SOCIÉTÉ EUROPÉENNE DE BANQUE
Société Anonyme

Annual Accounts
and
Independent Auditor's Report
and
Directors' Report
as at
31 December 2008

Table of contents

Directors' Report

Développement de l'activité

Durant l'année 2008, la Banque a vécu toute une série d'évènements et de changements majeurs. Dès le début de l'année, en conformité avec les réglementations en vigueur, la Banque a changé de référentiel comptable et tient désormais ses comptes selon les normes IAS/IFRS applicables au sein de l'Union Européenne.

Le 7 juillet 2008, dans le cadre de la réorganisation et du développement du Groupe Intesa Sanpaolo au Luxembourg, la Société Européenne de Banque a transféré son activité Fonds d'investissement à Sanpaolo Bank au Luxembourg et a intégré les branches d'activité Trésorerie, Clientèle privée et sociétaire de Sanpaolo Bank. Sanpaolo Bank au Luxembourg est devenue également, depuis cette date, la banque dépositaire principale de la Société Européenne de Banque. Les ressources humaines associées ont également été transférées même si, au final, le total du personnel des deux entités est resté pratiquement identique.

Le second semestre 2008 a aussi vu se concrétiser une crise financière et économique de grande ampleur qui a pesé, et qui pèse encore, sur l'économie mondiale. La Banque est restée prémunie contre la tourmente financière ; ses résultats effectifs ne se ressentant pas des mouvements erratiques du marché durant le dernier semestre 2008.

Les turbulences des marchés ont abouti à une rupture nette entre la courbe des taux à court terme, courbe des dépôts, celle des taux des swaps, courbe des dérivés, et celle des taux à long terme, courbe des titres. Les écarts qui se sont créés en fin d'année 2008, vont influencer les résultats non réalisés enregistrés selon les normes comptables internationales (IAS).

La Société Européenne de Banque a donc redéployé sa stratégie commerciale sur base de sa nouvelle structure. Si l'activité Corporate et Clientèle Privée reste orientée vers les mêmes prospects qu'auparavant, la base clientèle de la Banque s'est accrue par l'arrivée des portefeuilles clientèle de Sanpaolo Bank.

La Banque maintient comme clients cibles, les clients existants des réseaux « Corporate » et « Imprese » du groupe Intesa Sanpaolo. La stratégie mise en œuvre reste axée sur la présentation des produits et des capacités de la SEB auprès du personnel commercial d'Intesa Sanpaolo pour l'inciter à promouvoir, auprès de sa clientèle, les opportunités et les compétences offertes par la Banque.

La gestion de patrimoine s'intéresse principalement à une clientèle se situant dans les segments «Mid» et «High Net Worth». Cette clientèle avertie et exigeante attend une prestation à la fois de qualité et performante. La Banque tient à répondre à ces attentes avec le sérieux et le professionnalisme requis. De plus, elle exige de ses collaborateurs de veiller particulièrement à la qualité de la relation clientèle. La stratégie commerciale retenue par la Banque ne sera pas modifiée et se centrera sur la promotion de l'activité gestion discrétionnaire et des produits gérés tout en proposant un service de gestion conseil qualifié.

La Banque n'était plus depuis plusieurs années un acteur actif sur les marchés financiers pour compte propre. L'arrivée de l'activité Trésorerie et du personnel en charge de cette activité de Sanpaolo Bank, si elle ne devrait pas fondamentalement révolutionner l'approche conservatrice de la Banque, devrait cependant donner une ampleur nouvelle à cette activité. En effet, la Banque devient la banque de règlement pour d'autres entités du groupe qui achètent et vendent leurs actifs financiers par son intermédiaire. Elle est appelée à traiter des volumes beaucoup plus importants que par le passé et devient une contrepartie beaucoup plus visible sur les marchés. La Banque est aussi plus active sur le marché des mises en pension de titres. De plus, elle détient un portefeuille-titres « détenus pour la vente » significatif.

En terme de trésorerie, la Banque se concentre sur le refinancement des prêts et sur le remploi des liquidités de ses clients qui sont surtout libellées en euro. Les marges de transformation auxquelles la Banque peut prétendre restent modestes dans un contexte de taux d'intérêts bas. Le département Trésorerie réussit à générer ses bénéfices grâce aux volumes traités et à une politique d'optimisation des revenus par le biais d'un portefeuille de dérivés de taux d'intérêts.

Sur le marché des changes et des valeurs mobilières, la Banque replace les ordres de sa clientèle. Dans ce domaine, elle pratique une politique tarifaire limitée. Là aussi les revenus réalisés sont générés par les volumes traités.

Synergies avec le Gruppo Intesa Sanpaolo

La SEB reste un élément stratégique pour son groupe d'appartenance, le groupe bancaire Intesa Sanpaolo.

Une grande part de sa clientèle est composée d'entreprises italiennes ou internationales d'origine italienne, clientes de la maison mère.

Au 31 décembre 2008, les actifs auprès des entreprises liées s'élèvent à 6.661 millions d'euros (2.835 millions d'euros en 2007) et représentent 76% des actifs. Au passif du bilan, les dettes envers les sociétés affiliées du groupe atteignent 1,5 milliard d'euros (2 milliards d'euros en 2007), soit 19% des ressources bancaires et non bancaires en fin d'année.

Gestion des risques

La politique de gestion des risques est établie en étroite collaboration avec les services compétents de la maison mère. Elle est validée et mise en place par le Conseil d'Administration.

Elle reprend les stratégies d'investissement, les limites opérationnelles ainsi que les opérations autorisées. L'information sur la gestion des risques est disponible et accessible en permanence par les différents acteurs de la Banque.

La mission de la salle des marchés est d'assurer un rôle de support de l'activité de la clientèle. Ses objectifs sont d'optimiser le remploi des dépôts de la clientèle, de refinancer au mieux les prêts accordés et de rentabiliser les ordres reçus sur les différents instruments financiers introduits par cette même clientèle.

Le contrôle des risques de marché et de liquidité est du ressort du « risk manager », sous la tutelle directe de la Direction de la Banque. Ses fonctions couvrent l'appréciation quotidienne des risques de change, de la position titres overnight, du risque de liquidité, du risque de taux ainsi que la concentration des dépôts. Il vérifie le respect des limites sur ces risques et leur adéquation globale à la taille de la Banque. Il gère aussi le risque opérationnel au niveau local et fourni les données nécessaires à la détermination du risque consolidé au service compétent de Intesa Sanpaolo. Ses tâches incluent le contrôle régulier des positions en instruments financiers dérivés et l'appréciation du portefeuille d'investissement. Il surveille aussi l'évolution quotidienne des résultats ainsi que le respect quotidien des ratios prudentiels.

Le risque de liquidité est apprécié sur base des standards utilisés par le groupe d'appartenance qui impose de critères stricts de restriction sur les écarts en liquidité Le respect de ses critères aboutit à une limitation de ce type de risque plus sévère que les contraintes prudentielles réglementaires. La Banque est restée dans les limites imposées durant tout l'exercice. Le risque de taux est déterminé sur base du calcul de l'impact d'un décalage d'un quart de pourcent en plus ou en moins sur la position de refinancement de la Banque. Cet impact est inférieur à 1,5 million d'euros en fin d'année.

Le suivi du risque de crédit reste assuré au sein du département Crédit de la Banque qui est organiquement relié à la Direction de la Banque.

La qualité des contreparties est surveillée par le « Compliance Officer » en étroite collaboration avec le service Documentation et Approbation des Comptes (DAC).

Les risques juridiques sont de la compétence du Service Juridique.

Perspectives

Après la réorganisation des sociétés du groupe au Luxembourg et les transferts de branches d'activité, le développement tant de l'activité sociétaire que de la clientèle privée restent les objectifs principaux de la stratégie de la Banque en 2008. La croissance attendue devrait se concrétiser grâce à l'exploitation judicieuse des réseaux du groupe d'appartenance.

La maîtrise des coûts administratifs restera un aspect fondamental de l'évolution de la Banque.

Éléments financiers 2008

Du fait du transfert des branches d'activité entre Sanpaolo Bank et Société Européenne de Banque, la comparaison des postes bilantaires et de résultat n'a que peu de sens.

Le total bilan en fin d'exercice est de 8,8 milliards d'euros alors que le bilan atteignait 4,2 milliards en 2007.

Les prêts et avances s'élèvent à 7.529 millions d'euros au 31 décembre 2008, dont 6.528 millions d'euros sont remployés auprès d'autres établissements de crédit. Cette somme inclut les prêts à moyen terme consentis à diverses entités bancaires du groupe Intesa Sanpaolo situées dans les pays de l'Europe de l'Est et en Russie. Les prêts et avances envers la clientèle non bancaire s'élèvent à 1.001 millions d'euros. Les remplois bancaires étaient de 3.222 millions d'euros en 2007 tandis que les créances sur la clientèle s'élevaient à 620 millions d'euros. L'augmentation provient essentiellement des activités transférées.

Les actifs financiers détenus à des fin de transaction regroupent essentiellement les justes valeur des contrats dérivés, pour 128 millions d'euros et se composent principalement des contrats de change à terme et des contrats d'échange d'intérêt. Ce montant était de 4 millions d'euros en 2007 et se composait des mêmes éléments. L'évolution d'un tel poste tient tant des volumes que des taux du marché qui servent pour la détermination de leur valeur actuelle. Une baisse des taux servant à l'escompte des flux futurs entraînera par exemple une augmentation de la valeur renseignée toute autre chose restant égale.

Les actifs financiers détenus à la juste valeur par le biais du compte de résultat correspond à des investissements en titres destinés à rester dans le portefeuille de la Banque mais qui sont renseignés à leur valeur de marché. Ces titres sont valorisés à 285 millions d'euros en 2008. Ils valaient 254 millions d'euros en 2007. Ce portefeuille n'a pas changé durant l'année, seule la valeur des titres s'est appréciée. Dans l'ancien référentiel, ces titres étaient renseignés au coût d'acquisition pour 153 millions d'euros. L'écart constaté entre la valeur d'acquisition et la valeur de remboursement était amorti jusqu'à l'échéance.

Les actifs financiers disponibles à la vente, pour un total de 632 millions d'euros, comprennent un portefeuille d'obligations à taux variable émises par des établissements de crédit pour un total de 616 millions d'euros. Ce portefeuille a également été acquis lors du transfert des actifs de la Sanpaolo Bank. Les valorisations au prix du marché de ces titres sont reprises dans une réserve spécifique incluse dans les fonds propres de la Banque, tant que la baisse de valeur n'est pas représentative d'impairment.
Ce poste reprend aussi les différentes participations détenues par la Banque et notamment sa participation dans Intesa Sanpaolo Private Banking à Lugano acquise lors du transfert des branches d'activité entre les sociétés du groupe. La Banque a cédé ses participations dans Servitia S.A. et dans Intesa Distribution International Services (IDIS) s.a. dans le cadre de la restructuration locale du groupe.

