

Credit Europe Bank N.V.

**Pillar III Disclosure Report
for the year ended
December 31, 2008**

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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 subsidiary in Romania. 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 in the table below.

Table 1.1.: Basel II approaches to calculating of regulatory capital requirements

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 main topics which are covered in Pillar III Disclosure Report 2008 are:

- 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.

Pillar III Disclosure Report will be published annually on the CEB's website and can be found under 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 2 gives an overview of CEB legal structure.

Table 2: Description of entities consolidated/deducted from capital base, 31 December 2008 (in EUR '000s)

Name of the entity	Book Value	Interest %	Domicile
Entities fully consolidated			
Credit Europe Bank Ltd	267,677	100.00%	Russia
CSJC Credit Europe Bank	47,796	99.99%	Ukraine
Credit Europe Leasing LLC	-6,753	100.00%	Ukraine
Credit Europe (Romania) Bank S.A.	185,116	94.50%	Romania
Credit Europe (Suisse) Bank S.A.	80,381	100.00%	Switzerland
Credit Europe (Dubai) Ltd.	21,648	100.00%	The United Arab Emirates
Credit Europe Bank Consumer Finance S.A.	1,817	100.00%	Belgium
Total entities fully consolidated	597,682		
Entities deducted from own funds			
Credit Europe Life Ltd.	2,543	100.00%	Russia
Total entities deducted from own funds	2,543		
Entities neither consolidated nor deducted from own funds			
Stichting Credit Europe Custodian Services S.A	125	100.00%	The Netherlands
Total entities neither consolidated nor deducted from own funds	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 earnings and current year profit, other eligible reserves (excl. revaluation reserves for tangible assets) and minority interests.

The detailed description of share capital, share premium, retained earnings, current year profit and minority interests is available in CEB's Financial Statements 2008 (see note 21, p.58).

Other eligible reserves includes fair value reserves, hedge reserves and translation reserves (for more details see note 21, p.58). 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.

As stated in CEB's Financial Statements 2008 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 20, p.58).

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 entities.

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 as per 31 December 2008

Table 4.1.: Structure of total own funds for solvency purposes, 31 December 2008

Tier I capital	(EUR '000)
- paid up share capital	399,500
- share premium	162,321
- eligible reserves (incl. retained earnings)	20,030
- valuation differences in AFS assets	(10,205)
- adjustments to calculation differences in AFS assets	7,853
- minority interests	22,983
- income from current year	72,174
Deductions from Tier I capital	
- intangible assets	(7,493)
- participation hold in insurance undertakings	(2,098)
Total Tier I capital	665,065
Tier II capital	
- subordinated capital	231,079
- revaluation reserves	4,207
Total Tier II capital	235,286
Total Own Funds	900,350

4.2. Capital Adequacy

This section provides an overview of regulatory capital requirements of CEB as of 31 December 2008. This 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 corporates, 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 as of 31 December 2008.

Table 4.2.: Capital requirements and RWA broken down by exposure classes, 31 December 2008

	RWA (EUR '000)	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
Total Credit risk	6,241,990	499,359
Total Market Risk	315,858	25,269
Total Operational Risk	695,233	55,619
Total Own Funds	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 and Total RWA and is subject to a 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.

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 and overview of the local capital requirements for significant entities consolidated under CEB.

Table 4.3.: Minimum capital requirements (local regulation), 31 December 2008 (in EUR '000s)

	Basel II reported entities						
	CEB Russia Ltd.	CEB Swiss S.A.	CEB Romania S.A.	CEB Ukraine CJSC	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
Minimum capital requirements							
- actual	14.38%	17.48%	12.40%	27.00%	11.28%	12.41%	11.91%
- required	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 2008, exposure classes were 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 2008, for more details see note 37 page 72 in Financial Statements 2008.

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

Table 5.1.: Total exposure broken down by exposure types, 31 December 2008 (in EUR '000s)

	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	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 provided in table 5.2. The exposures are calculated based on the average for period end of each quarter including 31 December 2007.

Table 5.2.: Total average exposure over the period broken down by exposure types, 31 December 2008 (in EUR '000s)

	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

The table below provides the distribution of corporate exposure class across industry sectors.

