

Annual Report 2007

Credit Europe Bank N.V.

Credit  EuropeBank



Annual Report 2007

At Credit Europe Bank N.V., the key to growth in international banking is dynamism and innovation, driven by real knowledge and expertise in our chosen sectors. We are prudently ambitious. Our hands-on approach is customer-focused for both (international) corporate and retail banking clients. This is how we pursue our mission of building a best-in-class financial services provider that creates value for all stakeholders – shareholders, customers and employees.

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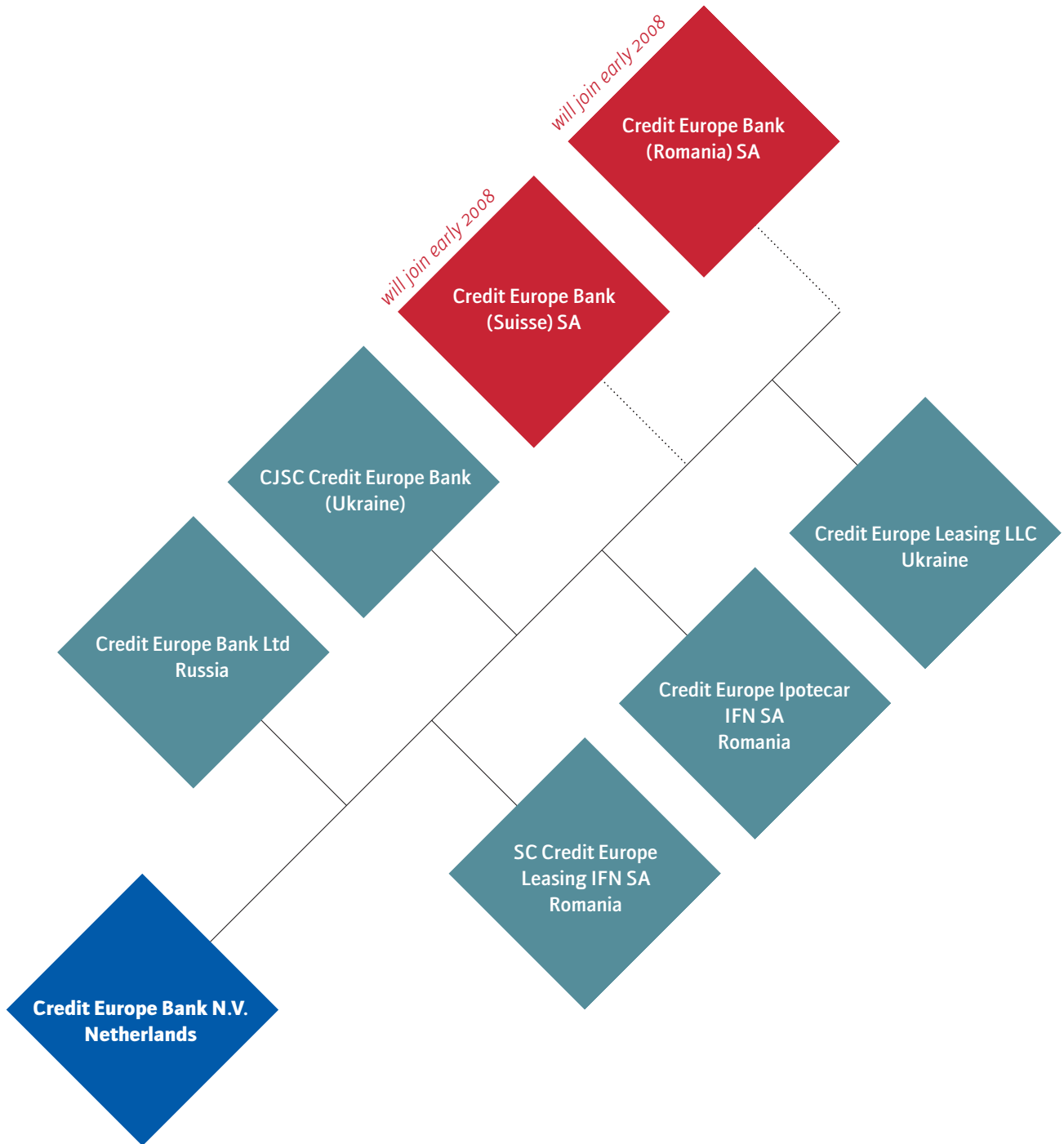
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Credit Europe Bank in profile

CEB NV and its direct operating subsidiaries



Founded originally as Finansbank (Holland) N.V. in 1994, a major restructuring led to a rebranding into Credit Europe Bank N.V. (CEB NV) in 2007. Today, headquartered in the Netherlands, Credit Europe Bank comprises banking subsidiaries in Russia and Ukraine, and leasing and mortgage subsidiaries in Romania. It has branches in Belgium, Germany and Malta, with representative offices in China (Shanghai) and Turkey (Istanbul). In the course of 2008, CEB NV will be opening a new subsidiary in the United Arab Emirates (Dubai International Financial Center – DIFC), subject to local approvals. Furthermore, as part of the restructuring, in early 2008, CEB NV acquired Credit Europe Bank (Suisse) SA and Credit Europe Bank (Romania) SA.

CEB NV began as a specialized trade finance bank, focusing on wholesale financing of international trade through asset-based lending to both local and international corporates. In 1997, retail banking was launched. Today, CEB NV is a leading provider of direct services to consumers. It has a large customer base for call money, time deposits and consumer loans in a number of markets. CEB NV subsidiaries in Russia and Ukraine also offer regular retail banking services.

The more than 5,000 experienced bankers who make up CEB NV at key locations around the world all work on the basis that dynamism and innovation combined with thorough knowledge of the business is the key to growth in international banking.

Three years' key figures

x €000	2007	2006	2005
Assets			
Cash and balances at central banks	290,174	267,295	62,392
Financial assets at fair value through profit or loss	421,008	123,329	247,657
Financial investments	158,327	23,076	129,488
Loans and receivables – banks	1,393,910	997,335	880,618
Loans and receivables – customers	3,436,163	2,318,266	1,298,531
Derivative financial instruments	99,311	41,445	15,223
Equity accounted investment	958	125	125
Property and equipment	48,543	38,395	23,859
Intangible assets	3,533	2,307	839
Other assets	43,105	26,240	16,278
Total assets	5,895,032	3,837,813	2,675,010
Liabilities			
Due to banks	804,959	302,753	141,995
Due to customers	3,953,145	2,810,479	1,931,426
Derivative financial instruments	53,941	24,712	69,727
Issued debt securities and other borrowed funds	380,041	222,380	201,256
Other liabilities	138,416	133,152	70,526
Total liabilities (excluding subordinated liabilities)	5,330,502	3,493,476	2,414,930
Subordinated liabilities	179,646	85,876	74,829
Total liabilities	5,510,148	3,579,352	2,489,759
Equity			
Share capital	324,500	162,000	110,000
Share premium	3,639	49,941	26,071
Retained earnings	58,446	41,346	34,269
Net gains / (losses) not recognized in the profit or loss statement	(822)	278	10,902
Translation reserve	(10,684)	935	2,301
Equity attributable to shareholders of the parent company	375,079	254,500	183,543
Equity attributable to minority interests	9,805	3,961	1,708
Total equity	384,884	258,461	185,251
Total equity and liabilities	5,895,032	3,837,813	2,675,010
Commitment and contingencies	547,124	577,304	225,070
Number of employees (actual)	5,465	3,340	1,938

Credit Europe Bank N.V.'s strategy

Credit Europe Bank N.V. focuses strategically on two areas – retail banking and structured trade and commodity finance. In retail, we aim to rank among the top European direct retail banks and to build regular banking services in selected markets, specifically Russia, Romania and Ukraine. We further aim to play a leading role in international structured trade and commodity finance. Both aims have common strategies: specialization and expertise combined with a centralized service.

Over time, we have made significant progress on our direct retail banking goal. Our strategy is to continually improve and expand the products offered to our customers, ensuring they are easily accessible and user-friendly. We are solution oriented. Innovation of tailor-made products for our clients is a key strength. The aim is to anticipate changing customer needs and behaviors, adjusting our product range accordingly. In 2007, we served 325,000 (2006: 250,000) direct retail customers in Western Europe. Our regular retail banking activities in Russia and Ukraine grew substantially.

In structured trade and commodity finance, we are knowledge-based. Tailor-made solutions are created for our corporate clients working in hard and soft commodity sectors. We have built deep expertise in a number of selected sectors: iron and steel, coal, oil and petrochemicals, agri-products such as fertilizers and soft commodities. Each sector is supported by a dedicated desk where we continually grow our knowledge and track record, focusing on high-quality products with simple conditions. Since its launch as a separate department in 2005, Marine Finance has gained prominence. In 2007, the team achieved portfolio growth of 74% (2007: €345 million; 2006: €198 million).

As our business is knowledge-based, our people are a key strategic factor. Our multinational staff is the driver behind innovation and the ability to use knowledge to our clients' advantage. In 2007, there were 5,465 (2006: 3,340) CEB NV people creating solutions for our corporate and retail clients.

Supervisory Board



Maarten J. Hulshoff (1947)

Dutch nationality, Chairman

Holds a master's in economics from Erasmus University, the Netherlands. Held various positions with Citigroup in Europe and Asia, including Turkey, before becoming Chairman of the Managing Boards of Atradius (formerly NCM Holding), Rabobank International and Rodamco Europe. Maarten Hulshoff was appointed to the Supervisory Board in January 2008 for an initial four-year term.

Hüsnü M. Özyeğin (1944)

Turkish nationality

Serves as Chairman of the Board of Fiba Holding AS and Fina Holding AS and is majority shareholder of these companies. Furthermore, he acts as Chairman/Board Member of many Fiba Group companies. Mr Özyeğin is founder and Chairman of Finansbank. He has also held positions with IBM World Trade Corporation and Arthur D. Little.

Fevzi Bozer (1955)

Turkish nationality

Joined Finansbank AS in 1988 as Ankara Branch Manager. From 1990 till 1993 he worked for Finansbank Suisse as (Assistant) General Manager. He returned to Turkey to become (Assistant) General Manager and later Board Member for Finansbank AS (till 2006). Currently, he is Board Member of Fiba Holding AS.

F. Onur Umut (1962)

Turkish nationality

Joined the Fiba Group in 1988. From 1996 to 1999, he served as General Manager of CEB NV. He was then appointed General Manager of Finansbank Turkey. Currently, he is a Supervisory Board Member of many Fiba Group companies.

Mehmet Güleşçi (1962)

Turkish nationality

CFO of the Fiba Group. He further serves as a Supervisory Board Member of Fiba Group companies. He joined Finansbank AS in 1997 as Executive Vice President and CFO, and currently he is Board Member and Managing Director of Finansbank AS. Before joining Finansbank, he was an Audit Partner at Ernst & Young in Turkey, responsible for the financial sector.

Murat Özyeğin (1976)

Turkish nationality

Chairman of Fiba Kapital Holding AS and Board Member of a number of other Fiba Group companies working in capital investments, construction, real-estate development and tourism.

The Fiba Group was founded in 1987 by Hüsnü M. Özyeğin. It controls an investment portfolio of high-value brand names in both financial and non-financial lines of business.

Report of the Supervisory Board

As the Supervisory Board of Credit Europe Bank N.V. and its subsidiaries, we are gratified to report another strong year, in spite of challenging markets in the midst of the financial (sub-prime) crisis.

During 2007, the Supervisory Board met for three formal, pre-scheduled meetings; however, our close involvement in regular banking activities means almost daily contact is maintained between the Board and senior management. The main, often recurring, topics at formal meetings were corporate governance due to far-reaching restructuring of the Credit Europe Bank organization. Risk management, internal audit, financial control and compliance for the new organization were priorities. The representative office opened in China (Shanghai) during the reporting year was another regular topic. We also monitored closely the move to open a new subsidiary of the Bank in the United Arab Emirates (Dubai International Financial Center – DIFC), a move that will facilitate our growing activities in the region.

A new governance framework is being put in place, including the establishment of Supervisory Board committees, such as remuneration, and corporate governance and nomination, to further comply with Dutch Corporate Governance Code requirements for listed companies. In 2007, the whole organization was involved in greater focus on corporate governance (*please see page 21*). One result is a major reallocation of Managing Board responsibilities and accountabilities and the appointment of two additional Managing Board members, Messrs. Umut Bayoğlu and Yavuz Tayfun, raising the number to four following Mr Gert Muller's retirement. In addition, our own Board was reinforced. Mr Maarten J. Hulshoff was appointed as the Chairman of the Supervisory Board on January 1, 2008.

We are pleased to present the report of the Managing Board and the financial statements, comprising the balance sheet and the profit and loss account. Supplemental to this are explanatory notes and further information, including the report of the external auditors, KPMG Accountants N.V., for the period ending December 31, 2007.

We propose that the Annual Meeting of Shareholders accepts these financial statements and payment of € 16 million in dividend, thereby discharging the members of the Managing Board from their liability with respect to their management responsibilities and the members of the Supervisory Board with respect to their supervising responsibilities.

Our gratitude and appreciation goes to Mr Gert Muller who was instrumental in establishing Finansbank Holland in 1994. He has since served the organization as Member of the Managing Board with dedication and commitment. He retired at the end of 2007 and is greatly missed.

We would like to extend our appreciation to the more than 5,000 employees around Europe and now China and the senior management of Credit Bank Europe N.V. for their dedication and efforts during the reporting year. We are also very grateful to customers and correspondents for their support and cooperation during the period. It is this combination of dedicated people and strong working relationships that contributes to the ongoing success of Credit Europe Bank N.V. this year and every year.

Amsterdam, May 5, 2008

Hüsnü M. Özyeğin, Chairman until January 1, 2008
Maarten J. Hulshoff, Chairman from January 1, 2008
Fevzi Bozer
F. Onur Umut
Mehmet Güleşçi
Murat Özyeğin

Managing Board

Turhan Cemal Beriker (1968)

Chief Executive Officer

Holds a BSc degree in management science from Bilkent University, Ankara. He began his career in 1992 as an Interbank AS management trainee in Istanbul, working successively in corporate credit marketing and private banking. Mr Beriker was a member of the founding team of Finansbank (Holland) N.V. in 1994 and oversaw the setting up of Finansbank Holland's Germany operations in 1998 with an emphasis on retail banking. He returned to Amsterdam in 2000 to join the Managing Board of the Bank. In July 2001, he was appointed Chief Executive Officer. He is responsible for corporate banking, internal audit, treasury and public relations.