Les placements détenus jusqu'à leur échéance de 25 millions d'euros reprennent une position en titres d'Etat italien en remploi d'une partie du capital. L'année dernière, ce poste pour un total de 45 millions d'euros comprenait aussi un titre d'un autre Etat européen qui est échu en 2008.

Au passif, la Banque détient 3,9 milliards d'euros de dépôts de sa clientèle par rapport aux 3,6 milliards d'euros à fin 2007. La Banque a aussi émis des emprunts obligataires et des certificats de dépôt souscrits pour 1,5 milliard d'euros. En 2007, ce poste ne contenait que 41 millions d'euros en certificats de dépôts émis. Cette évolution tient pour l'essentiel à la reprise lors des transferts d'activités d'un plan d'émission d'emprunts obligataires, pour un total de 4,5 milliards d'euros dont 1,7 milliard sont souscrits au 31 décembre 2008. Ce 1,7 milliard se répartit en 911 millions inscrits dans les titres émis au coût amorti et 159 millions éligibles pour la fair value option selon IAS 39. Les certificats de dépôts s'élèvent eux à 577 millions d'euros repris au passif du bilan parmi les passifs financiers au coût amorti.

Les créances et les dettes envers les contreparties bancaires sont principalement constituées respectivement des remplois et des financements des liquidités de la clientèle non bancaire et leurs évolutions d'une année à l'autre reflètent surtout l'évolution de l'activité de cette clientèle.

Le bénéfice net de l'exercice s'établit à 46,1 millions d'euros contre 24,9 millions d'euros en 2006. Il correspond à un ROE d'environ 23%.

L'activité en dépôts dégage une marge d'intérêt de 63 millions d'euros par rapport aux 31 millions d'euros de 2007. Les intérêts perçus et versés reflètent le volume moyen des liquidités de l'exercice par rapport à l'exercice précédent.

La marge sur commissions diminue par rapport à l'exercice précédent et se situe à 28 millions d'euros contre 30 millions en 2007. Cette flexion des résultats de commission est liée au transfert de l'activité liée aux fonds d'investissement en juillet 2008. La Banque a encaissé 3,7 millions d'euros de commissions durant le premier semestre 2008 tandis qu'elle avait perçu 7,9 millions d'euros de commission sur cette activité en 2007.

La vente de la participation dans Servitia s'est concrétisée avec une plus-value de près de 4 million d'euros qui est renseignée dans les revenus réalisés sur actif et passifs financiers disponibles à la vente.

Les résultats nets sur actifs et passifs financiers détenus à des fins de transaction avec un solde négatif de 15,7 millions d'euros enregistrent une baisse importante en 2008 par rapport au résultat positif pour 3,6 millions en 2007. Ce poste enregistre les variations positives et négatives de juste valeur des dérivés. La crise financière de 2008 et la détérioration générale du risque de crédit qui en est résulté, a entraîné une valorisation négative entre fin 2007 et fin 2008 de plus de 20 millions d'euros sur un portefeuille de contrats d'échange d'intérêt, catégorisé en passifs financiers détenus à des fin de transaction.

Les résultats nets sur actifs et passifs financiers désignés à la juste valeur par le compte de résultat présentent un solde négatif de 5,5 millions d'euros par rapport au 14,7 millions d'euros négatifs de 2007. Ce poste enregistre les fluctuations de juste valeur constatées sur les actifs et passifs désignés à la juste valeur par le compte de résultat en 2008 et en 2007.

Le profit constaté sur la comptabilité de couverture de 10,2 millions d'euros en 2008 pour 4,8 millions en 2007 correspond aux résultats enregistrés tant sur l'élément couvert que sur l'élément de couverture de la seule opération que la Banque a renseignée comme couverture à la juste valeur. Le respect de la qualité de la couverture a été vérifié depuis la création de l'opération.

Les frais généraux s'élèvent à 34 millions d'euros en 2008 alors qu'ils étaient de 29 millions d'euros en 2007. Les frais de personnel augmentent à 18,2 millions d'euros par rapport aux 17 millions d'euros de 2007. Le transfert de personnel a comporté une augmentation des coûts de personnel de la Banque. Les autres frais administratifs se ressentent aussi du transfert des branches d'activité, les frais inhérents à cette opération enregistrés en 2008 s'élevant à environ 3 millions d'euros. Le total de ce poste passe ainsi de 11,8 millions d'euros en 2007 à 15,8 millions en 2008. La Banque est membre de l'association pour la garantie des dépôts des banques luxembourgeoise (AGDL). Dans ce cadre elle a été sollicitée en appel de fonds pour couvrir les défaillances des banques islandaises présentes à Luxembourg. Le coût global enregistré de ce fait en 2008 est de 0,5 million d'euros.

La Banque a procédé aux amortissements prévus par la loi. Aucune provision pour impôts courants sur les revenus n'a été comptabilisée pour les exercices 2007 et 2008, la Banque bénéficiant de la neutralisation des impôts sur les revenus suite à l'application de la réglementation locale concernant la consolidation des résultats imposables avec ceux de sa société mère luxembourgeoise. De même, aucun actif ou passif d'impôt différé n'a été enregistré puisque les bénéfices attendus dans un avenir prévisible ne compensent pas la perte fiscale reportable dans la consolidation.

Le bénéfice net disponible pour distribution incluant les résultats reportés se monte dès lors à 46,1 millions d'euros. Le Conseil d'Administration proposera l'affectation suivante du bénéfice distribuable à l'Assemblée Générale annuelle statuant sur les comptes de l'exercice clos le 31 décembre 2008 :

Bénéfice distribuable	€	46.161.835,78
- distribution d'un dividende	€	0,00
- réserves libres	€	46.150.000,00
- report à nouveau	€	11.835,78
Total	€	46.161.835,78

Aucun événement significatif, susceptible de modifier les résultats et d'induire ainsi une appréciation différente sur le déroulement des affaires de la Banque, ne s'est produit postérieurement à la clôture des comptes.

La Banque n'a pas procédé au rachat d'actions propres au cours de l'exercice 2008.

Aucun frais de recherche et de développement n'a été engagé durant cet exercice.

Le Conseil d'Administration tient à exprimer sa satisfaction devant les résultats réalisés durant l'exercice. Il félicite tant la Direction de la Banque pour sa conduite judicieuse des affaires que l'ensemble du personnel de la SEB pour son professionnalisme et la qualité de ses prestations à la clientèle.

Luxembourg, le 03.03.2009

Independent Auditor's Report

To the Board of Directors of
Société Européenne de Banque
Société Anonyme
Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of Société Européenne de Banque S.A., which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

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

Responsibility of the "Réviseur d'Entreprises"

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

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

Responsibility of the "Réviseur d'Entreprises" (continued)

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Société Européenne de Banque S.A. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Sylvie TESTA

Luxembourg, 3 March 2009

Société Européenne de Banque
Société Anonyme

Balance sheet
31 December 2008
(expressed in EUR)

ASSETS	2008	2007
Cash and cash balances with central banks (Notes 3 and 4)	110 030 806	68 547 354
Financial assets held for trading (Notes 3 and 5)	128 240 073	3 922 884
Financial assets designated at fair value through profit or loss (Notes 3 and 5)	285 342 604	254 200 021
Available-for-sale financial assets (Notes 3 and 6)	632 288 709	3 764 347
Held-to-maturity investments (Notes 3 and 7)	25 356 227	45 867 406
Loans and advances (Notes 3 and 8)		
Loans and advances to credit institutions (Note 4)	6 527 999 543	3 221 764 903
Loans and advances to customers	1 000 997 661	616 721 331
	7 528 997 204	3 838 486 234
Derivatives held for hedging (Note 3)	84 084 283	8 719 187
Property, plant and equipment (Notes 3 and 9)	14 802 267	16 153 547
Intangible assets (Notes 3 and 10)	38 285	51 261
Other assets (Notes 3 and 11)	5 801 449	4 960 437
TOTAL ASSETS	8 814 981 907	4 244 672 678

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

LIABILITIES AND SHAREHOLDERS'EQUITY	2008	2007
Deposits from central banks (Note 3)	**657 904**	**-**
Financial liabilities held for trading (Note 3)	**248 875 540**	**76 614 913**
Financial liabilities designated at fair value through profit or loss (Notes 3 and 12)	**158 749 058**	**-**
Financial liabilities measured at amortised cost (Notes 3 and 13)		
Deposits from credit institutions	2 529 171 998	322 481 180
Deposits from customers	3 915 586 578	3 557 095 623
Debts evidenced by certificates	1 488 375 701	41 439 202
	7 933 134 277	**3 921 016 005**
Derivatives held for hedging (Note 3)	**43 712 934**	**-**
Provisions (Notes 3 and 14)	**755 108**	**389 033**
Other liabilities (Notes 3 and 11)	**16 676 032**	**116 696 122**
TOTAL LIABILITIES	8 402 560 853	4 114 716 073
Shareholders' equity (Notes 3 and 15)		
Issued capital	45 000 000	45 000 000
Revaluation reserves	-11 951 424	1 728 160
Reserves and retained earnings	333 228 446	58 355 423
Net profit for the year	46 144 032	24 873 022
TOTAL SHAREHOLDERS' EQUITY	**412 421 054**	**129 956 605**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8 814 981 907	4 244 672 678

Société Européenne de Banque
Société Anonyme

Income statement

For the year ended 31 December 2008
(expressed in EUR)

	2008	2007
Net interest income (Note 16)		
Interest and similar income	378 673 234	167 206 185
Interest expenses and similar charges	-315 868 296	-135 807 359
	62 804 938	**31 398 826**
Net fee and commission income (Note 17)		
Fee and commission income	38 890 316	47 167 380
Fee and commission expenses	-11 146 924	-16 987 513
	27 743 392	**30 179 867**
Dividend income (Note 18)	**944 390**	**278 190**
Net (un)realised gains (losses) on financial assets and liabilities held for trading (Note 19)	**-15 726 496**	**3 619 823**
Net (un)realised gains (losses) on financial assets and liabilities at fair value (Note 20)	**-5 526 995**	**-14 712 626**
Net realised gains (losses) from available-for-sale financial assets (Note 21)	**3 995 783**	**-**
Fair value adjustments in hedge accounting (Note 3)	**10 189 904**	**4 806 520**
Net other operating income (Note 22)		
Other operating income	1 574 079	1 307 328
Other operating expenses	-274 109	-347 246
	1 299 970	**960 082**
Administrative expenses (Notes 23, 26 and 29)	**-34 062 237**	**-28 624 125**
Depreciation and amortisation (Notes 9 and 10)	**-1 903 132**	**-1 969 309**
Provisions (Note 14)	**-675 000**	**-**
Impairment (Notes 8 and 24)	**-2 940 485**	**-1 064 226**
Net profit for the year	**46 144 032**	**24 873 022**

