

Risk Management and Capital Adequacy Pillar III Report

for the half year ended June 30, 2009

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1. Introduction

CEB was founded originally as Finansbank (Holland) N.V. in 1994. Today, headquartered in the Netherlands, Credit Europe Bank comprises banking subsidiaries in Romania, Ukraine, Suisse, United Arab Emirates (Dubai) and Russia including leasing subsidiaries in Romania, Russia and Ukraine. It has branches in Belgium, Germany and Malta, with representative offices in China (Shanghai) and Turkey (Istanbul).

Starting from January 2008 CEB monitors, and reports its solvency positions according to the Basel II rules and principles. The main regulatory document, which embodies the requirements of Basel II in EU, is 'Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institution' (CRD).

The CRD is legally enforced under Dutch 'Supervisory Regulation on Solvency Requirements for Credit, Market and Operational Risks' dated 11 December 2006.

With the Basel II framework Basel Committee on Banking Supervision has improved and modified the set of rules regarding the capital adequacy requirements for banks, set out in 1988 Basel Capital Accord (Basel I).

The Basel II framework is based on three pillars:

- Pillar I defines the rules for calculation of minimum capital requirements for credit, market and operational risks;
- Pillar II addresses the internal processes for assessing overall capital adequacy (ICAAP) in relation to material risks not covered by Pillar I. Pillar II also introduces the Supervisory Review and Evaluation Process (SREP), which assesses internal capital adequacy processes of credit institution;
- Pillar III aims to complement the minimum capital requirements set in Pillar I and the supervisory review process of Pillar II. Pillar III introduces the minimum disclosure requirements, related to the key solvency and risk profile of the credit institutions.

1.1. Pillar I

CRD maintained same level of minimum capital requirements (8%) as it was under Basel I. In this respect the main changes in the new framework relate to the calculation of Risk Weighted Assets (RWA).

Under previous regulation calculation of RWA was simple and standardized. Basel II, however, uses more sophisticated and risk sensitive approaches for assessing the risks, aiming to promote a more forward-looking approach to capital management.

Additionally to credit and market risks the new risk type is introduced under Basel II – operational risk.

Basel II provides several approaches for calculating regulatory capital requirements. The overview of these methods is provided below.

CREDIT RISK	MARKET RISK	OPERATIONAL RISK
Standardized Approach	Standardized Approach	Basic Indicator Approach
Foundation Internal Rating Based Approach	Internal Models Approach	Standardized Approach
Advanced Internal Rating Based Approach	-	Advanced Measurement Approach

CEB adopted Standardized Approach for credit and market risks and Basic Indicator Approach for operational risk.

1.2. Pillar II

Apart from the risks covered by Pillar I, CEB conducts regular assessment and monitoring of other risks, which it considers material. This is done within the internal capital adequacy assessment process which is described in CEB's ICAAP document. CEB complies itself to review ICAAP annually and adjust the approach towards material risks if needed.

Currently ICAAP covers following risks:

- concentration risk (incl. single-name and sector concentration);
- country concentration;
- interest-rate risk on the banking book.

According to its capital management strategy CEB aims to ensure that it has sufficient capital base to cover both Pillar I and Pillar II risks.

1.3. Pillar III

Minimum disclosure requirements for capital and risk management are laid down in CRD.

The main objective of the Pillar III disclosures is to provide a higher transparency of banks' businesses and their risk structures which are communicated to the market participants. The disclosed information shall improve market participants' ability to assess banks' capital structures, risk exposures, risk management processes, and, hence, their overall capital adequacy.

In this report CEB provides Pillar III related qualitative and quantitative disclosures which are required by CRD.

The Pillar III Disclosure Report covers following topics:

- Description of the group structure;
- Description of capital and risk management strategies and approaches;
- Regulatory capital requirements under Pillar I and capital adequacy profile;
- Description of credit and dilution risks;
- Impaired and past due assets;
- Credit quality of CEB's portfolio;
- Counterparty credit risk;
- Description of credit risk mitigation techniques;
- Operational risk;
- Market risk;

- Interest rate risk;
- Liquidity risk.

The Pillar III disclosures are prepared for CEB on consolidated basis. Disclosures containing regulatory capital requirements, and capital adequacy information are also provided on the level of Credit Europe Group N.V. and significant subsidiaries. The list of significant subsidiaries is available in Annex I of this document. Unless otherwise stated, all amounts are in thousands of euros.

Pillar III Disclosure Report is prepared semi annually and is published on the CEB's website www.crediteurope.nl

2. Group Structure

CEB differentiates between legal and prudential consolidation scopes.

CEB prepares its IFRS financial statements under legal consolidation scope, determined by IFRS 27 Consolidated and Separate Financial Statements and IFRS 28 Investments in Associates.

Prudential consolidation scope is used for the reporting towards regulator, which is the Dutch Central Bank and currently is taken without any change as the Basel II consolidation scope and therefore pertain solely to the banking institutions.

In order to satisfy the conditions of prudential reporting CEB deducts from its regulatory capital base insurance entities which are consolidated under legal consolidation scope.

Table below provides an overview of CEB's legal structure as of 30 June 2008.

Table 1 Description of entities consolidated/deducted from capital base

(30 June 2009)

Name of the entity	Book Value	Interest %	Domicile
<i>Entities fully consolidated</i>			
Credit Europe Bank Ltd	252,623	96.28%	Russia
CSJC Credit Europe Bank	46,600	99.99%	Ukraine
Credit Europe Leasing LLC	(10,740)	100.00%	Ukraine
Credit Europe (Romania) Bank S.A.	180,414	96.39%	Romania
Credit Europe (Suisse) Bank S.A.	88,358	100.00%	Switzerland
Credit Europe (Dubai) Ltd.	25,432	100.00%	The United Arab Emirates
Credit Europe Bank Consumer Finance S.A.	5,115	100.00%	Belgium
Credit Europe Leasing LC Russia	3,318	98.04%	Russia
Herald Maritime Corporation	(541)	100.00%	Marshall Islands
Cavendish Shipping SA	(275)	100.00%	Marshall Islands
Total entities fully consolidated	590,304		
<i>Entities deducted from own funds</i>			
CE Life Ltd.	2	100%	Russia
Total entities deducted from own funds	2		
<i>Entities neither consolidated nor deducted from own funds</i>			
Stichting Credit Europe Custodian Services S.A	0.125	100.00%	The Netherlands
Total entities neither consolidated nor deducted from own funds	0.125		

There is no legal restrictions on transfer of funds or regulatory capital within the group; however re-allocating capital from the subsidiaries to the parent bank might be subject to the approval of the local supervisor in certain cases.

