—	—	153.509	—

B.1 *Cash and off balance sheet exposure by sector (in € k)*

	Governments and Central Banks	Other Public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Gross exposure	—	—	—	—	111.160	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	111.160	—
A.2 Other exposures						
Gross exposure	—	—	1.222.899	—	4.004.254	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	-1.717	—
Net exposure	—	—	1.222.899	—	4.002.537	—
Total A						
Gross exposure	—	—	1.222.899	—	4.115.414	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	-1.717	—
Net exposure	—	—	1.222.899	—	4.113.697	—
B. Off-balance sheet exposures						
B.1 Non-performing						
Gross exposure	—	—	—	—	8.000	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	8.000	—
B.2 Other exposures						
Gross exposure	—	—	—	—	1.323.989	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	-388	—
Net exposure	—	—	—	—	1.323.601	—
Total B						
Gross exposure	—	—	—	—	1.331.989	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	-388	—
Net exposure	—	—	—	—	1.331.601	—
Total 30/06/2010						
Gross exposure	—	—	—	—	5.447.403	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	-2.105	—
Net exposure	—	—	—	—	5.445.298	—
Net exposure 30/06/2009	—	—	1.976.200	—	4.090.039	—

B.2 *Cash and off balance sheet exposure to customers by geography (in € k)*

Exposure/geographical areas	Luxembourg		Other European countries		United States		Asia		Oceania	
	Gross exposure	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**
A) Cash exposures										
A.1 Non-performing	—	—	111.160	111.160	—	—	—	—	—	—
A.2 Performing	902.219	901.927	2.569.826	2.568.434	502.911	502.878	—	—	29.298	29.298
Total A	902.219	901.927	2.680.986	2.679.594	502.911	502.878	—	—	29.298	29.298
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	8.000	8.000	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets problem	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	28.791	28.746	1.202.822	1.202.515	91.729	91.693	—	—	647	647
Total B	28.791	28.746	1.210.822	1.210.515	91.729	91.693	—	—	647	647
Total 30/06/2010	**931.010**	**930.673**	**3.891.808**	**3.890.109**	**594.640**	**594.571**	—	—	**29.945**	**29.945**
Total 30/06/2009	**811.927**	**811.927**	**3.020.169**	**3.020.169**	**251.876**	**251.876**	—	—	**6.067**	**6.067**

B.3 *Cash and off balance sheet exposure to banks by geography (in € k)*

Exposure/geographical areas	Luxembourg		Other European countries		United States		Asia		Oceania	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Performing	25.151	25.151	897.004	897.004	—	—	200.744	200.744	—	—
Total A	25.151	25.151	897.004	897.004	—	—	200.744	200.744	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets problem	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	—	—	—	—	—	—	—	—	—	—
Total B	—	—	—	—	—	—	—	—	—	—
Total 30/06/2010	**25.151**	**25.151**	**897.004**	**897.004**	—	—	**200.744**	**200.744**	—	—
Total 30/06/2009	**190**	**190**	**1.692.641**	**1.692.641**	—	—	**283.369**	**283.369**	—	—

C.1 *Securitizations*

As of 30 June 2010 and 2009 the Bank does not have any exposure deriving from securitizations.

1.2 Market risk

1.2.1 Interest rate risk – regulatory trading book

QUALITATIVE INFORMATION

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'intérêt" 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 re-fixing. 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 2010. The simulation was based on two different scenarios (parallel shift of the interest rate curve +200 and -200 bps). The results achieved are described herein after:

- Scenario +200 bps: - € 24.840.653
- Scenario -200 bps: € 14.962.448

Fair value hedge

Fair value hedges are used to neutralize exposure to interest rate or price risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties; all structured notes issues are fair value hedged as to the interest rate component. Fair value hedges are also used in corporate finance for certain bilateral, fixed rate transactions.