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

Société Européenne de Banque
Société Anonyme

Statement of changes in equity
For the year ended 31 December 2008
(expressed in thousand of EUR)

	Issued capital	Fair value revaluation reserve on AFS	Reserves: Legal reserve	Reserves: other reserves	Retained earnings	Profit of the year before appropriation	Total
Balance as at 1st January 2007	**45 000**	**1 628**	**5 250**	**36 700**	**30 405**	-	**118 983**
Dividends to shareholders	-	-	-		-14 000	-	**-14 000**
Transfers	-	-	-	9 650	-9 650	-	-
Changes in fair value of available-for-sale financial assets	-	100	-	-		-	**100**
Profit for the year 2007	-	-	-	-	-	24 873	**24 873**
Balance as at 31 December 2007	**45 000**	**1 728**	**5 250**	**46 350**	**6 755**	**24 873**	**129 956**
Dividends to shareholders	-	-	-	-	-	-	-
Transfers and appropriation of prior year's profit	-	-	-	26 800	-1 927	-24 873	-
Changes in fair value of available-for-sale financial assets	-	-13 679	-	-	-	-	**-13 679**
Transfer of branches of activity	-	-	-	250 000 [1]	-	-	**250 000**
Profit for the year 2008	-	-	-	-	-	46 144	**46 144**
Balance as at 31 December 2008 (Note 15)	**45 000**	**-11 951**	**5 250**	**323 150**	**4 828**	**46 144**	**412 421**

[1] Please refer to Note 1 in relation to the transfer of branches of activity.

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

Société Européenne de Banque
Société Anonyme

Cash flow statement
For the year ended 31 December 2008
(expressed in EUR)

	2008	2007
Profit before tax	**46 144 032**	**24 873 022**
Adjustments:		
Depreciation / amortisation	1 903 132	1 969 309
Impairment for credit losses	2 940 485	1 064 226
Provisions and other income/expenses	-4 265 173	-278 190
Fair value adjustments	8 930 638	-6 340 927
Cash flows from operating profits before changes in operating assets and liabilities	**55 653 114**	**21 287 440**
Net (increase)/decrease in trading assets	-138 880 756	-2 040 345
Net (increase)/decrease in loans and advances to banks	-185 567 216	79 464 021
Net (increase)/decrease in loans and advances to customers	-387 216 815	-182 237 778
Net (increase)/decrease in available-for-sale assets	-55 598 805	-44 031
Net (increase)/decrease in financial assets designated at fair value through profit or loss	-23 309 315	11 245 114
Net (increase)/decrease in derivatives financial instruments	-65 175 193	1 430 991
Net (increase)/decrease in other assets	-841 012	335 903
Net increase/(decrease) in deposits from banks	-640 451 278	-213 483 047
Net (increase)/decrease in deposits from customers	358 490 956	235 697 880
Net increase/(decrease) in financial liabilities	1 655 160 060	-1 929 424
Net increase/(decrease) in other liabilities	-100 329 015	-32 019 963
Net cash flow from operating activities [1]	**416 281 611**	**-103 580 679**
Dividends received	944 390	278 190
Acquisition of intangible assets	-1	-61 938
Acquisition of property, plant and equipment	-538 875	-1 580 956
Proceeds from sale or redemption of financial assets held-to-maturity	20 511 179	84 768
Proceeds from sale of subsidiaries	5 000 000	-
Net cash flow from investing activities	**25 916 693**	**-1 279 936**
Dividends paid	-	-14 000 000
Net cash flow from financing activities	-	**-14 000 000**
Net increase/decrease in cash and cash equivalents	**497 851 418**	**-97 573 175**
Cash and cash equivalents at beginning of year	**2 242 255 774**	**2 339 827 471**
Net increase/decrease in cash and cash equivalents	497 851 418	-97 573 175
Cash and cash equivalents: exchange rate fluctuations	400	1 478
Cash and cash equivalents at end of year (Note 4)	**2 740 107 592**	**2 242 255 774**
of which : not available	109 770 000	68 410 501

[1] including the effects of the transfer of branches of activity (Refer to Note 1).

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

Note 1 – General information

Société Européenne de Banque S.A. (hereafter the "Bank") was incorporated in Luxembourg on 2 June 1976 as a limited company under Luxembourg law.

The main activities of the Bank are focused on private banking and corporate business. Until 6 July 2008, the Bank provided services to investment funds such as central administration, transfer agent and custodian. At 7 July 2008, following a decision of the Extraordinary Shareholders' Meeting held on 25 June 2008, these activities were transferred for no consideration to another Luxembourg entity of the Intesa Sanpaolo Group. At the same date, private banking and corporate activities were transferred for no consideration from another Luxembourg entity of Intesa Sanpaolo Group to the Bank.

The Bank does not prepare consolidated financial statements. The Bank is a wholly-owned subsidiary of Intesa Sanpaolo Holding International S.A., which does not object to the Bank not presenting consolidated financial statements. Intesa Sanpaolo Holding International S.A. is fully consolidated in the consolidated financial statements of Intesa Sanpaolo S.p.A. (hereafter the "Group"). Intesa Sanpaolo S.p.A. produces consolidated financial statements available for public use that comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Bank co-operates to a significant extent with its ultimate parent bank and other entities of the Intesa Sanpaolo Group.

These annual accounts were authorised for submission to the Shareholders' Annual General Meeting by the Bank's Board of Directors on 3 March 2009.

The registered office of the Bank is: 19-21, boulevard Prince Henri in Luxembourg.

Note 2 – Significant accounting policies

(a) Basis of preparation

The annual accounts are prepared on the historical cost basis except for financial instruments held for trading, for derivatives held for hedging and for financial instruments classified as available-for-sale, and for financial assets and liabilities designated at fair value through profit or loss that are measured at fair value.

Note 2 – Significant accounting policies (continued)

Statement of compliance

The annual accounts have been prepared for the first time as of 31 December 2008 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted for use in the European Union.

An explanation of how IFRS is reconciled to the previous Luxembourg Generally Accepted Accounting Principles ("Lux GAAP") is provided in Note 30.

(b) Standards issued but not yet effective

The following IFRS and IFRIC interpretations were issued with an effective date for financial periods beginning on or after 1 January 2009. The Bank has chosen not to early adopt these standards and interpretations before their effective dates.

Only accounting policies and disclosures applicable or potentially applicable to the Bank are mentioned below.

IAS 1 – Revised presentation of financial statements

The revised IAS 1 "Presentation of financial statements" was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features.

Note 2 – Significant accounting policies (continued)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statements.

IAS 27 Consolidated and Separate Financial Statements

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

(c) Significant accounting judgements, estimates and assumptions

In preparing the annual accounts, the Board of Directors is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the annual accounts.

The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Note 2 – Significant accounting policies (continued)

Impairment losses on loans and advances

The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by the Board of Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and advances, the Bank also makes a collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Bank calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

As at 31 December 2008 and 2007, there were no differences between the transaction price at initial recognition and the fair value that would be determined at that date using the valuation technique mentioned above.

Impairment of equity investments

The Bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. The Bank treats "significant" generally as 20% or more and "prolonged" greater than 6 months. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Note 2 – Significant accounting policies (continued)

Foreign currency translation

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

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

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

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

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement or within the equity reserves.

The elements of the income statement are translated into euro on a daily basis using the prevailing exchange rates.

Financial assets other than derivatives

(i) Classification

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

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired for the purpose of short term profit taking. Financial assets at fair value through profit or loss also include financial assets designated upon initial recognition as at fair value through profit or loss in compliance with the cases contemplated in the reference regulations. The Bank uses the fair value option mainly to eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases.

Note 2 – Significant accounting policies (continued)

Loans and advances

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

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or those financial assets that are not classified in any of the three preceding categories.

(ii) Initial recognition and subsequent measurement

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Gains and losses arising from changes in the fair value of the financial assets measured at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

However, interest calculated using the effective interest method is recognised in the income statement.

Note 2 – Significant accounting policies (continued)

(iii) Derecognition

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

- 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.

When 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities other than derivatives

(i) Classification

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

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or

Note 2 – Significant accounting policies (continued)

- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to the entity's key management personnel.

(ii) Initial recognition and subsequent measurement

Interest-bearing liabilities – other than financial liabilities at fair value – are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

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

(iii) Derecognition

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

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

Derivative financial instruments

(i) Classification

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 income statement. The Bank assesses whether embedded derivatives are required to be separated from the host contracts when the Bank becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Note 2 – Significant accounting policies (continued)

(ii) Initial recognition and subsequent measurement

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

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

(iii) Trading

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

(iv) Hedging

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

A hedging relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective throughout the period and prospectively;
- the effectiveness of the hedge can be reliably measured;
- 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.

For the purpose of hedge accounting, the Bank has classified hedges as fair value hedges and cash flow hedges.

Note 2 – Significant accounting policies (continued)

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.
For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used, is amortised through the income statement.
Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.
If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

As at 31 December 2008 and 2007, the Bank has no cash flow hedged transactions.

Note 2 – Significant accounting policies (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognised less cumulative amortisation.

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 interest.

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.

Impairment of financial assets

The Bank assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Note 2 – Significant accounting policies (continued)

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.

In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

The recoverable amount of the Bank's investments in held-to-maturity securities and loans and advances carried at amortised cost is estimated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Advances with a short duration are not discounted.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Note 2 – Significant accounting policies (continued)

In addition, the Bank proceeds with an estimation of a potential collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Property, plant and equipment

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

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows (on a straight line basis):

- buildings	40 years
- transformation costs	5-10 years
- fixtures and fittings	5 years

An item of property, plan and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

The asset's residual value, if not insignificant, and useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

Note 2 – Significant accounting policies (continued)

Intangible assets

Intangible assets, mainly composed of software acquired by the Bank, are measured on initial recognition at cost. Following initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives of software are as follows: 4 to 5 years on a straight line basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement in the year the asset is derecognised.

Investments in subsidiaries

Non quoted investments in subsidiaries that are not classified as held for sale are classified in the Available-for-sale portfolio and are accounted for at cost less impairment.

Other assets

Other assets are stated at cost less impairment.

Impairment of non financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except, if any, for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

Note 2 – Significant accounting policies (continued)

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents include the following reserve: credit institutions established in Luxembourg are required to hold minimum reserves with the Luxembourg Central Bank. These deposits represent 2% of some of their liabilities and are considered as not available. 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.

Pension plan

The Bank contributes to a defined contribution retirement plan located with an external insurance company.