Şenol Aloğlu (1965)

Deputy Chief Executive Officer

Graduate of Bosphorus University in business administration. He started his banking career at Interbank in 1987, joining the Fiba Group in 1991. He held various positions at Finansbank AS and Finans Leasing AS in Istanbul. In November 2000, he was appointed Executive Vice President for Financial Institutions and also Country Manager for the Netherlands. In November 2005, he was appointed as Managing Board Member. He is responsible for retail banking, bank relations, operations (excluding risk management), IT and security.

Yavuz Tayfun (1966)

Chief Credit and Risk Officer

Joined CEB NV in May 2006. Prior to his appointment to the Managing Board on January 1, 2008, he was Head of the Corporate Credits Division at CEB NV. Before joining CEB NV, he was Head of Risk Management at The Economy Bank N.V., where he was responsible for credit and market risk. He worked for 15 years at T. Garanti Bankasi AS and GarantiBank International N.V., as Credit Officer and Head of Corporate Credits. He is responsible for credit and operational risk management (Pillar I plus concentration risk), compliance and legal.

Umut Bayoğlu (1973)

Chief Financial Officer

Holds a BSc in economics from METU in Ankara. He began his career in 1996 as a management trainee with Finansbank AS. He moved to Germany as Head of Financial Control in 2001 and later to Amsterdam. Appointed CFO in 2006. Since January 1, 2008 he has been the Member of the Managing Board responsible for financial control, risk management (Pillar II, excluding concentration risk), business development and strategy, and HR.

From the CEO

The reporting year was a milestone period for Credit Europe Bank N.V. (CEB NV). We successfully restructured our organization, integrating subsidiaries in Russia and Ukraine under the CEB NV umbrella. This process was completed in early 2008 when Credit Europe Bank (Suisse) SA and Credit Europe Bank (Romania) SA also joined the group. In addition, and in line with our ambitious growth strategy, we were awarded a license for a representative office in China and opened a new branch in Malta. Our preparations for a new subsidiary in the Dubai International Financial Center are also well advanced.

Our organizational restructuring program has highlighted the need for common governance frameworks for our new constellation. Much of the year was devoted to laying the foundations for an overall best-practice that recognizes both the requirements of the Dutch corporate governance code and local regulations in our markets. This is an ongoing process; it continues to have the full attention of both our Supervisory Board and the Managing Board.

While these activities were internally focused, we continued to grow our business significantly. Our financial performance (*please see page 12*) was more than satisfactory, in spite of the cold shower that has hit the whole financial world since last summer. We had more than achieved growth targets when the credit crisis took hold. Our response was even greater prudence in all our business activities. In retrospect, our first Trade-Related Syndicated Term Loan Facility under the Credit Europe Bank label was well-timed. In early August, 16 international banks joined the USD250 million, 364-day syndication co-arranged by Citigroup, RZB Austria, and Germany's Bayern LB. CEB NV had not tapped international markets since 1999. Our goal was to test the markets, primarily as a means of strategically diversifying our funding sources.

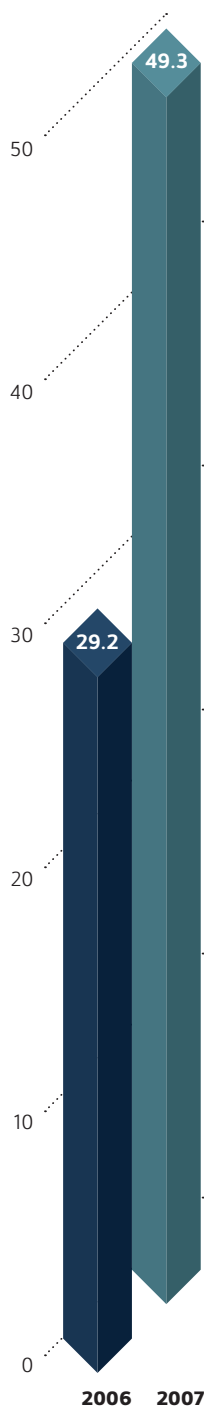
In this growth period for the whole of CEB NV, we would like to express our gratitude to all our hard-working staff, our correspondent banks and customers, and to our shareholders for their ever-present commitment.

Amsterdam, May 5, 2008
Turhan Cemal Beriker
Chief Executive Officer

Financial highlights in 2007

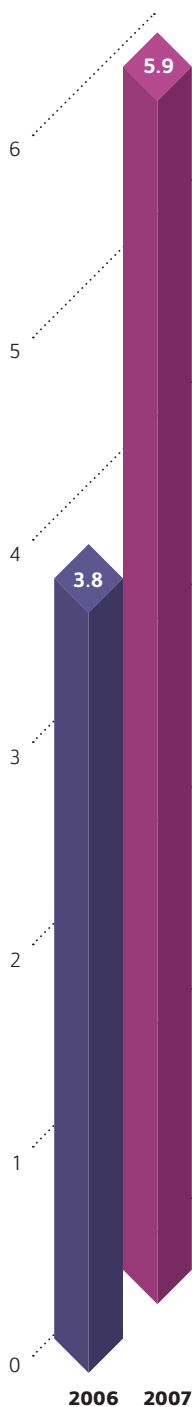
Net profit

€49.3 million up 69%
(2006: €29.2 million)

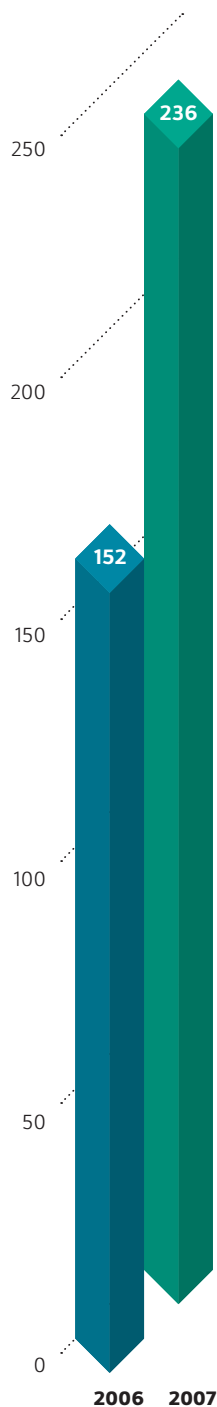


Assets

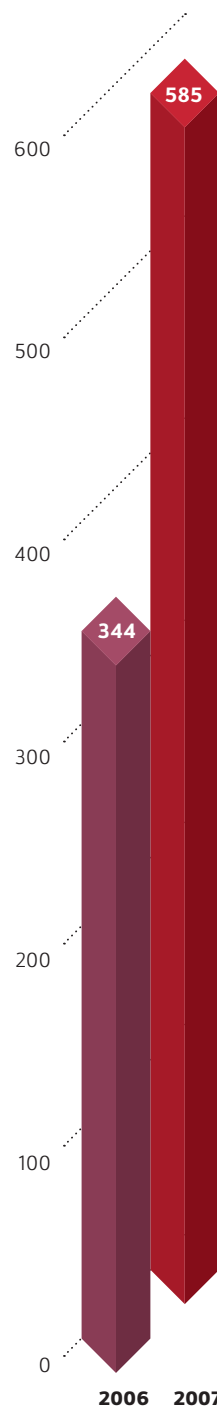
grew 54% to
€5.9 billion
(2006: €3.8 billion)



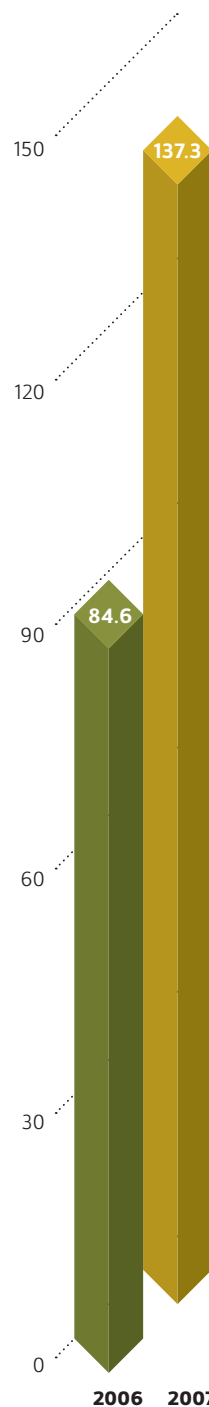
**Revenues (net interest/
fee income)** increased
56% to €236 million
(2006: €152 million)



**Capital base, including
Tier II capital**
up 64% to €585 million
(2006: €344 million)



Operating expenses
rose 62% to
€137.3 million
(2006: €84.6 million)



Financial performance in 2007

The reporting year, 2007, was an exceptional period for Credit Europe Bank N.V. (CEB NV) in spite of volatility following the global credit crisis since August. Assets increased 54% in 2007 to €5.9 billion (2006: €3.8 billion) on a consolidated basis. Pre-tax profit grew 70% to €70.2 million (2006: €41.2 million) and net profit was up 69% to €49.3 million (2006: €29.2 million). CEB NV further strengthened its capital base and, with 2007 net income, has increased the equity level to €385 million (excluding Tier II capital in the form of subordinated debt amounting to €179.6 million). The capital base including Tier II capital grew to €585 million from €344 million at the end of 2006; the increase was achieved by a €95 million cash injection and €114 million in the form of new Tier II capital. Our BIS ratio in 2007 was 14.16% (2006: 12.54%).

CEB NV's strong deposit base was a key factor in growth, increasing from €2.8 billion to €3.9 billion in 2007.

In line with our ongoing investment in existing markets and expansion into new markets, total operating expenses rose by 62%. The cost-income ratio remained at an equal rate of 67% (2006: 66%). We believe this ratio is acceptable in light of our growth strategy. During 2007, a considerable portion of the foreign-exchange gain resulted from the participating interest of CEB NV's direct subsidiaries. By building our presence and expertise in markets such as Russia, Ukraine, Romania, Malta and China, and continually investing in organic growth and human resources, we will gain real advantages in the coming years.

Other highlights

In 2007, we increased investment in Russia by €108 million and in Ukraine by €43 million. In order to expand business and operational efficiency, and to benefit from synergies, Credit Europe Leasing SA and Credit Europe International Leasing SA in Romania were merged. Furthermore, our two consumer finance companies in Romania, Credit Europe Servicii Financiare SA and Credit Europe Ipotecar SA, were also merged successfully. In Ukraine, we launched leasing activities through Credit Europe Leasing LLC.

In line with our growth strategy, we opened a new branch in Malta. Early in 2007, we were licensed by the Chinese regulators to open a representative office in Shanghai. The main drivers for our entry into China are that many of our clients

are active in Chinese import and export sectors, our knowledge-based approach to customer service, and the People's Republic of China's increasing weight in global trade markets.

During the reporting year, we successfully finalized the Internal Capital Adequacy Assessment Process, 'ICAAP', and became Basel II compliant under the standardized approach as of January 1, 2008.

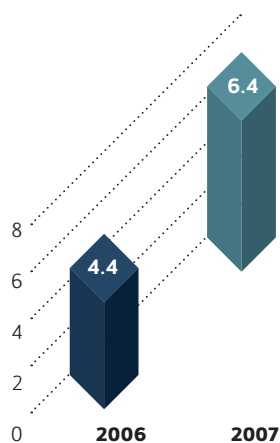
Corporate banking and structured commodity finance

CEB NV's corporate banking team distinguishes itself in the market place through its real knowledge of our focus sectors: iron and steel, coal, oil and petrochemicals, agri-products such as fertilizers and soft commodities. This business represents around 30% of our lending activities. Volume is crucial here, as our average tenor in this business is 75 days. Longer-term lending, up to seven years and often structured, is offered in the marine and project finance sectors. We finance construction of both vessels and real estate projects, primarily in emerging markets. This represents around 43% of our corporate banking business. Our primary client group is international corporates. Subsidiaries in Russia, Ukraine and Romania focus on domestic corporates where they can also bring local knowhow to the relationship, as well as on internationals that have invested in their local market.

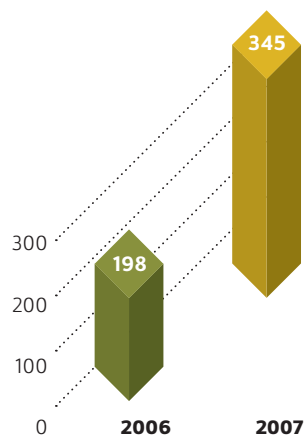
The reporting year proved a challenging period for corporate banking activities. In the first half, trade volume grew strongly. Both commodity and vessel prices increased, creating higher business volume and revenue opportunities. We responded proactively, pursuing a strong client acquisition strategy and a firm approach to asset creation. However, negative developments in the financial sector in the second half led to a more conservative and prudent approach to lending. This resulted in slower growth in the second half. We were more selective in accepting new assets and tightened our control mechanisms even further. Over the full year, through most of the first three quarters we generated strong growth in the portfolio, seeing a decrease in volume thereafter.

In spite of a slow fourth quarter, the international trade volume increased a massive 45%, from €4.4 billion in 2006 to €6.4 billion in 2007.

Trade volume (€ billion)

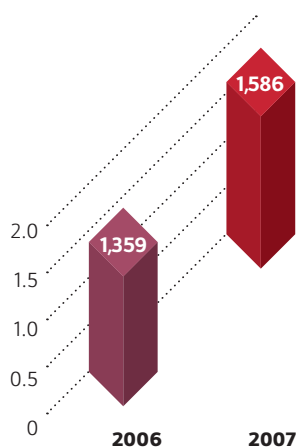


Marine financing (€ million)



Assets showed similar growth until August, increasing 26% to €1,717 million in the first three quarters of 2007. Our more conservative approach in the final quarter led to 17% growth over the full year, from €1,359 million in 2006 to €1,586 million at year-end. Year-on-year, this represents 19.5% growth for 2007.

Assets (€ million)



Marine finance, another growing asset class for CEB NV, also generated considerable growth, from €198 million in 2006 to €345 million in 2007.

Bank Relations

Specialized in offering a range of services to financial institutions, the Bank Relations team focuses on risk analysis, global trade services (clearing) and forfaiting. Bank Relations furthermore works closely with Corporate Banking and Treasury to facilitate their activities. Bank Relations maintains correspondent relationships with more than 300 banks worldwide. The aim is to stimulate trade finance opportunities primarily in CEB NV's target markets. Knowledge exchange and cross-fertilization with subsidiaries working in Russia, Romania and Ukraine contributed to overall performance.

