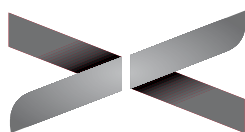


UBI  Banca International



ANNUAL REPORT

2010



UBI BANCA INTERNATIONAL S.A.
Luxembourg

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ANNUAL REPORT

For the Thirteenth Fiscal Year
January 1st, 2010 – December 31st, 2010

Meeting of Shareholders of April 5th, 2011



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Highlights (Euro/millions)

	Dec. 31 st , 2010	Dec. 31 st , 2009
Deposits from customers ⁽¹⁾	1.573,7	984,7
Institutional debt certificates	7.052,9	n.a.
Securities from customers on custody	3.250,9	3.086,7
Loans and Advances to customers	1.085,7	947,9
Shareholders Equity after dividend	108,3	102,2
Operating Margin	16,3	21,8
Net Income	8,6	10,6

⁽¹⁾ *Including debts evidenced by certificates placed with non institutional clients*

The Ordinary General Meeting of Shareholders of April 5th, 2011 has approved the allocation of profits, such as proposed by the Board of Directors. Consequently, a dividend of EUR 5.451.883 has been paid out, and regulatory capital after dividend distribution amounts to EUR 108.329.164.

BOARD OF DIRECTORS

As of April 5th, 2011

Flavio Pizzini	<i>Chairman</i>
Costantino Vitali	<i>Vice Chairman</i>
Massimo Amato	<i>Chief Executive Officer</i>
Gianpiero Bertoli	<i>Director</i>
Guy Harles	<i>Director</i>
Juan Perez Calot	<i>Director</i>
Oswaldo Ranica	<i>Director</i>
Giorgio Ricchebuono	<i>Director</i>
Vincenzo Sardone	<i>Director</i>
Elvio Sonnino	<i>Director</i>
Gianluca Trombi	<i>Director</i>

INDEPENDENT AUDITORS

As of April 5th, 2011

KPMG Audit S.à.r.l.
Luxembourg

DIVISIONS, STAFF UNITS AND BRANCHES

Corporate Banking Division

Ettore Pezzuto
Head of Division and Joint General Manager
Member of the Management Committee

Madrid Branch

Ettore Pezzuto
Gabriel Gomez Medina
Arturo Guijarro Saiz
Enrique Salomone Merello
Maria Sanz Ruiz

Munich Branch

Giampietro Gusmini
Lucio Benaglia
Vitale Bonacina
Alessandro Moretuzzo



Benelux Desk

Francesco Baraldo

Private & Wealth Structures Division

Manlio Unfer
Head of Division and Deputy General Manager
Member of the Management Committee

Asset Management

Eddy Heynderickx

Wealth Structures

Roberto Rampino

Private Banking

Davide Dolfini
Adriana Casanova De Marco
John Sanctobin

UBI Trustee S.A.

Carlo Santoiemma

Senior Client Advisors

Fred T. Matyn

Finance Division

Giancarlo Plebani
Chief Financial Officer and Joint General Manager
Member of the Management Committee

Financial Markets

Massimo Monzini
Giovanni Palai

Accounting and Reporting

Paolo Crapanzano



Clients Accounts Administration

Marylène Ska-Boulanger

Internal Controls

Rita Bernardo

Operations Division

Sonja Colli
Chief Operating Officer and Deputy General Manager
Member of the Management Committee

Operations

Alain Bovrisse
Nicola Losito
Nicolas Pisanu

Information Technology and Organization

Sonja Colli

Credit Department

Stefano Alliata

Risk Management

Massimo Politi

Internal Audit

Michel Di Tore

Legal, Compliance and Secretary General

Christian Pedone
François Gratz
Stefano Tabanelli



REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Board of Directors of UBI Banca International S.A. Luxembourg:

Report on the annual accounts

We have audited the accompanying annual accounts of UBI Banca International S.A., which comprise the balance sheet as at December 31, 2010 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of UBI Banca International S.A. as of December 31, 2010, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

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

KPMG Audit S.à r.l.
Cabinet de révision agréé

Luxembourg, March 11, 2011

S. Chambourdon

BOARD OF DIRECTORS' REPORT TO THE ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Financial year 2010 has been characterized by a moderate recovery of the developed economies, a buoyant growth of emerging markets and an unprecedented crisis of the sovereign debt in the Euro area.

The economic situation in the markets where UBI Banca International S.A. (hereafter “your Bank” or “the Bank”) your Bank operates (Italy, Benelux, Spain and Germany) followed different behaviours: whilst Germany showed remarkable data in terms of consumption, exports, investment and employment, Spain and Italy still faced weak growth and poor data from their labour markets. These divergences have been mirrored in the respective credit markets: evidence suggests that corporate lending peaks up again in Germany, with tightening credit spreads, whereas availability and cost of credit remain under pressure in Italy and Spain.

The quantitative easing, put in place in order to stabilize the banking system since 2009, has been phased out during 2010 in a gradual manner, so as not threaten the seamless worldwide recovery. Interest rates remained extremely low during the year and might continue to stay at that record-low level during 2011. Furthermore, exceptional bail out measures have been put in place by international institutions (mainly EU and IMF) in favour of Greece and Ireland, in order to provide support to their public finances and to ring fence the spreading of a sovereign debt crisis in the Eurozone.

During the month of December, the Basel Committee has issued the final Basel III rules, which detail new global regulatory standards on bank capital adequacy and liquidity, in order to pursue more resilient banking systems. The Committee has put in place processes which ensure the implementation of the Basel III framework in gradual approach (2013-2018 for capital standards and 2015-2018 for liquidity ratios), so that the banking sector may adjust to the tighter requirements without curtailing lending to the economy.

The CSSF has also issued new regulations (Circular 10/497, transposing the EU Directive 2010/76/UE) aimed at the Banks' remuneration policies, which should be consistent with the bank's long term objectives and strategies, linked to its earnings and coherent with the overall capital and liquidity levels.

The total number of banks registered for supervision in Luxembourg as of December 31, 2010 is 146 (down from 149 a year earlier), and total employment in the local banking sector amounts to 26.254 (-0,6% compared to 2009). The system has reported, as compared to 2009, lower interest income (-16%), mainly due to diminishing total assets (-3,31%) and to the low interest rates, but higher commission income (+12,6%). During 2010 general expenses have increased by 2,6% compared to 2009, and so have staff costs (+1,5%).

In such a scenario, we are therefore proud to announce the 2010 result of your Bank, which, though slightly below the budgeted targets, has closed another successful year.

Overview

The Bank's Parent Company, Unione di Banche Italiane S.c.p.a. (here after “UBI Banca”) is a cooperative group listed on the Milan Stock Exchange where it had a market capitalization of Euro 4,8 bn. as of December 31, 2010; its stock is included in the FTSE/MIB Index. UBI Banca ranks fifth in the Italian banking market, with a total domestic branch network of about 1.950

branches. Its ratings from international rating agencies Standard & Poor's, Moody's and Fitch are respectively A1, P1 and F1 on the short term, and A, A1 and A+ on the long term, with stable outlooks for Moody's and Fitch and negative for Standard & Poor's.

Consistently with UBI Group strategies, your Bank provides through its headquarters in Luxembourg and its branches in Madrid and München corporate banking and private banking/wealth management services. Target clients are mostly based in Italy, Benelux, Spain and Germany and in the core countries of continental Europe, who require cross-border assistance for trade, investments or portfolio management. The customer base concentrates in the middle market (affluent and high-net-worth individuals; mid-sized and large corporations), which is the natural target of the UBI Group. Retail services outside the Italian domestic market, as well as investment banking and proprietary trading, do not fall within the scope of the Bank's activities.

During 2010 the Bank has started to act as an issuer of Euro Commercial Papers (hereafter "ECP") and French Certificates of Deposit ("CD"), offered to the international institutional investors only and fully guaranteed by the Parent Company. ECP and CD may be denominated in any major currency, with maturities ranging between 1 and 365 days, and up to a maximum outstanding amount of Euro 11 bn. The liquidity raised through these issues is placed with the Parent Company. ECP have been assigned ratings by Fitch and Moody's whilst CD have been rated by Standards & Poor's. The global outstanding amount of the two programmes sums up to about Euro 7 bn. as of December 31, 2010 and explains the exponential growth of the Bank's total assets.

As at December 10, 2010, the Bank has finalized the acquisition of Banco di Brescia Luxembourg branch, which was contributed in kind against an increase of capital of about Euro 2,9 m (including share premium). The impact of this transaction, in term of commercial relations, amounts to about Euro 240 m. of additional total assets and client deposits.

Financial year 2010 closes out with a gross operating profit, before depreciation, provisions and taxes, of Euro 16,33 m. versus Euro 21,86 m. in 2009. The major revenue and cost items which have contributed to the gross profit are analysed here below.

On the revenue side, net interest income of Euro 18,9 m. has only slightly decreased over 2009 (Euro 19,6 m.), mainly due to slow assets growth combined with a more expensive cost of funding.

Net commissions contracted to Euro 9,9 m. from Euro 11,17 m. of 2009. Out of total net commissions, Euro 1,6 m. stem from trading fees on clients' orders; Euro 1 m. from guarantees fees; Euro 1 m. from asset management and fiduciary fees; whereas the balance arises from various administrative services, such as account maintenance, custody and payments, factoring.

Net profit on financial operations amount to Euro 2,7 m. (versus Euro 7,4 m. in 2009), mostly resulting from reversal of previous year's provisions on securities which came to maturity or were sold, the balance coming from the best execution of trading orders from clients. The bank's portfolio mostly consists of floating rate bonds issued by banks and financial institutions, financed on a matched basis without interest rate risk; its total size has continued to decrease during the year, due to maturities, to Euro 48,2 m. The Bank's policy with respect to this portfolio consists in its gradual phasing off, with no plans to reconstitute such an asset class.

On the cost side, total general administrative expenses were frozen at the same level as 2009 (Euro 17 m.). Staff expenses, at Euro 8,8 m., represent 52% of the cost base, and show a 5% increase over 2009 due to a slight increase in total headcount (98 employees versus 96 at the end of 2009). The Bank has pursued a policy of selective recruitment, in order to reinforce those functions related to corporate banking, credit analysis, and auditing. Overhead expenses, at Euro 8,2 m., decreased by 6% vis-à-vis 2009.

Since total operating revenues amount to Euro 33,5 m. and total operating costs to Euro 17,17 m., the resulting cost/income ratio stands at 51% (45% in 2009).