Yearly contributions to the plan are disclosed under Note 23.

Note 2 – Significant accounting policies (continued)

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 some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Other liabilities

Other liabilities are stated at cost.

Interest income and expense

For all instruments measured at amortised cost, interest income and expense are recognised in the income statement as they accrue, taking into account the effective yield of the asset and the liability or an applicable floating rate. Interest income and expense 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

Fee and commission income arises on financial services provided by the Bank including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Fee and commission income is recognised when the corresponding service is provided.

Dividend income

Dividend income is recognised in the income statement when the Bank's right to receive the payment is established.

Taxes

No current or deferred taxes are recorded considering the tax integration since 2002 with the Luxembourg Bank's mother company, which presents significant tax losses carried forward.

Note 2 – Significant accounting policies (continued)

Comparative figures

Due to the transfer of branches of activity mentioned in Note 1, comparison between 2008 and 2007 figures may be not relevant.

Note 3 – Financial risk management

(a) Strategies in using financial instruments

The Risk Management function supports the risk identification and measurement processes by providing details and own assessments, proposes risk management policies and approaches compliant with regulatory and the ultimate parent company requirements.

The Corporate Banking and Credit Risk function provides details, own assessments and comply with regulatory and ultimate parent company requirements with regards to credit risk.

The Accounting Department provides the capital data details and supports the reconciliation with the supervisory capital.

The Compliance function encompasses all measures aiming to avoid that the Bank incurs any loss, financial or not, due to the fact it does not comply with applicable laws and regulations. It is an independent function that identifies, assesses, advises, monitors and reports on the Bank's compliance risk.

The Organization & Human Resources Division assures adequate organizational framework and clear lines of responsibilities, with relevant documentation.

The Internal Audit provides an independent, periodic and comprehensive review of the processes and compliance with regulatory and Group requirements.

Roles and responsibilities of the Bank's Bodies and Departments/Functions have been defined in coordination with the ultimate parent company.

Note 3 – Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk arises due to:

- exposure to corporate and private clients;
- exposure to institutional counterparties.

The Bank credit risk management is based on the commercial and risk strategy drawn up by the Management and validated by the Board of Directors. The main principles are as follows:

- the Bank grants credits in priority to corporate clients who are also clients of the parent company;
- calculation is made for all new credit transactions of the impact on capital requirements. The objective is to maintain the adequate ratio of the own funds beyond the 8% required by local regulation;
- each new customer relation must be approved by the "Committee of acceptance of new customers and operations";
- the main exposures are towards the ultimate parent company;
- most of corporate loans are collateralised by guarantees (cash or securities);
- the Bank does not systematically require a 100% collateral as a guarantee. It depends on the reputation of the borrower.

Credit risk is assessed by reviewing the topics as follows:

- large exposure;
- credit limits and collaterals;
- credit lines;
- ratings;
- exposures by country.

The Bank has in place a manual of procedures, which describes the controls, review and report regarding the credit risk. A periodic reporting on credit risk is made to the Audit Committee.

Note 3 – Financial risk management (continued)

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

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown before the effect of mitigation through the use of collateral agreements but after deduction of impairments.

(In EUR)	**Maximum exposure 2008**	**Maximum exposure 2007**
Cash and cash balances with central banks	110 030 806	68 547 354
Financial assets held for trading	128 240 073	3 922 884
Financial assets designated at fair value through profit or loss	285 342 604	254 200 021
Available-for-sale financial assets	632 288 709	3 764 347
Held-to-maturity investments	25 356 227	45 867 406
Loans and advances	7 528 997 204	3 838 486 234
Derivatives held for hedging	84 084 283	8 719 187
Other assets	20 642 001	21 165 245
Total	**8 814 981 907**	**4 244 672 678**
Contingent liabilities	134 589 198	104 011 296
Commitments	140 992 797	59 965 124
Total	**275 581 995**	**163 976 420**

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

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

Note 3 – Financial risk management (continued)

(ii) Credit quality per class of financial assets

For classification of non-performing exposures in the various risk categories (doubtful loans, substandard exposures and past due exposures), the Bank applies regulation issued by its ultimate mother company.

The table below gives a breakdown by categories of gross assets and credit quality (except for cash balances with central banks):

(In EUR)	**Performing assets 2008**	**Doubtful assets 2008**	**Substandard exposures 2008**	**Past due exposures 2008**	**TOTAL 2008**
Financial assets held for trading	128 240 073	-	-	-	**128 240 073**
Financial assets designated at fair value through profit or loss	285 342 604	-	-	-	**285 342 604**
Available-for-sale financial assets	632 288 709	-	-	-	**632 288 709**
Held-to-maturity investments	25 356 227	-	-	-	**25 356 227**
Loans and advances	7 533 341 364	1 924 848	-	-	**7 535 266 212**
TOTAL	**8 604 568 977**	**1 924 848**	-	-	**8 606 493 825**

(In EUR)	**Performing assets 2007**	**Doubtful assets 2007**	**Substandard exposures 2007**	**Past due exposures 2007**	**TOTAL 2007**
Financial assets held for trading	3 922 884	-	-	-	**3 922 884**
Financial assets designated at fair value through profit or loss	254 200 021	-	-	-	**254 200 021**
Available-for-sale financial assets	3 764 347	-	-	-	**3 764 347**
Held-to-maturity investments	45 867 406	-	-	-	**45 867 406**
Loans and advances	3 840 348 540	1 011 967	-	-	**3 841 360 507**
TOTAL	**4 148 103 198**	**1 011 967**			**4 149 115 165**

Note 3 – Financial risk management (continued)

(iii) Credit quality per class of financial assets

The gross and net exposures of loans and advances are as follows (in EUR):

In 2008	**Gross exposure**	**Individual value adjustments**	**Collective value adjustments**	**Net exposure**
Performing loans	7 533 341 364	-2 693 687	-1 650 473	7 528 997 204
Doubtful loans	1 924 848	-1 924 848	-	-
Substandard exposures	-		-	-
Past due exposures	-		-	-
TOTAL	**7 535 266 212**	**-4 618 535**	**-1 650 473**	**7 528 997 204**

In 2007	**Gross exposure**	**Individual value adjustments**	**Collective value adjustments**	**Net exposure**
Performing loans	3 840 348 540	-1 051 496	-810 810	3 838 486 234
Doubtful loans	1 011 967	-1 011 967	-	-
Substandard exposures	-	-	-	-
Past due exposures	-	-	-	-
TOTAL	**3 841 360 507**	**-2 063 463**	**-810 810**	**3 838 486 234**

(iv) Concentration of risks

In order to avoid a too high concentration of risks, the Bank has to respect the following limits on a permanent basis:

- the total risk exposure towards a single client or group of connected clients must not exceed 25% of the own funds of the Bank;
- the total risk exposure towards the parent undertaking or subsidiaries of the Bank must not exceed 20% of the own funds of the Bank;
- the total value of all large exposures must not exceed 800% of the own funds of the Bank.

As at 31 December 2008, the lending limit amounted to EUR 96 million (2007: EUR 24 million) and - except for intergroup operations and one sovereign risk - no borrower exceeded this amount. The main exposure relates to 20 borrowers or group of borrowers with financing between EUR 14 and 745 million each.

The Bank produces large exposures reports, which are the main tests of exposure concentration, as they include exposures to individual clients as well as group of counterparties and banking counterparties. They are communicated to the Management on a regular basis.

Note 3 – Financial risk management (continued)

(v) Geographical allocation of risks

As at 31 December 2008 and 2007, the distribution by geographical area of the risks held in the Securities and Loans and advances before taking into account collateral held and other credit enhancements can be summarized as follows:

	2008		**2007**	
(In EUR)	**Securities (HTM, AFS, FVPL)**	**Loans and advances**	**Securities (HTM, AFS, FVPL)**	**Loans and advances**
Italy	804 214 513	4 845 203 344	274 278 850	1 822 930 423
USA	-	88 415 236	-	13 476 321
Japan	-	4 785 837	-	3 579 102
France	-	8 660 711	-	13 916 771
Spain	35 301 303	4 437 623	-	57 912
Luxembourg	2 311 185	432 026 150	3 354 325	410 941 192
Belgium	-	91 267 795	-	147 119 665
Germany	-	7 040 172	-	27 040 532
United Kingdom	-	83 832 148	-	111 835 389
Switzerland	13 468 522	69 294 123	-	84 852 498
Netherlands	40 748 844	8 908 138	25 788 577	1 449 368
Poland	-	1 829 806	-	1 465 240
Panama	-	10 358 765	-	61 288
Others	46 943 173	1 872 937 356	410 022	1 199 760 533
Total	**942 987 540**	**7 528 997 204**	**303 831 774**	**3 838 486 234**

Note 3 – Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is defined as the possibility that an institution is unable to meet its payment obligations due to its incapacity to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily unwinding positions in financial assets without negatively and significantly affecting their price due to the inadequate market depth or temporary market disruptions (market liquidity risk).

The Bank monitors future expected cash inflow and outflow. Its policy throughout the year has been, at all times, to maintain sufficient high quality liquid assets to cover the expected cash outflow in order to stay within the limits for the 0 to 8 and 9 to 30 day periods set by the Board of Directors. These limits being more restrictive than the local official rules, the Bank consequently is ensured to respect, at all time, the limit fixed by the regulatory authorities.

The customer deposit base represents a stable source of funding. The ultimate parent company is the main depositor, followed by corporate clients and institutionals.

The Bank avoids any concentration risk towards counterparties.

The Bank has developed a reporting system towards the Head of the Treasury Department, the Management Board, and Internal Audit:

- a weekly list of the 20 largest depositors highlighting the percentage of the customer exposure compared to the total of the deposits;
- weekly "Liquidity Gap" report.

The Risk Management has the following missions:

- ensure supervision on a continuous basis;
- control the respect of the liquidity limits (internal and external);
- inform the Management Board about all going beyond the fixed limits;
- report to the Audit Committee.