Risk Analysis

Like all CEB NV activities, Bank Relations is market and business driven. However, this does not result in a higher risk appetite than comparable financial institutions. Although exposure in emerging markets inevitably involves a risk element, the team of analysts continually monitors sovereign and macro-economic trends, applying qualitative and quantitative analysis methodologies to creditworthiness. Through dynamic price-versus-risk assessment, Bank Relations is able to maintain a well-diversified, regionally balanced portfolio.

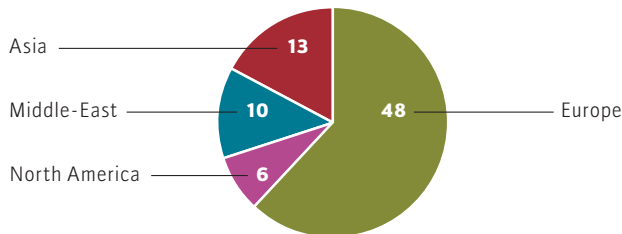
Global Payment Services

Launched in the final quarter of 2006, GPS has already become a well-entrenched CEB NV service. At year-end 2007, 64 banks in our targeted markets were using the service.

Global forfaiting and EM loan trading

CEB NV trades in a wide range of trade finance and debt instruments. Geographic concentration is avoided through solid risk management. In 2007, global geographic distribution of 77 counterparties is shown below:

Global geographic distribution of counterparties



Since 1998, CEB NV has been a Member of the International Forfaiting Association.

Retail banking

One of CEB NV’s strategic aims is to rank among Europe’s top direct retail banks. To achieve this goal the emphasis is on offering simple, straight-forward and easy to understand savings and lending products delivered through direct channels. Products include daily callable and time deposits, instalment and revolving loans and loan-related insurance products. In order to compete in the highly competitive retail finance business in mature European markets, we offer attractive conditions. This combination has proved successful, especially in 2007. We achieved an extraordinary increase in the savings portfolio.

These results are due primarily to marketing and to significant investment in human resources and IT infrastructure. Processes have been further refined to improve customer focus and speed of product delivery. From our European Retail Banking Division located in Frankfurt, Germany, we serve clients in four Western-European countries: Belgium, Germany, Malta and the Netherlands. The centralized multilingual contact center provides crucial support. Easy-to-use online application processes and online banking further drive our growth.

Credit Europe Bank in Russia

Formerly Finansbank (Russia) Ltd and established as a closed joint-stock company under Russian Federation law on May 23, 1997, its name was changed to Credit Europe Bank Ltd (CEB Ltd) in March 2007. CEB Ltd's primary areas of activity are corporate, retail and small- and medium-sized enterprise (SME) banking, supported by its expertise in treasury, domestic and international trade finance services.

CEB Ltd's clients include large, medium and small-scale companies. Innovative banking products and services are offered to meet all client needs. As of December 31, 2007, CEB Ltd's 4,721 employees serve 900 corporate, 4,700 SME and over 1.8 million retail customers.

In Russia, CEB Ltd has been a major player among the fastest growing banks in recent years. In 2007, total assets grew by 97% on 2006 performance, reaching €1,448 million. As a result, net profit has increased by 151% from €5.7 million in 2006 to €14.3 million in 2007.

In 2007, CEB Ltd further strengthened its position in the corporate sector and was again able to generate substantial growth in its lending business, driven specifically by the steadily growing demand from medium-sized regional corporates. To benefit from rising demand outside Moscow, the Bank focused on expanding its regional presence to 24 regions through opening new branches. In 2007, as in the previous years, in retail, the Bank focused primarily on the lending business through key products such as car loans, multipurpose loans and credit cards.

Credit Europe Bank in Ukraine

Established in 2006 as a greenfield operation, CEB Ukraine has grown rapidly. It aims to offer the full range of banking products and services to both retail and corporate customers. Targeting growth in the future, especially in the developing retail banking sector, our goal is to create a network of branches that will provide customers with innovative products. ATM and POS networks are being expanded, not least due to our agreement to provide Visa and MasterCard to our customers. Currently our two branches and 211 personnel are focused on our lending business.

In its first year of operation, with an asset size of €211 million, CEB Ukraine contributed €813,000 to consolidated net profit.

Credit Europe in Romania

Credit Europe Leasing, Romania

The Bank's wholly-owned subsidiary in Romania offers leasing services on automotive, industrial equipment, land and real estate. In 2007, it expanded its activities and at year-end had €248 million in assets, compared to €112 million in 2006.

Credit Europe Ipotecar, Romania

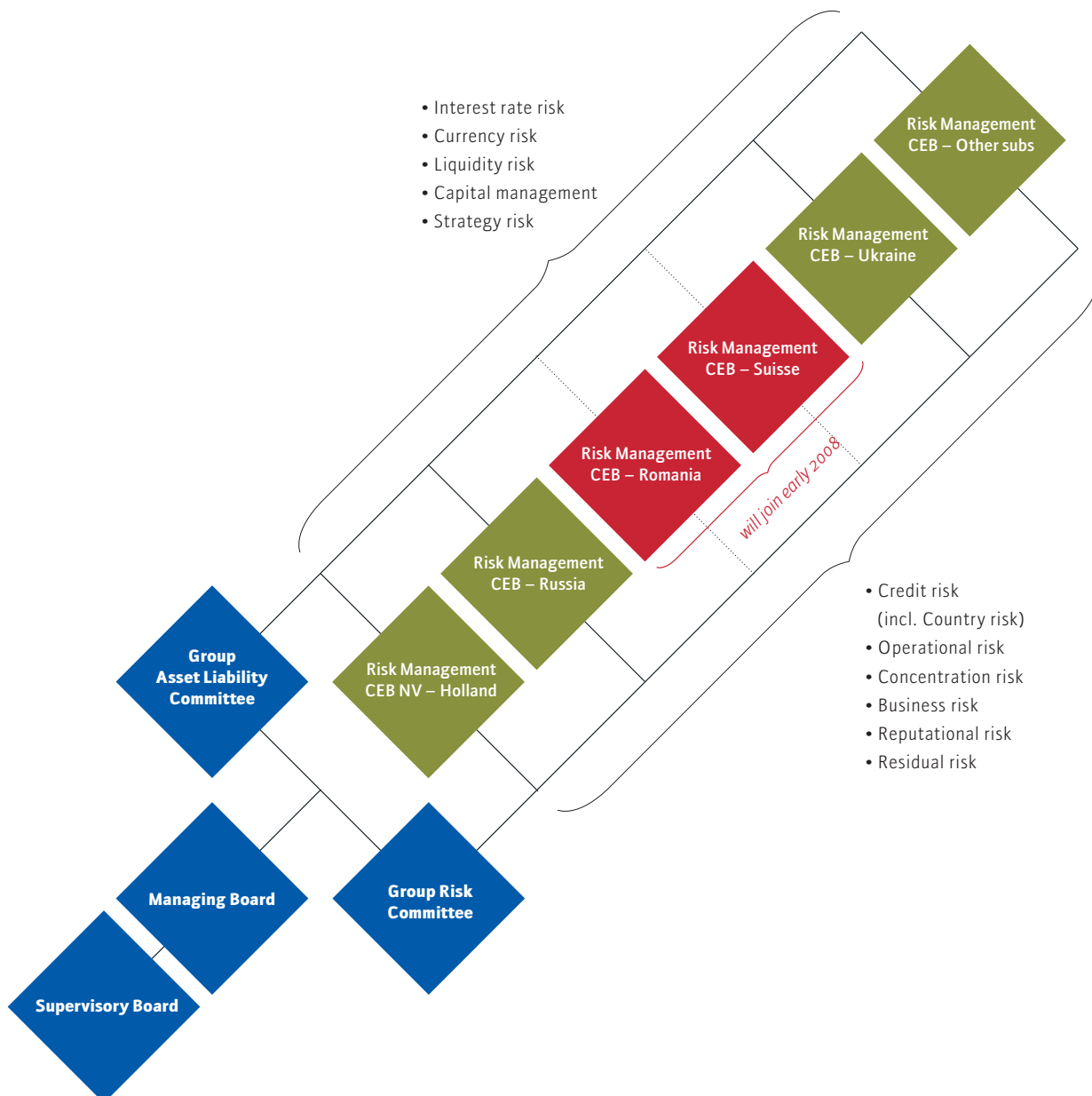
This is our subsidiary with activities in retail banking. It focuses on mortgages and consumer finance. In 2007, Credit Europe Ipotecar absorbed the activities of Credit Europe Servicii Financiare SA.

CEB NV is growing rapidly. While risk management has always been a top priority, in 2007 the Bank took further measures to ensure its risk management was fully embedded in the international organization. One measure is the reallocation of Managing Board accountabilities relating to risk. Another measure, in line with the restructuring of CEB NV into a single group with reporting requirements on regulatory capital and risk management practice to the Dutch Central Bank, is the

establishment of a centralized risk management function that will be fully rolled out in the course of 2008. This structure includes:

- central policies applicable to the whole group;
- a clear division of tasks and responsibilities;
- clear reporting lines;
- control measures at group and local level.

Credit Europe Bank N.V. risk management structure 2007



A third measure was the full review of our risk appetite. The main benefits in determining risk appetite by putting in place a stringent framework are:

- increasing transparency and accountability on CEB NV's current and future risk profile;
- continual improvement of decision-making on risk mitigation.

At CEB NV, a number of risk categories have been identified: credit, market, operational, interest-rate, liquidity, strategic and reputation (including compliance) risk. (For a full review of risk identification and mitigation, *please see page 66* in the financial statements.) Our risk appetite framework represents the link between strategic target setting and risk management by establishing limits that guide tactical and operational decisions we take to achieve our objectives. This framework has been integrated into our existing risk management structure.

Local Credit Committee

This committee resides at CEB NV's head office in Amsterdam. All credit proposals for establishment, renewal, increase, decrease and cancellation of credit lines are presented to its members. They meet regularly to evaluate credit proposals. They can decide independently on decrease and cancellation of existing lines and can establish new credit lines or renew them within the limits set out in the Credit Manual.

International Credit Committee

This committee, whose members are located at the sole shareholders' office in Istanbul, is the body to approve credit proposals for establishment and renewal of credit lines that exceed the limits of the Local Credit Committee.

[Credit Europe Bank N.V. governance structure](#)



Audit and Risk Committee

This is a Supervisory Board committee whose function is to advise the Supervisory Board on the following matters:

- the Bank's risk management activities and its internal control systems;
- the quality and integrity of the Bank's financial information;
- the role and functioning of the Internal Audit department;
- the relationship with the external accountants tasked with auditing the Bank's financial statements; and
- compliance with laws and regulations.

The Supervisory Board appoints the Chairman and at least two of its members as the members of the Audit and Risk Committee.

Risk Management Committee

This committee consists of the Chief Credit and Risk Officer (CCRO), CFO and the Head of Risk Management as members and the CEO as the Chairman. It assists the Managing Board in identifying, measuring, monitoring and controlling the Bank's key risks. It also reviews the current practices employed in the Risk Management department and the overall risk management structure within the business lines. The Risk Management Committee's responsibilities extend to supervising regulatory capital management and risk-based performance measurement. This Committee is also responsible for ensuring the Bank's exposures are in line with the risk appetite approved by the Supervisory Board on an annual basis.

Asset and liability management

The Bank operates a comprehensive asset and liability management (ALM) process. It includes supervision of local ALM committees responsible for limit setting on interest-rate, liquidity, currency and Value-at-Risk for market risk limits. It further oversees management of consolidated liquidity and interest-rate positions and capital structure. Policy and standard setting for transfer pricing are also covered by ALM.

Staying 'in control'

Financial control aims to fully align all reporting structures. The goal of our group-wide structure is to achieve internationally consistent information, cost control, audit efficiency and standardization of the financial control function. By putting a fully aligned reporting structure in place, we aim to improve decision-making, leverage best practice and achieve (cost) efficiencies in rolling out common systems.

Information technology

Our goal with IT governance structures throughout the organization is to expand existing capabilities to support further growth, achieve improved business analysis and centric portfolio management, including a web-based project management environment. IT governance at CEB NV is strategically located in the Netherlands. The Amsterdam-based IT team supervises and actively participates in projects at international subsidiary level.

Internal audit and control

As a key component in controlling its risk within the organizational control framework, CEB NV has implemented a three-line defense structure. Line management, represented by department heads, is responsible for day-to-day control. They report to the responsible Managing Board member. Essentially, this is a self-assessment model gauged against established policies and limits, and represents the first-line internal control. The second line is formed by the so-called risk functions within the Bank, such as risk management and compliance. Internal Audit is the third line, carrying out independent assessments and audits on processes, procedures and the Bank's control framework as a whole. Internal Audit reports directly to the CEO and to the Supervisory Board's Audit Committee, working closely with external auditors.

Compliance

Through its ongoing expansion into new markets, CEB NV is subject to more regulatory jurisdictions. In 2007, we carried out the annual compliance inventory of all CEB NV activities. Action to resolve any shortfalls is prioritized. As this risk is defined as the risk of legal or regulatory sanction, material financial loss or loss of reputation that may result from a failure to comply with laws and regulations, CEB NV has also incorporated compliance-awareness programs into its induction for new staff. This awareness program includes 'Anti-money laundering/Know your customer' components. Major changes in regulatory environments are embedded through regular training. Compliance knowledge and awareness are also a key part of our management trainee program. As part of our compliance drive, the head of compliance became a Certified Anti-Money Laundering Specialist (CAMS) in early 2008.

Credit Europe Bank N.V. people

Banking is a 'people' business. Our human resources policy and philosophy is driven by the recognition that in order to achieve our strategic goals, we need to recruit and retain high caliber personnel with real expertise in all our business activities. We are continually searching for people with expertise in corporate banking, trade finance, credit, financial control, treasury, risk management, audit and compliance.

Investing in people

Besides professionals with international experience, our expansion and growth in specific domestic markets also means we are actively recruiting in Russia, Romania and Ukraine. Since 2006, we develop young talent through our Management Trainee programs. The aim of these programs is to create a pool of talent that can be deployed throughout the organization, taking expertise and our corporate culture to new challenges in our rapidly expanding (international) activities. We invest heavily in improving and developing the skills of all our personnel to enable them to build new expertise and gain a variety of experience.