During 2010 the Bank has classified amongst doubtful loans new positions amounting to Euro 11,9m., against which a total amount of Euro 2,3 m. has been charged to the 2010 profit and loss accounts for provisioning purposes; on the other hand, the only addition to non performing loans consists of a position (Euro 2,6 m.) taken over from the books of the absorbed branch of Banco di Brescia together with its associated provisions (Euro 2,35 m.). As a consequence of the above, the total stock of non performing loans sums up at Euro 8,6 m. and is covered by Euro 7,8 m. of specific provisions; and the total stock of doubtful loans amounts to Euro 27,1 m. and is covered by Euro 6 m. of specific provisions. The provisioning policy against doubtful loans keeps into account the value, estimated in a conservative manner, of all pledges and mortgages held by the Bank, so that the Board of Directors believes existing provisions fairly reflect the loss probability on all identified positions.

In addition to the specific provisions above, the Bank has also decided to increase its generic provisions on performing loans from Euro 2,1 m. to Euro 2,7 m.; such an increase has been charged to profit and loss for Euro 0,2 m. only, the balance coming from a similar fund booked in the absorbed branch of Banco di Brescia. This fund has been set aside in order to create a buffer against future unforeseen credit losses, and confirms the commitment of the Board to a conservative accounting policy.

Provisions have been booked also with respect to the Bank's participation to the Luxembourg depositors' protection scheme (AGDL). After the refund received in 2010, linked to default in 2008 of the Luxembourg subsidiaries of three Icelandic banks, the new AGDL fund amounts to Euro 505 thousand.

Tax provisions on income due in Spain, Germany and Luxembourg have been booked for a total amount of Euro 6,2 m., whilst no provisions for net worth taxes in Luxembourg have been booked thanks to the creation of a specific non distributable reserve.

As a result of the above, Financial Year 2010 closes with a net profit of Euro 8,7 m.

The capital of the Bank has been increased by Euro 2,9 m. (including share premium) in early December 2010, following the contribution in kind of Banco di Brescia Luxembourg Branch; consequently, the average capital deployed for the Bank's operations has been about Euro 103 m. during 2010, and its return on equity for 2010 stands at 8,4%.

As at year end 2010, the Bank's solvency ratio stands at 8,45% (9,12% in 2009), versus a minimum legal requirement of 8%, and its liquidity ratio stands at 88,35% versus a minimum requirement of 30%.

The total balance sheet has increased at Euro 8.951 m. at the end of 2010 (Euro 1.563 m. at the end of 2009), due to Euro 7.053 m. of outstanding ECP/CD and, to a lesser extent, to an increase in the stock of loans.

Funding from customers has increased at Euro 1.573,7 m. (Euro 984,6 m. in 2009), of which Euro 1.501 m. are deposits from private and corporate clients, and Euro 72,7 m. are medium term certificates of deposit issued by the Bank without parent company guarantee and placed with its clients.

The value of securities deposited at the Bank on behalf of customers has increased from Euro 2.709 m. at the end of 2009 to Euro 2.972 at the end of 2010 (+9,7%), as a consequence of higher market valuations of bonds and shares as well as new deposits. These figures remain largely exposed to the fluctuating market prices of shares held in custody on behalf of a few large corporate clients.

Starting from the second half of 2010 factoring services are offered by the München branch, where a software platform has been installed which is a market leader in the German domestic market.



Internal audit activities have been regularly performed all through the year according to plan, and have included in their range of action the operations of the two foreign branches; audit recommendations have been implemented and followed up in order to improve security in the Bank's operations. The Internal Audit function also handles customers' claims, which have remained negligible during the year; as at year end, no material litigation was pending with clients.

The Compliance Function has ensured prompt and full adherence of the Bank to anti-money laundering legislation and best practices in the conduct of its business. It has handled professionally and with mutual satisfaction its relationships with local Prosecutors and other relevant authorities in the AML field.

The Bank has retained in 2010 its status as a Qualified Intermediary vis-à-vis the U.S. authorities, as well as its European passport for free cross-border services in many European Union countries.

Management of risks

As required by Supervisory authorities, the present section provides a summary of the risk policies and guidelines implemented by the Bank in the ordinary course of its business.

Such policies and guidelines are strictly dependent upon Group policies, set by the Parent Company in the framework of its overall supervision and guidance responsibilities.

The Bank's Risk Management Function operates within the framework defined by specific internal policies, developed in 2009 and inspired by Group guidelines. Its mission is the control of interest rate, liquidity and operational risks; furthermore, similar controls are performed by the Parent Company Risk Management Function, and double-checked with the Bank. During the year, the risk reporting system has been further improved and its database structure is now under revision in order to prepare it for the new standards required by Basel III regulations.

Liquidity risk reporting has been improved by implementing, since April 2010, a new gap analysis requested by the Central Bank of Luxembourg in application of its regulations 2009/4; this new report shows the liquidity gaps of the Bank over a period of five days and the liquid stock available to cover possible net outflows.

Lending risks are analyzed by the Credit Departments of the branches and the Luxembourg headquarter, approved by the Bank's appropriate decision-making body, and monitored both by the Bank and by the Parent Company's Credit Risk Management Function, which duly consolidates at Group level all credit risks undertaken vis-à-vis the same borrower.

Aside from lending, counterparty risk is negligible in the financial markets activities, since most deposits, foreign exchange and derivative contracts on interest rates are negotiated with the centralized UBI Group Treasury Function: lines are allocated within global limits set by the Parent Company International Division on a Group-wide basis. Issuer risk on the securities held for the Bank's own trading portfolio is regulated by the internal Powers & Authorities, and supervised by the Parent Company Finance Division, which monitors the overall Group exposure by issuer.

Payments are handled by dedicated back-office teams at headquarters and branches, which also operate the Target system to which the Bank is a direct participant in Luxembourg, Spain and Germany (where it is also a member of SEPA): security is pursued through segregation of duties and double controls at input and message validation, as well as by a daily double check performed by separate Internal Control functions, reporting directly to branch and headquarter Management.

In the course of 2010 market risks have not been a component of the Bank's business model, since the Bank is not a market maker in any financial instrument and it mostly focuses on best



execution of financial transactions on behalf of its customers. Treasury mismatching limits are strictly set in the Powers & Authorities; are limited to the very short term and such as to put at risk, under severely adverse market conditions, a small fraction of the Bank's expected profits; and are monitored through a gap analysis produced by the Risk Management function. The Notes to the Financial Accounts provide a fair view of the interest rate sensitivity of the Bank, and of the credit risk associated to derivative financial instruments. Treasury is centralized at Luxembourg headquarters, which therefore perform all funding activities in favor of its foreign branches and ensure a centralized supervision over mismatching and liquidity risks.

At the request of the Bank, the CSSF approved the full exemptions of risks taken with the Parent Company on April 13, 1998 in relation to the large exposure limits, in accordance with Part XVI, point 24 of the CSSF Circular 06/273 as subsequently modified.

Capital requirements, both for regulatory purposes and internal policy guidelines, are constantly monitored, and an ICAAP procedure has been formalized since 2008.

Foreign exchange positions, which might only be generated for very limited amounts by the execution of clients orders, are squared daily; overnight position limits are tightly set (not to exceed Euro 1 m.), and are monitored daily by the Bank's Risk Management Function. The Bank does not take positions of its own, and all client business concentrates in the spot and outright markets. Management of foreign exchange trading is also centralized at Luxembourg headquarter, which operate on behalf of the branches.

The Bank does not trade in options and futures for its own account it offers, however, exchange-traded options on shares to a limited number of its clients at its Luxembourg headquarter. In these cases, when clients sell options, a credit decision is taken and underlying assets are pledged in order to secure the delivery risk.

Settlement risks are minimized by trading shares and bonds with a limited number of counterparts, approved by top management and belonging to major international financial Groups.

The Bank monitors the so called "operational risks" (within the meaning of the Basel II regulations), based on a common set of procedures and criteria implemented at Group level by the Parent Company Risk Management Function; results are regularly reported to the Parent Company. The Bank calculates its capital requirement with the "standardized" approach.

Following the issuance of CSSF Circular 10/497 on remuneration policies, the Bank has introduced during 2010, in accordance with specific UBI Group guidelines, its own policies on remuneration and bonuses, which will become effective as of January 2011. These policies are intended to foster prudent risk management at all levels of the organization, and exclude any guaranteed bonus or golden parachute for Directors or top managers; no Director is remunerated with a variable fee according to results. A formal bonus system has been introduced, applicable to all staff, which is triggered if the Bank's annual profits hit the budgeted results; the related bonus pool is set by the Parent Company, as a share of a consolidated pool, and is distributed to staff based on the results of a formal performance assessment procedure, these individual bonuses not exceeding in any case 35% of annual gross salary. For a restricted group of high ranking executives, the entitlement to bonus is triggered both by individual Bank's results and by Group consolidated results. This same principle applies to the CEO, in whose case the cap is set at 50% of annual gross salary but 30% of the amount is subject to a three-year deferral mechanism, with the possibility to cancel this deferred entitlement. No performance bonuses have been provisioned and distributed to any member of staff with respect to the year 2010.



Private Banking, Investment Management and Wealth Structure

Private Banking

This activity continues to be offered from the Luxembourg headquarter of the Bank, since its international branches do not perform investment and related services; it targets an international set of affluent and high net-worth individuals, to whom a wide array of specialized and tailor-made services are offered, such as estate planning, investment advice and discretionary portfolio management.

Services are provided by a team of multinational Private Bankers, who assist the clientele in its investment decisions and in the execution of its ordinary banking business. The Private Banking Department has evolved by offering cross-services between traditional private banking (investment advice; best execution of orders) and wealth structuring, through solutions of financial engineering or trusts.

Activity in this business line has shown signs of recovery, in terms of assets under management, vis-à-vis 2009, and the Bank's commercial efforts are increasingly targeting pockets of demand which are not driven by offshore banking.

Asset Management

The Asset Management team provides its support to private banking both through discretionary portfolio management and through advisory services which are made available to clients within the framework of the MIFID rules. These services are integrated, for purposes of quality assurance, within the UBI Group thanks to a strict cooperation with the Group asset management department, Pro Active Wealth Advisory. The portfolio management results for the year 2010 have again been quite rewarding for the clients, with respect to the various reference benchmarks.

The Bank continues to apply a multi-brand distribution policy for financial products, offering clients its Group SICAVs (UBI Sicav) as well as third parties funds, hedge funds and insurance products, in addition to direct investments in equities and bonds on all major markets. The Bank acts as a custodian bank for the assets of different Luxembourg insurance companies, upon agreement of the Luxembourg supervisory authority for the insurance industry; in this capacity, it may receive a mandate to invest the assets of the individual policies.