Note 3 – Financial risk management (continued)

The tables below present the financial assets and liabilities by contractual maturity dates (in million of EUR):

31 December 2008	**< 1 month**	**≥ 1 month < 3 months**	**≥ 3 months < 6 months**	**≥ 6 months < 1 year**	**≥1 year < 2 years**	**≥ 2 years < 5 years**	**≥ 5 years**	**Un-determined**	**Total**
Cash and cash balances with central banks	110	-	-	-	-	-	-	-	**110**
Financial assets held for trading and derivatives used for hedging	33	4	4	1	8	156	6	-	**212**
Financial assets designated at fair value through profit or loss	-	-	-	-	-	19	266	-	**285**
Available-for-sale financial assets	22	25	12	90	276	172	19	16	**632**
Held-to-maturity investments	-	-	-	-	-	25	-	-	**25**
Loans and advances	2 389	527	983	1 842	282	1 114	392	-	**7 529**
Other assets	-	-	-	-	-	-	-	22	**22**
Total assets	**2 554**	**556**	**999**	**1 933**	**566**	**1 486**	**683**	**38**	**8 815**
Financial liabilities held for trading and derivatives used for hedging	50	13	12	26	-	82	109	-	**292**
Financial liabilities at fair value through profit or loss	19	12	18	14	49	47	-	-	**159**
Financial liabilities measured at amortised cost	4 943	931	439	1 478	52	54	37	-	**7 934**
Other liabilities	-	-	-	-	-	-	-	17	**17**
Shareholder's equity	-	-	-	-	-	-	-	413	**413**
Total liabilities	**5 012**	**956**	**469**	**1 518**	**101**	**183**	**146**	**430**	**8 815**

Notes to the annual accounts (continued)
31 December 2008

Note 3 – Financial risk management (continued)

The tables below present the financial assets and liabilities by contractual maturity dates (in million of EUR):

31 December 2007	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Un-determined	Total
Cash and cash balances with central banks	68	-	-	-	-	-	-	-	68
Financial assets held for trading and derivatives used for hedging	-	-	-	3	9	1	-	-	13
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	254	-	254
Available-for-sale financial assets	-	-	-	-	-	-	-	4	4
Held-to-maturity investments	20	-	26	-	-	-	-	-	46
Loans and advances	2 185	352	92	176	324	350	359	-	3 838
Other assets	-	-	-	-	-	-	-	22	22
Total assets	**2 273**	**352**	**118**	**179**	**333**	**351**	**613**	**26**	**4 245**
Financial liabilities held for trading and derivatives used for hedging	2	2	1	3	1	-	68	-	77
Financial liabilities measured at amortised cost	3 443	353	59	13	3	20	30	-	3 921
Other liabilities	-	-	-	-	-	-	-	117	117
Shareholder's equity	-	-	-	-	-	-	-	130	130
Total liabilities	**3 445**	**355**	**60**	**16**	**4**	**20**	**98**	**247**	**4 245**

Note 3 – Financial risk management (continued)

The breakdown by sector of financial liabilities is as follows (in EUR):

2008	Government and central banks	Other public entities	Financial institutions	Non-financed companies	Others	Total
Financial liabilities held for trading and for hedging	-	-	215 406 401	61 198 145	15 983 928	**292 588 474**
Financial liabilities carried at fair value	-	-	158 749 058	-	-	**158 749 058**
Financial liabilities measured at amortised cost	657 904	49 002 119	7 467 195 037	56 036 110	360 901 011	**7 933 792 181**
Total	**657 904**	**49 002 119**	**7 841 350 496**	**117 234 255**	**376 884 939**	**8 385 129 713**

2007	Government and central banks	Other public entities	Financial institutions	Non-financed companies	Others	Total
Financial liabilities held for trading and for hedging	-	-	74 299 694	2 254 258	60 961	**76 614 913**
Financial liabilities measured at amortised cost	-	30 763 684	641 307 551	3 065 687 634	183 257 136	**3 921 016 005**
Total	**-**	**30 763 684**	**715 607 245**	**3 067 941 892**	**183 318 097**	**3 997 630 918**

The breakdown by geographical areas is as follows (in EUR):

2008	Zone EURO	Other European Countries	Others	Total
Financial liabilities held for trading and for hedging	292 588 474	-	-	**292 588 474**
Financial liabilities carried at fair value	158 749 058	-	-	**158 749 058**
Financial liabilities measured at amortised cost	6 398 489 460	813 524 708	721 778 013	**7 933 792 181**
Total	**6 849 826 992**	**813 524 708**	**721 778 013**	**8 385 129 713**

2007	Zone EURO	Other European Countries	Others	Total
Financial liabilities held for trading and for hedging	76 614 913	-	-	**76 614 913**
Financial liabilities measured at amortised cost	3 466 113 034	265 216 243	189 686 728	**3 921 016 005**
Total	**3 542 727 947**	**265 216 243**	**189 686 728**	**3 997 630 918**

Note 3 – Financial risk management (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Bank's primary financial instruments comprise money markets assets and liabilities, some cash and liquid resources and various other items that arise directly from its operations.

The Bank enters into derivatives transactions, which are mainly interest rate swaps ("IRS") and forward foreign currency contracts. Those derivatives are held from an economic point of view for the purpose of monitoring the Bank's interest rate risk and currency risk respectively.

The Treasury Department is part of Dealing Room and is responsible for managing the interest rate risk and foreign exchange risk generated within the Bank and for maintaining them within risk limits validated by the Board of Directors of the Bank.

To assess market risk, the Bank has put in place a reporting addressed to the Management Board, the Chief Financial Officer, the General Manager responsible for the market activities, the Internal Audit, the Treasury Department and any other operational service responsible.

The Risk Management unit carries out its own analyses and assessments and the results are communicated periodically to the Management Board, to the Treasury Department, to the Audit Committee and to the Board of Directors:

- a weekly interest rate gap and limit control;
- a monthly VAR, replaced during the year, by a shift sensitivity analysis.

The Bank has in place a manual of procedures for the Treasury Department and a Risk Management Charter, which describe limits, treasury rules and controls.

Note 3 – Financial risk management (continued)

(i) Interest rate risk

Average interest rate

The average effective interest rates on financial instruments by main currencies for the year ended 31 December 2008 and 2007 are as follows:

	2008		**2007**	
	Assets	Liabilities	Assets	Liabilities
EUR	3.8452	3.2773	4.7163	4.2466
USD	0.9247	0.6779	4.0126	3.5455

The tables below present the financial assets and liabilities by repricing dates. Interest rate sensitive assets and liabilities are classified in the respective categories according to the interest rate repricing dates. For derivatives, the fair value of the instruments is used. Assets and liabilities insensitive to interest rate risk are included in the undetermined category.

Notes to the annual accounts (continued)
31 December 2008

Note 3 – Financial risk management (continued)

31 December 2008 (in million of EUR)	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Un-determined	Total
Cash and cash balances with central banks	110	-	-	-	-	-	-	-	110
Financial assets held for trading and derivatives used for hedging	33	4	4	1	8	156	6	-	212
Financial assets designated at fair value through profit or loss	-	-	-	-	-	19	266	-	285
Available-for-sale financial assets	22	25	12	90	276	172	19	16	632
Held-to-maturity investments	-	-	-	-	-	25	-	-	25
Loans and advances	2 780	1 515	962	1 785	225	201	61	-	7 529
Other assets	-	-	-	-	-	-	-	22	22
Total assets	**2 945**	**1 544**	**978**	**1 876**	**509**	**573**	**352**	**38**	**8 815**
Financial liabilities held for trading and derivatives used for hedging	50	13	12	26	-	82	109	-	292
Financial liabilities designated at fair value through profit or loss	19	12	18	14	49	47	-	-	159
Financial liabilities measured at amortised cost	4 943	931	439	1 478	52	54	37	-	7 934
Other liabilities	-	-	-	-	-	-	-	17	17
Shareholders' equity	-	-	-	-	-	-	-	413	413
Total liabilities	**5 012**	**956**	**469**	**1 518**	**101**	**183**	**146**	**430**	**8 815**

Under the assumptions as defined here above taking into account assets and liabilities as at 31 December 2008, a 25bp increase or decrease in market interest rates would influence the interest income before tax by EUR + 1.061.822 and RUR – 1.039.311 respectively.

Notes to the annual accounts (continued)
31 December 2008

Note 3 – Financial risk management (continued)

31 December 2007 (in million of EUR)	< 1 month	≥ 1 month < 3 months	≥ 3 months < 6 months	≥ 6 months < 1 year	≥ 1 year < 2 years	≥ 2 years < 5 years	≥ 5 years	Un-determined	Total
Cash and cash balances with central banks	68	-	-	-	-	-	-	-	68
Financial assets held for trading and derivatives used for hedging	-	-	-	3	9	1	-	-	13
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	254	-	254
Available-for-sale financial assets	-	-	-	-	-	-	-	4	4
Held-to-maturity investments	20	-	26	-	-	-	-	-	46
Loans and advances	2 316	1 249	206	9	-	56	2	-	3 838
Other assets	-	-	-	-	-	-	-	22	22
Total assets	**2 404**	**1 249**	**232**	**12**	**9**	**57**	**256**	**26**	**4 245**
Financial liabilities held for trading and derivatives used for hedging	2	2	1	3	1	-	68	-	77
Financial liabilities measured at amortised cost	3 452	367	54	5	-	14	29	-	3 921
Other liabilities	-	-	-	-	-	-	-	117	117
Shareholders' equity	-	-	-	-	-	-	-	130	130
Total liabilities	**3 454**	**369**	**55**	**8**	**1**	**14**	**97**	**247**	**4 245**

Under the assumptions as defined here above taking into account assets and liabilities as at 31 December 2007, a 25bp increase or decrease in market interest rates would influence the interest income before tax by EUR + 478.838 and EUR – 466.600 respectively.

Note 3 – Financial risk management (continued)

(e) Foreign exchange rate risk

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

Specific limits are set-up based on the open positions in foreign currencies. In particular, for transactions involving derivative instruments, ad hoc limits are established.

As at 31 December 2008 and 2007, the assets and liabilities denominated in EUR, in USD and in other currencies are as follows (in EUR):

31 December 2008

	EUR	USD	Other	Total
Cash and cash balances with central banks	110 003 784	12 388	14 634	**110 030 806**
Financial assets at fair value through profit or loss and held for trading	364 206 465	-	49 376 212	**413 582 677**
Available-for-sale financial assets	618 820 187	-	13 468 522	**632 288 709**
Held-to-maturity investments	25 356 227	-	-	**25 356 227**
Loans and advances	6 465 251 667	462 359 691	601 385 846	**7 528 997 204**
Hedging derivatives	84 084 283	-	-	**84 084 283**
Other assets	19 623 116	357 438	661 447	**20 642 001**
Total assets	**7 687 345 729**	**462 729 517**	**664 906 661**	**8 814 981 907**
Financial liabilities at fair value through profit or loss and held for trading	382 721 639	-	24 902 959	**407 624 598**
Financial liabilities measured at amortised cost and deposit from central banks	7 017 806 183	632 532 274	283 453 724	**7 933 792 181**
Hedging derivatives	43 712 934	-	-	**43 712 934**
Other liabilities	16 504 912	400 573	525 655	**17 431 140**
Shareholders' equity	412 421 054	-	-	**412 421 054**
Total liabilities	**7 873 166 722**	**632 932 847**	**308 882 338**	**8 814 981 907**

Note 3 – Financial risk management (continued)

31 December 2007

	EUR	USD	Other	Total
Cash and cash balances with central banks	68 530 664	7 621	9 069	68 547 354
Financial assets at fair value through profit or loss and held for trading	232 090 732	-	26 032 173	258 122 905
Available-for-sale financial assets	3 764 347	-	-	3 764 347
Held-to-maturity investments	45 867 406	-	-	45 867 406
Loans and advances	3 360 518 043	337 747 854	140 220 337	3 838 486 234
Hedging derivatives	8 719 187	-	-	8 719 187
Other assets	21 059 994	15 459	89 792	21 165 245
Total assets	**3 740 550 373**	**337 770 934**	**166 351 371**	**4 244 672 678**
Financial liabilities held for trading	76 614 913	-	-	76 614 913
Financial liabilities measured at amortised cost	3 459 171 068	295 104 594	166 740 343	3 921 016 005
Other liabilities	93 030 938	23 879 293	174 924	117 085 155
Shareholders' equity	129 956 605	-	-	129 956 605
Total liabilities	**3 758 773 524**	**318 983 887**	**166 915 267**	**4 244 672 678**

(f) Capital management

The Bank is subject to the local regulation (CSSF Circular 06/273 as modified) in relation to the capital adequacy ratio. The Bank calculates the simplified solvency ratio, which is followed on a quarterly basis.
As of 31 December 2008, the solvency ratio of the Bank is 15,17% (31 December 2007: 9,20 %), above the limit of 8 %.