In the reporting year, CEB NV spent 3.35% of gross annual salary on training.

Where our people work

At the end of 2007, CEB NV had 5,465 (2006: 3,340) employees from 22 countries working around Europe and in China. The average age is 33 and average tenure is three years. The gender split is 60/40% male/female.

Employees	
Country	Number
Netherlands	259
Belgium	9
Germany	142
Malta	21
China	3
Russia	4721
Romania	99
Ukraine	211
Total	5,465

CEB NV is a wholly-owned subsidiary of the Credit Europe Group N.V. CEB NV, with branches in Belgium, Germany and Malta, and representative offices in China and Turkey, is headquartered in the Netherlands and subject to Dutch Central Bank supervision. In 2006, CEB NV also became the holding company for banking subsidiaries in Russia and Ukraine. In early 2008, Credit Europe Bank (Romania) SA and Credit Europe Bank (Suisse) SA joined the holding structure. In light of this restructuring, CEB NV is looking to develop an umbrella governance structure for the whole group, not least due to DNB supervision of consolidated activities.

As CEB NV is resident in the Netherlands, it already adhered, where appropriate, to the Dutch Corporate Governance Code (the Code). This Code became effective for all listed companies in 2004. Due to CEB NV's shareholder structure, not all requirements of the Code are applicable. However, also as part of our compliance program, we have attempted to embed the Code's best practice into our operational processes and procedures. Our aim is to develop comparable best practice for the whole organization, local regulatory requirements permitting.

The Supervisory Board

This body is responsible for overseeing all CEB NV's activities and providing guidance and advice to the Managing Board. At consolidated level, the role of some Supervisory Board members is more executive in the sense that they manage the day-to-day business decisions of certain disciplines: Mr Fevzi Bozer for Corporate Banking, Financial Institutions and Treasury; Mr Onur Umut for Retail Banking, IT, Operations and Treasury; and Mr Mehmet Güleşci for Financial Control, Risk Management, Audit and Compliance. In addition, Supervisory Board members are also members of the supervisory or similar boards of some CEB NV subsidiaries.

Since 2008, the Supervisory Board is supported by four subcommittees:

Committee	Members
Audit and Risk	Mehmet Güleşci (Chairman), Maarten J. Hulshoff, F. Onur Umut.
Remuneration	Fevzi Bozer (Chairman), F. Onur Umut, Murat Özyeğin, Mehmet Güleşci, Hamdi Aydın (advisor).
Corporate Governance and Nomination	Mehmet Güleşci (Chairman), Maarten J. Hulshoff, F. Onur Umut, Murat Özyeğin.
Compliance Oversight	Mehmet Güleşci (Chairman), Fevzi Bozer, F. Onur Umut.

Some members of CEB NV's Supervisory Board are involved in business decisions through, for example, the presence of members in the international credit committee. The Supervisory Board is supported by the Audit and Risk Committee. It is responsible for supervising and controlling all matters relating to risk management, audit and control, including supervision of relevant financial legislation and regulations. The Audit and Risk Committee supervises the submission of financial information to the Supervisory Board and external auditors, evaluating the performance of external auditors.

The Managing Board

In 2007, our executive governance structure was revised to further embed governance best practice. The Managing Board is responsible for the aims, corporate strategy, policy and performance of CEB NV at consolidated level, and specifically at the Dutch N.V. level. The Managing Board controls and manages the Bank's organizational structure and all risk elements – group-wide. To this end, a Risk Management Committee and a Policy and Procedure Committee have been established. The Managing Board is further tasked with full and timely reporting to the Supervisory Board as a whole and to the 'executive' members of all information necessary to sound supervision. Moreover, the Managing Board oversees all CEB NV subsidiaries' activities and provides guidance and advice to the respective Executive Boards. To further facilitate this role, the CEO of CEB NV participates/will participate in the supervisory or similar bodies of CEB NV entities.

The Managing Board of CEB NV now comprises four members with defined accountabilities for:

Managing Board Accountabilities

Turhan Cemal Beriker, CEO	Corporate Banking, Treasury, Internal Audit, Public Relations
Şenol Aloğlu, Deputy CEO	Bank Relations, Retail Banking, Operations (excluding risk), Security, IT
Umut Bayoğlu, CFO	Group Financial Control, Group Risk Management (Pillar II, excluding concentration risk), Human Resources, Business Development and Strategy
Yavuz Tayfun, CCRO	Credit, Group Risk Management (Pillar I and concentration risk), Compliance, Legal

The Managing Board is responsible for the development and pursuit of corporate strategy and the achievement of pre-established goals and targets. The Board is further responsible for the day-to-day management, including comprehensive risk management, control and regulatory compliance.

Outlook 2008

Modest organic growth in Western and Eastern Europe, where CEB NV has physical presence, will continue during 2008. As the Bank continues to pursue and execute its business plan, and in light of ongoing uncertainty in financial markets, CEB NV aims to further strengthen its liquidity and capital base and maintain profitability levels comparable to 2007.

Amsterdam, May 5, 2008

Turhan Cemal Beriker, CEO
Şenol Aloğlu, Deputy CEO
Umut Bayoğlu, CFO
Yavuz Tayfun, CCRO

General

Credit Europe Bank N.V. (CEB NV), which was established in 1994 as Finansbank (Holland) N.V., is the parent company of the CEB NV consolidated group of companies (referred to as the 'Bank') and is domiciled in Amsterdam, The Netherlands. The consolidated financial statements of the Bank for the year ended December 31, 2007 incorporate figures of the parent and its controlled entities.

Its sole shareholder is Credit Europe Group N.V. (CEG NV) (previously Fiba International Holding N.V.), which is 100% owned by Fiba Holding AS, Turkey.

The Bank was founded as a specialized trade finance bank with an aim to actively participate in the wholesale financing of international trade. In later years, the Bank started retail banking activities, including saving accounts, mortgage loans, consumer loans and credit cards.

The registered address of the Bank is Karspeldreef 6a, 1101 CJ Amsterdam, The Netherlands.

The consolidated financial statements for the year ended December 31, 2007 were authorized for issue in accordance with a resolution of the Supervisory Board and Managing Board on May 5, 2008.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening International Financial Reporting Standards (IFRS) balance sheet at January 1, 2005 for the purposes of the transition to IFRS, as adopted by the EU.

Summary of significant accounting policies

Statement of compliance

The consolidated financial statements of CEB NV and all its subsidiaries (the 'Bank'/the 'company') have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Basis of preparation

The financial statements are presented in euros, which is the presentation currency of the Bank.

The financial statements are prepared on the amortized cost basis, except for available-for-sale investments, derivative financial instruments and financial assets and liabilities designated at fair value through profit and loss that have been measured at fair value.

New IFRS accounting standards

Several new accounting requirements have been issued. In the Bank's assessment, the following have an impact on the company's consolidated financial statements for 2007 and beyond.

IFRS 7 'Financial Instruments: Disclosures' requires disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the risks arising from financial instruments. The standard became effective in 2007 and has resulted in additional disclosures, mainly in the risk management section.

IFRS 8 'Operating Segments' requires an entity to adapt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be the same as used internally by management for evaluating segment performance and deciding how to allocate resources to operating segments. This standard supersedes IAS 14 'Segment Reporting' and the Bank will adopt this standard in 2008.

IAS 1 (Amendment), 'Presentation of Financial Statements'. The main impact is the introduction of a statement of comprehensive income. The Bank will adopt this standard in 2009; the expectation is that this will have limited impact on presentation.

Amendment to **IAS 1 'Presentation of Financial Statements: Capital Disclosures'** requires disclosure on qualitative and quantitative information on capital management. As the Bank

already provides this information in its annual reporting, this did not materially impact the 2007 consolidated financial statements.

IAS 23 (Amendment), 'Borrowing Costs' removes the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This will have hardly any impact on the consolidated financial statements of the Bank.

The Bank has adopted **IFRIC 9 'Reassessment of Embedded Derivatives'** which requires embedded derivatives to be reassessed for separation of the underlying host contract in the event changes to a contract are made. This interpretation has not impacted the Bank's consolidated financial statements.

IFRIC 10 'Interim Financial Reporting and Impairments' prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 is effective as from 2007 and has not impacted the consolidated financial statements.

IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' gives guidance on applying IFRS 2 'Share-based Payment' to arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). The interpretation will become effective for the company in 2008 and is not expected to materially impact the consolidated financial statements.

IFRIC 12 'Service Concession Arrangements' regulates the accounting of arrangements whereby a government or other public sector entity grants contracts for the supply of public services to private sector operators. The interpretation will become effective in 2008. The Bank is not a party to such arrangements and therefore does not expect that its consolidated financial statements will be affected by this interpretation.

IFRIC 13 'Customer Loyalty Programmes' addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy goods or services. This interpretation will become effective in 2009. The Bank does not expect the interpretation will materially affect the consolidated financial statements, as it does not have such programs.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' provides guidance on assessing the limit in IAS 19 'Employee Ben-

efits' on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. This interpretation will become effective in 2008. The Bank expects that this interpretation will not have a material impact on the consolidated financial statements.

Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

Fair value of financial instruments

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

Impairment losses on loans and advances

The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the profit or loss statement. In particular, judgement by the management is required on the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant losses and advances, the Bank also makes a collective impairment allowance against the remaining exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, the industry concerned and identified structural weaknesses or deterioration in cash flows.

Deferred tax assets

Deferred tax assets are recognized for all unusual tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Pension and post-retirement benefits

Significant pension and post-retirement benefit costs and credits are based on actuarial calculations. Inherent within these calculations are assumptions, including discount rates, salary increases and the expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, the return on assets or other factors.

The other areas involving a higher degree of judgment or complexity that are significant to the consolidated financial statements are disclosed in the related accounting policies.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries (including a special-purpose entity that the Bank controls) are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The pooling of interest method of accounting is used for businesses acquired or contributed under common control.

This method requires that the financial statement items of the combining entities for the period in which the combination occurred and for any comparative periods presented are to be included as if they had been combined from the beginning of the earliest period presented. According to this method, the capital contribution by Credit Europe Group of 95% of the shares of Credit Europe Bank Ltd in September 2006 has been included in the consolidated financial statements as of January 1, 2005. Credit Europe Bank Ltd, formerly known as Finansbank (Russia) Ltd, was established in the Russian Federation as a closed joint-stock company and was granted its general banking license in 1997. The activities of Credit Europe Bank Ltd are regulated by the Central Bank of the Russian Federation.

In August 2007, two subsidiaries of the Bank – Credit Europe Servicii Financiare IFN SA and Credit Europe Ipotecar IFN SA – were merged. Additionally, in December 2007, a subsidiary of CEG NV, SC Credit Europe International Leasing IFN SA, was merged with the Bank's subsidiary, SC Credit Europe Leasing IFN SA, to form a solid basis for leasing operations in Romania.

All intra-group balances and transactions, including income, expenses, dividends and unrealized gains on intra-group transactions are eliminated in full.

Minority interests represent the portion of profit and loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the profit or loss statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Foreign currency translation

Transaction and balances

The consolidated financial statements are presented in euros, which is the Bank's functional and presentation currency. Each entity in the Bank determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency's exchange rate ruling at the balance sheet date. All differences are taken to the profit or loss statement. Non-monetary

items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences are taken into a separate component of equity. On disposal of this non-monetary item measured at fair value, the deferred cumulative amount recognized in equity relating to that particular non-monetary item is recognized in the profit or loss statement.

Translation differences in the profit and loss accounts are generally included in 'Net trading income'. Translation differences related to the disposal of available-for-sale securities are considered to be an inherent part of the capital gains or losses recognized in investment income.

Group companies

The assets and liabilities of foreign operations are translated into the Bank's presentation currency, the euro, at the rate of exchange ruling at the balance sheet date. The profit or loss statements of foreign subsidiaries are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the profit or loss statement.

Financial instruments – initial recognition and subsequent measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in case of financial assets and financial liabilities not classified at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

Measurement classifications

The Bank classifies its financial assets and liabilities into the following measurement (valuation) categories:

a Derivatives recorded at fair value through profit and loss

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, references, rates or indices. Derivatives include currency and cross currency swaps, forward foreign exchange contracts, interest rate swaps, currency options, equity options, bond options and credit default swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Derivative financial instruments are subsequently remeasured at fair value. Changes in the fair value of derivatives are included in 'Net trading income'. Interest income or expense generated with derivative financial instruments used for asset liability management is recorded in 'Net interest income'. Interest income or expense generated with derivative financial instruments not used for asset and liability management are recorded in 'Net trading income'.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio, with changes in fair value recognized in the profit or loss statement under 'Net trading income'.

b Financial assets or financial liabilities held for trading

Financial assets and financial liabilities held for trading comprising financial instruments held for trading other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Net trading income'. Interest income or expense is recorded in 'Net interest income' according to the terms of the contract.

Included in this classification are debt securities, equities and short positions in debt securities and securities and trading loans which have been acquired principally for the purpose of selling or repurchasing in the near term.

c 'Day 1' profit

Where the transaction price in a non-active market is different to the fair value of other observable current market transactions in the same instrument, or based on a valuation technique

whose variable includes only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a 'Day 1 profit') in the profit or loss statement in 'Net trading income'. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss statement when the inputs become observable, or when the instrument is derecognized.

d Held-to-maturity investments

Held-to-maturity investments are those which carry fixed or determinable payments and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income'. The losses arising from impairment of such investments are recognized in the profit or loss statement in 'Other impairment losses'.

e Due from banks and loans and receivables from customers

Due from banks and loans and receivables (excluding trading loans) are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale', or 'Financial assets designated at fair value through profit and losses'. After initial measurement, amounts due from banks and loans and receivables from customers are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the profit or loss statement. The losses arising from impairment are recognized in the profit or loss statement in 'Credit loss charges'.

f Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as recorded at fair value through profit or loss or held-to-maturity. They may be sold in response to liquidity needs or changes in market conditions. They include debt instruments and loans.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealized gains

and losses are recognized directly in equity in the 'Net gains/ (losses) not recognized in the profit or loss statement'. When the security is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognized in equity is recognized in the profit or loss statement in 'Result from financial transactions'. Interest earned whilst holding available-for-sale investment securities is reported as interest income using the effective interest rate. The losses arising from impairment of such investments are recognized in the profit or loss statement in 'Other impairment loss'.

g Repo contracts

Transactions where financial instruments such as loans are sold under a commitment to repurchase (repos) at a predetermined price, or purchased under a commitment to resell (reverse repo), are treated as collateralized borrowing and lending transactions. The legal title of the financial instrument subject to resale or repurchase commitments is transferred to the lender. Financial instruments transferred under a repurchase commitment are henceforth included in the relevant items of the Bank's balance sheet, such as 'Loans and receivables – customers', while the borrowing is recorded in 'Due to banks'. Financial instruments received under a resale commitment are recorded in the off-balance sheet accounts, unless sold.