The Bank strictly implements the know-your-customer rule, and only enters into business relationships with customers who are well referenced either by the UBI Group or by existing customers or by its own Private Bankers. Reliance on referrals by external business providers remains negligible, and does not fall within the policies for the development of the client base. All the staff receives an annual training as a refresher on the rules for the prevention of money laundering.

Wealth Structures

Traditional wealth structuring services are provided by the Wealth Structures department of the Bank, at its Luxembourg headquarters, offering clients the full range of the Bank's services, from treasury to payments to custody and advisory services. Company management, domiciliation and accounting services are provided by external professional firms, whereas the Bank acts as custodian and liquidity manager. The Bank may also act as an arranger and manager of private placements of bonds for these clients, as well as an advisor in financial engineering or international restructuring.

Fiduciary transactions are also put in place, within the framework of a specific Luxembourg regulation (Law of July 27, 2003). These allow the Bank to become the legal owner, in its own name but on behalf of a client, of several possible types of assets (loans, deposits, securities). Under such a scheme, the Bank currently manages fiduciary assets amounting to Euro 284 m.



Through its Wealth Structures department the Bank also provides custodian services in favour of Luxembourg SICARs, special investment vehicles introduced by local legislation in order to aggregate investors in the private equity markets, as well as Luxembourg investment and cash manager services in the interest of UBI Group SPVs within the framework of four securitisation transactions originated in Italy.

Activity in wealth structuring has shown a positive net flow of clients and assets throughout the year.

Corporate banking

This activity is currently based on two pillars, lending and corporate services.

Thanks to the continuing growth of the two international branches, lending has further expanded during 2010, and the Bank's human resources have been allocated accordingly to credit risk analysis and credit legal documentation.

At the Luxembourg headquarter, lending policies towards corporate clients focus on servicing well known counterparts on structured or corporate finance transactions, through direct term loans or participations to syndicated loans; commercial lending and trade-related facilities are planned for implementation within the Bank's three-years industrial plan, starting in 2011.

Margin loans are made available to private banking clients, guaranteed by pledge on liquid assets, in order to allow them temporary financing without divesting their portfolios. Also, credit cards facilities are made available, on a fully collateralised basis.

At the Madrid and Munich branches, on the contrary, commercial lending and trade-related facilities (import/export finance, letters of credit) are the core activities, with a special focus placed in Spain on the factoring business. Factoring is offered both in the direct and the reverse form, and with or without recourse; its turnover in 2010 has exceeded Euro 1,4 bn. (+17% over 2009) and places the branch amongst the top 10 players in Spain. This service has become operational for clients in Germany as well, since the second half of 2010.

The breakdown by economic sectors of the credit portfolio is quite well balanced, with sector allocations unchanged vis-à-vis 2009 and mostly focused on energy, wholesale distribution, infrastructure and automotive. Furthermore, 30% of the loans are guaranteed by pledge on cash or securities, by mortgages or other bank guarantees.

The stock of loans has increased vis-à-vis 2009 (+14%) due to the growth of factoring and reverse factoring, and other direct bank lending transactions; the stock of guarantees has instead decreased, due to the expiry and non renewal of some transactions. Moreover, a new specialised desk, dedicated to serve Benelux corporate clients, has been launched earlier in 2011.

The Bank's branches and subsidiaries

The Madrid Branch, which started operations on June 1, 2008, provides a wide range of prime corporate clients with credit facilities in the form of factoring, confirming, leasing, lending, trade-related loans and guarantees: factoring and confirming account for about 71% of total loans at year end. At the end of 2010, the Branch had total loans amounting to Euro 596 m. and guarantees outstanding for Euro 48 m., with doubtful loans for Euro 10,9 m.; net profit for the year was Euro 4,9 m. and total staff employed 15.



The München Branch, which started operations as of July 1, 2008, offers its corporate clients lending, factoring, trade finance and guarantees facilities, in addition to all payment services through its SEPA and Target membership. At the end of 2010, it had total loans amounting to Euro 240 m. and guarantees outstanding for Euro 17 m., with a negligible amount of doubtful loans; net profit for the year was Euro 1,3 m. and total staff employed 13.

Both Branches serve either Italian corporations doing business, through exports or direct subsidiaries, in Spain and Germany, or Spanish and German corporations with business interests in the Italian market.

UBI Trustee S.A., a fully owned subsidiary based in Luxembourg and established on December 18, 2009, offers advisory services in wealth structuring as well as trustee services to a selected number of clients who wish to set up a trust under U.K. law in order to achieve estate planning objectives. The company, which employs a staff of four, has a share capital of Euro 250.000 and has successfully closed its first financial year on December 31st, 2010 by achieving its breakeven point (with a net profit of about 15.000 Euro).

The activity performed by UBI Trustee S.A. is mainly instrumental to the offer of sophisticated services to Group clients; it is intended to replace and extend the activities of the former subsidiary UBI Trust Co., Ltd (Jersey), whose winding-up has been achieved during 2011.

Future outlook

No particular events have occurred after the close of fiscal year 2010 which may result in an impairment of the financial solidity and the business continuity of the Bank during 2011.

Allocation of profits

In accordance with Group policies, the payment of a dividend will be recommended up to an amount of 63 % of net income. Consequently, the following allocation of profit is hereby proposed:

	EUR
<i>Net profit for the financial year 2010</i>	<i>8.653.874</i>
5% to legal reserves	432.694
Allocation to specific reserve for Net Wealth Tax	2.663.600
Allocation to free reserves	105.697
Dividend distribution	5.451.883

The Board wishes to thank clients, staff and shareholders for their continuing support, and hereby confirms the Bank's commitment to excellence in services and integrity in the conduct of its business.

March 5th, 2011



BALANCE SHEET

AS AT DECEMBER 31, 2010 (expressed in EUR)

ASSETS	Notes	2010	2009
		EUR	EUR
CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS	31	107.732.404	22.678.022
LOANS AND ADVANCES TO CREDIT INSTITUTIONS:	3, 31		
Repayable on demand		689.440.281	440.405.868
Other loans and advances		6.968.741.050	39.196.889
		<u>7.658.181.331</u>	<u>479.602.757</u>
LOANS AND ADVANCES TO CUSTOMERS	3, 31	1.085.662.558	947.959.627
DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES	4, 5, 8, 31		
Issued by public bodies		0	5.004.199
Issued by other borrowers		48.235.042	86.712.301
		<u>48.235.042</u>	<u>91.716.500</u>
SHARES AND OTHER VARIABLE-YIELD SECURITIES	4, 31	4.708	9
PARTICIPATING INTERESTS	4, 6, 8	1.211.324	251.675
SHARES IN AFFILIATED UNDERTAKINGS	4, 7, 8	251.961	333.650
INTANGIBLE ASSETS	9	9.344.032	5.811.582
TANGIBLE ASSETS	10	1.561.409	2.628.623
OTHER ASSETS	11	11.230.162	5.281.363
PREPAYMENTS AND ACCRUED INCOME	15	27.528.400	6.740.021
TOTAL ASSETS		<u>8.950.943.331</u>	<u>1.563.003.829</u>

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



UBI BANCA
INTERNATIONAL S.A.

LIABILITIES	Notes	2010 EUR	2009 EUR
AMOUNTS OWED TO CREDIT INSTITUTIONS:	12, 31		
Repayable on demand		73.742.308	25.045.021
With agreed maturity dates or periods of notice		<u>106.224.821</u>	<u>427.157.723</u>
		<u>179.967.129</u>	<u>452.202.744</u>
AMOUNTS OWED TO CUSTOMERS:	12, 31		
Other debts:			
Repayable on demand		498.108.603	421.792.578
With agreed maturity dates or periods of notice		<u>1.002.903.423</u>	<u>531.317.733</u>
		<u>1.501.012.026</u>	<u>953.110.311</u>
DEBTS EVIDENCED BY CERTIFICATES			
Debt securities in issue	13	7.125.607.635	31.550.000
OTHER LIABILITIES	14	13.802.849	2.326.241
ACCRUALS AND DEFERRED INCOME	15	8.456.918	7.380.738
PROVISIONS			
Provisions for taxation		6.134.802	4.965.784
Other provisions	17	<u>1.680.925</u>	<u>1.632.920</u>
		<u>7.815.727</u>	<u>6.598.704</u>
FUND FOR GENERAL BANKING RISKS		500.000	500.000
SUBSCRIBED CAPITAL	16	59.070.750	57.539.730
SHARE PREMIUM ACCOUNT	16	33.829.874	32.460.962
RESERVES	16	12.226.549	8.697.585
PROFIT FOR THE FINANCIAL YEAR	16	8.653.874	10.636.814
TOTAL LIABILITIES		<u><u>8.950.943.331</u></u>	<u><u>1.563.003.829</u></u>

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

STATEMENT OF OFF-BALANCE SHEET ITEMS

UBI BANCA

AS AT DECEMBER 31, 2010 (expressed in EUR)

INTERNATIONAL S.A.

		2010	2009
	Notes	EUR	EUR
CONTINGENT LIABILITIES	20, 31	100.244.906	137.619.637
<i>Of which</i>			
[<i>Guarantees and assets pledged as collateral security</i>]		<i>[95.474.292]</i>	<i>[133.053.953]</i>
COMMITMENTS	21, 31	183.855.039	129.714.994
<i>Of which</i>			
[<i>Credit lines confirmed, not used</i>]		<i>[182.299.705]</i>	<i>[129.361.362]</i>
FIDUCIARY TRANSACTIONS	23	283.839.383	392.247.368

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



STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED
AS AT DECEMBER 31, 2010 (expressed in EUR)

UBI BANCA
INTERNATIONAL S.A.