(g) Operational risk

The operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk.

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

(h) Derivative financial instruments

During 2008 and 2007, in order to manage efficiently its treasury position, the Bank used mainly foreign exchange transactions and interest rate swaps.

Note 3 – Financial risk management (continued)

As at 31 December 2008 and 2007, the notional amount and fair value of the derivatives held for trading are as follows (in EUR):

	2008		2007	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
Assets				
Interest rate instruments	-	-	167 900 305	730 055
Currency instruments	1 103 691 643	128 201 581	146 944 667	3 192 829
	1 103 691 643	**128 201 581**	**314 844 972**	**3 922 884**
Liabilities				
Interest rate instruments	864 856 041	111 624 297	948 063 188	73 553 309
Currency instruments	1 558 189 722	137 178 072	145 337 548	3 061 604
	2 423 045 763	**248 802 369**	**1 093 400 736**	**76 614 913**

As at 31 December 2008 and 2007, the notional amount and fair value of the derivatives held for hedging are as follows (in EUR):

	2008		2007	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
Assets				
Interest rate instruments	140 226 829	11 699 136	-	-
Currency instruments	545 493 445	72 385 147	50 000 000	8 719 187
	685 720 274	**84 084 283**	**50 000 000**	**8 719 187**
Liabilities				
Interest rate instruments	2 730 000 000	43 712 934	-	-
	2 730 000 000	**43 712 934**	-	-

As mentioned in Note 2, only fair value hedge is applied by the Bank. Hedged items are as follows (in EUR):

	2008 **Fair value**	**2007** **Fair value**
Loans and advances	3 476 431 960	42 060 025

Note 3 – Financial risk management (continued)

(i) Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of financial assets and liabilities measured at amortised cost in the balance sheet (in million of EUR):

	2008		2007	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Assets				
Held-to-maturity investments	25	26	46	45
Loans and advances	4 053	4 053	3 796	3 796
Liabilities				
Financial liabilities measured at amortised cost	7 933	7 933	3 921	3 921

Note 4 – Cash and cash equivalents

(in EUR)	2008	2007
Cash and balances with central banks	110 030 806	68 547 354
Loans and advances to banks with maturity < 3 months	2 630 076 786	2 173 708 420
	2 740 107 592	**2 242 255 774**

In accordance with the requirements of the European Central Bank, the Luxembourg Central Bank implemented effective 1st January 1999, a system of mandatory minimum reserves applicable to all Luxembourg credit institutions. The amount outstanding as at 31 December 2008 is EUR 109 770 000 (2007: EUR 68 410 501).

Note 5 – Financial assets held for trading and financial assets designated at fair value through profit or loss

(in EUR)	2008 Net carrying amount	2007 Net carrying amount
Financial assets held for trading		
Derivatives held for trading	128 201 581	3 922 884
Securities held for trading		
- equity instruments	8 926	-
- debt securities	29 566	-
	128 240 073	**3 922 884**

	2008 Net carrying amount	2007 Net carrying amount
Financial assets designated at inception at fair value through profit or loss - Securities	285 342 604	254 200 021
	285 342 604	**254 200 021**

At 31 December 2008 and 2007, a significant part of these securities is quoted.

Note 6 – Available-for-sale financial assets

(in EUR)	2008 Net carrying amount	2007 Net carrying amount
Quoted debt instruments issued by:		
Credit institutions	616 060 554	-
	616 060 554	**-**

As at 31 December 2008, the fair value of the available-for-sale financial assets which are sold under repurchase agreements amounts to EUR 188,3 million (See Note 13).

(in EUR)	2008 Net carrying amount	2007 Net carrying amount
Not quoted shares issued by:		
Credit institutions	13 468 522	-
Corporate	659 633	1 664 347
Other	2 100 000	2 100 000
	16 228 155	**3 764 347**

Note 6 – Available-for-sale financial assets (continued)

As at 31 December 2008, shares in affiliated undertakings, which are classified in this category, where the Bank helds at least 20% are as follows:

Company	**Registered office**	**Percentage owned**
Sebtrust Ltd	Jersey	99.99%
Lux Gest Asset Management S.A.	Luxembourg	99.97%
Intesa Sanpaolo Private Bank (Suisse) S.A.	Lugano	99.99%
Luxiprivilège Conseil S.A.	Luxembourg	50.00%

Note 7 – Held-to-maturity investments

	2008		**2007**	
(in EUR)	**Net carrying amount**	**Fair value**	**Net carrying amount**	**Fair value**
Quoted debt instruments at amortised cost issued by :				
Public sector	25 356 227	25 817 500	45 867 406	44 926 600
	25 356 227	**25 817 500**	**45 867 406**	**44 926 600**

Investments bearing a fixed interest rate amount to EUR 25 356 227 (2007: EUR 45 867 406).
No impairment loss was recognised on held-to-maturity investments in 2008 and 2007.

Note 8 – Loans and advances

(in EUR)	2008		2007	
Unquoted loans and advances to:	**Total net carrying amount**	**of which: Impairment**	**Total net carrying amount**	**of which: Impairment**
Credit institutions	6 527 999 543	-	3 221 764 903	155 906
Private customers	31 489 855	412 478	84 627 170	23 607
Corporate customers	969 507 806	5 856 530	532 094 161	2 694 760
	7 528 997 204	**6 269 008**	**3 838 486 234**	**2 874 273**

Impairment allowance for loans and advances

As of 31 December 2008, the Bank has determined its collective impairment to EUR 1 650 473 (2007: EUR 810 810).

A reconciliation of the allowance for impairment losses for loans and advances is as follows (in EUR):

	2008
Impairment as at 1st January 2008	2 874 273
Charge of the year / Transfers	4 181 809
Recoveries/amounts written off	-787 074
Impairment as at 31 December 2008	**6 269 008**
of which:	
Individual impairment	4 618 535
Collective impairment	1 650 473

	2007
Impairment as at 1st January 2007	1 189 295
Charge of the year / Transfers	2 701 918
Recoveries/amounts written off	-1 016 940
Impairment as at 31 December 2007	**2 874 273**
of which:	
Individual impairment	2 063 463
Collective impairment	810 810

Note 8 – Loans and advances (continued)

<u>Guarantees received as collateral</u>

Loans and advances are secured by the following guarantees received by the Bank (in EUR):

Year	Guarantee type	Item	*Loans and advances to customers*	*Loans and advances to credit institutions*
2008		Net carrying amounts	1 000 997 661	6 527 999 543
	Real guarantees	Mortgage	1 200 426	-
		Securities	21 182 801	-
		Other real guarantees	198 525 864	-
	Personal guarantees	Government guarantees	117 655 516	-
		Credit Institutions guarantees	211 452 943	828 023 281
		Total guarantees	**550 017 550**	**828 023 281**
2007		Net carrying amounts	616 721 331	3 221 764 903
	Personal guarantees	Government guarantees	16 258 894	-
		Credit institutions guarantees	312 646 377	664 775 558
		Other personal guarantees	72 689 765	12 000 000
		Total guarantees	**401 595 036**	**676 775 558**

Note 9 – Property, plant and equipment

(In EUR)	Land and building	Office equipment	Other equipment	Total
Cost as at 1st January 2008	**26 505 005**	**1 632 442**	**7 823 953**	**35 961 400**
Additions / Disposals / Transfers	233 267	85 486	220 122	**538 875**
Cost as at 31 December 2008	26 738 272	1 717 928	8 044 075	**36 500 275**
Accumulated depreciation as at 1st January 2008	-13 672 799	-1 407 775	-4 727 279	**-19 807 853**
Depreciation charge/Transfers	-1 246 896	-40 517	-602 742	**-1 890 155**
Accumulated depreciation as at 31 December 2008	-14 919 695	-1 448 292	-5 330 021	**-21 698 008**
Net carrying amount as at 31 December 2008	**11 818 577**	**269 636**	**2 714 054**	**14 802 267**

(In EUR)	Land and building	Office equipment	Other equipment	Total
Cost as at 1st January 2007	**26 259 782**	**1 510 362**	**6 610 300**	**34 380 444**
Additions / Disposals	245 223	122 080	1 213 653	**1 580 956**
Cost as at 31 December 2007	26 505 005	1 632 442	7 823 953	**35 961 400**
Accumulated depreciation as at 1st January 2007	-12 373 133	-1 350 664	-4 125 424	**-17 849 221**
Depreciation charge	-1 299 666	-57 111	-601 855	**-1 958 632**
Accumulated depreciation as at 31 December 2007	-13 672 799	-1 407 775	-4 727 279	**-19 807 853**
Net carrying amount as at 31 December 2007	**12 832 206**	**224 667**	**3 096 674**	**16 153 547**

Land and building are used by the Bank for its own needs.