Income and expenses arising from repurchase and resale commitments, being the difference between the selling and the purchase price, are accrued over the period of the transaction and recorded in the profit or loss statement as 'Interest income and similar income' or 'Interest expense and similar expenses'.

h Issued debt securities and other funds borrowed

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Issued debt securities' or 'Funds borrowed' where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement and transferred substantially all risks and rewards; or
- the Bank has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset and not retained substantially all risks and rewards.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Bank could be required to repay.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. The recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Impairment of financial assets

At each balance sheet date, the Bank assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments.

1 Due from banks and loans and receivables from customer

For amounts due from banks, and loans and receivables from customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of

the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss statement. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The carrying amount of the loans, taking associated allowance accounts into account, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. When any part of a claim is deemed uncollectible or forgiven, a write-off is charged to the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure, less costs, for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective evaluation of impairment aims to establish portfolio provisions for losses incurred but not yet identified. By definition these are losses which cannot yet be attributed to particular transactions. Therefore, this provision is derived from the portfolio analysis, which is based on the homogenous exposure structures of the financial assets being analyzed. Financial assets are grouped on the basis of their credit risk characteristics, such as asset type, geographical location, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the year on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by means of back testing to reduce any differences between loss estimates and actual loss experience.

ii Held-to-maturity financial investments

For held-to-maturity investments, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investment'.

iii Available-for-sale financial assets

For available-for-sale financial assets, the Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest based on market rates is accrued at the effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss statement, the impairment loss is reversed through the profit or loss statement.

iv Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate when in substance the terms and conditions did not change significantly. Individual or collective impairment calculations relating to renegotiated loans that have substantially different terms than the original ones are recalculated using the loan's new collective interest rate.

Netting and collateral

The Bank enters into master netting arrangements with counterparties wherever possible, and, when appropriate, obtains collateral. If the Bank has the right on the grounds of either legal or contractual provisions, and the intention to settle financial assets and liabilities net or simultaneously, these are offset and the net amount is reported in the balance sheet. Due to differences in the timing of actual cash flows, derivatives with positive and negative fair values are generally not netted, even if they are held with the same counterparty.

Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. So far, the Bank has not applied hedge accounting.

Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

i Bank as a lessee

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expenses'.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognized on the balance sheet. Any rentals payable are accounted for on a straight-line basis over the lease term and included in 'Other operating expenses'.

II Bank as a lessor

Finance leases, where the Bank transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included on the balance sheet in 'Loans and advances – customers.' A receivable is recognized over the leasing period of an amount equalling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in 'Interest and similar income' in the profit or loss statement.

Cash and cash equivalents

Cash and cash equivalents referred to in the cash flow statement comprise cash on hand, current assets with central banks and amounts due from banks on demand and an insignificant risk of a change in value.

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analyzed into cash flows from operations, including banking activities, investments activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in cash flows from operating activities. Investment activities comprise sales and redemptions in respect of financial investments and property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movement due to currency translation differences as well as the effects of the consolidation of business acquisitions, where of material significance, is eliminated from the cash flow figures.

Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Borrowing costs are not included in the cost of property, plant and equipment, but recognized as an expense. Changes in the expected useful life are accounted

for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on other assets using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	30–40 years
Furniture and fixtures	5–20 years
Machinery and equipment	3–20 years
Vehicles	2–5 years
Leasehold improvements	Over the term of respective leases or 3–5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the profit or loss statement in the year the asset is derecognized.

Business combinations

The pooling of interest method of accounting is used for businesses acquired or contributed under common control. This method requires that the financial statement items of the combining entities for the period in which the combination occurred and for any comparative periods presented were to be included as if they had been combined from the beginning of the earliest period presented. Currently, there are no other business combinations.

Intangible assets

Intangible assets mainly include the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic

Summary of significant accounting policies

benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the profit or loss statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful life as follows:

Computer software	3–10 years
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Impairment of non-financial assets

The Bank assesses, at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses for goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure

required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the profit or loss statement in 'Credit loss charges'. The premium received is recognized in the profit or loss statement in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Defined benefit pension plan

A defined benefit plan was introduced per January 1, 2007. The Bank had a defined contribution plan from January 1, 2002 to December 31, 2006.

The net obligations under defined benefit plans are calculated as the difference between the benefit obligations and the plan assets.

In line with IAS 19 standards, the Bank uses the projected unit credit method. This actuarial technique breaks down the total pension, to which each participant is expected to become entitled, into units, each associated with a year of past or future credited service.

Gains and losses related to pensions are recognized in the year they arise.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance-sheet date.

Deferred income tax

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying value of deferred tax assets is reviewed at each balance-sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance-sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance-sheet date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the profit or loss statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

a Interest income and expenses

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-

for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

b Fees and commissions income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions for the provision of services over a period of time are generally recognized on an accrual basis. These fees include commission income. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate of the loan.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Management and service fees are recognized based on the applicable service contracts. Fee for bank transfers and other banking transaction services are recorded as income when collected.

Interest income or expenses on trading assets and liabilities, excluding the non asset-liability management purpose derivative financial instruments, are included within interest income and expense.

c Net trading income

Net trading income includes gains and losses arising from changes in the fair value and disposal of financial assets and liabilities held for trading and includes dividends received from trading instruments. Interest income or expenses on trading derivatives excluding the asset-liability management purpose derivative financial instruments are included within net trading income.

Summary of significant accounting policies

d Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities. Dividend income from non-trading equity investments is recognized when the entitlement is established.

Fiduciary activities

Assets held in a fiduciary capacity, if any, are not reported in the financial statements, as they are not the assets of the Bank.

Dividends on ordinary shares

Dividends on the Bank's ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the balance-sheet date are dealt with in the subsequent events note.

Equity components

Currency translation account

The currency translation account is comprised of all currency differences arising from the translation of the financial statements of foreign operations, net of the translation impact on foreign currency liabilities. These currency differences are included in income on disposal or partial disposal of the operation.

Net unrealized gains and losses on available-for-sale assets

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognized, net of taxes. When the relevant assets are sold, impaired or otherwise disposed of, the related cumulative gain or loss recognized in equity is transferred to the profit or loss statement.

Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders of the parent company from continuing operations by the average number of shares in issuance during the year. Fully diluted earnings per share is calculated taking into account all dilutive instruments, including options and employee share plans, in issuance at the balance sheet date.

Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Consolidated Balance Sheet as of December 31, 2007

	Notes	2007	2006
Assets			
Cash and balances at central banks	2 <i>page 43</i>	290,174	267,295
Financial assets at fair value through profit or loss	3 <i>page 44</i>	421,008	123,329
Financial investments	4 <i>page 44</i>	158,327	23,076
Loans and receivables – banks	5 <i>page 45</i>	1,393,910	997,335
Loans and receivables – customers	6 <i>page 45</i>	3,436,163	2,318,266
Derivative financial instruments	8 <i>page 47</i>	99,311	41,445
Equity accounted investments	9 <i>page 48</i>	958	125
Property and equipment	10 <i>page 48</i>	48,543	38,395
Intangible assets	11 <i>page 49</i>	3,533	2,307
Other assets	12 <i>page 49</i>	43,105	26,240
Total assets		5,895,032	3,837,813
Liabilities			
Due to banks	13 <i>page 50</i>	804,959	302,753
Due to customers	14 <i>page 50</i>	3,953,145	2,810,479
Derivative financial instruments	8 <i>page 47</i>	53,941	24,712
Issued debt securities and other borrowed funds	15 <i>page 50</i>	380,041	222,380
Other liabilities	16 <i>page 51</i>	138,416	133,152
Total liabilities (excluding subordinated liabilities)		5,330,502	3,493,476
Subordinated liabilities	17 <i>page 51</i>	179,646	85,876
Total liabilities		5,510,148	3,579,352
Equity			
Share capital	18 <i>page 52</i>	324,500	162,000
Share premium	19 <i>page 52</i>	3,639	49,941
Retained earnings		58,446	41,346
Net gains/(losses) not recognized in the profit or loss statement		(822)	278
Translation reserve		(10,684)	935
Equity attributable to shareholders of the parent company		375,079	254,500
Equity attributable to minority interests		9,805	3,961
Total equity		384,884	258,461
Total equity and liabilities		5,895,032	3,837,813
Commitment and contingencies	32 <i>page 60</i>	547,124	577,304

Consolidated Profit and Loss Statement as of December 31, 2007

	Notes	2007	2006
Interest and similar income		457,001	266,952
Interest expense and similar charges		(249,207)	(137,846)
Net interest income	20 <i>page 52</i>	207,794	129,106
Fees and commissions income		45,277	34,197
Fees and commissions expense		(16,633)	(11,372)
Net fee and commission income	21 <i>page 53</i>	28,644	22,825
Net trading income/(expense)	22 <i>page 53</i>	17,047	(300)
Results from financial transactions	23 <i>page 53</i>	(1,605)	8,986
Other operating income	24 <i>page 54</i>	1,586	451
Operating income		17,028	9,137
Credit loss charges	7 <i>page 46</i>	(45,925)	(35,271)
Net operating income		207,541	125,797
Personnel expenses	25 <i>page 54</i>	(77,818)	(50,282)
General and administrative expenses	26 <i>page 54</i>	(52,523)	(29,938)
Depreciation and amortization	10, 11 <i>page 48</i>	(6,994)	(4,343)
Total operating expenses		(137,335)	(84,563)
Operating profit before tax		70,206	41,234
Income tax expense	27 <i>page 55</i>	(20,912)	(12,025)
Profit for the year		49,294	29,209
Attributable to:			
Equity holders of the parent		48,601	28,929
Minority interests		693	280
Earnings per share attributable to equity holders of the parent (in €)	28 <i>page 57</i>		
Basic		0.20	0.25
Diluted		0.20	0.25

Consolidated Statement of Changes in Equity as of December 31, 2007

	Attributable to equity holders of the parent							Total equity
	Issued capital	Share premium	Retained earnings	Net gains/ (losses) not recognized in the profit or loss statement	Translation reserve	Total	Minority interest	
At January 1, 2007	162,000	49,941	41,346	278	935	254,500	3,961	258,461
Net gains on available-for-sale financial assets	-	-	-	(1,100)	-	(1,100)	-	(1,100)
Foreign currency translation	-	-	-	-	(11,619)	(11,619)	(515)	(12,134)
Total income and expense for the year recognized directly in equity	-	-	-	(1,100)	(11,619)	(12,719)	(515)	(13,234)
Profit for the year	-	-	48,601	-	-	48,601	693	49,294
Transfer from the retained earnings	18,000	-	(18,000)	-	-	-	-	-
Transfer from share premium	49,500	(49,500)	-	-	-	-	-	-
Addition to legal reserves	-	-	13	-	-	13	-	13
Issue of share capital	95,000	-	-	-	-	95,000	-	95,000
Additions to minority Interest	-	-	-	-	-	-	5,665	5,665
Merger effect	-	3,199	-	-	-	3,199	-	3,199
Dividends (note 31 page 59)	-	-	(13,514)	-	-	(13,514)	-	(13,514)
At December 31, 2007	324,500	3,640	58,446	(822)	(10,684)	375,080	9,804	384,884
At January 1, 2006	110,000	26,071	34,268	10,902	2,302	183,543	1,708	185,251
Net gains on available-for-sale financial assets	-	-	-	(10,624)	-	(10,624)	-	(10,624)
Foreign currency translation	-	-	-	-	(1,367)	(1,367)	(1)	(1,368)
Total income and expense for the year recognized directly in equity	-	-	-	(10,624)	(1,367)	(11,990)	(1)	(11,991)
Share of changes recognized directly in equity of subsidiary	-	23,870	-	-	-	23,870	-	23,870
Profit for the year	-	-	28,929	-	-	28,929	280	29,209
Issue of share capital	52,000	-	-	-	-	52,000	1,974	53,974
Dividends (note 31 page 59)	-	-	(21,851)	-	-	(21,851)	-	(21,851)
At December 31, 2006	162,000	49,941	41,346	278	935	254,500	3,961	258,461

Comprehensive Income Statement as of December 31, 2007

	2007	2006
Profit attributable to equity holders of the parent company	48,601	28,929
Gains/(losses) not recognized in income:		
Currency translation differences	(11,619)	1,366
Available-for-sale assets	(1,100)	10,624
	(12,719)	11,990
Unrealized (gains)/losses from prior periods recognized in income:		
Available-for-sale assets	12	(14,156)
	12	(14,156)
Comprehensive income for the year	35,894	26,763

Consolidated Cash Flow Statement as of December 31, 2007

	Notes	2007	2006
Operating activities			
Operating profit before taxes		70,206	41,224
Adjustments for significant non-cash items included in income			
Depreciation, amortization and impairment		6,994	4,344
Credit loss charges		45,925	35,272
Movements in operating assets and liabilities			
Movements in operating assets	33 <i>page 61</i>	(2,003,873)	(1,062,658)
Movements in operating liabilities	33 <i>page 61</i>	1,672,314	1,052,534
Taxes paid		(13,620)	(11,888)
Cash flows from operating activities		(222,054)	58,828
Investing activities			
Purchases of financial investments		(142,729)	(3,872)
Sales and redemption of financial investments		5,854	108,031
Acquisition of property and equipment		(17,522)	(19,943)
Sale of property and equipment		609	1,452
Acquisition of intangibles		(2,312)	(2,038)
Cash flows from investing activities		(156,100)	83,630
Financing activities			
Issuance of subordinated liabilities		93,770	11,047
Issuance of other long-term funding		188,855	21,124
Repayment of other long-term funding		(31,194)	–
Proceeds from the issue of shares		162,500	52,000
Dividends paid		(13,514)	(21,851)
Cash flows from financing activities		400,417	62,320
Movement in cash and cash equivalents		22,263	204,778
Cash and cash equivalents at January 1		267,295	62,392
Net foreign exchange difference		616	125
Cash and cash equivalents at December 31		290,174	267,295

Notes to Consolidated Financial Statements

1 Segment information

Segment information is presented in respect of the Bank's business and geographical segments. The primary format, geographical segments, is consistent with the Bank's management and internal reporting structure applicable to the financial year.