3. Capital and Risk Management

3.1. Roles and Responsibilities

In the course of 2008 CEB has further strengthened its group risk management function with additional expertise and clearer reporting lines, which has enabled a centralized measuring, monitoring and controlling of risks at CEB and other organizational levels. The division has sub-functions, such as Credit Risk, Market Risk and Treasury Risk Control, Quantitative Analysis and Operational Risk, and Capital Management.

The risk consolidation is conducted by the Group Risk Management Department (GRMD) which is responsible for measurement and monitoring of risks at consolidated level.

The GRMD operates under the supervision of Chief Credit and Risk Officer (CCRO) and CFO, which are the members of Group Risk Management Committee (GRMC)

The CCRO is responsible for handling credit, operational and legal risks framework. This includes approving and implementation of related policies and procedures at CEB level, conducting control over credit decision process, monitoring of the rating models.

Market and liquidity risks, as well as capital planning process including capital adequacy reporting is under responsibilities of CFO.

The consolidated credit risk related reports are conducted on a monthly basis and contains detailed analysis of the portfolio structure, asset impairments and concentration risks. The consolidated market risk and liquidity gap reports are prepared on a monthly basis, except of VaR and liquidity positions which are reported to Managing Board daily.

3.2. Capital Management

CEB's approach to capital management is driven by its business plan/strategy and overall risk appetite taking into account the regulatory and business environments in which it operates.

CEB's policy is to maintain at all times a strong capital base that will enable it to:

- comply with the requirements set by the regulators of the markets where CEB operates;
- safeguard its ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders; and
- support the development of its business.

3.3. Risk Strategy

CEB's risk strategy sets out what types and to what extent the risks should be taken in order for CEB to achieve its business targets. It also states how the risks are controlled, monitored and mitigated. This is done through established organizational structure, monitoring processes and framework of principles incorporated into the number of the Bank's policies and procedures.

Within the different types of risks which CEB is exposed to due to its business activities the most material are credit risk, market risk, liquidity risk, interest rate risk, concentration risks (incl. country concentration) and operational risk. As non-material risks CEB identifies settlement risk, pension risk, reputation and residual risks.

The type and nature of each type of material risks are described below.

3.4. Risk Types

3.4.1. Pillar I Risks

Credit Risk

Credit risk is defined as the current or prospective threat to the Bank's earnings and capital as a result of counterparty's failure to comply with financial or other contractual obligations.

Credit risk constitutes the most significant risk of CEB and arises mainly from its trade-finance, lending, treasury, mortgage and leasing businesses.

The main sources of credit risk are mainly different forms of lending but also off-balance sheet items, like letters of guarantee and letters of credit. Counterparty credit risk which arises from derivative contracts and securities financing is also part of credit risk.

Market Risk

Market risk is the risk that CEB'S earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

Operational Risk

CEB' defines Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk and outsourcing risk (within Execution, Delivery, & Process Management) but excludes strategic risk, business risk, liquidity risk, reputational risk.

3.4.2. Pillar II Risks

Concentration risks

This includes single-name, sector and country concentration risks. Calculation of the capital requirement for the credit risk under Pillar I do not consider a buffer for credit risk concentrations, therefore an assessment of additional required capital due to concentration risk is conducted under Pillar II.

GRMD prepares regular concentration reports to monitor its concentration risks on different levels. Concentration risk is managed with the limit structure and credit risk mitigation techniques.

Interest rate risk in the banking book

CEB defines interest rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates. Interest rate risk arising from trading book is dealt with in Market Risk.

CEB aims at regularly capturing all major sources of interest rate risk and measuring the effect of interest rate changes on economic value of the bank.

Liquidity risk

Liquidity risk rises when an institution is unable to meet its due liabilities, since it is unable to borrow on an unsecured basis, or does not have sufficient good quality assets to borrow against or liquid assets to sell to raise immediate cash without severely damaging its net asset value.

CEB manages its liquidity position on the consolidated level in order to be able to ride out a crisis without damaging the on-going viability of the business. This is complemented by its funding risk management which aims to achieve the optimal liability structure to finance its businesses cost-efficiently and reliably.

4. Regulatory Capital Requirements and Capital Adequacy Profile

CEB ensures that it holds enough capital to cover its material risks. The nature and quality of the capital which can be included into total own funds for the purposes of capital requirement calculation is subject to regulatory restrictions set out by CRD and the Dutch Central Bank. This section describes main elements of CEB's capital base and provides capital adequacy profile of CEB, CEG and its significant subsidiaries.

4.1. Structure of Total Own Funds.

The total own funds eligible for regulatory purposes are composed of three components: Tier I capital also referred as "core capital", Tier II or "supplementary capital" and Tier III. Currently CEB's capital base includes Tier I and Tier II capital. The main terms and conditions of these elements are summarized below.

Tier I capital of CEB includes share capital and share premium, retained earning and current year profit, other eligible reserves (excl. revaluation reserves for tangible assets) and minority interests.

Other eligible reserves are composed of fair value reserves, hedge reserves and translation reserves. Fair value reserves includes the cumulative net change in the fair value of available-for-sale investments, whereas changes in the fair value of interest-bearing instruments are not included in the total own funds in any way.

Tier II capital of CEB comprises of subordinated liabilities and revaluation reserves for tangible assets.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of CEB. These liabilities qualify as capital, taking into account remaining maturities (for more details see note 17, p.17 in Financial Statements, 30 June 2009).

Revaluation reserves for tangible assets includes accumulated unrealised gains on tangible assets.

Deductions from total own funds includes goodwill and intangible assets such as patents, licenses etc. as well as participations hold in the insurance and other entities, which are not subject to banking supervision.

In order to include the above mentioned components in the total own funds CEB ensures that Tier II capital is less than or equal to the Tier I capital as required by the Dutch Central Bank.

The table below provides the structure of CEB's total own funds.