	2010	2009
Notes	EUR	EUR
INTEREST RECEIVABLE AND SIMILAR INCOME	40.191.124	36.806.287
<i>Of which</i>		
<i>Income arising from fixed-income securities</i>	926.665	3.330.012
INTEREST PAYABLE AND SIMILAR CHARGES	(21.225.381)	(17.168.466)
INCOME FROM TRANSFERABLE SECURITIES:		
Income from shares and other variable-yield securities	615	627
	615	627
COMMISSION RECEIVABLE	11.804.355	13.234.088
COMMISSION PAYABLE	(1.942.785)	(2.067.566)
NET PROFIT ON FINANCIAL OPERATIONS	2.664.423	7.413.934
OTHER OPERATING INCOME	25 2.016.706	1.239.396
GENERAL ADMINISTRATIVE EXPENSES:		
a) Staff costs	(8.806.991)	(8.381.366)
<i>Of which</i>		
<i>Wages and salaries</i>	(7.337.951)	(7.120.413)
<i>Social security costs</i>	(1.158.612)	(969.062)
<i>Of which:</i>		
<i>Social security costs relating to pensions</i>	(899.190)	(712.758)
b) Other administrative expenses	(8.156.644)	(8.639.158)
	(16.963.635)	(17.020.524)
VALUE ADJUSTMENTS IN RESPECT OF TANGIBLE AND INTANGIBLE ASSETS	(2.302.626)	(2.343.155)
OTHER OPERATING CHARGES	26 (214.267)	(576.937)
VALUE ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND FOR COMMITMENTS	(3.362.668)	(6.059.325)
VALUE RE-ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND FOR COMMITMENTS	2.052.496	28.022
TAX ON PROFIT ON ORDINARY ACTIVITIES	27 (3.884.140)	(2.695.406)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	8.834.217	10.790.975
OTHER TAXES NOT SHOWN UNDER THE PRECEDING ITEMS	27 (180.343)	(154.161)
PROFIT FOR THE FINANCIAL YEAR	8.653.874	10.636.814

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

1. GENERAL

UBI Banca International S.A. (the “Bank”) was incorporated in Luxembourg on October 1, 1997, under the name of CAB International S.A.. Following an extraordinary shareholders’ meeting on April 19, 1999, the Bank’s changed its name to Banca Lombarda International S.A..

At an extraordinary shareholders’ meeting on June 13, 2002, the share capital of the Bank was increased from EUR 10.200.000 to EUR 19.958.340, through the issuance of 19.134 new shares of EUR 510 par value fully underwritten by Banca Lombarda S.p.A. for a total amount of EUR 13.975.902 (including a share premium of EUR 4.217.562). The underwriting took place through the contribution in kind by Banca Lombarda S.p.A. of 32.000 ordinary shares in Artesia Bank Luxembourg S.A., representing the entire share capital of the latter. Banca Lombarda International S.A. and Artesia Bank Luxembourg S.A. were subsequently merged on July 21, 2002 and with accounting effects retroactive as of January 1, 2002.

At an extraordinary shareholders’ meeting on June 26, 2007, the share capital of the Bank was increased from EUR 19.958.340 to EUR 43.267.380, through the issuance of 45.704 new shares of EUR 510 par value fully underwritten by UBI Banca S.c.p.a. for a total amount of EUR 40.750.230 (including a share premium of EUR 17.441.190). The underwriting took place through the contribution in kind by UBI Banca S.c.p.a. of 40.000 ordinary shares in BPU Banca International S.A., representing the entire share capital of the latter. Banca Lombarda International S.A. and BPU Banca International Luxembourg S.A. were subsequently merged on June 26, 2007 and with accounting effects retroactive as of April 1, 2007. The Bank changed its name to UBI Banca International S.A.

On April 15, 2008 the Bank registered UBI Banca International S.A, Madrid Branch, with the Bank of Spain. Effective May 31, 2008 the Bank acquired the net assets of Financera Veneta EFC a group entity providing factoring services. These net assets were subsequently transferred to the Madrid Branch in June 2008. The Branch operates banking activities according to current Spanish law provisions, and including leasing and factoring.

On June 26, 2008, in the framework of a group reorganisation, another bank of UBI Group, Banca Popolare di Bergamo, became a shareholder of the Bank through the contribution in kind of its branch located in Munich, Germany. As a result of this operation 3.906 shares with a par value of EUR 510 were issued for EUR 1.992.060 with a share premium of EUR 1.507.716. The Branch is specialised in the lending business and factoring.

On January 6, 2009, following the Extraordinary meeting of shareholders, the Bank increased its Share Capital by issuing 24.079 additional shares with a par value of EUR 510 amounting to EUR 12.280.290 with a share premium of EUR 386 per share amounting to EUR 9.294.494, involving a total increase by EUR 21.574.784.

On December 10, 2010 the Bank finalised an intra-group corporate operation: after having obtained all relevant authorisations from Luxembourg and Italian Authorities, the Bank merged with the Luxembourg Branch of Banco di Brescia S.p.A. through the transfer of all assets and liabilities of the Branch to the Bank. The merger had been submitted to the regime of the demergers (“scissions”) as provided for in articles 285 to 308 (with the exception of article 303) of the Luxembourg law on commercial companies dated August 10, 1915, as amended. Banco di Brescia S.p.A. transferred to the Bank its Luxembourg Branch, consisting in the private and corporate bank activities for companies and private clients and, more particularly, all assets and liabilities pertaining thereto (including the employment contracts), as contemplated in the Contribution Agreement signed on December 10, 2010, and the terms and conditions regulating the Branch of activity transfer. The Extraordinary Meeting of Shareholders, held on December 10, 2010, resolved to increase the share capital of the Bank by EUR 1.531.020 so as to raise it from its current amount of EUR 57.539.730 to EUR 59.070.750 by issuance



of 3.002 new shares of the Bank, with a nominal value of EUR 510 each, together with an aggregate share premium of EUR 1.368.912. Banco di Brescia S.p.A. subscribed all newly issued 3.002 shares.

In the framework of the above mentioned merger, the Bank became, during the second half of the year, the issue vehicle of the UBI Banca Group concerning the Euro Commercial Papers (“ECP”) and French Certificate of Deposit’s Programs (“CD”) (both cover by the Parent Company guarantee and denominated in several currencies), respectively on August 13, 2010 and on September 22, 2010. The authorised issue amounts are EUR 6 billion for the ECP and EUR 5 billion for the French CD’s at December 31, 2010. The outstanding was respectively EUR 4.16 billion and EUR 2.89 billion.

As of December 31, 2010, the Bank is authorised to perform all banking activities as defined by the Luxembourg law.

The Bank is a subsidiary of Unione di Banche Italiane S.c.p.a., whose registered office is at Piazza Vittorio Veneto, 8, Bergamo, Italy. The consolidated financial statements of Unione di Banche Italiane S.c.p.a. are available at its head office.

Therefore, the Bank is exempt from the requirement to establish consolidated accounts and a consolidated management report on the basis of the criteria set out by the Luxembourg law of June 17, 1992 as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank’s accounting policies are in accordance with regulations in force in the Grand-Duchy of Luxembourg and, in particular, the modified law of June 17, 1992, relating to the annual accounts of credit institutions as amended.

The books and records of the Bank are kept in euro (“EUR”) and the annual accounts have been prepared using the following significant accounting policies:

2.1 Foreign currencies translation

The Bank uses a multi-currency accounting system, which consists of recording each transaction in the respective currency of the transaction based on position accounts.

The year-end exchange rates of the main currencies used by the Bank are summarised as follows:

2010	2009
1 EUR = 1,3362 USD	1 EUR = 1,4406 USD
1 EUR = 1,2504 CHF	1 EUR = 1,4836 CHF
1 EUR = 8,9655 SEK	1 EUR = 10,2520 SEK
1 EUR = 7,4535 DKK	1 EUR = 7,4418 DKK
1 EUR = 0,86075 GBP	1 EUR = 0,8881 GBP

The translation of accounts in a currency other than EUR is done in accordance with the following criteria:

- Assets and liabilities expressed in a foreign currency other than EUR are translated at year-end rates;
- Income and expenses in foreign currencies are translated into EUR at exchange rates applicable at the date of their recording in the statement of profit and loss;
- The exchange differences resulting from the valuation of spot positions are recorded in the profit and loss account in the current year;



- Foreign currency swap transactions covering spot balances are considered as neutral in relation to fluctuations of the related currency rates. Premiums and discounts are recorded in the profit and loss account on a prorata temporis basis over the life of the swap transactions concerned.

Foreign currency swap transactions have not been contracted during the year.

2.2 *Financial derivative instruments*

2.2.1 Interest rate swaps

The Bank has entered into interest rate swaps for the purpose of hedging underlying specific term loans. The accrued interest, either receivable or payable, are recorded on a prorata basis in the profit and loss account and are included in interest receivable/payable and similar income/charges over the period of the respective contracts.

The revaluation of these swap transactions used for hedging purpose does not affect the result of the financial year.

2.2.2 Forward exchange contracts

Forward foreign exchange transactions, which are exclusively contracted on behalf of customers, are covered by reverse forward foreign exchange transactions and do not have a valuation impact on the profit and loss account. Unrealised valuation profits on uncovered forward foreign exchange transactions are not accounted for in the profit and loss account for the year, whereas unrealised valuation losses are recorded under "Other provisions".

Uncovered forward foreign exchange transactions have not been contracted during the year.

The calculation of the unrealised gains or losses is based on the forward exchange rate for each currency applied to all outright with the same maturity date.

2.2.3 Options

For the options traded over the counter and unallocated to determined assets or liabilities, the premiums received or paid appear on the balance sheet until the exercise or the expiration date of the options, if the option is not exercised before that date. Commitments on written options are booked off balance sheet.

Option contracts entered into for hedging purposes are not market-to-market.

Option contracts traded on a regulated market and entered into for the purpose of hedging identical reverse options also traded on a regulated market, are booked as follows: as the position on these instruments is closed, the result arising from premiums received and paid is accounted for in the profit and loss account.

2.3 *Loans, advances and debts*

The loans, advances and debts repayable on demand include amounts, which can be withdrawn at any time without notice or with a 24 hours notice. The term loans and advances and term debts include amounts whose residual maturity exceeds 24 hours.

Loans and advances are stated at disbursement value less repayment made and any value adjustments required. As mentioned under "2.7 value adjustments", the policy of the Bank is to

set up specific value adjustments for doubtful loans. These value adjustments are deducted from the asset account balances concerned.

Accrued interest not received is recorded under the heading “Prepayments and accrued income” on the asset side of the balance sheet.

Where the amount to be repaid is greater than the amount received, the difference may be recorded in the assets, and must be disclosed separately in the balance sheet or in the notes to the annual accounts. This difference must be amortised on an annual basis over a reasonable period, which cannot exceed the date of repayment of the debt (this option does not apply to differences resulting from debts arising from transactions on a primary market, for which provisions must be made). Premiums are recognised prorata temporis over the life of the debt.

2.4 *Securities*

Debts securities and other fixed-income securities and shares and other variable-yield securities are allocated into three different categories of portfolio that are valued in accordance with their specific rules:

- Investment portfolio
- Structural portfolio
- Trading portfolio

The debt securities and other fixed-income securities are recorded at acquisition date in the balance sheet at acquisition cost, which includes incidental expenses but excludes accrued interest. Except for zero coupon bonds, accrued interest since the last coupon date or since issuance are recorded in the transitory account until the next coupon date. Accrued interest related to zero coupon bonds are recorded in the portfolio account, in addition to the purchase price of the underlying security.