Note 10 – Intangible assets

(in EUR)	Acquired software
Cost as at 1st January 2008	**107 456**
Additions / Disposals	1
Cost as at 31 December 2008	107 457
Accumulated depreciation as at 1st January 2008	-56 195
Depreciation charge	-12 977
Accumulated depreciation as at 31 December 2008	-69 172
Net carrying amount as at 31 December 2008	**38 285**

	Acquired software
Cost as at 1st January 2007	**45 518**
Additions / Disposals	61 938
Cost as at 31 December 2007	107 456
Accumulated depreciation as at 1st January 2007	-45 518
Depreciation charge	-10 677
Accumulated depreciation as at 31 December 2007	-56 195
Net carrying amount as at 31 December 2007	**51 261**

Note 11 – Other assets and other liabilities

(in EUR)	2008	2007
Prepaid charges	239 709	268 333
VAT	3 297 117	-
Accrued commission income	1 435 212	-
Other	829 411	4 692 104
Other assets	**5 801 449**	**4 960 437**

(in EUR)	2008	2007
Social security charges	672 822	586 631
Income received in advance	181 122	55 216
Withholding taxes and VAT	4 754 745	2 787 927
Administrative expenses to be paid	6 792 268	6 475 118
Accrued commission expenses	1 849 722	326 027
Short term payable and other sundry accounts	2 425 353	106 465 203
Other liabilities	**16 676 032**	**116 696 122**

At 31 December 2007, the short term payable included an amount of EUR 105 million related to a specific transaction.

Note 12 – Financial liabilities designated at fair value through profit or loss

A portion of the bonds issued by the Bank is eligible, according to IAS 39, to fair value option. Such items are fair valued using the quotations of the bonds available through an external data provider. The Bank has recognised in this caption the fair value of such bonds for EUR 158 749 058 (nominal value of EUR 160 836 000). In 2007, the Bank had no such bond issuing plan.

Note 13 – Financial liabilities measured at amortised cost

(in EUR)	2008 Carrying amount	2007 Carrying amount
Current accounts and amounts with period of notice	293 439 486	-
Term deposits	2 235 732 512	322 481 180
Deposits from credit institutions	**2 529 171 998**	**322 481 180**
Term deposits	-	30 763 685
Deposits from public sector	**-**	**30 763 685**

Note 13 – Financial liabilities measured at amortised cost (continued)

(in EUR)	2008 Carrying amount	2007 Carrying amount
Current accounts and amounts with period of notice	419 021 745	285 518 565
Term deposits	3 135 663 822	3 057 556 237
Deposits from corporate customers	**3 554 685 567**	**3 343 074 802**
Current accounts	61 575 537	20 505 772
Term deposits	299 325 474	153 957 617
Other deposits	-	8 793 747
Deposits from private customers	**360 901 011**	**183 257 136**
Certificates of deposits	577 392 248	41 439 202
Debt securities in issue-non convertible	910 983 453	-
Bonds issued and Certificates of deposits	**1 488 375 701**	**41 439 202**
Total	**7 933 134 277**	**3 921 016 005**
of which:		
Repurchase transactions	1 605 370 750	-
of which related parties	1 528 058 038	-

In the context of its Euro Medium Term Notes Program, the Bank has issued securities, the maximum amount of the program being EUR 3.5 billion. A significant part of the securities issued by the Bank are subscribed by itself.
In these annual accounts, in compliance with IFRS, the securities subscribed by the Bank are offset against the securities issued.
Part of the securities subscribed by the Bank are sold under repurchase agreements.

Note 14 – Provisions

(in EUR)	Litigations	Other provisions	Total
Provisions as at 1st January 2008	80 108	308 925	**389 033**
Additions	675 000	-	**675 000**
Amounts used	-	-308 925	**-308 925**
Provisions as at 31 December 2008	**755 108**	-	**755 108**

Note 15 – Shareholders' equity

Share capital

As at 31 December 2008 and 2007, the Bank's subscribed and paid-up capital amounted to EUR 45 000 000, represented by 1 750 000 shares with no par value.

Legal reserve

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at 5% of the annual net profit until such reserve is equal to 10% of the share capital. This appropriation is made in the following year. Distribution of the legal reserve is restricted. As at 31 December 2008 and 2007, the legal reserve amounting to EUR 5 250 000 is higher than 10% of the share capital.

Revaluation reserve

The fair value revaluation reserve on available-for-sale financial assets includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Other reserves

At 31 December 2008, the other reserves amount to EUR 323 150 000 (2007: EUR 46 350 000). At 31 December 2008, this caption includes an amount of EUR 250 million resulting from the transfer for no consideration of the branches of activity mentioned in Note 1 (2007: EUR -). The other reserves also include the restricted reserves: in order to benefit from a reduction of net worth tax in accordance with the income tax law of 23 December 1997 (with particular reference to article 2.3), as modified on 21 December 2001, the Bank has recorded until 2001 a restricted reserve. The amount of this restricted reserve at 31 December 2008 and 2007 is EUR 1 900 000.

Retained earnings

As at 31 December 2008, retained earnings including the impact of the first time application (FTA) of IFRS as adopted by the European Union, amount to EUR 4 828 446 (2007: EUR 6 755 423).

Dividends

The amount attributable to shareholders, including retained earnings from previous financial years but excluding the impact of the first time application of IFRS as adopted by the European Union, totals EUR 46 161 836, which corresponds to a return on equity of circa 23%. It is proposed to the Annual General Shareholders' Meeting approving the annual accounts for the financial year ended on 31 December 2008 to allocate the above mentioned amount in accordance with the following (in EUR):

Net profit of 2008 financial year	46 144 032
Retained profit from previous years (excluding FTA)	17 804
Amount attributable to Shareholders	**46 161 836**
Allocation to reserves	46 150 000
Dividend for the financial year	-
Retained profit carried forward to the next financial year	11 836
Total	**43 280 880**

Note 16 – Net interest income

(in EUR)	**2008**	**2007**
Cash balances with central banks	3 121 669	2 615 961
Financial assets held for trading	25 422	2 015
Financial assets designated at fair value through profit and loss	14 043 478	14 836 895
Hedging derivatives	71 126 145	2 192 018
Available-for-sale financial assets	17 418 300	-
Held-to-maturity investments	950 403	1 365 234
Loans and advances	271 836 630	146 194 062
Other	151 187	-
Total interest and similar income	**378 673 234**	**167 206 185**

(in EUR)	**2008**	**2007**
Hedging derivatives	77 347 146	1 431 740
Financial liabilities held for trading	2 968	2 169
Financial liabilities at measured amortised cost	237 480 891	134 373 450
Financial liabilities at fair value through profit and loss	848 309	-
Other	188 982	-
Total interest expenses and similar charges	**315 868 296**	**135 807 359**
Net interest income	**62 804 938**	**31 398 826**

No interest has been accrued in respect of impaired assets in 2008 and 2007.

Note 17 – Net fee and commission income

(in EUR)	2008	2007
Credit activities	1 924 291	1 639 703
Assets management	2 327 867	2 744 455
Activity related to mutual funds	3 698 947	7 883 756
Corporate services	10 836 753	10 155 321
Other	20 102 458	24 744 145
Total fee and commission income	**38 890 316**	**47 167 380**
Brokerage and clearing fees	5 921 274	11 812 230
Other	5 225 650	5 175 283
Total fee and commission expenses	**11 146 924**	**16 987 513**
Net fee and commission income	**27 743 392**	**30 179 867**

Note 18 – Dividend income

At 31 December 2008 and 2007, the dividend income relates to available-for-sale financial assets.

Note 19 – Net (un)realised gains (losses) on financial assets and liabilities held for trading

At 31 December 2008, the net un(realised) gains (losses) on financial assets and liabilities held for trading are composed of:

(in EUR)	2008	2007
Interest rate instruments and linked derivatives	-20 670 484	9 037 339
Foreign exchange transactions	4 943 988	-5 417 516
	-15 726 496	**3 619 823**

Note 20 – Net (un)realised gains (losses) on financial assets and liabilities at fair value

At 31 December 2008, they concern, on the assets side, assets swaps and structured transactions and, on the liabilities side, debt securities fair valued. At 31 December 2007, they only related to asset swaps and structured transactions on the assets side.

Note 21 – Net realised gains (losses) from available for-sale financial assets

At 31 December 2008, they are composed of the gain for EUR 3 995 783 (2007: EUR -) recorded on the sale of an equity instrument held in the available-for-sale portfolio.

Note 22 – Net other operating income

At 31 December 2008 and 2007, net other operating income is mainly composed of amounts related to prior years, which were linked to the Bank's business activity.

Note 23 – Administrative expenses

(in EUR)	2008	2007
Wages and salaries	15 496 652	14 235 198
Social security charges	1 530 346	1 367 207
Legal pension and similar expenses	666 621	724 294
Employees benefits	463 271	398 621
Other	97 160	125 558
Total staff expenses	**18 254 050**	**16 850 878**
Operative expenses	992 746	1 003 411
Repair and maintenance	671 062	652 552
Training and moving	742 714	801 337
Indirect taxes	1 965 143	1 904 206
IT outsourcing costs	4 079 275	3 748 064
Legal and professional fees	919 308	1 011 869
Marketing and representation fees	227 502	226 452
charges linked to the Corporate activity and other charges	6 210 437	2 425 356
Total general and administrative expenses	**15 808 187**	**11 773 247**
Total administrative expenses	**34 062 237**	**28 624 125**

The average number of personnel employed by the Bank during the financial year was as follows:

	2008	2007
Senior Management	3	3
Middle Management	61	61
Employees	143	142
	207	**206**

Note 24 – Impairment

During the year, the Bank has booked/reversed impairment on financial instruments as follows (in EUR):

	2008	2007
Available-for-sale financial assets	-	-
Loans and advances measured at amortized cost	2 940 485	1 064 226
Impairment losses	**2 940 485**	**1 064 226**

Note 25 – Related party disclosures

Identity of related parties

The Bank has a related party relationship with its direct and non direct parent companies, entities of its Group and with its directors and executive officers. All transactions made with related parties are concluded on an arm's length basis.

The amount of assets, liabilities, income and expenses as at 31 December 2008 and 2007 concerning Group entities and the parent companies are as follows (in EUR):

Assets and liabilities	**2008**	**2007**
Held for trading and assets carried at fair value	73 836 494	151 848
Available-for-sale financial assets	24 101 643	2 100 525
Loans and advances	6 540 003 024	2 822 620 860
Hedging derivatives	22 737 050	-
Financial liabilities held for trading	48 339 623	70 870 808
Financial liabilities measured at amortised cost	1 508 924 441	2 054 952 612
Hedging derivatives	43 712 934	-

No impairment loss was recognised on available-for-sale financial assets, loans and advances with related parties.

Income	**2008**	**2007**
Interest income	236 665 009	94 972 460
Fees and commissions	5 997 886	1 009 390
Dividend income	944 390	278 190
Expenses		
Interest expenses	74 709 780	65 257 986
Fees and commissions	4 214 242	11 878

Note 25 – Related party disclosures (continued)

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

	2008	**2007**
Administrative bodies	90 000	90 000
Key management personnel	1 175 314	786 597
	1 265 314	**876 597**

As at 31 December 2008 and 2007, the Bank has no obligations related to retirement pensions for former employees for the above mentioned bodies and personnel.