Table 2 Structure of total own funds for solvency purposes

Composition of regulatory capital	June 2009	December 2008
Tier I capital		
- paid up share capital	399,500	399,500
- share premium	163,748	162,321
- eligible reserves (incl. retained earnings)	23,644	20,030
- valuation differences in AFS assests	(2,414)	(10,205)
- adjustments to caluation differences in AFS assets	1,008	7,853
- minority interests	16,587	22,983
- income from current year	27,295	72,174
Deductions from Tier I capital		
- intangible assets	(11,719)	(7,495)
- participation hold in insurance undertakings	(2,228)	(2,098)
Total Tier I capital	615,420	665,065
Tier II capital		
- subordinated capital	226,787	231,079
- revaluation reserves	4,314	4,207
- deductions from original own funds	-	-
Total Tier II capital	231,101	235,286
Total regulatory capital	846,521	900,350

4.2. Capital Adequacy

Next section provides an overview of regulatory capital requirements of CEB as of 30 June 2009 and concerns only Pillar I risks: credit, market and operational risks.

The capital requirements for credit risk are split by exposure classes which are defined in the 'Supervisory Regulation on Solvency Requirements for Credit, Market and Operational Risks' dated 11 December 2006. There are following exposure classes under current portfolio structure of CEB:

Central governments and central banks includes exposures to central governments and central banks.

Financials Institutions comprises of exposures to credit institutions and investment firms.

Corporates: here is included exposure to corporate customers, as well as exposure from private banking activities and exposure to retail and small and medium-sized costumers which do not satisfy the criteria of 'Retail exposure' class.

Retail exposure is defined as exposure to retail and small and medium-sized costumers, which according to the Dutch regulation on Solvency Requirements for Credit Risk can be classified as retail exposure.

Exposure secured on real estate property refers to the exposures or any part of an exposure secured by mortgages on residential property.

Past due items. According to the requirements of the Dutch Central Bank it includes only assets which are past due more than 90 days. Other past due assets are included in the corresponding to the counterparty type exposure class.

Other items comprises of tax and other assets, cash and equity participations, tangible, and intangible assets which are not deducted from the total own funds.

The table below provides the capital requirements of CEB broken down by exposure classes and main risk types.

Table 3 Capital requirements and risk weighted assets

(30 June 2009)

	Risk Weighted Assets (RWA)	Capital Requirements (8%)
Credit Risk		
Central governments and central banks	125,211	10,017
Financials Institutions	819,608	65,569
Corporates	3,586,922	286,954
Retail exposure	917,563	73,405
Exposure secured on real estate property	249,245	19,940
Past due items	176,163	14,093
Other items	161,307	12,905
Securitisation position	-	-
Total Credit risk	6,036,020	482,882
Market Risk		
- trading book	396,418	31,713
- FX	101,749	8,140
Total Market Risk	498,167	39,853
Total Operational Risk	695,233	55,619
Total Regulatory Capital	846,521	
Capital Ratio	11.71%	
Tier I Capital	615,420	
Tier I Ratio	8.51%	

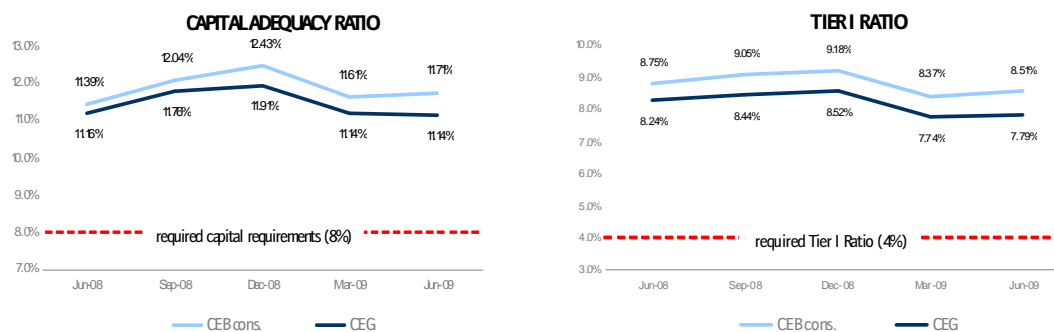
(31 December 2008)

	Risk Weighted Assets (RWA)	Capital Requirements (8%)
Credit Risk		
Central governments and central banks	228,749	18,300
Financials Institutions	675,921	54,074
Corporates	3,759,121	300,730
Retail exposure	1,076,330	86,106
Exposure secured on real estate property	270,035	21,603
Past due items	61,837	4,947
Other items	169,996	13,600
Securitisation position	-	-
Total Credit risk	6,241,990	499,359
Market Risk		
- trading book	254,702	20,376
-FX	61,156	4,892
Total Market Risk	315,858	25,269
Total Operational Risk	695,233	55,619
Total Regulatory Capital	900,350	
Capital Ratio	12.41%	
Tier I Capital	665,065	
Tier I Ratio	9.17%	

Capital Ratio is calculated as the ratio of 'Total Own Funds' over 'Total Risk Weighted Assets (RWA)', (composed of RWA for credit, market and operational risks) and is subject to a regulatory minimum of 8%.

CEB reports capital requirements to its local regulator on consolidated level, as well as on the level of CEG. CEB (Holland) is also subject to regulatory requirements on a stand alone basis.

As it is seen from the graphs presented below, the Bank maintains the capital and tier I ratios well above regulatory requirements of 8% and 4% respectively both on CEB and CEG levels.



Other entities consolidated under CEB are not subject to Basel II capital requirement framework. Their solvency profile is subject to the local regulation of the country of their domicile.

The next table provides an overview of the local capital requirements for significant entities consolidated under CEB.