Shares and other variable-yield securities, as well as shares in affiliated undertakings and participating interests, are recorded at acquisition cost, including incidental expenses.

2.4.1 Investment portfolio

Securities held in the investment portfolio are intended to be held in the long term and, in case of fixed-income securities, until maturity.

Debt securities and other fixed-income securities classified in the investment portfolio and linked to an asset swap are valued at cost, if they meet several regulatory conditions. Other debt securities and fixed income securities classified in the investment portfolio can be also valued at cost, if they meet also several regulatory conditions. Among others, those conditions require that the debt securities or fixed-income securities are issued or guaranteed by public sector borrowers from industrial countries or international organisations and have a fixed maturity date.

Otherwise, debt securities and fixed-income securities are valued at lower of cost or market.

Premiums and discounts related to securities classified in the investment portfolio and resulting from the difference between the acquisition price and the reimbursement amount at maturity are recorded prorata temporis in the liabilities, respectively the assets under the caption “Accruals and deferred income”, respectively “Prepayments and accrued income”. Premiums and discounts are considered as interest expense and interest income respectively.

Value adjustments are only taken into consideration when the depreciation of the market price compared to the acquisition cost is deemed permanent.



Income from shares is accounted for at ex-dividend date. Income from fixed-income securities is accounted for on an accrual basis.

2.4.2 Structural portfolio

Securities held in the structural portfolio are intended to be held in the medium term for the purpose of interest income and capital gains.

Securities classified in the structural portfolio are valued at the lower of cost or market. If no official quotation is available, valuation is made at the probable realisable value or at a price which most closely corresponds to the intrinsic value of the securities. Unrealised depreciation in value is recorded in the annual accounts in the caption “Net profit/(loss) on financial operations”.

In cases where fixed-income securities are acquired at a premium, the difference between acquisition cost and redemption value is written off in instalments to profit and loss and recorded as “interest payable and similar charges”. Instalments are charged pro rata temporis over the life of the security. The cumulative amortisation from the date of acquisition is included in “Accruals and deferred income” on the liability side of the balance sheet.

In cases where fixed-income securities are acquired at a discount and cost is used as the basis of valuation, the difference between acquisition cost and redemption value is taken to profit and loss account at the date of maturity or date of disposal, if earlier.

Income from shares is accounted for at ex-dividend date. Income from fixed-income securities is accounted for on an accrual basis.

2.4.3 Trading portfolio

Securities held in the trading portfolio are intended to be held in the short term.

Securities classified in the trading portfolio are valued at the lower of cost or market. If no official quotation is available, valuation is made at the probable realisable value or at a price which most closely corresponds to the intrinsic value of the securities. Unrealised depreciation in value is recorded in the annual accounts in the caption “Net profit/(loss) on financial operations”.

Income from shares is accounted for at ex-dividend date. Income from fixed-income securities is accounted for on an accrual basis.

2.5 *Tangible and intangible assets*

The tangible and intangible assets are recorded at their acquisition cost less depreciation. These assets, whose useful economic life is limited, are depreciated over their estimated useful life on a straight line basis.

The depreciation rates used are as follows:

Formation costs	20%
Goodwill (*)	10-20%
Leasehold improvements	20%
Machinery & Equipment	20%
Automobiles	33%
Computer equipment & software	10-25%

In case of a permanent reduction in value, appropriate write-downs are recorded at balance sheet date.

(*) The Goodwill arising from the acquisition of Banco di Brescia Luxembourg Branch on December 10, 2010 by the Bank is a tax deductible expense in Luxembourg.



The Bank resolved to amortize the goodwill relating to the merger with Banco di Brescia, Luxembourg Branch on a 10 years period (instead of 5 years as foreseen in the Law of 17 June 1992, as modified). The Bank applied the derogation envisaged in art. 2(5) of the law because of the economic reality and nature of assets and liabilities acquired with the merger. The assets and liabilities of the absorbed entity, migrated to the Bank books, were a portfolio of loans and deposits of private and corporate customers. A 10 years amortization is in line with the time horizon used by the expert in the framework of the Branch evaluation and with the period accepted by the Fiscal Authorities.

2.6 *Debt evidenced by certificates*

Debts evidenced by certificates are presented at their redemption amounts. Transaction costs and premiums/ discounts are amortised in the profit and loss account on a straight line basis over the life of the debt through item "Accruals and deferred income" or "Prepayments and accrued income".

2.7 *Value adjustments*

Value adjustments include provisions for bad debts, provisions for value adjustments on securities in portfolio, amortisation and depreciation of tangible and intangible assets. For a determined asset, the adjustments are deducted from the nominal value of the asset or from the acquisition cost. The related assets are thus presented net of any value adjustments.

The value adjustments related to the interest on doubtful debts are determined as follows: accrued interest or interest receivable on doubtful debts are fully provided for, whereas for receivable for which the interest can be reasonably considered as non recoverable the Bank stops accruing interest and any accrued interest up to that point is reversed.

2.8 *Lump-sum provision*

In accordance with the Luxembourg tax legislation, it is the Bank's policy to establish a lump sum provision for risk exposures, as defined in the legislation governing prudential supervision of banks. The purpose of the provision is to take account of risks that are likely to occur but which have not yet been identified as at the date of preparation of the annual accounts.

Pursuant to the Instructions issued by the "Directeur des Contributions" on December 16, 1997, the provision is made before taxation and may not exceed 1,25% of the Bank's risk exposures.

The lump-sum provision for risk exposures is broken down in proportion to the weighting of the items that form of the basis for its calculation, between:

- A portion which is deemed to represent a value adjustment, and which is deducted from the assets items which constitute risk exposures; and
- A portion which is deemed to represent a provision attributable to credit risk associated with off-balance sheet items, foreign exchange risk and market risk, and which is taken shown among the liabilities items under "Other provisions".

2.9 *Fund for general banking risks*

The Bank has created a fund for general banking risks in 2000 for an amount of EUR 500.000. The fund is intended to cover particular risks associated with banking operations. Increases or decreases to this fund are determined based on the profit after tax, but before determining the profit of the financial year and are not subject to limitations.



2.10 Taxes

Taxes are accounted for on an accrual basis, based on the profit and loss account for the year under review.

Based on the tax treaties concluded between Luxembourg, Germany and Spain respectively, profits and wealth attributable to the Munich and Madrid branches of the Bank are exempt from taxation in Luxembourg. The Munich and Madrid branches are subject to taxation in their respective countries, Germany and Spain.

Consequently, the Luxembourg entity is only subject to Corporate Income Tax, Municipal Business Tax and Net Wealth Tax in Luxembourg.

Tax provisions are disclosed in the caption "provisions for taxation" while tax advances are included in the caption "other assets" (see Note 11).

3. LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

Loans and advances to credit institutions are split in accordance with their remaining maturity as follows:

	2010	2009
Loans and advances to credit institutions	EUR	EUR
At sight	689.440.281	440.405.868
Less than 3 months (other than at sight)	5.911.592.109	31.291.687
3 months to 1 year	1.057.148.941	11.375.978
Specific value adjustments	–	(3.470.776)
	<u>7.658.181.331</u>	<u>479.602.757</u>

Loans and advances to customers are split in accordance with their remaining maturity as follows:

	2010	2009
Loans and advances to customers	EUR	EUR
At sight	539.572.893	484.606.009
Less than 3 months	209.569.143	154.727.589
3 months to 1 year	92.661.386	88.239.882
1 year to 5 years	177.449.199	167.808.112
Greater than 5 years	82.896.944	63.869.805
Specific value adjustments	(13.822.946)	(9.197.044)
Lump-sum provision allocation	(2.664.061)	(2.094.726)
	<u>1.085.662.558</u>	<u>947.959.627</u>

On December 31, 2010 the Bank set up a Collective Impairment Provision taking into consideration in-bonis non-guaranteed assets which constitute risk exposure (EUR 2.664.061).



4. TRANSFERABLE SECURITIES

Transferable securities shown under the various items “Debt securities and other fixed-income securities”, “Shares and other variable-yield securities”, “Shares in affiliated undertakings”, “Participating interests” may be broken down as follows into listed and unlisted securities:

Cost	2010	2010	2010
	Listed	Unlisted	Total
	EUR	EUR	EUR
Debt securities and other fixed-income securities	52.207.421	5.000.000	57.207.421
Shares and other variable-yield securities	–	4.708	4.708
Participating interests	–	1.211.324	1.211.324
Shares in affiliated undertakings	–	251.961	251.961
	<u>52.207.421</u>	<u>6.467.993</u>	<u>58.675.414</u>
Provisions (specific value adjustments)			(8.972.379)
Net amount (EUR)			<u>49.703.035</u>

Cost	2009	2009	2009
	Listed	Unlisted	Total
	EUR	EUR	EUR
Debt securities and other fixed-income securities	86.846.649	14.998.630	101.845.279
Shares and other variable-yield securities	–	9	9
Participating interests	–	251.675	251.675
Shares in affiliated undertakings	–	333.650	333.650
	<u>86.846.649</u>	<u>15.583.964</u>	<u>102.430.613</u>
Provisions (specific value adjustments)			(10.128.779)
Net amount (EUR)			<u>92.301.834</u>

5. DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

At December 31, 2010, transferable securities shown under “Debt securities and other fixed income securities” which will become due within one year of the balance sheet date amount to EUR 23.099.149 (2009: EUR 36.859.255).

Transferable securities shown under “Debt securities and other fixed-income securities” may be analysed as follows:

	2010	2009
	EUR	EUR
Investment portfolio	–	15.004.199
Structural portfolio	57.207.421	86.841.080
	<u>57.207.421</u>	<u>101.845.279</u>
Value adjustments	(8.972.379)	(10.128.779)
	<u>48.235.042</u>	<u>91.716.500</u>

As at December 31, 2010, the Bank held unquoted debt securities and other fixed income securities for a purchase price of EUR 5.000.000 (2009: EUR 14.998.630). Valuation of unquoted debt securities and other fixed income securities at the lower of cost or market value as at December 31, 2010 resulted in cumulated value adjustments of EUR 2.411.000 (2009: EUR 6.023.130) including foreign exchange revaluation.