A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Measurement of segment assets and liabilities and segment income and results is based on the Bank's accounting policies. Inter-segment pricing is determined on an arm's-length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire fixed assets that are expected to be used during more than one period.

Geographical segments

The Bank operates principally in the Netherlands, Germany, Belgium, Russia and Romania. At the end of 2006, the Bank obtained a banking license in the Ukraine, and in 2007, the Bank opened a branch in Malta. The geographical analysis presented below is based on the location of the Bank entity in which the transactions are recorded.

Year ended December 31, 2007	The Netherlands	Germany	Belgium	Russia	Romania	Ukraine	Malta	Total
Net interest income – external	71,308	(55,448)	(3,373)	133,075	23,912	7,479	30,841	207,794
Net interest income – other segments	(22,238)	69,591	5,153	(17,496)	(13,992)	(2,098)	(18,920)	–
Net commission income – external	17,898	1,598	(540)	12,824	(3,541)	321	84	28,644
Net trading income	18,277	(2)	0	(2,257)	121	541	367	17,047
Result from financial transactions	(1,583)	–	–	–	–	(22)	–	(1,605)
Other operating income	–	–	–	1,205	374	7	–	1,586
Credit loss charges	(2,780)	(3,817)	(1,103)	(34,711)	(2,865)	(649)	–	(45,925)
Total operating expenses	(32,093)	(11,714)	(2,337)	(79,505)	(6,245)	(4,447)	(994)	(137,336)
Operating profit before taxes	48,789	208	(2,200)	13,135	(2,236)	1,132	11,378	70,206
Income tax expense	(11,604)	(89)	(3)	(5,017)	(343)	(408)	(3,447)	(20,911)
Profit for the year	37,185	119	(2,203)	8,118	(2,579)	724	7,931	49,294

Other information at December 31, 2007

Total assets	2,977,753	192,608	56,832	1,400,606	403,804	212,981	650,448	5,895,032
Total liabilities	2,416,815	1,910,584	174,850	714,472	4,146	36,434	252,847	5,510,148
Capital expenditure	1,306	901	1	11,210	672	3,279	153	17,522
Depreciation expense	1,438	189	57	4,835	229	226	20	6,994

Year ended December 31, 2006	The Netherlands	Germany	Belgium	Russia	Romania	Ukraine	Malta	Total
Net interest income – external	67,819	(31,090)	1,209	73,825	17,343	–	–	129,106
Net interest income – other segments	(29,407)	39,324	–	(3,150)	(6,767)	–	–	–
Net commission income – external	14,459	1,055	174	9,484	(2,347)	–	–	22,825
Net trading income	(5,267)	0	(3)	4,867	103	–	–	(300)
Result from financial transactions	8,986	–	–	–	–	–	–	8,986
Other operating income	–	–	–	419	33	–	–	452
Credit loss charges	3,316	(1,286)	(79)	(32,350)	(4,873)	–	–	(35,272)
Total operating expenses	(25,889)	(8,054)	(2,071)	(45,183)	(3,366)	–	–	(84,563)
Operating profit before taxes	34,017	(51)	(770)	7,912	126	–	–	41,234
Income tax expense	(9,499)	486	(11)	(2,213)	(788)	–	–	(12,025)
Profit for the year	24,518	435	(781)	5,699	(662)	–	–	29,209
Other information at December 31, 2006								
Total assets	2,691,152	164,097	8,215	820,624	146,725	7,000	–	3,837,813
Total liabilities	1,628,113	1,374,417	100,694	468,305	7,823	–	–	3,579,352
Capital expenditure	13,259	347	–	6,021	316	–	–	19,943
Depreciation expense	909	209	50	3,057	118	–	–	4,343

Business segments

The Bank comprises the following main business segments:

- **Retail banking:** Principally handling individual customer's deposits, and providing consumer loans, credit card facilities and funds transfer facilities.
- **Commercial:** Principally handling loans, other credit facilities, deposits and current accounts for corporate customers and financial institutions.
- **Other:** Treasury, finance and other central functions

	2007			2006		
	Operating income before credit losses	Total assets	Capital expenditure	Operating income before credit losses	Total assets	Capital expenditure
Retail	109,585	1,166,127	–	68,258	584,268	–
Commercial	112,089	4,345,474	–	72,993	2,836,699	–
Other	31,792	383,431	17,522	19,818	416,846	19,943
Total	253,466	5,895,032	17,522	161,069	3,837,813	19,943

2 Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the Bank has a presence.

	2007	2006
Cash on hand	20,001	18,883
Balances at central bank	270,173	248,412
Total	290,174	267,295

Deposits at central banks include reserve deposits amounting to €154,901 (2006: €138,412) that represent mandatory deposits and are not available in the Bank's day-to-day operations.

3 Financial assets at fair value through profit or loss

As of December 31, 2007 and 2006, financial assets at fair value through profit or loss comprised the following:

Financial assets held for trading	2007	2006
Bank bonds	223,966	73,805
Trading loans	104,212 ¹	–
Corporate bonds	39,797	22,577
Government bonds and T-Bills	30,089	26,947
Mutual funds	22,944	–
Total	421,008²	123,329

¹The Bank started to use a trading portfolio for loans as of January 1, 2007.

²€316,796 (2006: €123,329) of the total is listed securities and €104,212 (2006: none) is non-listed loans.

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Gains and losses on changes in fair value of trading instruments are recognized in net trading income

	Amount			Collateral obtained	
	Book value	Market risk	Credit risk	Nominal amount	Fair value
Trading loans	104,503	(291)	–	–	–
Total				104,212	

4 Financial investments

Available-for-sale portfolio	2007	2006
Loans	70,399 ¹	–
Government bonds and T-Bills	46,331	21,127
Corporate bonds	41,597	–
Bank bonds	–	1,949
Total	158,327²	23,076

¹The Bank started to use an available-for-sale portfolio for loans as of January 1, 2007.

²€87,928 (2006: €23,076) of the total is listed securities and €70,399 (2006: none) is non-listed loans.

Movement in investment securities	2007	2006
At January 1	23,076	129,488
Exchange differences and monetary loss on monetary assets	(2,023)	(2,237)
Additions	142,729	3,872
Disposals (sale and redemption)	(5,855)	(108,030)
Impairment losses	–	–
Gains/(losses) from changes in fair value	400	(17)
At December 31	158,327	23,076

5 Loans and receivables – banks

	2007	2006
Loans and advances	1,053,102	848,148
Placement with other banks	340,881	148,618
Other	–	569
Subtotal	1,393,983	997,335
Allowances for impairment	(73)	–
Total	1,393,910	997,335

6 Loans and receivables – customers

	2007	2006
Commercial	2,288,527	1,771,447
Consumer	905,062	500,424
Finance lease receivables, net	230,289	86,098
Credit cards	41,396	7,175
Private customers	35,334	–
Public sector	–	1,067
Subtotal	3,500,608	2,366,211
Allowances for impairment	(64,445)	(47,945)
Total	3,436,163[†]	2,318,266

[†] None of these loans are subordinated.

No individual loan or receivable has terms and conditions that materially affect the amount, timing or certainty of the Bank's consolidated cash flows. For details on significant concentration, see the risk management section, note 34.

Loans to customers do not include any amount related to the receivables on securities that have been acquired in reverse repo transactions.

	2007	2006
Finance lease receivables		
Not later than 1 year	30,662	28,108
Later than 1 year and not later than 5 years	248,333	71,960
Later than 5 years	563	5,818
Gross lease receivables	279,558	105,886
Not later than 1 year	(4,182)	(4,987)
Later than 1 year and not later than 5 years	(45,019)	(13,873)
Later than 5 years	(68)	(928)
Unearned interest income	(49,269)	(19,778)
Finance lease receivables, net	230,289	86,098

Notes to Consolidated Financial Statements

Movements in the reserve for impairment in finance lease receivables	2007	2006
Reserve at beginning of year	192	–
Provision for impairment	990	192
Recoveries	(24)	–
Minimum lease payments receivables written off during the year	–	–
Translation loss	(12)	–
Reserve at end of year	1,146	192

7 Credit loss charges

Movement in allowance for loan investment	2007	2006
Balance at January 1	47,944	31,896
New impairment allowances	44,458	39,462
Reversal of impairment allowances no longer required	(2,070)	(4,190)
Currency translation differences	(3,387)	(1,631)
Amounts written off	(22,224)	(17,593)
Other credit related charges	3,538	–
Merger effect on opening balance	(3,740)	–
Balance at December 31	64,519	47,944

Allowance by type of outstanding	2007	2006
Consumer loans	49,366	39,417
Commercial loans	10,676	8,025
Credit cards	2,472	311
Finance lease receivables	1,146	191
Private customers	785	–
Loans to banks	74	–
Total	64,519	47,944

Credit loss charges in profit and loss statements	2007	2006
New impairment allowances	44,457	39,462
Reversal of impairment allowances no longer required	(2,070)	(4,191)
Other credit related charges	3,538	–
Balance at December 31	45,925	35,271

8 Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures, credit default swaps and options.

The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of either market or credit risk.

	2007			2006		
	Notional amounts	Assets	Fair values liabilities	Notional amounts	Assets	Fair values liabilities
Interest rate derivatives OTC						
Credit default swaps	(20,379)	159	582	86,932	33	–
Options (purchased)	–	–	–	22,779	456	37
Options (sold)	–	–	–	(45,558)	37	545
Subtotal	(20,379)	159	582	64,153	526	582
Currency derivatives OTC						
Swaps	4,503,422	90,190	43,941	1,353,553	35,467	15,566
Forwards	339,362	2,560	3,016	405,406	1,144	4,257
Options (purchased)	211,036	4,211	–	220,843	–	4,308
Options (sold)	(211,036)	–	4,211	(220,843)	4,308	–
Subtotal	4,842,784	96,961	51,168	1,758,959	40,919	24,131
Other derivatives						
Equity options (purchased)	325,728	2,191	–	–	–	–
Equity options (sold)	(325,728)	–	2,191	–	–	–
Subtotal	–	2,191	2,191	–	–	–
Total derivatives	4,822,404	99,311	53,941	1,823,112	41,445	24,712

Derivative financial instruments held or issued for trading purposes: Most of the Bank's derivative trading activities relate to its asset and liability management and transactions with customers that are normally laid off with counterparties. The Bank may also take positions in the expectation of profiting from favorable movements in prices, rates on indices. No hedge accounting has been applied.

Forwards and futures: Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Future contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps: Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices based on specified notional amounts.

Credit Default Swap: A credit default swap (CDS) is a swap designed to transfer the credit risk of fixed income products from one party to the other. It is an agreement between a protection buyer and a protection seller, whereby the buyer pays a periodic fee in return for a contingent payment by the seller upon a credit event (such as a certain default) happening in the reference entity.

Options: Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

9 Equity accounted investments

For 2007, the movement of participating interests in Bank companies is as follows:

	Balance at 1 January	Additions	Disposals	Dividend received	Result for the year	Balance at 31 December
Stichting Credit Europe						
Custodian Services	125	–	–	–	–	125
Credit Europe Bank (Romania) SA	–	833	–	–	–	833
Total	125	833				958

Stichting Credit Europe Custodian Services is an entity which holds securities with custodian companies on behalf of clients of the Bank. The Bank owns a participation of 100%.

Due to the merger of Credit Europe International Leasing SA with Credit Europe Leasing SA in December 2007, the Bank has obtained an indirect participation of 1.10% in Credit Europe Bank (Romania) SA.

10 Property and equipment

The book value of property and equipment in 2007 and 2006 changed as follows:

	Buildings	Furniture and fixture	Vehicles	Leasehold improvements	Total
Balance at January 1, 2007	25,338	10,946	533	1,578	38,395
Additions	1,534	9,295	826	5,868	17,523
Disposals	–	(140)	(18)	(451)	(609)
Depreciation	(503)	(3,475)	(364)	(1,645)	(5,987)
Currency translation differences	(90)	(458)	(41)	(190)	(779)
Balance at December 31, 2007	26,279	16,168	936	5,159	48,543
Cost	31,891	29,273	1,668	8,157	70,989
Cumulative depreciation and impairment	(5,612)	(13,105)	(732)	(2,997)	(22,446)
Balance at December 31, 2007	26,279	16,168	936	5,160	48,543
	Buildings	Furniture and fixture	Vehicles	Leasehold improvements	Total
Balance at January 1, 2006	14,195	8,340	17	1,307	23,859
Additions	11,397	6,900	770	876	19,943
Disposals	–	(1,426)	(26)	–	(1,452)
Depreciation	(254)	(2,774)	(230)	(595)	(3,853)
Currency translation differences	–	(94)	2	(10)	(102)
Balance at December 31, 2006	25,338	10,946	533	1,578	38,395
Cost	30,447	20,576	901	2,930	54,855
Cumulative depreciation and impairment	(5,109)	(9,630)	(368)	(1,352)	(16,460)
Balance at December 31, 2006	25,338	10,946	533	1,578	38,395

11 Intangible assets

	Patent and licenses	Other intangibles	Total
Balance at January 1, 2007	957	1,350	2,307
Other additions	1,629	682	2,311
Disposals	–	–	–
Amortization	(670)	(338)	(1,008)
Currency translation differences	–	(77)	(77)
Balance at December 31, 2007	1,916	1,617	3,533
Cost	4,216	2,145	6,361
Cumulative amortization	(2,300)	(528)	(2,828)
Balance at December 31, 2007	1,916	1,617	3,533
	Patent and licenses	Other intangibles	Total
Balance at January 1, 2006	773	66	839
Other additions	514	1,524	2,038
Disposals	(11)	(64)	(75)
Amortization	(319)	(172)	(491)
Currency translation differences	–	(4)	(4)
Balance at December 31, 2006	957	1,350	2,307
Cost	2,587	1,540	4,127
Cumulative amortization	(1,630)	(190)	(1,820)
Balance at December 31, 2006	957	1,350	2,307

12 Other assets

	2007	2006
Prepayments and advance payments to suppliers	19,385	13,927
VAT receivables	6,089	600
Deferred tax assets	3,245	2,458
Deferred merchant fees paid	3,163	3,026
Current tax assets	2,255	2,751
Low valuable items	1,438	102
Other receivables	912	440
ATM settlements	909	759
Other assets	5,709	2,177
Total	43,105	26,240

13 Due to banks

This item is comprised of amounts due to banking institutions.