Table 4 Minimum capital requirements (local regulation)

(30 June 2009)

	CEB Russia Ltd.	CEB Swiss S.A.	CEB Romania S.A.	CEB Ukraine CJSC	Basel II reported entities		
					CEB NV (Holland)	CEB N.V. consolidated	CEG N.V. (audited)
Total Own funds	243,095	82,826	182,819	40,603	832,155	846,521	806,056
Total RWA	1,205,282	508,183	1,240,977	90,194	7,517,669	7,229,420	7,237,089
Capital Ratio							
- actual (local)	20.17%	16.30%	14.73%	45.02%	11.07%	11.71%	11.14%
- required (local)	10.00%	8.00%	8.00%	10.00%	8.00%	8.00%	8.00%
Capital surplus (deficit)	122,567	42,172	83,541	31,583	230,742	268,158	227,089

(31 December 2008)

	CEB Russia Ltd.	CEB Swiss S.A.	CEB Romania S.A.	CEB Ukraine CJSC	Basel II reported entities		
					CEB NV (Holland)	CEB N.V. consolidated	CEG N.V. (audited)
Total Own funds	213,147	85,142	192,158	46,837	879,478	900,350	860,594
Total RWA	1,482,251	487,032	1,549,663	173,470	7,796,541	7,253,081	7,227,765
Capital Ratio							
- actual (local)	14.38%	17.48%	12.40%	27.00%	11.28%	12.41%	11.91%
- required (local)	10.00%	8.00%	8.00%	10.00%	8.00%	8.00%	8.00%
Capital surplus (deficit)	64,922	46,179	68,185	29,490	255,756	320,104	282,373

5. Credit and Dilution Risk

This section provides an overview of CEB's credit and dilution risks.

In order to simplify the reconciliation with the Financial Statements, exposure classes are redesigned according to the business definition. The difference in exposure amounts between exposure classes for the purpose of capital adequacy reporting is negligible and mainly concerns *Retail Exposure Class*. In tables below, if other is not stated, Retail Exposure comprises of small and medium sized enterprises and retail costumers. In contrast to regulatory reporting of capital adequacy no reclassification is done to Corporate Exposure class if exposure does not satisfy the definition of 'Retail exposure' according to Basel II.

For the same purposes other assets as well as contingent liabilities and other commitments, which to the largest extent composed of revocable credit facilities and credit card limits are excluded from the analysis.

The valuation of the exposure corresponds to the valuation principles adopted in Financial Statements, 30 June 2009, for more details see note 30, p. 26.

Next table provides the breakdown of CEB's total exposure by exposure classes.

Table 5 Total exposure broken down by exposure types**(30 June 2009)**

	On-Balance sheet	Off-Balance sheet	Total Exposure
Central governments and central banks	2,808,846	-	2,808,846
Financials Institutions	1,890,454	48,332	1,938,786
Corporates	3,576,028	380,871	3,956,899
Retail exposure	1,370,578	2,900	1,373,478
Exposure secured on real estate property	625,607	-	625,607
Past due items (>90 dpd)	161,883	1,115	162,998
- Financial Institutions	12,369	-	12,369
- Corporates	85,802	1,115	86,917
- Retail	51,136	-	51,136
- Exposure secured on real estate property	12,576	-	12,576
Total Exposure	10,433,396	433,218	10,866,614

(31 December 2008)

	On-Balance sheet	Off-Balance sheet	Total Exposure
Central governments and central banks	2,084,881	-	2,084,881
Financial Institutions	1,640,708	65,623	1,706,331
Corporates	3,324,836	407,814	3,732,650
Retail exposure	1,556,176	3,047	1,559,223
Exposure secured on real estate property	638,224	-	638,224
Past due items (> 90 dpd)	57,062	-	57,062
- Financial Institutions	-	-	-
- Corporates	25,665	-	25,665
- Retail	29,574	-	29,574
- Exposure secured on real estate property	1,824	-	1,824
Total Exposure	9,301,887	476,484	9,778,371

The average exposure of the previous time period is presented in table 9. The calculation is based on the average for period end of each quarter including figures of the previous year end.

Table 6 Total average exposure over the period broken down by exposure types**(30 June 2009)**

(in EUR '000s)	On-Balance sheet	Off-Balance sheet	Total Exposure
Central governments and central banks	1,641,705	-	1,641,705
Financials Institutions	1,903,029	54,972	1,958,001
Corporates	3,855,903	543,939	4,399,842
Retail exposure	1,492,438	1,849	1,494,287
Exposure secured on real estate property	538,552	-	538,552
Past due items (>90 dpd)	80,027	1,115	81,142
- Financial Institutions	2,483	-	2,483
- Corporates	35,627	1,115	36,742
- Retail	37,605	-	37,605
- Exposure secured on real estate property	4,312	-	4,312
Total Exposure	9,511,654	601,876	10,113,530

(31 December 2008)

	On-Balance sheet	Off-Balance sheet	Total Exposure
Central governments and central banks	939,490	-	939,490
Financials Institutions	1,905,360	64,405	1,969,766
Corporates	3,756,288	578,298	4,334,586
Retail exposure	1,415,859	869	1,416,729
Exposure secured on real estate property	477,472	-	477,472
Past due items	46,143	-	46,143
- Financial Institutions	-	-	-
- Corporates	13,820	-	13,820
- Retail	31,852	-	31,852
- Exposure secured on real estate property	471	-	471
Total Exposure	8,540,613	643,572	9,184,186

Next table provides the distribution of corporate exposure across industry sectors.

Table 7 Distribution of total exposure by industry

Exposure to Corporate clients & Private Banking	June 2009				December 2008	
	On-Balance sheet	Off-Balance sheet	Total Exposure	% of total Exposure	Total Exposure	% of total Exposure
Iron & Steel	438,503	72,177	510,680	13%	387,426	10%
Real Estate	497,493	9,197	506,690	13%	422,179	11%
Shipping & Shipyard	421,819	24,651	446,470	11%	471,358	13%
Construction & Installation	285,633	126,590	412,224	10%	459,888	12%
Tourism	209,763	10,189	219,952	6%	220,416	6%
Other	192,912	8,978	201,890	5%	249,530	7%
Petrochemical, Plasticizers & Derivatives	152,393	33,294	185,686	5%	204,152	5%
Retail	143,322	17,726	161,048	4%	203,529	5%
Energy / Coal	118,934	10,401	129,335	3%	90,663	2%
Holding	116,190	-	116,190	3%	48,893	1%
Services	113,499	234	113,733	3%	38,916	1%
Automotive & Derivatives	107,831	1,789	109,620	3%	111,565	3%
Oil & Derivatives	84,088	25,353	109,441	3%	27,766	1%
Financial Service & Investment	101,304	5,245	106,549	3%	139,914	4%
Food-Beverage-Tobacco	100,399	5,777	106,176	3%	103,609	3%
Leasing	104,108	-	104,108	3%	132,407	4%
Transportation and Logistics	71,080	1,518	72,597	2%	94,619	3%
Textile-Clothing-Ready Made Wearing	52,610	14,120	66,730	2%	66,820	2%
Paper & Pulp	45,105	3,674	48,778	1%	23,011	1%
Telecommunications	44,352	-	44,352	1%	22,561	1%
Media & Publishing	42,760	286	43,046	1%	40,071	1%
Soft Commodities & Agricultural Products	40,431	92	40,523	1%	29,422	1%
Electronic Equipment	31,878	2,987	34,865	1%	27,459	1%
Machinery-Office & Optical Equipment	24,403	3,516	27,919	1%	28,206	1%
Fertilizers	16,135	75	16,210	0%	24,406	1%
Factoring	12,043	-	12,043	0%	43,568	1%
International Trade	7,041	3,000	10,041	0%	20,297	1%
Total Exposure to Corporate clients & Private Banking	3,576,028	380,871	3,956,899	100%	3,732,650	100%

The break down of the total exposure by geographical region is provided in the below table.