Note 26 – Commitments and contingent liabilities

The Bank's commitments and contingent liabilities may be analysed as follows (in EUR):

	2008	**2007**
Unused confirmed credits	140 992 797	59 965 124
- out of which towards related parties	-	-
Guarantees and other direct substitutes for credit	116 257 147	37 282 669
- out of which towards related parties	*5 544 476*	*1 006 746*
Documentary credits	18 332 051	66 728 627
- out of which towards related parties	*18 332 051*	*66 728 625*

Note 26 – Commitments and contingent liabilities (continued)

Unused confirmed credits and contingent liabilities are secured by guarantees received by the Bank as follows (in EUR):

	2008						2007				
		Real guarantees		Personal guarantees				Personal guarantees			
	Amounts	Securities	Other real guarantees	Government guarantees	Credit institutions guarantees	**Total guarantees**	**Amounts**	Government guarantees	Credit institutions guarantees	Other personal guarantees	**Total guarantees**
Unused confirmed credits	140 992 797	579 850	520 001	86 205 941	26 211 496	**113 517 288**	59 965 124	45 697 946	4 886	69 997	**45 772 829**
Contingent liabilities	134 589 198	10 071 216	71 621 403	500 516	27 997 202	**110 190 337**	104 011 296	-	2 607 444	33 288 746	**35 896 190**

AGDL

The Bank is a member of the non-profit making organisation "Association pour la Garantie des Dépôts, Luxembourg" (AGDL) that was established on 25 September 1989. The articles of association of the AGDL were revised following a general meeting of Shareholders held on 14 December 2000.

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.

Note 26 – Commitments and contingent liabilities (continued)

The guarantee of cash deposits and of claims arising from investment transactions in favour of clients, individuals and certain companies as defined by the regulations, is limited to a maximum amount fixed at the equivalent value in all currencies of EUR 20 per cash deposit and EUR 20 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.

At 31 December 2008, the Bank has recorded a charge of EUR 532 329 booked under the caption Administrative expenses related to its contribution in relation to the respite of payment occurred by three Luxembourg banking subsidiaries of Icelandic banks.

Note 27 – Investment management services and underwriting functions

The Bank provides its customers with, among others, the following services:

- Private Banking;
- Corporate services;
- Custody and administration for investment funds (until 7 July 2008);
- Custody;
- Domiciliation; and
- Fiduciary representation.

Assets managed on behalf of third parties are as follows (in EUR):

	2008	2007
Custody and administration of transferable securities	9 977 559 079	19 708 297 063
Fiduciary representation	138 769 978	159 107 431

Note 28 – Events after the balance sheet date

The Bank is not aware of any adjusting or non-adjusting event that would have occurred between 31 December 2008 and the date when the present annual accounts were authorised for submission, by the Board of Directors, to the Annual General Meeting of the Shareholders.

Note 29 – Audit fees

The audit fees and audit related fees for the year ended 31 December 2008 are as follows (in EUR):

	2008	2007
Audit fees	227 650	127 680
Audit related fees	63 000	63 000
	290 650	**190 680**

Note 30 – Explanation of transition to IFRS

As stated in Note 2(a), the present annual accounts as at 31 December 2008 are the Bank's first annual accounts prepared in accordance with IFRS as adopted by the European Union. The accounting policies set out in Note 2 have been applied in preparing the annual accounts for the year ended 31 December 2008, and the comparative information presented in these annual accounts for the year ended 31 December 2007.

In preparing its opening IFRS balance sheet at 1st January 2007, the Bank has adjusted amounts reported previously in the annual accounts prepared in accordance with its former basis of accounting, i.e. accounting principles generally accepted in Luxembourg ("Lux GAAP").

In addition, some reclassifications have been made to the presentation of the balance sheet and income statement prepared in accordance with Lux GAAP in order to comply with the presentation of the balance sheet and income statement prepared in accordance with IFRS.

An explanation of how the transition from Lux GAAP to IFRS has affected the Bank's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Note 30 – Explanation of transition to IFRS (continued)

Balance sheet (in EUR)		1st January 2007		
	Notes	Lux GAAP	Effect of transition to IFRS (1)	IFRS
Cash and cash balances with central banks	a)	65 307 284	-54 445	65 252 839
Financial assets held for trading	b)	-	1 263 526	1 263 526
Financial assets designated at fair value through profit or loss	c)	-	280 157 761	280 157 761
Available-for-sale financial assets	d)	-	3 720 316	3 720 316
Held-to-maturity investments	e)	236 440 397	-190 488 224	45 952 173
Loans and advances	f)	3 822 758 211	16 073 999	3 838 832 210
Derivatives used for hedging	g)	-	5 343 658	5 343 658
Property, plant and equipment		16 447 560	83 664	16 531 224
Investments in subsidiaries and participations	d)	1 972 124	-1 972 124	-
Other assets	h)	27 391 690	-22 095 350	5 296 340
TOTAL ASSETS		**4 170 317 266**	**92 032 781**	**4 262 350 047**
Financial liabilities held for trading	b)	-	90 156 963	90 156 963
Financial liabilities measured at amortised cost		3 897 857 061	4 958 026	3 902 815 087
Provisions	i)	4 099 412	-2 522 188	1 577 224
Other liabilities	h)	157 717 171	-8 899 982	148 817 189
Shareholders' equity		110 643 622	8 339 962	118 983 584
TOTAL LIABILITIES		**4 170 317 266**	**92 032 781**	**4 262 350 047**

(1) Including classification and valuation effects

Note 30 – Explanation of transition to IFRS (continued)

Balance sheet (in EUR)		**31 December 2007**		
	Notes	**Lux GAAP**	**Effect of transition to IFRS [1]**	**IFRS**
Cash and cash balances with central banks	a)	68 553 206	-5 852	68 547 354
Financial assets held for trading	b)	-	3 922 884	3 922 884
Financial assets designated at fair value through profit or loss	c)	-	254 200 021	254 200 021
Available-for-sale financial assets	d)	-	3 764 347	3 764 347
Held-to-maturity investments	e)	232 594 913	-186 727 507	45 867 406
Loans and advances	f)	3 824 231 224	14 255 010	3 838 486 234
Derivatives used for hedging	g)	-	8 719 187	8 719 187
Property, plant and equipment		16 133 436	20 111	16 153 547
Intangible assets		51 261	-	51 261
Investments in subsidiaries and participations	d)	2 033 652	-2 033 652	-
Other assets	h)	34 462 317	-29 501 880	4 960 437
<u>**TOTAL ASSETS**</u>		**4 178 060 009**	**66 612 669**	**4 244 672 678**
Financial liabilities held for trading	b)	-	76 614 913	76 614 913
Financial liabilities measured at amortised cost		3 913 007 876	8 008 129	3 921 016 005
Provisions	i)	3 539 049	-3 150 016	389 033
Other liabilities	h)	138 095 281	-21 399 159	116 696 122
Shareholders' equity		123 417 803	6 538 802	129 956 605
<u>**TOTAL LIABILITIES**</u>		**4 178 060 009**	**66 612 669**	**4 244 672 678**

[1] Including classification and valuation effects

Note 30 – Explanation of transition to IFRS (continued)

Income statement (in EUR)		**31 December 2007**		
	Notes	**Lux GAAP**	**Effect of transition to IFRS [1]**	**IFRS**
Interest net income		23 784 142	7 614 684	31 398 826
Net fee and commission income		30 179 867	-	30 179 867
Dividend income		278 190	-	278 190
Net (un)realised gains (losses) on financial assets and liabilities at fair value and held for trading	b), c)	-588 585	-10 504 218	-11 092 803
Fair value adjustments in hedge accounting	g	-	4 806 520	4 806 520
Net other operating income		960 082	-	960 082
Administrative expenses		-28 732 487	108 362	-28 624 125
Depreciation and amortisation		-1 969 309	-	-1 969 309
Impairment	f)	2 862 281	-3 926 507	-1 064 226
NET PROFIT		**26 774 181**	**-1 901 159**	**24 873 022**

[1] Including classification and valuation effects

Note 30 – Explanation of transition to IFRS (continued)

a) Under former accounting principles, the cash and cash balances included the balance on the account held by the postal office. This balance is reclassified among the Loans and advances category.

b) Financial assets and liabilities held for trading: in this category are classified financial assets and liabilities contracted for the purpose of short term profit taking and derivatives which are not designated as hedging derivatives. This amount corresponds to the fair value of foreign exchange contracts, interest rate swaps contracts and cross currency interest rate swaps. They are fair valued under IFRS whereas only unrealised losses were recorded under Lux GAAP.

c) Financial assets at fair value through profit or loss: the Bank has classified its asset swaps and a specific structured bond transaction in this category, which were respectively classified in the Held-to-maturity (valued at cost) and Structural portfolio (valued at cost less impairment) under Lux GAAP. These positions met the IAS 39 requirements for using the fair value option. For quoted securities, the bid market prices have been retained, the fair value of non quoted securities being the net present value of the estimated future cash flows.

d) Available-for-sale financial assets: the shares held by the Bank in subsidiaries and participations have been classified in this category.The non listed participations and shares in affiliated companies are fair valued. In the case of the fair value is not reliable, they are valued at cost less impairment. One position, for which a reliable fair value is available, has been fair valued. The other items are recorded at cost less impairment.

e) Held-to-maturity investments: the investments in non derivative financial assets with fixed maturities that the Bank has the firm intention and ability to hold to maturity have been classified in this category. At the date of transition, the Bank has classified in the financial assets at fair value through profit or loss, those sovereign risk bonds formerly recognised at amortised cost under Lux GAAP and linked to derivatives for which no fair value or cash value hedge was recognised.

f) Loans and advances: the main differences between Lux GAAP and IFRS relate to value adjustments, which are not determined under the same rules. Moreover, a lump sum provision did exist under the former accounting rules, which has not been maintained under IFRS. Consequently, all the assets' captions to which a part of the lump sum provision has been allocated show an increase in that respect.
Impairment on loans and provisions on guarantees have been determined using a provisioning model developed by the Bank's ultimate mother company.

Note 30 – Explanation of transition to IFRS (continued)

g) Derivatives used for hedging purposes: one specific loan is hedged, under fair value hedge, by a cross currency interest rate swap. Consequently, the loan valued at nominal less impairment under Lux GAAP has been fair valued under IFRS. Effectiveness of the hedge relation has been positively tested. The hedging cross currency interest rate swap is fair valued and classified under this caption. The fair value hedge was recognised at inception of the contracts.

h) Other assets and other liabilities: under Lux GAAP, all interest bearing assets and liabilities were recognised in the annual accounts' category for the sole principal amount. The interests accrued were included into the other assets and other liabilities categories. Under IFRS, the accrued interests are reported in the same category as the relevant underlying assets and liabilites.

i) 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 some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.