1. *Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as of 30 June 2010 (in € k)*

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	—	24.960	112.356	145.335	—	—	—
1.1 Debt securities	—	—	24.960	112.356	145.335	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	24.960	112.356	145.335	—	—	—
1.2 Loans to banks	—	—	—	—	—	—	—	—
1.3 Loans to customers	—	—	—	—	—	—	—	—
2. Cash liabilities	—	-784.327	—	-13.845	-53.937	—	—	—
2.1 Amounts due to banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	-784.327	—	-13.845	-53.937	—	—	—
3. Financial derivatives	—	—	—	—	—	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	493.804	42.950	116.293	409.861	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	493.804	42.950	116.293	409.861	—	—	—
+ Long positions	—	9.064	12.650	112.493	397.247	—	—	—
+ Short positions	—	484.740	30.300	3.800	12.614	—	—	—

2. *Regulatory banking book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as of 30 June 2010 (in € k)*

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	713.988	2.495.156	809.591	471.709	434.902	28.600	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to banks	664.322	179.317	53.557	200.008	736	—	—	—
1.3 Loans to customers	49.666	2.315.839	756.034	271.701	434.166	28.600	—	—
2. Cash liabilities	-974.039	-3.166.194	-78.656	-6.566	-446.863	—	-260.349	—
2.1 Amounts due to banks	-542.458	-1.840.517	—	—	-39.252	—	-187.672	—
2.2 Amounts due to customers	-145.002	-322.127	—	—	—	—	-72.677	—
2.3 Debt securities in issue	-286.579	-1.003.550	-78.656	-6.566	-407.611	—	—	—
3. Financial derivatives	—	1.166.483	1.023.280	382.972	1.621.940	180.000	330.404	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1.166.483	1.023.280	382.972	1.621.940	180.000	330.404	—
– Options	—	—	—	—	20.000	180.000	200.000	—
+ Long positions	—	—	—	—	10.000	90.000	100.000	—
+ Short positions	—	—	—	—	10.000	90.000	100.000	—
– Others	—	1.166.483	1.023.280	382.972	1.601.940	—	130.404	—
+ Long positions	—	—	37.224	382.972	1.601.940	—	130.404	—
+ Short positions	—	1.166.483	986.056	—	—	—	—	—

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1.2.2 Exchange rate risk

QUALITATIVE INFORMATION

Forex risk exposure is minimal. A continuous monitoring and a dynamic management of the liquidity allow the offsetting of the financial structure in terms of currency risk exposure.

Forex exposures are funded with financial liabilities in the same currencies and, whenever this kind of strategy results unrealizable in terms of costs/opportunity, specific hedging transactions are negotiated with the treasury dept of the Parent Bank (i.e. CCS, ICS). Forex exposure is constantly monitored by management through dedicated ALM reports; corrective actions are dealt if necessary.

As at 30 June 2010 the Bank has not registered any forex capital allowance.

QUANTITATIVE INFORMATION

1. *Assets, liabilities and derivatives by currency (in € k)*

Line items	Currency				
	US dollars	**Pounds sterling**	**Japanese yen**	**Swiss francs**	**Other**
A. Assets					
A.1 Debt securities	92.291	2.609	—	—	—
A.2 Equities	—	—	—	—	—
A.3 Loans and advances to banks	—	—	—	69.851	—
A.4 Loans and advances to customer	751.669	449.704	—	16.112	27.948
A.5 Other financial assets	383	205	17	—	1
B. Financial liabilities					
B.1 Due to banks	-514.936	-449.926	-7	—	-27.916
B.2 Due to customers	-58.715	-1.659	—	—	—
B.3 Debt securities	-367.123	-9.175	—	-86.573	—
B.4 Other financial liabilities	-165.467	-818	-9	-212	-17
C. Financial Derivatives					
- Options	—	—	—	—	—
+ long positions	—	48	—	—	—
+ short positions	—	-48	—	—	—
- Other	261.548	9.175	—	—	—
+ long positions	355.218	9.175	—	—	—
+ short positions	-93.670	—	—	—	—
Total assets	**1.199.561**	**461.741**	**17**	**85.963**	**27.949**
Total liabilities	**-1.199.911**	**-461.626**	**-16**	**-86.785**	**-27.933**
Difference (+/-)	-350	115	1	-822	16