Table 8 Geographical distribution of total exposure

(30 June 2009)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured by real estate property	Past due items (>90 dpd)	Total Exposure
G10 ¹⁾	2,354,667	990,643	513,893	357,409	2,308	6,565	4,225,485
Russia	16,810	354,022	705,428	543,393	46,539	48,884	1,715,076
Romania	246,082	19,034	603,218	453,614	567,408	49,751	1,939,107
Turkey	3,785	376,906	1,540,892	1,729	2,561	30,894	1,956,766
Ukraine	21,616	52,232	117,691	16,577	6,792	10,796	225,704
Other	165,887	145,949	475,778	756	-	16,107	804,477
Total Exposure	2,808,846	1,938,786	3,956,900	1,373,478	625,607	162,998	10,866,615

¹⁾ G10 incl. Belgium, Canada, France, Germany, Italy, Japan, The Netherlands Sweden, Switzerland, Great Britain, United States of America.

(31 December 2008)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured by real estate property	Past due items (>90 dpd)	Total Exposure
G10 ¹⁾	1,594,190	942,844	235,493	311,629	160	665	3,084,981
Russia	157,227	262,976	690,974	701,154	52,805	16,392	1,881,528
Romania	252,861	29,357	690,865	523,582	574,018	23,895	2,094,577
Turkey	3,701	218,651	1,641,888	2,308	3,003	7,639	1,877,189
Ukraine	18,834	139,940	156,949	20,505	8,239	899	345,365
Other	58,068	112,563	316,481	45	-	7,573	494,730
Total Exposure	2,084,881	1,706,331	3,732,650	1,559,223	638,224	57,062	9,778,371

¹⁾ G10 incl. Belgium, Canada, France, Germany, Italy, Japan, The Netherlands Sweden, Switzerland, Great Britain, United States of America.

In table below is provided the distribution of CEB's total exposure by residual maturity. The calculation is based on the contractual maturity of the exposure.

Table 9 Breakdown of total exposure by residual maturity

(30 June 2009)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured by real estate property	Past due assets (>90 dpd)	Total Exposure
<= 1 year	2,759,208	1,600,824	2,098,321	398,539	80,967	27,625	6,965,483
1 to 5 years	44,339	205,510	1,435,545	725,168	66,429	9,521	2,486,513
> 5 years	5,299	132,452	380,873	248,216	478,211	14,423	1,259,474
Unallocated	-	-	42,161	1,554	-	111,429	155,145
Total	2,808,846	1,938,786	3,956,900	1,373,478	625,607	162,998	10,866,615

(31 December 2008)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured on real estate property	Past due assets (>90 dpd)	Total Exposure
<= 1 year	2,055,743	1,551,407	2,099,600	593,148	70,924	-	6,370,822
1 to 5 years	27,598	77,455	1,333,125	664,372	89,907	-	2,192,457
> 5 years	1,540	77,469	299,925	301,703	477,393	-	1,158,030
Unallocated	-	-	-	-	-	57,062	57,062
Total	2,084,881	1,706,331	3,732,650	1,559,223	638,224	57,062	9,778,371

Past due and impaired assets

CEB defines an asset as past due if at least one contractual payment is missed either interest or principal. The main instruments which are used to monitor and measure CEB's past due exposure are vintage analysis and roll-rates for consumer and SME exposure and watch list for corporate customers.

CEB's considers that asset is impaired if there is objective evidence that an impairment loss has been incurred. For detailed information on the criteria to be fulfilled in order the assets is treated to be impaired as well as for the description of the approaches and methodologies applied for evaluating the impairment allowances refer to the Financial Statement, 30 June 2009, note 30, p. 30.

The overview of impaired assets broken down by counterparty type is provided in the next table.

Table 10 Impaired assets split by counterparty type

(30 June 2009)

	Gross Loans	Provisions (-)	Net loans	Provisions to gross loans (%)
Financial Institutions	24,017	(11,777)	12,240	49%
Corporates	148,831	(72,522)	76,309	49%
Retail Exposure	154,833	(132,744)	22,089	86%
Exposure secured on real estate property	14,831	(2,998)	11,833	20%
Total impaired assets	342,512	(220,041)	122,471	64%

Out of 342 ml. EUR of total impaired assets 304 ml. EUR is attributable to loans to customers (incl. corporates, retail, SMEs and residential mortgage loans). Against of this 304 ml. EUR of impaired customer loans CEB allocates 202 ml. EUR of impairment allowances, which corresponds to the coverage of 66.5%. Additionally, 40% of impaired customer loans are collateralized by physical and financial collaterals.

(31 December 2008)

	Gross Loans	Provisions (-)	Net loans	Provisions to gross loans (%)
Financial Institutions	5,001	(5,001)	-	100%
Corporates	67,624	(52,593)	15,031	78%
Retail Exposure	106,990	(106,726)	264	100%
Exposure secured on real estate property	2,539	(1,457)	1,082	57%
Total impaired assets	182,154	(165,777)	16,377	91%

Following tables provide the breakdown of corporate impaired assets by industry sector.