	2007	2006
Time deposits	442,111	240,007
Syndication loan	251,109	45,522
Current accounts	111,739	17,224
Total	804,959	302,753

14 Due to customers

This item comprises amounts due to non-banking customers.

	2007	2006
Saving accounts	1,769,672	968,211
Consumer deposits	1,232,504	768,313
Corporate deposits	662,273	832,620
Current accounts	288,696	241,335
Total	3,953,145	2,810,479

As of December 31, 2007, the Bank maintained customer deposit balances of €283,729 (2006: €338,884) that were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

15 Issued debt securities and other borrowed funds

Issued debt securities and other borrowed funds as of December 31, 2007:

Principal amount	Original currency	Interest rate	Opening date	Maturity date	Effective interest rate	Amount
250,000 ¹	USD	7.90%	December 12, 2005	December 12, 2008	8.02%	171,231
250,000 ¹	USD	7.50%	April 13, 2007	April 13, 2010	7.78%	132,926
3,500,000 ²	RUR	7.94%	February 3, 2007	February 3, 2010	8.14%	75,884
Total						380,041

Issued debt securities and other borrowed funds as of December 31, 2006:

Principal amount	Original currency	Interest rate	Opening date	Maturity date	Effective interest rate	Amount
250,000 ¹	USD	7.90%	December 12, 2005	December 12, 2008	8.02%	190,690
1,099,000	RUR	7.50%	September 10, 2005	September 10, 2007	7.64%	31,690
Total						222,380

¹ These loan participation notes are listed on the London Stock Exchange.

² These loan participation notes are listed on the MICEX (Moscow Interbank Currency Stock Exchange).

16 Other liabilities

	2007	2006
Deferred payment liability under letters of credit ¹	105,683	116,599
Accrued expenses	5,954	5,265
Current tax liabilities	5,856	1,768
Deferred tax liabilities	5,301	3,619
Payables to suppliers	1,965	898
Other liabilities	13,657	5,003
Total	138,416	133,152

¹ This liability relates to deferred payments in relation to contractual agreements defined in letters of credit provided to or received from customers.

17 Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of the Bank and other group companies, respectively. These liabilities qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch Central Bank.

The following table shows the subordinated liabilities:

Principal amount	Original currency	Interest rate	Opening date	Maturity date	2007		2006	
					Interest rate	Effective amount	Interest rate	Effective amount
100,000	EUR	Euribor +2.5 % ¹	April 26, 2007	October 26, 2017	7.48%	102,154	–	–
60,000	EUR	Euribor +3 % ²	September 1, 2005	September 1, 2015	7.83%	61,011	7.50%	61,010
21,000	USD	Libor +2.5 % ³	September 28, 2007	September 28, 2017	7.24%	14,265	–	–
3,250	USD	8 %	July 8, 2005	May 18, 2013	8.00%	2,216	8.27%	2,468
8,000 ⁴	USD	7.5%	April 11, 2006	April 11, 2016	–	–	7.71%	6,074
7,500 ⁴	USD	7.5%	August 17, 2006	August 17, 2016	–	–	7.71%	5,694
7,500 ⁴	USD	7.5 %	December 1, 2005	October 1, 2015	–	–	7.71%	5,694
3,000 ⁴	USD	9 %	November 16, 2004	November 17, 2012	–	–	9.31%	2,278
2,000 ⁴	USD	6 %	December 16, 2002	December 16, 2012	–	–	6.14%	1,519
1,500 ⁴	USD	6 %	October 1, 1999	October 1, 2012	–	–	6.14%	1,139
Total						179,646		85,876

¹ Interest rate is Euribor plus 2.50% per annum until October 2012 and Euribor plus 3.00% per annum thereafter. Early redemption is allowed in October 2012.

² The subordinated bond is listed on the Luxembourg stock exchange. Interest will be payable quarterly in arrears. Interest rate is Euribor plus 3.00% per annum until September 2010 and Euribor plus 3.50% per annum thereafter. Early redemption is allowed in September 2010.

³ The loan's duration is 10 years for the initial period and can be extended for a further five years at the request of the borrower by issuing a request thereto six months prior to the end of the initial period.

⁴ Due to a change in the shareholder structure between CEG NV and CEB NV, the loans issued by CEG NV to Credit Europe Bank Ltd, Russia were transferred to CEB NV in 2007. As these loans are consolidated within these financial statements, there is no balance in 2007 regarding these loans.

18 Share capital

The authorized share capital is €400 million (2006: €250 million) and consists of 400 million (2006: 250 million) ordinary shares with a face value of €1. The called up and paid in capital consists of 324.5 million (2006: 162 million) ordinary shares with a face value of €1.

19 Share premium

During 2007, the share premium amounting to €49.5 million converted into share capital.

In December 2007, a subsidiary of CEG NV, SC Credit Europe International Leasing IFN SA, was merged with the Bank's subsidiary, SC Credit Europe Leasing IFN SA, to form a solid structure for the Bank's leasing operations in Romania. After the merger, the shares owned by CEG NV were transferred to the Bank as share premium.

20 Net interest income

	2007	2006
Interest income from:		
Loans and receivables – customers	319,648	182,202
Loans and receivables – banks	92,736	50,634
Financial assets held for trading	19,656	18,890
Leasing	15,156	5,624
Financial investments	5,998	8,288
Cash and balances at central banks	2,383	1,307
Other	1,424	7
Subtotal	457,001	266,952
Interest expense from:		
Due to customers	137,724	63,973
Due to banks	50,154	22,175
Issued debt securities	33,263	14,531
Derivative financial instruments	26,509	33,476
Subordinated liabilities	1,174	2,294
Other	383	1,397
Subtotal	249,207	137,846
Total	207,794	129,106
Net interest income from:		
Financial assets or liabilities at fair value through profit or loss	(8,766)	(14,587)
Loans and receivables/amortized cost liabilities	210,681	135,405
Available-for-sale financial assets	5,879	8,288
Total	207,794	129,106

21 Net fee and commission income

	2007	2006
Fee and commission income		
Payment and transaction services fees	12,334	12,646
Letters of credit	8,443	6,784
Insurance related commissions	6,979	3,400
Cash loans	5,879	3,657
Foreign exchange transactions	2,426	2,006
Letters of guarantee	2,135	1,545
Fees from retailers	2,056	1,926
Credit cards	1,414	493
Other fees and commissions	3,611	1,740
Subtotal	45,277	34,197
Fee and commission expense		
Commission paid to intermediaries/retailers	12,332	8,501
Collection operation fees	1,090	490
Payment and transaction service expense	503	129
Documentary service fees	436	481
Account maintenance fees	331	213
Banknote commission	265	532
Other fee and commission expense	1,676	1,026
Subtotal	16,633	11,372
Total	28,644	22,825

22 Net trading income/(expense)

	2007	2006
Foreign exchange gain	31,069	4,677
Derivatives	(9,232)	(887)
Securities	(5,518)	(5,354)
Trading loans	728	1,264
Total	17,047	(300)
Financial assets or liabilities at fair value through profit or loss		
Held for trading	17,047	(300)
Total	17,047	(300)

23 Results from financial transactions

	2007	2006
Net gain from the disposal of available-for-sale investments	(1,575)	8,986
Other	(30)	-
Total	(1,605)	8,986

Included within this item are the amounts transferred from equity to the profit or loss statement on the derecognizing of available-for-sale investments.

24 Other operating income

	2007	2006
Collections from written-off loans	1,398	–
Income from leasing activities	20	33
Rent income	–	103
Other income	168	315
Total	1,586	451

25 Personnel expenses

	2007	2006
Wages and salaries	63,470	41,630
Social security and federal budget payments	6,829	3,904
Retirement benefit costs	4,746	3,478
Other employee costs	2,773	1,270
Total	77,818	50,282

The assets of schemes are held separately from those of the Bank in funds under the control of insurance companies.

26 General and administrative expenses

	2007	2006
Rent and maintenance expenses	13,645	7,995
Advertising and marketing expenses	8,879	3,134
Taxes other than income	5,676	2,622
Communication and information expenses	5,225	3,156
Consultancy expenses	3,200	2,260
Information technology expenses	2,951	1,516
Stationary, office supplies and printing expenses	2,583	2,523
Travel and transport expenses	1,979	1,247
Repair and maintenance expenses	1,956	807
Security expenses	1,192	796
Professional fees	649	1,095
Insurance premium	384	171
Fares and car expenses	268	154
Management fees	150	67
Other expenses	3,786	2,395
Total	52,523	29,938

27 Income tax expense

The Netherlands

Corporate income tax is levied at the rate of 25.5% (2006: 29.6%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2007. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Russian Federation

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions that are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities that have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Bank, if the authorities were successful in enforcing their interpretations, could be significant.

Romania

The applicable tax rate for current and deferred tax is 16%. The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters, but to other legal and regulatory matters in which the applicable agency may be interested. When management is aware of specific circumstances where there exists a probability of fine, appropriate reserves are established for such contingencies. It is likely that the Bank's consolidated subsidiaries in Romania will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although the Bank's consolidated subsidiaries in Romania can contest the allegations of violations and resulting penalties when management believes there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Bank's consolidated subsidiaries in Romania.

Ukraine

The applicable tax rate for corporate profit is 25%. The tax amount defined by the company could be re-assessed by the tax authorities during the three subsequent calendar years after the date of submitting the respective tax return; however, under certain circumstances, this period could be longer, which is why the company should retain its primary tax-return related documents until the beginning of the tax audit, but no less than three years.

Tax losses can be carried forward to be offset against future taxable income without time restrictions (until the disappearance of these losses).

Notes to Consolidated Financial Statements

	2007	2006
Effective tax rate of the country	25.5%	29.6%
The amount of tax losses that are available for five years for offset	–	–

Recognized in the income statement		
	2007	2006
Current income tax expense		
Current year	(19,403)	(12,871)
Adjustment in respect of current income tax of previous year	(133)	590
Subtotal	(19,536)	(12,281)
Deferred income tax (benefit)/expense		
Relating to origination and reversal of temporary differences	(1,375)	126
The effect of change in tax rate	–	130
Total	(20,911)	(12,025)

Recognized directly in equity		
	2007	2006
Relating to available-for-sale financial assets	42	3,581
Total	42	3,581

Reconciliation of income tax expense		
	2007	2006
Operating profit before tax	(70,206)	(41,234)
<i>Dutch tax rate</i>	25.5%	29.6%
At statutory income tax rate of 25.5% (2006: 29.6 %)	(17,902)	(12,205)
Effect of different income tax rates in other countries	(1,080)	762
Income not subject to tax	–	309
Expenditure not allowable for income tax purposes	(1,465)	(627)
The effect of change in tax rate	–	677
Other	(465)	(941)
Total	(20,912)	(12,025)

Net deferred income tax liability		
	2007	2006
Deferred income tax assets		
Post-employment benefits	84	39
Vacation pay liability and bonus accrual	295	–
Revaluations of foreign exchange contracts to fair value	392	109
Provision for loan impairment	21	–
Revaluations of available-for-sale financial assets to fair value	316	–
Capitalized finance expense subject to deduction	–	258
Adjustment to commission income	1,211	2,006
Other temporary differences	731	38
Others	195	8
Subtotal	3,245	2,458

Deferred income tax liabilities

Difference between tax and reporting bases of premises and equipment and intangible assets	(2,796)	(2,779)
Revaluations of available-for-sale financial assets to fair value	(115)	(103)
Revaluations of foreign exchange contracts to fair value	(368)	(78)
Deferred gains and losses on foreign exchange contracts	(217)	–
Deferred commission income	–	(652)
Other	(1,805)	(7)
Subtotal	(5,301)	(3,619)
Total	(2,056)	(1,161)

Deferred tax changes recorded in the income tax expense

	2007	2006
Transaction cost to be amortized	(1,378)	216
Revaluations of foreign exchange contracts to fair value	(356)	83
Revaluations of financial assets to fair value	55	(24)
Difference in changes in depreciation rates	(43)	(11)
Employee benefits	435	(8)
Commissions to be amortized	(88)	–
Total	(1,375)	256

28 Earnings per share

The calculations for basic and diluted earnings per share are presented in the following table:

	2007	2006
Profit for the year attributable to shareholders of the parent company	48,601	28,929
Weighted average number of ordinary shares outstanding	239,756	115,750
Diluted number of ordinary shares	239,756	115,750
Basic earnings per ordinary share (in euros)	0.20	0.25
Fully diluted earnings per ordinary share from continuing operations (in euros)	0.20	0.25

29 Dividends paid and proposed

Dividends declared and paid during the year per ordinary share:

	2007	2006
Profit for the year attributable to shareholders of the parent company	13,514	21,851
Dividend paid per ordinary share (in euros)	0.08	0.2

For 2007, the dividend proposal for approval by the Annual General Meeting is €16 million (€0.05 per ordinary share – not recognized as a liability as of December 31).

30 Fair value information

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, and where it exists, appropriate valuation methodologies. However, judgement is required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

The following table compares the carrying amount of financial assets and liabilities measured at cost to estimated fair values:

	2007			2006		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Loans and receivables – banks	1,402,071	1,402,175	(103)	997,335	999,243	(1,907)
Loans and receivables – customers	3,436,163	3,427,412	8,751	2,318,266	2,308,922	9,344
Equity accounted investments	959	958	–	125	125	–
Total	4,839,193	4,830,545	8,648	3,315,726	3,308,290	7,437
Financial liabilities						
Due to banks	804,959	804,959	–	302,753	303,049	(296)
Due to customers	3,953,145	3,966,144	(12,999)	2,810,479	2,813,438	(2,959)
Issued debt securities and other funds borrowed	380,041	440,515	(60,474)	222,380	223,171	(791)
Subordinated liabilities	179,646	182,592	(2,946)	85,876	68,329	17,547
Total	5,317,791	5,394,210	(76,419)	3,421,487	3,407,987	13,500

The following methods and significant assumptions have been applied in determining the fair values of financial instrument carried at cost:

- for financial assets with a short-term maturity (less than 12 months), it is assumed that the carrying amounts approximate their fair value;
- for demand deposits and savings accounts (included in due to customers) with no specific maturity, it is assumed that the fair value is the amount payable on demand at the balance-sheet date;
- for variable rate financial instruments, it is assumed that the fair value approximates their carrying amounts and, in the case of loans, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognized separately by deducting the allowances for credit losses from both carrying amounts and fair values;
- the fair value of fixed-rate loans carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining both carrying amounts and fair values, as the impact of credit risk is recognized separately by deducting the amounts of the allowances for credit losses from both carrying amounts and fair values.