Table 5.3.: Distribution of total exposure by industry, 31 December 2008 (in EUR '000s)

	On-Balance sheet	Off-Balance sheet	Total Exposure
Corporates			
Shipping & Shipyard	468,440	15,127	483,567
Construction & Installation	316,876	143,502	460,378
Real Estate	413,857	8,358	422,215
Iron & Steel	348,922	39,479	388,401
Tourism	213,897	6,519	220,416
Petrochemical, Plasticizers & Derivatives	172,013	32,139	204,152
Retail	189,736	14,305	204,041
Financial Service & Investment	137,502	2,412	139,914
Leasing	131,875	532	132,407
Automotive & Derivatives	98,866	12,699	111,565
Food-Beverage-Tobacco	94,609	9,421	104,030
Transportation and Logistics	94,107	837	94,944
Energy / Coal	60,325	33,456	93,781
Textile-Clothing-Ready Made Wearing	52,818	15,031	67,849
Holding	48,893	0	48,893
Factoring	43,568	0	43,568
Services	39,686	3,075	42,761
Media & Publishing	40,062	9	40,071
Soft Commodities & Agricultural Products	25,748	3,674	29,422
Machinery-Office & Optical Equipment	23,325	4,881	28,206
Oil & Derivatives	24,395	3,371	27,766
Electronic Equipment	19,516	7,943	27,459
Fertilizers	24,239	167	24,406
Paper & Pulp	21,500	1,511	23,011
Telecommunications	22,530	31	22,561
International Trade	20,208	89	20,297
Other	202,988	49,246	252,234
Total Corporate Exposure	3,350,501	407,814	3,758,315

The break down of the exposure by geographical region is provided in table 5.4.

Table 5.4: Geographical distribution of total exposure, 31 December 2008 (in EUR '000s)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured by real estate property	Past due items	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 was based on the contractual maturity of the exposure.

Table 5.5: Breakdown of total exposure by residual maturity, 31 December 2008 (in EUR '000s)

Risk Country	Central governments and central banks	Financials Institutions	Corporates	Retail exposure	Exposure secured on real estate property	Past due items	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. The detailed information on the criteria to be fulfilled in order the assets is treated to be impaired is provided in note 37 page 76 of the Financial Statement 2008. For description of the approaches and methodologies for evaluating the impairment allowances refer to the Financial Statement 2008 note 37 page 76.

The overview of past due and impaired items broken down by counterparty type is provided in the next table.

Table 5.6¹⁾: Impaired and past due exposure split by counterparty type, 31 December 2008 (in EUR '000s)

	Gross Loans	Provisions (-)	Net loans	Provisions to gross loans (%)
Financial Institutions	1,645,709	(5,001)	1,640,708	0.30%
Total past due but not impaired loans	-	-	-	0%
Total Impaired assets	5,001	(5,001)	-	100.0%
Neither past due nor impaired	1,640,708	-	1,640,708	-

Table 5.6¹⁾: Impaired and past due exposure split by counterparty type, 31 December 2008 (in EUR '000s) (continued)

	Gross Loans	Provisions (-)	Net loans	Provisions to gross loans (%)
Corporates	3,403,093	(52,593)	3,350,500	1.55%
Total past due but not impaired loans	78,059	(1,645)	76,414	2.1%
Total Impaired assets	67,624	(41,959)	25,665	62.0%
Neither past due nor impaired	3,257,410	(8,988)	3,248,422	0.3%
Retail Exposure	1,692,476	(106,726)	1,585,750	6.31%
Total past due but not impaired loans	179,343	(18,104)	161,240	10.1%
Total Impaired assets	106,990	(77,416)	29,574	72.4%
Neither past due nor impaired	1,406,143	(11,206)	1,394,937	0.8%
Exposure secured on real estate property	641,504	(1,457)	640,047	0.23%
Total past due but not impaired loans	33,490	(346)	33,143	1.0%
Total Impaired assets	2,539	(715)	1,824	28.2%
Neither past due nor impaired	605,476	(395)	605,081	0.1%
Total past due but not impaired assets	290,892	(20,095)	270,797	6.9%
Total Impaired assets	182,154	(125,091)	57,062	68.7%
Total Neither past due nor impaired assets	6,909,737	(20,590)	6,889,147	0.3%
Total exposure	7,382,783	(165,776)	7,217,006	2.2%

¹⁾ Taking into account that as of 31 December 2008 none of the non-cash exposure was either past due nor impaired this table incl. an overview of only on-balance sheet exposure.

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

Table 5.7¹⁾: Corporate impaired assets broken down by industry sector, 31 December 2008 (in EUR '000s)

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

¹⁾ Taking into account that as of 31 December 2008 none of the non-cash exposure was neither past due nor impaired this table incl. an overview of only on-balance sheet exposure.

Country distribution of past due and impaired assets is available in the note 37 page 77 of the Financial Statements 2008.

For charges for value adjustments and provisions during the period split by counterparty type see note 10 page 50 of the Financial Statements 2008.

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.

Table below gives an overview of CEB's exposure in each credit quality step.

Table 6.1.: Breakdown of total exposure (before and after risk mitigation) by credit quality step, 31 December 2008 (in EUR '000s)

Credit Quality Step (CQS)	Exposure value, gross ¹⁾	Adjusted Value of Collateral		Exposure, net
		Outflow (-)	Inflow	
1-CQS	2,245,771	-	43,640	2,289,412
2-CQS	301,444	-	108,954	410,399
3-CQS	376,142	-	-	376,142
4-CQS	426,102	-	-	426,102
5-CQS	386,876	-	-	386,876
6-CQS	28,638	-	-	28,638
Unrated	6,013,398	(278,408)	-	5,734,990
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.