Table 11 Corporate impaired assets broken down by industry sector

(30 June 2009)

Impaired assets	Impaired assets, gross	Provisions (-)	Impaired assets, net	% of Total
Iron & Steel	30,170	(7,746)	22,425	26%
Shipping & Shipyard	30,665	(17,322)	13,342	15%
Energy / Coal	22,090	(9,362)	12,728	15%
Retail	15,112	(6,215)	8,897	10%
Real Estate	9,078	(261)	8,817	10%
Automotive & Derivatives	9,144	(2,189)	6,955	8%
Construction & Installation	6,502	(2,395)	4,107	5%
Textile-Clothing-Ready Made Wearing	3,859	(532)	3,327	4%

(30 June 2009 (continued))

Impaired assets	Impaired assets, gross	Provisions (-)	Impaired assets, net	% of Total
Transportation and Logistics	12,359	(10,074)	2,285	3%
Other	3,095	(1,206)	1,889	2%
Petrochemical, Plasticizers & Derivatives	2,572	(1,326)	1,245	1%
Machinery-Office & Optical Equipment	528	(63)	465	1%
Food-Beverage-Tobacco	1,655	(1,292)	364	0%
Paper & Pulp	71	(0)	71	0%
Soft Commodities & Agricultural Products	1,932	(1,932)	-	0%
Total Corporate PD customers	148,831	-61,914	86,917	100%

(31 December 2008)

Impaired assets	Impaired assets, gross	Provisions (-)	Impaired assets, net	% of Total
Shipping & Shipyard	30,954	-18,745	12,209	48%
Services	4,293	-448	3,845	15%
Energy / Coal	8,994	-5,876	3,118	12%
Other	3,146	-442	2,704	11%
Textile-Clothing-Ready Made Wearing	1,100	-71	1,029	4%
Iron & Steel	4,342	-3,367	975	4%
Retail	1,175	-664	512	2%
Construction & Installation	650	-159	490	2%
Food-Beverage-Tobacco	443	-22	421	2%
Transportation and Logistics	8,456	-8,131	325	1%
Real Estate	2,171	-2,135	36	0%
Automotive & Derivatives	561	-561	-	0%
Petrochemical, Plasticizers & Derivatives	1,339	-1,339	0	0%
Total Impaired assets	67,624	-41,959	25,665	100%

Country distribution of past due and impaired assets is available in the note 30 p. 31 of the Financial Statements, 30 June 2009.

For charges for value adjustments and provisions during the period split by business type see note 9 p. 13 of the Financial Statements, 30 June 2009.

6. Credit Quality

In order to calculate the RWA CEB is using external ratings provided by the eligible credit assessment institutions (ECAIs). These are Moodys, S&P and Fitch as specified by the Dutch Central Bank.

The ratings provided by ECAIs are aggregated into 6 groups, so called 'credit quality steps' and mapped to the risk weights as laid down in 'Supervisory Regulation on Solvency Requirements for Credit, Market and Operational Risks' dated 11 December 2006.

Tables below provide an overview of CEB's exposure in each credit quality step.

Table 12 Breakdown of total exposure by credit quality step

(30 June 2009)

Credit Quality Step	Rating Mapping ²⁾	Exposure value ¹⁾	Adjusted Value of Collateral		Exposure, net of collaterals
			Outflow (-)	Inflow	
1-CCS	Aaa-Aa3	3,200,775	-	38,213	3,238,988
2-CCS	A1-A3	418,598	-	120,011	538,609
3-CCS	Baa1-Baa3	386,280	-	56	386,336
4-CCS	Ba1-Ba3	401,415	-	-	401,415
5-CCS	B1-B3	247,790	-	-	247,790
6-CCS	Below B3	68,843	-	-	68,843
UNRATED	Unrated	4,080,093	(217,021)	1,365	3,864,437
Retail / Mortgages		2,062,820	(152,261)	-	1,910,559
Total		10,866,614	(369,282)	159,644	10,656,976

¹⁾ Exposure value is gross of collaterals and other credit enhancements but net of impairment allowances.

²⁾ Moody's ratings corresponding to the credit quality step.

(31 December 2008)

Credit Quality Step	Rating Mapping ²⁾	Exposure value ¹⁾	Adjusted Value of Collateral		Exposure, net of collaterals
			Outflow (-)	Inflow	
1-CQS	Aaa-Aa3	2,245,771	-	43,640	2,289,412
2-CQS	A1-A3	301,444	-	108,954	410,399
3-CQS	Baa1-Baa3	376,142	-	-	376,142
4-CQS	Ba1-Ba3	426,102	-	-	426,102
5-CQS	B1-B3	386,876	-	-	386,876
6-CQS	Below B3	28,638	-	-	28,638
Unrated	Unrated	3,950,601	-134,376	-	3,816,225
Retail / Mortgages		2,062,797	-144,032	-	1,918,765
Total		9,778,371	(278,408)	152,594	9,652,558

¹⁾ Exposure value is gross of collaterals and other credit enhancements but net of impairment allowances.

²⁾ Moody's ratings corresponding to the credit quality step.

7. Credit Risk Mitigation

It is CEB's policy to ensure that the loan extension process is conducted under strong evidence of a customer's ability to repay the loan. Nevertheless, collaterals are actively used for the purposes of credit-risk mitigation. The Transactions and Collateral Management Department is organized as a separate department for collateral management of all types of lending. Transactional lending especially relies heavily upon collaterals and documentation. Valuation reports, survey report updates and insurance policies are followed up systematically. Mainly related to trade finance, Collateral Management Agreements and Collateral Monitoring Agreements are also outsourced to expert collateral management agents who have management and reporting capabilities at the site of the collateral. As a principal, the value of the collateral should not have a material positive correlation with the credit quality of the provider for the risk mitigation effect to be considered.

Due to the application of Standardized Approach, not all available collaterals can be considered for solvency testing.

Currently CEB applies Financial Collateral Comprehensive Approach to assess the value of collateral for risk mitigation purposes. Under this approach following collaterals are recognized for the purposes of credit risk mitigation:

- cash on deposits;
- debt securities issued by central governments or central banks which securities have a credit assessment that is associated with credit quality step 4 or above;
- debt securities issued by institutions
- or other entities which securities have a credit assessment that is associated with credit quality step 3 or above;
- equities or convertible bonds; and
- gold.

In order to reflect the possible fluctuations in the collateral value CEB applies supervisory haircuts set by the Dutch Central Bank.

CEB strictly follows that there is a proper documentation in place which legally enforces the pledge of the collateral to the exposure. Otherwise the collateral is not accepted for risk mitigation purposes. The main documents ensuring that CEB has the right to liquidate collateral in case the customer does not fulfill its credit obligations are Deed of Pledge and Framework Credit Agreements.