Net amortised values of premiums and discounts since the acquisition date for the debt securities and other fixed-income securities amount to:

	2010	2009
	EUR	EUR
Premiums	12.487	35.262
Discounts	6.588	29.019

6. PARTICIPATING INTERESTS

As at December 31, 2010, the Bank directly held shares in participating interests in the following company:

Company	Registered Office	Proportion of capital held (%)	Book value
Corporation Financière Européenne SA.	Luxembourg	2,4309%	1.211.324

Metal Finance S.A. is a Luxembourg registered Soparfi. The mission of the entity was to acquire a participating interest in a Luxembourg registered company Corporation Financière Européenne S.A. offering asset management and other related financial services in Switzerland.

On December 19, 2008 the Bank signed a share purchase agreement to acquire 9% of the share capital of Metal Finance S.A. for an amount of EUR 675. On June 19, 2009, the Bank participated in Metal Finance S.A.'s share capital increase for an amount of EUR 251.000 corresponding to 9% of its share capital.

On December 2, 2010, Metal Finance S.A. decided to buy-back its shares held by the Bank and transferred in return to the Bank 275.968 shares of Corporation Financière Européenne S.A., corresponding to the 2,4309% of its share capital.

As at December 31, 2010, the Bank held unquoted participating interests into Corporation Financière Européenne S.A. for EUR 1.211.324 (2009: EUR 251.675). Following this transaction, the Bank realised a gain of EUR 959.649 included in the caption "Other operating income" (see note 25).

As at December 31, 2010, the Bank has no shares in participating interests in credit institutions.

7. SHARES IN AFFILIATED UNDERTAKINGS

As of December 31, 2010, the Bank directly held shares in the share capital of the following affiliated undertakings:

<u>Company</u>	<u>Registered Office</u>	<u>Proportion of capital held (%)</u>	<u>Book value</u>	<u>Shareholders' equity 31/12/10 (EUR) (*)</u>	<u>Profit for the year ended 2010 (EUR) (*)</u>
UBI Trust Company Ltd	Jersey	100%	1.961	–	–
UBI Trustee S.A.	Luxembourg	100%	<u>250.000</u>	265.000	15.000
			<u>251.961</u>		

On August 3, 2010, the Bank sold its shares of EUR 750 in UBI Management Company Ltd.

(*) As per unaudited annual accounts as at December 31, 2010.

UBI Trust Company Ltd entered into a liquidation process, the Bank booked a value adjustment on this affiliated undertaking for an amount of EUR 80.939.

UBI Trustee S.A., the unconsolidated fully owned subsidiary based in Luxembourg, established in December 2009 closed its first financial year on December 31, 2010. This new company offers advisory services in wealth structuring as well as trustee services to a select number of clients who wish to set up a trust under U.K. law in order to achieve estate planning objectives. The company, which employs a staff of four, has a share capital of EUR 250.000, reached its break-even point during financial year 2010 and closed with a final benefit of EUR 15.000. UBI Trustee S.A. is mainly instrumental to the offer of sophisticated services to Group clients, and it replaced the activities of former subsidiary UBI Trust Co., Ltd (Jersey), which will be liquidated during financial year 2011.

As at December 31, 2010, the Bank held unquoted shares in affiliated undertakings for a purchase price of EUR 251.961 (2009: EUR 333.650).

As at December 31, 2010 and 2009, the Bank has no shares in affiliated undertakings in credit institutions.

8. MOVEMENTS IN FINANCIAL FIXED ASSETS

During 2010, the movements in financial fixed assets can be summarised as follows (in EUR):

	<u>Acquisition cost as of January 1, 2010</u>	<u>Disposals</u>	<u>Additions</u>	<u>Accumulated Value Adjustments as of December 31, 2010</u>	<u>Net Book Value as of December 31, 2010</u>	<u>Net Book Value as of December 31, 2009</u>
Debt securities and other fixed-income securities (note 5)	15.004.199	(15.004.199)	–	–	–	15.004.199
Participating interests (note 6)	251.675	(251.675)	1.211.324	–	1.211.324	251.675
Shares in affiliated undertakings (note 7)	<u>333.650</u>	<u>(81.689)</u>	<u>–</u>	<u>–</u>	<u>251.961</u>	<u>333.650</u>
Total	<u>15.589.524</u>	<u>(15.337.563)</u>	<u>1.211.324</u>	<u>–</u>	<u>1.463.285</u>	<u>15.589.524</u>



Disposals result from;

- Debt securities and other fixed-income securities that matured or were sold during 2010;
- Share Purchase Agreement between UBI Banca International S.A. and Metal Finance S.A. in which Metal Finance S.A. decided to buy-back its shares held by UBI Banca International S.A..

Addition result from Share Purchase Agreement between UBI Banca International S.A. and Metal Finance S.A. in which it transferred 275,968 shares of Corporation Financière Européenne S.A. to UBI Banca International S.A..

9. INTANGIBLE ASSETS

During 2010, the movements in intangible assets were as follows:

	Acquisition cost January 1, 2010	Reclassification	Additions	Disposals	Accumulated Value Adjustments as of December 31, 2010	Net Book Value as of December 31, 2010	Net Book Value as of December 31, 2009
Formation costs	110.200	–	–	–	(110.200)	–	–
Goodwill	6.784.007	–	2.899.932	–	(4.516.017)	5.167.922	3.216.519
Software	2.954.007	857.536	1.902.000	(153.848)	(1.383.585)	4.176.110	2.595.063
Total Intangible Assets (EUR)	<u>9.848.214</u>	<u>857.536</u>	<u>4.801.932</u>	<u>(153.848)</u>	<u>(6.009.802)</u>	<u>9.344.032</u>	<u>5.811.582</u>

Intangible assets consist of formation costs, goodwill arising on the purchase of Artesia Bank Luxembourg S.A. for EUR 2.161.576, on the acquisition on the Madrid Branch for EUR 1.122.655, on the acquisition on the Munich Branch for EUR 3.499.776, the 2010 acquisition of UBI Banco di Brescia Luxembourg Branch for EUR 2.899.932 and of software reclassified during 2010 from tangible assets for EUR 857.536 (see note 10).

10. TANGIBLE ASSETS

During 2010, the movements in tangible assets were as follows:

	Acquisition cost January 1, 2010	Reclassification	Additions	Disposals	Accumulated Depreciation as of December 31, 2010	Net Book Value as of December 31, 2010	Net Book Value as of December 31, 2009
Leasehold Improvements	851.054	–	–	(576.053)	(130.354)	144.647	199.598
Machinery & Equipment	1.572.307	–	53.821	(109.001)	(849.240)	667.887	820.166
Computer equipment & software	2.581.611	(857.536)	24.414	(126.016)	(873.598)	748.875	1.608.859
Total Tangible Assets (EUR)	<u>5.004.972</u>	<u>(857.536)</u>	<u>78.235</u>	<u>(811.070)</u>	<u>(1.853.192)</u>	<u>1.561.409</u>	<u>2.628.623</u>



11. OTHER ASSETS

Other assets are analysed as follows:

	2010	2009
	EUR	EUR
Short term receivables	833.261	813.916
Premium on options purchased	255.839	43.281
Others	10.141.062	4.424.166
	<u>11.230.162</u>	<u>5.281.363</u>

The amount comprised in the caption “Other” is mainly composed of tax advances (see Note 2.11), and the caption “Short term receivables” is mainly composed of unsettled transactions for client accounts.

12. AMOUNTS OWED TO CREDIT INSTITUTIONS AND CUSTOMERS

The split of the amounts owed to credit institutions and customers according to their remaining maturity is as follows:

	2010	2009
Amounts owed to credit institutions	EUR	EUR
At sight	73.742.308	25.045.021
Less than 3 months	87.282.520	395.220.221
3 months to 1 year	8.262.301	20.228.752
1 year to 5 years	9.300.000	9.968.750
Greater than 5 years	1.380.000	1.740.000
	<u>179.967.129</u>	<u>452.202.744</u>

	2010	2009
Amounts owed to customers	EUR	EUR
At sight	498.108.603	421.792.578
Less than 3 months	990.650.391	497.116.402
3 months to 1 year	12.253.032	34.201.331
	<u>1.501.012.026</u>	<u>953.110.311</u>

13 DEBTS EVIDENCED BY CERTIFICATES

Debts evidenced by certificates are split as follows:

	2010	2009
	EUR	EUR
Certificates of Deposit to customers	72.650.000	31.550.000
French Certificated of Deposit	2.889.700.000	–
Euro Commercial Paper	4.163.257.635	–
	<u>7.125.607.635</u>	<u>31.550.000</u>

Debts evidenced by certificates are split in accordance with their remaining maturity as follows:

	2010	2009
	EUR	EUR
At sight	300.000.000	–
Less than 3 months	5.729.967.289	–
3 months to 1 year	1.037.990.346	–
1 year to 5 years	40.950.000	31.550.000
Greater than 5 years	16.700.000	–
	<u>7.125.607.635</u>	<u>31.550.000</u>

Certificates of Deposit to customers

Concerning the issue program, finalized in September 2009, of Certificates of Deposit (“Bons de Caisse”), the Bank increased the volume of instruments issued through four new issues increasing the outstanding from EUR 31.550.000 (at the end of 2009) to EUR 72.650.000 at the end of 2010. These certificates are direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank pari passu with any other similar obligation. They receive an ISIN Code and are issued in a dematerialized form hence they are also freely transferable. No physical delivery is foreseen. Clients Certificates of Deposit consist in 1.453 debt certificates, each with a nominal value of EUR 50.000. Interests are paid on a 3 or 6 month basis at Euribor + margin.

French Certificates of Deposit

The Bank established on September 22, 2010 (modified on December 17, 2010) a EUR 5.000.000.000 (five billion euro) “Certificats de Dépôt” Program for the issuance of French Certificates of Deposit. They are governed by and construed in accordance with French law. The payments of principal and interest in respect of the Certificates of Deposit are irrevocably and unconditionally guaranteed by the Parent Company of UBI Banca International S.A., Unione di Banche Italiane S.c.p.a..

Euro Commercial Paper

The Bank established on August 13, 2010 (modified on December 20, 2010) a EUR 6.000.000.000 (six billion euro) Euro Commercial Paper Program for the issuance of euro-commercial paper notes. The notes are governed by and construed in accordance with English law. The payments of principal and interest in respect of the notes are irrevocably and unconditionally guaranteed by the parent company of UBI Banca International S.A., Unione di Banche Italiane S.c.p.a..

14. OTHER LIABILITIES

Other liabilities are split as follows:

	2010	2009
	EUR	EUR
Short term payables	5.135.565	412.875
Premiums on options written	255.839	43.281
Sundry creditors	1.209.673	31.988
Preferential creditors	1.454.020	1.352.022
Others	5.747.752	486.075
	<u>13.802.849</u>	<u>2.326.241</u>



The amount in caption “Short term payables” is mainly composed of unsettled transactions for client accounts.