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 table shows the carrying amount of collateralized exposure broken down by type of collateral obtained. The distinction is made between collaterals eligible for capital adequacy reporting and other collaterals.

Table 7.1.: Breakdown of total exposure by type of collateral, 31 December 2008 (in EUR '000s)

	Banks	Corporate clients, Private Banking & SME	Retail clients	Total
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, 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 for the purposes of capital adequacy reporting. These are mainly bank guarantees, insurance, CDS and fiduciary deposits. The risk mitigation in this case is carried out by substituting the risk of the direct counterparty by the risk of the issuer (provider) of credit protection.

The credit quality of unfunded credit protection instruments that CEB possesses as of 31 December 2008 is shown in the table below:

Table 7.2.: Credit quality of unfunded credit protection (in EUR '000s)

Credit Quality Step	Bank Letter of Guarantee	Insurance
1-CQS	887	42,753
2-CQS	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 faces as of 31 December 2008 were 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 table 8.1. both components of the mark-to-market method are split by exposure class.

Table 8.1.: Counterparty credit risk based on the mark-to-market method, 31 December 2008 (in EUR '000s)

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, GMRA, 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 8.2.: Mitigation of the counterparty credit risk, 31 December 2008 (in EUR '000s)

	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.

Implementation efforts will continue during 2009 and reporting on a consolidated level will commence.

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.

Table 11.1.: Repricing gap analysis, 31 December 2008 (in EUR '000s)

Assets	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Non interest bearing items	Total
Cash and balances at central banks	1,964,800	-	-	-	-	-	1,964,800
Financial assets designated at fair value through profit or loss	86,334	13,608	80,366	28,655	41,328	1,317	251,608
Financial investments	127,130	25,157	31,717	36,554	165,719	443	386,720
Loans and receivables – banks	241,608	29,779	54,976	28,089	3,537	594,943	952,932
Loans and receivables – customers	1,332,125	915,550	788,801	735,546	1,593,114	4,585	5,369,721
Tangible & Intangible Assets	-	-	-	-	-	107,407	107,407
Other Assets	-	-	-	-	-	507,589	507,589
Total Assets	3,751,997	984,094	955,860	828,844	1,803,698	1,216,284	9,540,777
Liabilities							
Due to banks	172,344	473,395	248,400	105,474	17,473	212,339	1,229,425
Due to customers	3,176,722	541,960	607,892	993,205	1,017,022	465,151	6,801,952
Issued debt securities	-	-	-	2,656	132,913	-	135,569
Other Liabilities	-	-	-	-	-	471,743	471,743
Total Liabilities (excluding subordinated liabilities)	3,349,066	1,015,355	856,292	1,101,335	1,167,408	1,149,233	8,638,689
Subordinated Liabilities	39,514	190,671	894	-	-	-	231,079
Total Liabilities	3,388,580	1,206,026	857,186	1,101,335	1,167,408	1,149,233	8,869,768
Net Gap	363,417	-221,932	98,674	-272,491	636,290	67,051	671,009

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.

Table below provides maturity gap analysis for CEB portfolio.

Table 12.1: Maturity gap analysis, 31 December 2008 (in EUR '000s)

Assets	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Cash and balances at central banks	1,964,800	-	-	-	-	1,964,800
Financial assets designated at fair value through profit or loss	188,765	-	19,664	1,902	41,277	251,608
Financial investments	73,103	3,652	28,970	72,049	208,946	386,720
Loans and receivables – banks	810,181	37,161	51,021	35,696	18,873	952,932
Loans and receivables – customers	613,002	478,949	473,392	697,750	3,106,628	5,369,721
Tangible & Intangible Assets	-	-	-	-	107,407	107,407
Other Assets	-	-	-	-	507,589	507,589
Total Assets	3,649,851	519,762	573,047	807,397	3,990,720	9,540,777
Liabilities						
Due to banks	358,973	241,968	211,557	142,020	274,907	1,229,425
Due to customers	1,638,020	1,097,260	1,273,625	1,778,348	1,014,699	6,801,952
Issued debt securities	-	-	-	-	135,569	135,569
Other Liabilities	-	-	-	-	471,743	471,743
Total liabilities (excluding subordinated liabilities)	1,996,993	1,339,228	1,485,182	1,920,368	1,896,918	8,638,689
Subordinated Liabilities	-	-	1,036	-	230,043	231,079
Total Liabilities	1,996,993	1,339,228	1,486,218	1,920,368	2,126,961	8,869,768
Alternative Sources of Funds						
Liquid asset-backed securities with haircuts	116,819	-	-	-	-	116,819
Net Liquidity Gap	1,769,677	-819,466	-913,171	-1,112,971	1,863,759	787,828

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.