The next tables show the carrying amount of collateralized exposure broken down by type of collateral obtained. The distinction is made between collaterals eligible for capital adequacy calculation and other collaterals.

Table 13 Breakdown of total exposure by type of collateral

(30 June 2009)

	Financials Institutions	Corporate clients, Private Banking & SME	Retail clients	Total Exposure
Eligible collateral				
Pledge of Deposit	-	283,609	-	283,609
Securities	209,638	-	-	209,638
Bank Letter of Guarantee	-	7,383	-	7,383
Insurance applied	-	-	152,261	152,261
Total Eligible Collaterals	209,638	290,993	152,261	652,891
Other collaterals				
Deposit	-	131,432	-	131,432
Letters of Guarantees	-	27,954	-	27,954
Surety	-	482,354	33,333	515,687
Securities	214,899	37,190	-	252,089
Shares	-	24,116	-	24,116
Mortgage on residential real estate	-	203,417	638,767	842,184
Mortgage other than residential real estate	-	1,267,373	1,411	1,268,784
Promissory note	-	157,819	-	157,819
Insurance from third party	-	2,475	164,317	166,793
Leased Assets	-	211,032	4,750	215,782
Equipment	-	101,713	250,428	352,140
Commodity	-	317,820	-	317,820
Receivables	-	65,370	-	65,370
Other	-	500,052	-	500,052
Total Other Collateral	214,899	3,530,116	1,093,006	4,838,022
Collateralized exposure, gross	424,537	3,821,109	1,245,267	5,490,913
Uncollateralized exposure, gross	1,748,032	619,732	625,897	2,993,662
Impairment Allowances (-)	(11,777)	(90,493)	(114,899)	(217,169)
Net Exposure Total	2,160,792	4,350,348	1,756,265	8,267,405

(31 December 2008)

	Financials Institutions	Corporate clients, Private Banking & SME	Retail clients	Total Exposure
Eligible collaterals				
Insurance applied	1,437		144,032	145,469
Pledge of Deposit	-	124,908	905	125,814
Bank Letter of Guarantee		7,126	-	7,126
Total eligible collaterals	1,437	132,034	144,937	278,408
Other collaterals				
Mortgage other than residential real estate		1,444,661	1,777	1,446,438
Mortgage on residential real estate		113,117	640,047	753,164
Equipment		129,613	322,532	452,145
Surety		335,258	17,112	352,370
Promissory note		278,301	-	278,301
Leased Assets		226,699	5,932	232,630
Insurance from third party		387	187,182	187,569
Receivables		159,239		159,239
Deposit		143,752		143,752
Shares		108,122		108,122
Letters of Guarantees	7,419	84,642		92,061
Commodity		81,127		81,127
Securities		11,593		11,593
Other		11,013		11,013
Total other collaterals	7,419	3,127,523	1,174,582	4,309,524
Collateralized exposure, gross	8,856	3,259,557	1,319,519	4,587,932
Uncollateralized exposure, gross	1,703,913	903,895	663,527	3,271,335
Impairment allowances (-)	-5,001	-65,032	-95,744	-165,776
Net exposure total	1,707,768	4,098,421	1,887,302	7,693,490

Besides financial collaterals CEB also accepts unfunded credit protections. These are mainly bank guarantees, insurance, CDS and fiduciary deposits. The risk mitigation in this case is provided by substituting the risk of the direct counterparty by the risk of the issuer (provider) of credit protection.

The credit quality of unfunded credit protections that CEB possesses as of reported periods is shown in the table below:

Table 14 Credit quality of unfunded credit protection

(30 June 2009)

Credit Quality Step	Rating Mapping	Bank Letter of Guarantee	Insurance
1-CCS	Aaa-Aa3	-	38,213
2-CCS	A1-A3	5,962	114,048
3-CCS	Baa1-Baa3	56	-
	Unrated	1,365	-
Total		7,383	152,261

(31 December 2008)

Credit Quality Step	Rating Mapping	Bank Letter of Guarantee	Insurance
1-CQS	Aaa-Aa3	887	42,753
2-CQS	A1-A3	6,239	102,716
Total		7,126	145,469

8. Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty of a transaction could default before the final settlement of the transaction's cash flows. It arises mainly from the derivative contracts and securities financing. The main sources of counterparty credit risk that CEB regularly faces are currency and interest rate swaps and forwards as well as equity and currency options.

Calculation method for the purpose of capital adequacy reporting

For assessing the extent of counterparty credit risk CEB applies Mark-to-Market Method as laid down in 'Supervisory Regulation on Solvency Requirements for Credit, Market and Operational Risks' dated 11 December 2006.

Under the mark-to-market method, the exposure value per item shall be calculated as the sum of the positive current replacement cost per item and the potential future credit exposure. The current replacement cost shall be determined on the basis of the current market value of contracts with positive values. The value of potential future credit exposure regardless of whether the current replacement cost is positive or negative, is the product of the total of the notional principal amounts or of the underlying values and supervisory multiplier which depends on the nature of the product and residual maturity of the contract.

In the below tables both components of the mark-to-market method are split by exposure class.

Table 15 Counterparty credit risk based on the mark-to-market method

(30 June 2009)

Type of Derivative Contract	Adjusted Notional Amount	Current replacement Costs	Potential future credit exposure
Financial Institutions	77,281	135,979	213,260
Corporate	75,141	81,541	156,682
Total	152,421	217,520	369,941

(31 December 2008)

Type of Derivative Contract	Potential future credit exposure	Current replacement costs	Exposure value
Financial Institutions	105,908	97,043	202,951
Corporate	138,931	129,586	268,517
Total	244,839	226,629	471,468

Mitigation of counterparty credit risk

As a part of its normal securities financing and derivatives trading activities, CEB enters into master agreements such as ISDAs, GMRAs, accompanied by Collateral Support Annexes (CSAa). Among these agreements, only a few of them make explicit reference to calling additional collaterals in case of CEB's downgrade by one of the established rating agencies.

Risk Management's assessment underlines that –given the current portfolio composition of derivatives- the actual amount that CEB would be required to pledge is insignificant.

Apart of close-out netting agreements CEB attracts also other collaterals for mitigation purposes. These are mostly cash but also debt securities and equity shares issued by a A-rated counterparties.