1.2.3 Financial derivative products

A. FINANCIAL DERIVATIVES

A.1 *Regulatory trading book: average and reporting date notional values (in € k)*

Type of transactions	30/06/2010		30/06/2009	
	Over the counter	Listed	Over the counter	Listed
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	441.812	—	122.939	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	89.642	—	77.827	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**531.454**	—	**200.766**	—
Average values	403.797	—	83.187	—

A.2 *Regulatory banking book: average and reporting date notional values (in € k)*

A.2.1 *Hedging derivatives*

Type of transactions	30/06/2010		30/06/2009	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	200.000	—	200.000	—
b) Swap	1.475.813	—	550.609	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	25.473	—	8.802	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**1.701.286**	—	**759.411**	—
Average values	1.274.769	—	622.087	—

A.2.2 *Other derivatives*

Type of transactions	30/06/2010		30/06/2009	
	Over the counter	**Listed**	**Over the counter**	**Listed**
1. Debt securities and interest rates				
a) Options	—	—	—	—
b) Swap	700.000	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes				
a) Options	822.315	—	670.568	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold				
a) Options	—	—	—	—
b) Swap	338.196	—	293.618	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**1.860.511**	—	**964.186**	—
Average values	1.540.223	—	611.125	—

A.3 *OTC financial derivatives: positive fair value – counterparty risk (in € k)*

Type of transactions	Positive fair value			
	30/06/2010		30/06/2009	
	Fair Value	Future exposure[1]	Fair Value	Future exposure[1]
A. Regulatory trading book	296.162	1.909	17.662	3.791
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	296.162	1.909	17.662	3.791
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	245.616	4.920	140.610	5.095
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	153.309	3.520	80.498	3.695
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	—	—	—	—
g) Others	92.307	1.400	60.112	1.400
C. Banking book: Others derivatives	167.810	36.678	133.996	28.717
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	22.001	15.276	2.562	6.305
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	5.187	1.750	—	—
g) Others	140.622	19.652	131.434	22.412
Total	**709.588**	**43.507**	**292.268**	**37.603**

[1] Counterparty credit exposure on OTC derivatives is computed using the "current exposure method"; potential future credit exposure is determined by multiplying the notional principal amount of each of these contracts irrespective of whether the contract has a zero, positive or negative MTM value by the relevant add-on factor indicated below according to the nature and residual maturity of the instrument.

Residual Maturity	Credit Conversion Factor				
	Interest rate contracts	Exchange rate & gold	Equity	Precious metals	Goods other than metals
One year or less	0%	1%	6%	7%	10%
Over one year to five years	0,5%	5%	8%	7%	12%
Over five years	1,5%	7,5%	10%	8%	15%

A.4 *OTC financial derivatives: negative fair value – financial risk (in € k)*

Type of transactions	Negative fair value			
	30/06/2010		30/06/2009	
	Fair Value	**Future exposure[1]**	**Fair Value**	**Future exposure[1]**
A. Regulatory trading book	-9.829	1.874	-2.370	1.222
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	-9.829	1.874	-2.370	1.222
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	-125.551	7.477	-73.301	3.330
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	-112.428	5.504	-73.301	3.330
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	—	—	—	—
g) Others	-13.123	1.973	—	—
C. Banking book: Others derivatives	-157.118	33.296	-158.736	45.628
a) Governments and central Banks	—	—	—	—
b) Other public agencies	—	—	—	—
c) Banks	-155.812	21.402	-156.174	39.322
d) Financial companies	—	—	—	—
e) Insurance	—	—	—	—
f) Non financial undertakings	—	—	—	—
g) Others	-1.306	11.894	-2.562	6.306
Total	**-292.498**	**42.647**	**-234.407**	**50.180**

[1] See table A.3

A.5 *Regulatory trading book: OTC financial derivatives without collateral offsetting (in € k)*