15. TRANSITORY ACCOUNTS

“Prepayments and accrued income” in the assets and “Accruals and deferred income” in the liabilities mainly consists of accrued interest income and expense.

16. CAPITAL AND RESERVES

The evolution of the capital and the reserves for 2010 can be summarised as follows:

	Subscribed Capital	Share premium account	Legal reserve	Special reserve for NWT (Note 27)	Free reserve	Total reserve	Result brought forward
At the beginning of the year	57.539.730	32.460.962	1.916.038	4.941.000	1.840.547	8.697.585	10.636.814
Capital increase	1.531.020	1.368.912	–	–	–	–	–
Transfer from special reserve to free reserve	–	–	–	(974.500)	974.500	–	–
2009 result allocation	–	–	531.841	1.942.000	1.055.123	3.528.964	(3.528.964)
Dividends paid	–	–	–	–	–	–	(7.107.850)
At the end of the year	<u>59.070.750</u>	<u>33.829.874</u>	<u>2.447.879</u>	<u>5.908.500</u>	<u>3.870.170</u>	<u>12.226.549</u>	<u>–</u>

Subscribed capital and share premium

The Annual General Meeting of Shareholders dated April 6, 2010 approved the appropriation of the 2009 result.

On January 6, 2009, in order to strengthen the Bank’s capital structure, the Bank’s shareholders increased the subscribed and fully paid-in share capital from EUR 45.259.440 to EUR 57.539.730, with the issue of 24.079 new shares having a par value of EUR 510 each, and with a share premium of EUR 386 per share amounting to EUR 9.294.494, involving a total increase by EUR 21.574.784.

The Extraordinary General Meeting of Bank’s Shareholders, held on December 10, 2010, resolved to increase the share capital of the Bank by EUR 1.531.020 so as to raise it from its current amount of EUR 57.539.730 to EUR 59.070.750 by issuance of 3.002 new shares of the Bank, with a nominal value of EUR 510 each, together with an aggregate share premium of EUR 1.368.912. Banco di Brescia S.p.A. subscribed all newly issued 3.002 shares.

As of December 31, 2010, the subscribed and fully paid capital of the Bank is made up of 115.825 shares (2009: 112.823) with a par value of EUR 510 each.

The Bank’s shareholders, as of December 31, 2010, are the following four banks, all of them belonging to UBI Banca S.c.p.a. Group:

UBI Banca Scpa – Bergamo	90,61 %
Banco di Brescia S.p.A. – Brescia	5,85 %
Banca Popolare di Bergamo S.p.A. – Bergamo	3,37 %
Banco di San Giorgio S.p.A. – Genova	0,17 %



Legal reserve

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

Special reserve for net wealth tax

The special reserve for Net Wealth Tax (“NWT”) is a reserve whose objective is to free the Bank of the Net Wealth Tax charge, in accordance with Luxembourg law (Note 27) and it can be summarised as follows:

	2010	2009
	EUR	EUR
NWT 2004	0	974.500
NWT 2005	960.500	960.500
NWT 2006	1.020.500	1.020.500
NWT 2007	1.985.500	1.985.500
NWT 2009	1.942.000	0
	<u>5.908.500</u>	<u>4.941.000</u>

17 OTHER PROVISIONS

	2010	2009
	EUR	EUR
AGDL (Note 18)	505.130	422.049
Other provisions	1.175.795	1.210.871
	<u>1.680.925</u>	<u>1.632.920</u>

Other provisions are mainly composed of EUR 83.251 (2009: EUR 480.000) as employee bonus provision; EUR 555.706 of various provisions for suppliers (2009: EUR 386.450) and EUR 240.580 (2009: EUR 53.138) of audit fees provision.

18 THE LUXEMBOURG ASSOCIATION FOR THE GUARANTEE OF DEPOSITS

The Bank is a member of the “Association pour la Garantie des Dépôts, Luxembourg” (AGDL), establishing a mutual guarantee scheme covering deposits made by customers of member credit institutions (the “Guarantee”). AGDL approved its new statutes on December 17, 2010. Customers guaranteed by the Association in virtue of their investment transactions include all natural persons without distinction on grounds of nationality or residence of such persons. The Guarantee in virtue of their investment transactions is likewise extended to companies governed by Luxembourg law or by the law of another Member State of the European Community whose size is such that they are authorised to establish abridged balance sheet pursuant to the law and those of comparable size governed by the law of another Member State of the European Community.

With respect to each member, the Guarantee is limited to a maximum amount per depositor of EUR 100.000 or its foreign currency equivalent of the amount of his guaranteed cash deposits. No depositor can receive more than this sum, regardless of the number of accounts or deposits held in the sole or joint name of the depositor with the same credit institution.



The AGDL also covers claims arising out of investment transactions. The association shall reimburse to the investor the amount of his guaranteed claim up to a maximum values equivalent in all currencies to EUR 20.000.

Following three Icelandic banks incorporated in Luxembourg going into administration, the Bank has been called by the AGDL to pay two tranches in 2008 for an amount of EUR 251.791 and three tranches in 2009 for the following amounts: EUR 119.392; EUR 119.392; EUR 118.304. The maximum quota share of the Bank (0,1962589%) in respect of this commitment was estimated at EUR 636.762.

During 2009, two amounts were reimbursed by the AGDL for EUR 169.247 and EUR 24.919. During 2010, three amounts were reimbursed by the AGDL for EUR 17.333, EUR 10.509 and EUR 55.239 (see note 25).

As at December 31, 2010 a provision of EUR 505.130 (2009: EUR 422.049) was recorded in the annual accounts in respect of AGDL scheme.

(In EUR)	31/12/2009	Provision	Payment	Payable	31/12/2010
AGDL Provision	<u>422.049</u>	<u>83.081</u>	<u>-</u>	<u>-</u>	<u>505.130</u>
	<u>422.049</u>	<u>83.081</u>	<u>-</u>	<u>-</u>	<u>505.130</u>

19. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2010, the equivalent of assets and liabilities denominated in currencies other than EUR amounts to EUR 639.798.717 (2009: EUR 119.159.748) and EUR 639.513.055 (2009: EUR 118.750.696) respectively.

20. CONTINGENT LIABILITIES

At December 31, 2010 and December 31, 2009, guarantees and other direct substitutes for credit exclusively represent the contingent liabilities.

21. COMMITMENTS

The Bank's commitments may be analysed as follows:

	<u>2010</u>	<u>2009</u>
	EUR	EUR
Forward purchase of assets	777.356	176.730
Forward sales of assets	777.978	176.902
Confirmed credits not used	<u>182.299.705</u>	<u>129.361.362</u>
	<u>183.855.039</u>	<u>129.714.994</u>



22. DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are outstanding:

	Notional value 2010	Notional value 2009
	EUR	EUR
Instruments linked to foreign exchange rates:		
Forward currency contracts	155.305.490	234.075.352
Spot transactions not settled	<u>7.641.082</u>	<u>1.809.632</u>
	<u>162.946.572</u>	<u>235.884.984</u>
Instruments linked to interest rates:		
Interest rate swaps	<u>44.006.533</u>	<u>35.349.579</u>
	<u>44.006.533</u>	<u>35.349.579</u>
Instruments linked to others market rates:		
Options on variable-yield securities	<u>12.453.138</u>	<u>914.734</u>
	<u>12.453.138</u>	<u>914.734</u>
	<u>219.406.243</u>	<u>272.149.297</u>

The outstanding forward currency and interest rate instruments (over the counter) are used for hedging purposes. The options on variable-yield securities (organised markets) have been entered into on behalf of customers who have pledged to the Bank the underlying collateral.

The table below presents the notional values and fair values for each category of derivative financial instruments as at December 31, 2010 and 2009 according to whether they led to unrealised gains or losses.

December 31, 2010						
Financial instruments	Less than	Between	Between one	More than	Total	Fair value
(notional amounts)	three months	three months	year and	five years		
<i>Instruments linked to foreign</i>		and one year	five years			
<i>exchange rates</i>						
– forward currency transactions	107.293.278	48.012.212	–	–	155.305.490	57.695
– spot transactions not settled	7.641.082	–	–	–	7.641.082	–
<i>Instruments linked to interest</i>		0	1.929.000	22.077.533	20.000.000	44.006.533
<i>rates</i>						(4.532.587)
<i>Instruments linked to other</i>	4.084.892	8.128.246	240.000	–	12.453.138	–
<i>market rates</i>						
	<u>119.019.252</u>	<u>58.069.458</u>	<u>22.317.533</u>	<u>20.000.000</u>	<u>219.406.243</u>	<u>(4.474.892)</u>

Options have not been fair-valued as they are concluded for clients purposes only.

December 31, 2009						
Financial instruments	Less than	Between	Between one	More than	Total	Fair value
(notional amounts)	three months	three months	year and	five years		
<i>Instruments linked to foreign</i>		and one year	five years			
<i>exchange rates</i>						
– forward currency transactions	161.595.007	72.480.345	–	–	234.075.352	39.031
– spot transactions not settled	1.809.632	–	–	–	1.809.632	–
<i>Instruments linked to interest</i>		10.000.000	–	4.872.000	20.477.579	35.349.579
<i>rates</i>						(1.995.155)
<i>Instruments linked to other</i>	659.685	255.049	–	–	914.734	–
<i>market rates</i>						
	<u>174.064.324</u>	<u>72.735.394</u>	<u>4.872.000</u>	<u>20.477.579</u>	<u>272.149.297</u>	<u>(1.956.124)</u>

Options have not been fair-valued as they are concluded for clients purposes only.



23. FIDUCIARY OPERATIONS

As of December 31, 2010 and 2009, there are no assets and liabilities resulting from fiduciary operations, which are not expressly governed by the law of July 27, 2003.

24. MANAGEMENT AND AGENCY SERVICES

The Bank provides management and agency services to third parties in the following areas:

- Portfolio management and advice;
- Custody and administration of transferable securities;
- Fiduciary operations;
- Asset management;
- Syndicated loans facilities and factoring services.

25. OTHER OPERATING INCOME

The other operating income is split as follows:

	<u>2010</u>	<u>2009</u>
	EUR	EUR
Release of tax provisions in excess	19.022	302.096
Rental income	193.000	177.600
Previous year VAT credit	341.770	114.791
AGDL Reimbursement	83.081	194.166
Service Outsourcing	127.541	100.000
Others	292.643	350.743
Realised gain on Metal Finance S.A. (note 6)	959.649	–
	<u>2.016.706</u>	<u>1.239.396</u>

The amount comprised in the caption “others” mainly relates to the reversal of a provision of EUR 190.502 (2009: EUR 268.926).