Next table shows the effect of the risk mitigation techniques of the counterparty credit risk.

Table 16 Mitigation of the counterparty credit risk

(30 June 2009)

	Gross positive fair value	Reduction from netting agreements (-)	Netted current credit exposure	Collaterals held (-)	Net derivatives credit exposure
Total	215,262,177	(67,877,100)	147,385,077	(98,642,536)	48,742,540

(31 December 2008)

	Gross positive fair value	Reduction from netting agreements (-)	Netted current credit exposure	Collaterals held (-)	Net derivatives credit exposure
Total	238,231	(45,603)	192,628	(74,014)	118,614

9. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal and outsourcing risk but excluding business, strategy and reputational risk.

During the last quarter of 2008, CEB established an Operational Risk Management (ORM) department across the company, whose goal is to consolidate already existing ORM activities and coordinate implementation of the framework at locations where there was no prior ORM activity. The framework uses a risk-control self-assessment and operational-loss database to identify risks and to establish risk-mitigating action points. There are ORM officers at each department ensuring that operational risk management is embedded in the day-to-day operations.

A new product-approval process has also been introduced to ensure that new products and processes are introduced in a well prepared manner by all parties involved.

Within the Basel II framework Bank uses the Basic Indicator Approach with a goal to move to the Advanced Measurement Approach after fulfilling the necessary requirements. Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15% of the three year average gross income. The three-year average is calculated on the basis of the year-end audited figures. The gross income includes following items:

- Net interest income;
- Net fee and commission income;
- Results from trading activities.

10. Market Risk

Market risk is defined as the current or prospective threat to CEB's earnings and capital as a result of adverse movements in market prices (security and derivative prices, as well as

interest rates and foreign exchange rates) or in parameters such as volatility and correlations. The trading portfolio includes financial instruments such as securities, derivatives and FI loans, which are exposed to short-term price/interest-rate fluctuations. Eligible positions should be in line with the guidelines and principles set out in the Market Risk Policy. No eligible positions and financial instruments approved by ALCO are monitored within the scope of the banking book. In line with its business plan, CEB has 'minor' risk appetite in market risk.

CEB aims at regularly measuring and monitoring its market risk associated with adverse market movements affecting the trading components of its treasury and FI portfolio. It measures its market risk using different approaches, both standard and internal models.

CEB's risk tolerance in the form of limits is determined to manage market risk efficiently and to keep market risk within these limits. Risk limits, such as VaR limit, notional limits and sensitivity limits, are set by considering the primary risk factors. In case of a limit breach, ALCO is convened to determine strategy and take necessary actions to restore the outstanding exposure to within limits in a certain period of time. CEB measures the market risk of its trading book and the foreign-exchange risk of its banking book using an internal model, based on VaR methodology. VaR defines the maximum loss not exceeded by a given probability over a given period of time under normal market conditions. However, this approach fails to capture exceptional losses under extreme market conditions; that is why market risk measurement is complemented by periodic stress-testing analyses.

The internal VaR model is used only for risk monitoring purposes and not for regulatory capital purposes. Regulatory capital for market risk is calculated and reported quarterly according to the Standard Approach as specified in the market risk regulations of the the Dutch Central Bank.

11. Interest Rate Risk

CEB defines interest rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates. Subsidiaries are not allowed to carry interest rate positions and expected to transfer their positions to the parent bank where centralized ALM and funding principles are in place. CEB has a "minor" risk tolerance towards interest rate risk in its banking book.

For the Repricing Gap any mismatch exceeding 15% of the equity, at maturities longer than 6 months, is hedged, unless otherwise approved by ALCO. For the maturity Gap the consolidated Gap shouldn't be negative for the first 6 months unless otherwise approved by ALCO.

Determination of economic internal capital to be set aside to cover potential interest rate risk of the Banking book is based on a Historical Simulation Method. Historical economic values of the current banking book is calculated by discounting the repricing gaps in each one of the major currencies with historical month-end zero coupon swap curves in pre-defined maturity buckets. Once historical economic values are obtained, then an economic value change distribution is created using a rolling window of one year. Next table shows repricing gap analysis for CEB portfolio.

Repricing gap analysis can be found in note 30, p. 36 of Financial Statements, 30 June 2009.

12. Liquidity Risk

The funding and liquidity strategy covers a wide range of topics ranging from daily liquidity management to contingency funding plan

Risk based limits and other supporting facilities are defined to mitigate CEB's sensitivity to potential liquidity crunches. CEB has a strategy to increase the share of ECB eligible collateral in the marketable securities portfolio. Short-term EU Sovereign bonds have been introduced into the portfolio to ensure CEB's unconditional access to ECB funds. This strategy also envisages retail asset securitization and creating asset-backed securities (ABS) that meets ECB criteria for eligible collateral. This objective necessitates intensive data requirements and ongoing investments on the capabilities of retail banking structure and IT framework will definitely serve this purpose as well.

The ALCO monitors certain key indicators to detect potential liquidity problems. These warning indicators might be internal; such as changes in CEB's balance sheet composition or downward trend in financial ratios or external; such as third-party evaluations and market price fluctuations. This policy determines two thresholds for each indicator. In case the first threshold - the warning level- is breached, Group ALCO will evaluate the situation and decide if any action is necessary. In case the second threshold –the trigger level- is exceeded, ALCO is authorized to declare contingency funding planning.

Maturity gap analysis can be found in note 30, p. 34 of the Financial Statements, 30 June 2009.

Treatment of non-maturity liabilities

The Bank's approach to non-maturity liabilities such as saving accounts is as follows: The Bank targets withstanding a severe meltdown in its saving accounts deploying its available liquid assets. The severity is defined as a 30% withdraw in the saving account balance in a period of 1 month. The scenario anticipates a fast start in the beginning, i.e. around 10.5% of the saving accounts is withdrawn in the first week and reaching 30% in one month. The distribution implies that 90.4% of the balance will be withdrawn in a period of nine months.

ANNEX I: List of Significant Subsidiaries

Credit Europe Bank N.V. (Amsterdam)

Credit Europe Bank Ltd (Russia)

CSJC Credit Europe Bank (Ukraine)

Credit Europe (Romania) Bank S.A.

Credit Europe (Suisse) Bank S.A.