Contracts not forming part of netting arrangements	30/06/2010							30/06/2009
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	441.812	—	—	—	—	117.162
- positive fair value	—	—	296.162	—	—	—	—	16.520
- negative fair value	—	—	-43	—	—	—	—	-105
- future exposure[1]	—	—	1.909	—	—	—	—	586
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	89.642	—	—	—	—	89.642
- positive fair value	—	—	—	—	—	—	—	1.141
- negative fair value	—	—	-9.786	—	—	—	—	-2.265
- future exposure[1]	—	—	1.874	—	—	—	—	4.482
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

[1] See table A.3

A.6 *Regulatory banking book: OTC financial derivatives without collateral offsetting (in € k)*

Contracts not forming part of netting arrangements	30/06/2010							30/06/2009
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	1.531.183	—	—	350.000	494.630	564.757
- positive fair value	—	—	150.597	—	—	5.188	92.308	80.498
- negative fair value	—	—	-126.654	—	—	—	-13.123	-11.274
- future exposure[1]	—	—	9.500	—	—	1.750	3.373	5.217
2. Equities and share indexes								
- notional value	—	—	411.157	—	—	—	411.157	880.262
- positive fair value	—	—	1.306	—	—	—	140.621	194.108
- negative fair value	—	—	-140.621	—	—	—	-1.306	-194.108
- future exposure[1]	—	—	31.952	—	—	—	31.952	61.048
3. Exchange rates and Gold								
- notional value	—	—	363.669	—	—	—	—	347.371
- positive fair value	—	—	23.407	—	—	—	—	—
- negative fair value	—	—	-965	—	—	—	—	-26.655
- future exposure[1]	—	—	4.656	—	—	—	—	17.369
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure[1]	—	—	—	—	—	—	—	—

[1] See table A.3

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A.7 *OTC financial derivatives by maturity: notional values (in € k)*

Underlying/Residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	59.949	381.863	—	441.812
A.2 Financial derivatives on equities and share indexes	—	—	—	—
A.3 Financial derivatives on foreign currency and gold	65.194	24.448	—	89.642
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	72.000	1.993.409	310.404	2.375.813
B.2 Financial derivatives on equities and share indexes	94.000	728.315	—	822.315
B.3 Financial derivatives on foreign currency and gold	338.196	25.473	—	363.669
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/06/2010	**629.339**	**3.153.508**	**310.404**	**4.093.251**
Total at 30/06/2009	**6.225**	**1.367.767**	**625.202**	**1.999.194**

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B. Credit derivatives

B.1 *Credit derivatives: average and reporting date notional values (in € k)*

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	274.934	—	90.000	40.746
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	196.050	—	—	—
Total at 30/06/2010	**470.984**	—	**90.000**	**40.746**
Average values	470.984	—	76.301	40.746
Total at 30/06/2009	**509.765**	—	**50.000**	**35.376**
2. Hedge sales				
a) Credit default	124.406	261.500	90.000	40.746
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	154.064	546.500	—	—
Total at 30/06/2010	**278.470**	**808.000**	**90.000**	**40.746**
Average values	218.562	625.532	76.301	40.746
Total at 30/06/2009	**212.223**	**35.000**	**50.000**	**35.376**

B.2 *Credit derivatives: positive fair value (in € k)*

Transaction categories	Positive FV	
	30/06/2010	30/06/2009
1. Regulatory trading book		
a) Credit default	294.875	50.446
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	26.139	1.139
2. Regulatory banking book		
a) Credit default	6.052	4.622
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—

B.3 *Credit derivatives: negative fair value (in € k)*

Transaction categories	Negative FV	
	30/06/2010	30/06/2009
1. Regulatory trading book		
a) Credit default	-15.033	-24.344
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	-10.703	-7.176
2. Regulatory banking book		
a) Credit default	-5.202	-4.622
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—

B.4 *Credit derivatives: outstanding life – notional values (in € k)*

Transaction categories	Up to 1 year	From 1 to 5 years	Over 5 years	Total
1. Regulatory trading book				
a) Credit default	205.726	455.115	—	660.841
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	152.050	744.564	—	896.614
2. Regulatory banking book				
a) Credit default	81.493	180.000	—	261.493
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 30/06/2010	**439.269**	**1.379.679**	—	**1.818.948**
Total at 30/06/2009	**30.000**	**897.739**	—	**927.739**

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1.3 Liquidity risk

QUALITATIVE INFORMATION

Liquidity risk is measured through indicators based on definite cash inflows and outflows to take place in the months to come, and also on the basis of data which includes estimates of:

— new loans/repayments/renewals for lending;

— new issues/early redemptions for funding;

— any significant extraordinary items.