26. OTHER OPERATING CHARGES

As of December 31, 2010, the other operating charges are mainly composed of for the AGDL provision for EUR 83.081 (2009: EUR 394.166), a prior year tax adjustment EUR 69.892 (2009; EUR 35.595) and operational errors for EUR 51.621 (2009: EUR -).

27. TAXES

The Bank is liable for all taxes to which the credit institutions are subject to in Luxembourg and to which the branches are subject to in Spain and Germany.

The Bank opts for the exoneration of the net wealth tax charge provided the following conditions are fulfilled:

- A reserve equivalent to five times the net wealth tax liability is created (see note 16). A new reserve has to be created each year. This requires a decision of the general meeting of shareholders and this reserve has to appear in the commercial balance sheet. If the profit of the year is not sufficient to create the reserve, it is possible to transfer the profit of the preceding years to create such reserve; and
- This reserve is maintained for a period of at least five years after the year of the credit.



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

The Bank has recognised a loss in 2008 and therefore has not been able to opt for the exoneration of the net wealth tax for 2008. Following this situation, a net wealth tax provision of EUR 400.000 has been booked during the year 2008 (see note 16).

In 2009 and 2010, the Bank has opted for the exoneration of the net wealth tax charge by creating a new reserve.

28. STAFF NUMBERS, ADVANCES AND CREDITS TO MEMBERS OF THE DIFFERENT BODIES IN THE BANK

In 2010, the Bank employed an average number of personnel of 97 persons (2009: 92) who were registered on its payroll.

As of December 31, 2010 and 2009, the personnel working for the Bank is detailed as follows:

Category	2010	2009
Management	4	5
Employees	94	91
TOTAL	98	96

In 2010, the definition of Management has been revised comparative data have been updated consequently.

As of December 31, 2010, remuneration paid to Management amounts to EUR 838.437.08 (4 people concerned) (2009: EUR 1.199.738,12 (5 people concerned)).

In addition, a total amount of EUR 1.471,63 has been paid in 2010 as a pension plan in favour of members of management (2009: EUR 12.728,47).

As of December 31, 2010, no loan has been granted to a member of Management (2009: EUR 125.000).

29. RELATED PARTIES

The annual accounts as of December 31, 2010 and 2009 include the following related party balances or transactions before value adjustments and lump sum provisions:

	2010	2009
	EUR	EUR
Balance sheet		
Loans and advances to credit institutions	7.615.142.269	461.150.130
Shares in affiliated undertakings	251.961	333.650
Other Assets	50.380	33.580
Prepayments and accrued income	10.390.042	390.869
Amounts owed to credit institutions	145.442.731	435.606.771
Amounts owed to customers	319.833.604	138.049.134
Other Liabilities	1.179.399	–
Accruals and deferred income	1.364.875	1.010.333
Off-balance sheet		
Forward exchange contracts	54.889.446	80.003.832
Interest Rate Swaps	44.006.533	35.349.579
Profit and loss account		
Interest receivable and similar income	14.716.843	3.820.242
Interest payable and similar charges	(2.869.270)	(4.369.614)
Income from shares and other variable-yield securities	615	627
Commission receivable	(164.936)	105.980
Commission payable	(548.902)	(295.185)
Net result on financial operations	(76.089)	–
Other operating income	386.497	280.209
Wages and salaries	(240.198)	(127.185)
Others administrative expenses	(87.201)	(178.618)

30. ASSETS HELD FOR THIRD PARTIES

As of December 31, 2010, the total assets held by the Bank on behalf of third parties amount to EUR 3.250.912.198 (2009: EUR 3.086.748.553).

31. ADDITIONAL INFORMATION ON THE FINANCIAL INSTRUMENTS

As of December 31, 2010 and 2009, the Bank computes the integrated ratio for capital adequacy purpose although it is not required to do so due to the limited size of its trading portfolio.

As of December 31, 2010 and 2009, except for the debts and other fixed-income securities, which have been detailed in Note 4, all below primary financial instruments are unquoted.



Residual maturity structure of primary financial instruments – Primary non-trading instruments

As of December 31, 2009, the primary financial instruments detail as follows, based on their booking value after deduction of specific adjustments but before allocation of lump sum provision:

				On Demand to 3 Months EUR	3 Months to 1 Year EUR	1 to 5 Years EUR	Over 5 Years EUR	Un- determined EUR	Total 2009 EUR
Balances with Central Bank		Zone	A	22.652.537	–	–	–	–	22.652.537
Cash in hand and post office banks		Zone	A	25.485	–	–	–	–	25.485
Loans and Advances	Bank	Zone	A	463.627.884	7.827.395	–	–	–	471.455.279
Loans and Advances	Bank	Zone	B	8.069.672	77.806	–	–	–	8.147.478
Loans and Advances	Financial Institutions	Zone	A	93.401.972	67.942.216	53.180.000	–	–	214.524.188
Loans and Advances	Financial Institutions	Zone	B	8.483.681	–	–	–	–	8.483.681
Loans and Advances	Corporates	Zone	A	417.657.595	18.018.294	95.196.863	61.808.579	–	592.681.331
Loans and Advances	Corporates	Zone	B	40.425.430	–	–	–	–	40.425.430
Loans and Advances	Public Issuers	Zone	A	64.526.122	–	19.176.856	–	–	83.702.978
Loans and Advances	Individuals	Zone	A	4.864.556	2.279.373	254.393	2.061.225	–	9.459.547
Loans and Advances	Individuals	Zone	B	777.198	–	–	–	–	777.198
Debts and Other Fixed-Income Securities	Public Issuers	Zone	A	–	–	5.004.199	–	–	5.004.199
Debts and Other Fixed-Income Securities	Banks	Zone	A	16.996.003	18.294.426	27.569.861	1.786.600	–	64.646.890
Debts and Other Fixed-Income Securities	Banks	Zone	B	1.400.000	–	3.575.520	–	–	4.975.520
Debts and Other Fixed-Income Securities	Others	Zone	A	–	–	10.267.696	6.822.195	–	17.089.891
Debts and Other Fixed-Income Securities	Others	Zone	B	–	–	–	–	–	–
Shares and other variable yield securities	–	–	–	–	–	–	–	9	9
Total of Primary Financial Instruments	(Assets)			1.142.908.135	114.439.510	214.225.388	72.478.599	9	1.544.051.641
					On Demand to 3 Months EUR	3 Months to 1 Year EUR	1 to 5 Years EUR	Over 5 Years EUR	Total 2009 EUR
Deposits	Bank	Zone	A		420.265.243	20.228.751	9.968.750	1.740.000	452.202.744
Deposits	Financial Institutions				727.147.250	30.776.295	–	–	757.923.545
Deposits	Corporates				83.704.600	228.558	–	–	83.933.158
Deposits	Individuals				108.057.130	3.196.479	–	–	111.253.609
Debts evidenced by certificates	Other				–	–	31.550.000	–	31.550.000
Contingent liabilities					52.190.445	34.689.899	15.824.807	34.914.486	137.619.637
Commitments					71.009.796	24.693.610	15.831.281	18.180.307	129.714.994
Total of Primary Financial Instruments	(Liabilities)				1.462.374.464	113.813.592	73.174.838	54.834.793	1.704.197.687

Zone A includes all member states of the European Union, together with all other full members of OECD and those countries which have concluded special lending agreements with the International Monetary Fund (“IMF”) or are party to the IMF General Lending Agreements.



Residual maturity structure of derivative financial instruments

As of December 31, 2010, the derivative financial instruments outstanding detail as follows, based on their nominal value:

Financial derivative instruments	At sight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2010 Total	2009 Total
Linked to foreign interest rates:						
Swap contracts	–	1.929.000	22.077.533	20.000.000	44.006.533	35.349.579
Linked to foreign exchange rates:						
Forward contracts	107.293.278	48.012.212	–	–	155.305.490	234.075.352
Spot transactions not settled	7.641.082	–	–	–	7.641.082	1.809.632
Linked to other market rates:						
Options on variable-yield securities	4.084.892	8.128.246	240.000	–	12.453.138	914.734
Total of financial derivative instruments (EUR)	119.019.252	58.069.458	22.317.533	20.000.000	219.406.243	272.149.297

All above derivative instruments, except options on variable-yield securities, are unquoted. None of them are classified in the trading book of the Bank.

Credit Risk schedule of derivative financial instruments

The below schedule details the credit risk associated with the derivative financial instruments (except options on variable-yield securities) of the Bank, concluded over-the-counter, based on the value at risk method.

December 31, 2010 Degree of solvability of counterparties	Notional amounts	Replacement cost	Risk equivalent amounts	2010 Net credit exposures
Bank counterparties zone A - weighted at 20%	125.577.937	63.973 ⁽¹⁾	12.795	12.795
Private customers weighted at 50%	81.375.168	– ⁽²⁾	–	–
Total (EUR)	206.953.105	63.973	12.795	12.795

⁽¹⁾ This amount is the net fair value of the instruments linked to foreign exchange rates with bank counterparties.

⁽²⁾ The net fair value of the instruments linked to foreign exchange rates and interest rate swaps with private customers counterparties is negative. Therefore the Bank has not evaluated the replacement cost.

December 31, 2009 Degree of solvability of counterparties	Notional amounts	Replacement cost	Risk equivalent amounts	2009 Net credit exposures
Bank counterparties zone A - weighted at 20%	138.938.714	– ⁽¹⁾	–	–
Private customers weighted at 50%	132.295.849	183.682 ⁽²⁾	91.841	91.841
Total (EUR)	271.234.563	183.682	91.841	91.841

⁽¹⁾ The net fair value of the instruments linked to foreign exchange rates and interest rate swaps with bank counterparties is negative. Therefore the Bank has not evaluated the replacement-cost.

⁽²⁾ This amount is the net fair value of the instruments with private customers.



32. GEOGRAPHICAL ANALYSIS OF INCOME

The Bank derives most of its income from transactions with customers and credit institutions established in European Union countries.

33. AUDIT FEES

Fee billed to the Bank by KPMG Audit S. à r.l. Luxembourg, and other members firms of the KPMG network during the year are as follows:

(excluding VAT)	2010	2009
Audit fees	254.392	195.500
Audit related fees	26.300	25.650
TOTAL	280.692	221.150

Such fees are presented under “other administrative expenses” in the profit and loss account.