The Bank has conducted liquidity stress tests following the CEBS guidelines on Liquidity Buffers & Survival Period (December 2009) and the CEBS guidelines on Stress Testing (December 2009).

The liquidity stress tests performed allow the Bank to assess the potential impact of extreme but plausible stress scenarios on their liquidity positions and their current or contemplated mitigants. The management of the Bank was highly involved in the discussions of the stress tests. The result has been formalized into the '*Liquidity stress tests methodology*' document.

The Bank approach regarding liquidity stress tests can be summarized as follows:

- **Analysis of risk factors generating liquidity risk:** as liquidity risk is a 'consequential risk' or 'secondary risk' generated by other risks types, the Bank performed an analysis assessing the primary risks impacting the liquidity.

- **Liquidity stress testing methodology**

The Bank has combined the liquidity risk leading practices applicable to its liquidity profile and therefore built a tailor-made approach in line with the nature and complexity of its business activities. The approach consists of:

- The **historical analysis of the cash flows** during 2008 and 2009 to identify common patterns

- The analysis of both **balance and off-balance sheet items** to understand the liquidity generating capacity (inflows) and the liquidity consumption (outflows) as well as any liquidity inter-relations between assets and liabilities. This assessment is in line with the CSSF 09/403 Annex 1 – Recommendation 6.

- The creation of a tailor-made indicator, which reflects the exposure of the Bank towards liquidity. The **Operating Indicator** (OI) is built based on:
    - the historical analysis of the inflows / outflows,
    - the Asset Liability Management (ALM) analysis,
    - the historical analysis of the balance sheet of 2008 and 2009 and finally,
    - the future cash inflows and outflows scheduled.

The evolution of the indicator is monitored on a monthly basis by the Bank's management and discussed with the Parent company.

- The **stress testing framework** has been elaborated based on the indicator to better represent the liquidity evolution of the Bank. In building the stress tests, the Bank has considered idiosyncratic scenarios, market scenarios and a combination of them.

Contingency Funding Plan (CFP)

The Bank has elaborated the Contingency Funding Plan (CFP), both for preparing for and dealing with a liquidity crisis. The management of the Bank was highly involved in the discussions of the CFP. The plan is customized to the liquidity risk profile of the Bank (principle of proportionally).

QUANTITATIVE INFORMATION

1. *Financial assets and liabilities by outstanding life (in € k)*

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	664.322	12.007	90.281	234.455	182.359	53.177	253.387	3.172.506	574.440
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	872	917	622	2.726	25.053	112.066	138.477	5.000
A.3 Other debt securities	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	664.322	11.135	89.364	233.833	179.633	28.124	141.321	3.034.029	569.440
– to banks	664.322	—	87.229	—	—	35	57.461	202.017	—
– to customers	—	11.135	2.135	233.833	179.633	28.089	83.860	2.832.012	569.440
Cash liabilities	776.971	259.184	135.514	70.150	763.930	143.818	532.088	2.360.940	564.654
B.1 Deposits	765.290	259.056	23.659	43.485	155.274	8.168	13.438	1.119.481	564.654
– to banks	620.287	4.040	—	—	155.274	8.168	11.070	1.119.481	524.330
– to customers	145.003	255.016	23.659	43.485	—	—	2.368	—	40.324
B.2 Debt securities	—	127	111.855	26.665	608.609	135.490	518.650	1.241.459	—
B.3 Other liabilities	11.681	1	—	—	47	160	—	—	—
Off-balance-sheet transactions	316.582	1.105	76	3.745	1.489	13.140	15.252	879.945	—
C.1 Financial derivatives with exchange of principal	—	—	23	—	413	73	146	879.945	—
– long positions	—	—	—	—	367	—	—	447.107	—
– short positions	—	—	23	—	46	73	146	432.838	—
C.2 Financial derivatives without exchange of principal	316.582	1.105	53	3.745	1.076	13.067	15.106	—	—
– long positions	301.349	1.000	—	687	419	9.227	7.571	—	—
– short positions	15.233	105	53	3.058	657	3.840	7.535	—	—
C.3 Financial guarantees given	—	—	—	—	—	—	—	—	—

1.4 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 2010 is € 3,9 million (€ 2,1 million as at 30 June 2009); the increase is due to the improved profitability of the Bank in the last 3 fiscal years.

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.

As at 30 June 2010 and 2009 the Bank does not face any litigation risk.

PART G – 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.

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 Basel Capital Accord (Basel II) into the Luxembourg regulatory framework.

During the years ended 30 June 2010 and 2009, 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.

QUANTITATIVE INFORMATION

In €	30/06/2010	30/06/2009
Original own funds (Tier 1) (*)	166.518.524	131.226.578
Additional own funds (Tier 2)	39.250.000	39.250.000
Total own funds (Tier 1 + Tier 2)	**205.768.524**	**170.476.578**
Credit/Counterparty risk (Standardized approach)	104.670.401	72.009.488
Market risk (Standardized Approach)	—	399.034
Operational risk (Basic Indicator Approach)	3.946.556	2.146.801
Total capital requirements (Pillar 1)	**108.616.957**	**74.555.323**
Pillar 2 Risk (Internal Assessment)	9.400.000	9.300.000
Total capital requirements (Pillar 1 + Pillar 2)	**118.016.957**	**83.855.323**
Surplus (+) / Deficit (-) of Own Funds	87.751.567	66.684.426
Solvency ratio (%)	15,15	18,29

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

PART H – RELATED PARTY DISCLOSURES

Accounts with related parties fall within the ordinary operations of the Bank are maintained on an arm's length basis and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered with such counterparties. Related parties for the purpose hereof include local strategic management, Parent company, entities of its Group and its Directors and executive officers (and any company owned by them).

The amount of assets, liabilities, income and expenses as at 30 June 2010 and 2009 concerning related parties are as follows (in € k):

Assets and liabilities	30/06/2010	30/06/2009
Financial assets held for trading	614.382	69.696
Loans and advances to credit institutions	804.908	1.718.463
Derivatives held for hedging	153.309	80.499
Other assets	11.104	16.758
Total assets	**1.583.703**	**1.885.416**
Financial liabilities held for trading	272.501	246.650
Amounts due to credit institutions	2.252.300	3.115.285
Derivatives held for hedging	20.121	13.189
Other liabilities	16.288	13.011
Total liabilities	**2.561.210**	**3.388.135**

Income and expenses	30/06/2010	30/06/2009
Interest and similar income	30.085	122.400
Interest expenses and similar charges	-74.956	-121.943
Fee and commission income	—	—
Fee and commission expenses	-29.891	-40.293
Net gains and losses on financial assets and liabilities held for trading	-38.346	-136.815
Net gains and losses from hedge accounting	67.417	77.510
Administrative expenses	-704	-836

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:

	30/06/2010	30/06/2009
Administrative bodies	25	38
Key management personnel	293	435
	318	**473**

As of 30 June 2010 and 2009, 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.

PART I – OTHER INFORMATION

Audit fees

As of 30 June 2010 and 2009, audit fees are split as follows (in €):

	30/06/2010	30/06/2009
Audit fees	86.000	83.000
Audit related fees	38.930	10.560
Other fees	86.000	—
Total	**210.930**	**93.560**

Staff number

As at 30 June 2010 and 2009, the Bank's staff is as follows:

	30/06/2010	30/06/2009
Management–Senior	2	2
Management–Middle	3	3
Other staff	3	3
Total	**8**	**8**

As of 30 June 2010 and 2009, 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.

PART J – SUBSEQUENT EVENTS

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 30 June 2010 and the date when the present annual accounts were authorized for issue.