31 Additional cash flow information

Cash and cash equivalents	2007	2006
Determination of cash and cash equivalents:		
Cash on hand	20,001	18,883
Cash and balances at central banks	270,173	248,412
Total	290,174	267,295

Change in operating assets	2007	2006
Net change in financial assets at fair value through profit or loss	(297,680)	124,329
Net change in loans and receivables – banks	(396,575)	(116,717)
Net change in loans and receivables – customers	(1,238,106)	(1,054,195)
Net change in derivative financial instruments	(57,866)	(21,609)
Net change in other assets	(13,646)	5,534
Total	(2,003,873)	(1,062,658)

Change in operating liabilities	2007	2006
Net change in due to banks	502,205	160,758
Net change in due to customers	1,142,666	879,052
Net change in derivative financial instruments	29,229	(49,627)
Net change in other liabilities	(1,786)	62,351
Total	1,672,314	1,052,534

32 Commitments and contingencies

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the balance sheet, they do contain credit risk and are therefore part of the Bank's overall risk. In many instances, the amount recognized on the balance sheet for incurred obligation does not fully represent the loss potential of the arrangement.

Letters of credit, guarantees and acceptances commit the Bank to making payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. With respect to credit risk on commitments to extend the credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	2007	2006
Contingent liabilities with respect to irrevocable letters of credit – import	188,225	196,651
Contingent liabilities with respect to letter of guarantees granted – others	157,534	94,354
Contingent liabilities with respect to irrevocable letters of credit – export	31,404	17,901
Contingent liabilities with respect to acceptance credits	7,242	9,159
Contingent liabilities with respect to letter of guarantees granted- banks	91	76
Total non-cash loans	384,496	318,141
Credit limits	36,585	21,995
Other commitments ¹	126,043	237,168
Total	547,124	577,304

¹ Other commitments represent loan and credit line commitments amounting to €126,000 (2006: €109,300). Committed forward transactions have no balance in 2007 (2006: €127,800).

Litigation Claims:

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank's Management was unaware of any significant actual, pending or threatened claims against the Bank.

Rental and lease contracts:

The Bank entered into rental and lease contracts. The amounts are specified as follows:

	2007	2006
Operating lease commitment – bank as lessee		
Within 1 year	9,732	7,583
After 1 year not more than 5 years	17,100	12,059
More than 5 years	407	–
Total	27,239	19,642

33 Related parties

The Bank's ultimate parent company is Fiba Holding AS, a Turkish joint stock company, which is ultimately controlled by a single individual, Mr Hüsni Özyeğin. All amounts stated in the table below relate to group companies controlled by Mr Hüsni Özyeğin.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Bank enters into transactions with its parent company and other subsidiaries of the Bank's ultimate parent company, directors and senior management in the ordinary course of business at commercial interest and commission rates. All loans and advances to related parties are performing advances and are free of any provision for possible credit losses. The year-end balances in respect of related parties included in the financial statements are as follows:

	2007	2006
Assets		
Loans and receivables – banks	188,611	79,926
Loans and receivables – customers	58,863	116,427
Derivative financial instruments	2,926	6,155
Other assets	205	–
Liabilities		
Due to banks	21,791	1,073
Due to customers	125,530	287,005
Derivative financial instruments	2,528	3,535
Issued debt securities	–	31,690
Other liabilities	185	5
Subordinated liabilities	117,420	24,865
Commitment and contingencies	2,786	434

The income and expenses in respect of related parties included in the financial statements are as follows:

	2007	2006
Interest income	15,450	11,586
Interest expense	(22,446)	(15,901)
Commission income	807	1,051
Commission expense	(11)	(91)
Net trading income	(43,583)	24
Other operating income	–	91

Key management costs including remuneration and fees for the year ended December 31, 2007 amount to €6,542 (2006: €4,067) on a consolidated basis.

34 Risk management

This section provides details of the Bank's financial risk management objectives and policies and describes the methods used by management to control risk. In addition, this note describes the extent to which financial instruments are used, the associated risks and the business purpose served. In addition, it offers a review of primary identified risks and how they are managed and mitigated.

The most important types of risk associated with financial instruments to which the Bank is exposed are:

- credit risk
- liquidity risk
- market risk
- interest rate risk
- currency risk

Credit risk

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

Credit risk constitutes the Bank's most significant risk and arises mainly from trade-finance, lending, treasury, mortgage and leasing business. To identify, measure and manage its credit risk arising from all these activities, the Bank has adequate methodologies, policies, procedures and expertise in place.

In order to ensure high-level and centralized management of credit risk, the Bank has in place two risk committees: the Local Credit Committee and the International Credit Committee. The Local Credit Committee's scope includes monitoring the credit portfolios of subsidiaries and branches in the Netherlands, Germany, Belgium and Malta; it also monitors the Russian, Ukrainian and Romanian subsidiaries. At Bank level, the Local Credit Committee reviews the risk profile of the consolidated portfolio of all the subsidiaries that form part of the Bank. The International Credit Committee monitors all credit risk, including the Romanian and Swiss banks that are consolidated under the Credit Europe Group. Credit risk policies and procedures approved by the risk committees are adopted by all consolidated entities.

For the purpose of properly identifying, measuring, monitoring, and controlling the Bank's credit risks, and depending on the level of consolidation, the credit committees receive a variety of regular reports on:

- concentration of exposure to market sectors;
- concentration of exposure on a geographical basis;
- large customer group exposure;
- impaired assets and impairment allowances;
- specific segments of the Bank's portfolios (retail, corporate, financial institutions and treasury);
- concentration of exposure to CIS countries, namely Russia, Kazakhstan, Ukraine and Belarus;
- analysis of credit quality of assets.

Maximum credit exposure

The table below details our maximum exposure to credit risk arising from on-balance and off-balance sheet items as well as from 'OTC Derivatives'. The amount of exposure is shown gross, without taking into account any collateral or other credit enhancements, unless these credit enhancements qualify for offset in accordance with IAS 32.

	2007	2006
Balance sheet items		
Demand deposits with central banks	270,173	248,412
Trading portfolio assets from treasury activities	316,796	123,329
Trading portfolio assets from forfeiting activities	104,213	–
Derivatives with positive market value	99,311	41,445
Financial investments	158,327	23,076
Loans and receivables – banks	1,393,910	997,335
Loans and receivables – customers	3,436,163	2,318,266
Off-balance sheet items		
Letters of guarantee	157,625	94,430
Irrevocable letters of credit	226,872	223,711
Undrawn irrevocable credit facilities < 1 year	92,418	21,995
Undrawn irrevocable credit facilities > 1 year	–	–
Other contingent liabilities and irrevocable credit facilities	70,208	237,168
Total	6,326,016	4,329,167

The amount of exposure to credit risk of financial assets presented in the table is equal to their carrying amount recognized on the balance sheet. Loans are reported net of allowances for loan losses.

The trading portfolio includes instruments such as bonds, loans and other fixed-income products to take advantage of short-term price movements. Financial investments consist of assets followed under available-for-sale and held to maturity portfolios.

The off-balance credit risk exposure is comprised of:

- Letters of guarantee granted and letters of credit issued or confirmed are shown at the maximum amount that the Bank would have to pay if the guarantees or letters of credit are called upon;
- Loan commitments and other contingent liabilities: the maximum exposure for these items is the full amount of the committed facilities.

Collateral and other credit enhancements obtained

The Bank actively uses collaterals in its credit risk mitigation. The Bank's policy is to obtain collateral if and when required prior to the disbursement of approved loans.

Depending on the type of the collateral received, customer limits are extended. In the extension of secured facilities to corporate customers, the following categories are considered as acceptable types of security:

- cash collateral in a blocked account;
- pledged time deposits with our Bank;
- pledged fiduciary deposits made with acceptable prime banks;
- pledged government bonds or other marketable securities at the discretion of the Managing Board, whose covering value is to be determined against a percentage of the actual market value at the time of pledge. The applicable percentages will be directly related to the issuing country and company and will be subject of regular review;
- irrevocable and unconditional letters of guarantee from acceptable banks up to the approved internal limit, explicitly stating that the issuing bank will cover the Bank at our 'first written demand'.

Notes to Consolidated Financial Statements

The principal types of collateral documents against which the unsecured lines are proposed are:

- customer checks;
- residential and other mortgages;
- pledge on machinery and equipment;
- pledge or title of goods;
- pledge on shares;
- personal guarantees.

The table below shows the total amount of collaterals, accepted for extension of both secured and unsecured lines, broken down by the type of secured exposure.

Collaterals and other credit enhancements obtained	2007			2006
	Corporate and retail	Banks and financial institutions	Total	Total
Total credit exposure	3,975,431	2,350,585	6,326,016	4,329,167
Total secured credit exposure	2,277,807	105,753	2,383,560	1,305,335
Total unsecured exposure	1,697,624	2,244,832	3,942,456	3,023,832

Types of collateral	2007						2006
	Loans and receivables – customers	Letters of guarantee	Irrevocable letters of credit	Other contingent liabilities and irrevocable credit facilities	Loans and receivables – banks	Total	Total
Pledged time deposits and blocked accounts	286,628	36,472	10,482	–	106,061	439,643	413,861
Bonds issued or guaranteed by zone a central governments and central banks	–	–	–	–	–	–	785
Mortgages on residential property	378,866	2,222	3,110	–	–	384,198	13,002
Mortgages other than residential	933,969	67,111	35,248	148,241	–	1,184,569	184,431
Bank guarantees	42,325	3,320	–	–	–	45,645	18,931
Pledge on goods	486,453	23,992	36,723	57,442	–	604,610	56,606
Pledge on machinery and equipment or cars	436,533	31	9,279	15,919	–	461,762	196,094
Personal guarantees	510,511	60,931	16,311	540,665	–	1,128,418	856,117
Total customer checks	35,427	–	–	–	–	35,427	–
Total pledge on shares	61,140	–	7,472	–	–	68,612	–
Total assignment of receivables	33,546	1,602	–	–	–	35,148	–
Total pledge on real estate	1,766	–	–	–	–	1,766	–
Total	3,207,164	195,681	118,625	762,267	106,061	4,389,798	1,739,829

For solvency requirement calculation at consolidated level, only collaterals considered 'eligible' by the Dutch Central Bank are taken into account, namely pledged time deposits with the Bank, cash collateral in blocked accounts, and bonds and treasury papers issued by central banks and central governments. In case of letters of guarantee received as collateral, the credit risk is transferred to the issuer of the letter of guarantee and capital is charged accordingly. Stringent risk-management policy is that the maturity of eligible collateral must be at least the same or longer than the maturity of the secured transaction.

The total carrying amount of eligible collaterals is € 405,000 (2006: € 422,000).

Concentration of credit risk

To measure, monitor and control country concentration, the Bank uses a number of tools and limits:

- regular reporting to the Local Credit Committee, when outstanding risk exceeds 10% of total credit exposure;
- regular reporting to the Local Credit Committee on the Bank's credit exposure to CIS countries (Russia, Ukraine, Kazakhstan, Belarus);
- Country Rating Model, which aims to evaluate risks of countries where the Bank is currently operating or is planning to set up operations;
- country limits are established at consolidated level. Country limits are set by the Financial Institutions Analysis Department, approved by the International Credit Committee and reviewed on an annual basis.

The following table shows the Bank's credit exposure by geographical region. Exposure is allocated according to the country where the transaction counterparty resides, as defined in the Bank's internal Risk Country Assignment Procedure.

The largest part of the Bank's credit exposure as of December 31, 2007 was concentrated in Russia (30.3%), Turkey (20.5%) and Romania (10.1%). Exposure to the countries summarized under 'Other' does not exceed 1% of total credit exposure.

	2007		2006	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Russian Federation	1,772,030	143,458	1,175,585	201,792
Turkey	1,113,820	181,605	1,046,052	194,316
Romania	637,298	642	251,229	–
Ukraine	352,426	41,326	103,444	3,805
Germany	293,783	47,920	220,511	11,409
Belgium	283,329	–	14,594	2,841
Great Britain	263,932	21,150	150,732	47,680
Netherlands	239,969	12,345	203,752	11,316
Switzerland	226,943	33,806	111,889	45,336
Kazakhstan	100,067	–	135,321	2,864
Malta	89,943	686	152,577	7,000
United States of America	67,349	15,536	41,298	20,235
Austria	59,087	3,876	3,587	7,100
Other	278,916	44,774	141,290	21,610
Total	5,778,892	547,124	3,751,862	577,304

Notes to Consolidated Financial Statements

The table below provides an overview of the Bank's credit risk concentration in industry sector of its counterparties.

	2007		2006	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Banks and financial institutions	2,303,890	46,695	1,568,729	191,717
Shipping	328,789	38,563	197,166	60,000
Iron and steel	297,539	97,548	315,064	118,153
Construction	232,179	98,171	132,984	62,251
Tourism	210,816	10,523	88,022	4,098
Food and beverage	191,854	18,999	137,753	6,775
Transportation	119,157	760	37,620	1,201
Chemicals and derivatives	118,643	29,331	97,873	33,501
Real estate	115,989	–	63,991	3,796
Petroleum	101,193	8,249	54,546	1,892
Automotive	81,641	18,933	49,802	7,505
Electronics and electromechanic	60,284	4,737	38,450	5,359
Holding	57,175	–	90,903	–
Consumer/retail goods	53,391	17,116	60,137	4,060
Public sector	48,407	–	52,753	776
Energy	44,371	17,168	27,714	15,360
Printing	40,646	5,172	15,917	2,666
Textile	34,889	1,003	38,538	913
Non-ferrous metals	24,187	16,745	2,361	5,190
Foreign trade	23,843	1,798	10,574	3,891
Production	23,684	12,302	4,633	762
Mining	17,754	7,068	8,516	3,093
Communication	17,250	461	712	190
Publishing/packing	16,045	922	8,232	1,436
Health and social services	12,060	300	1,061	165
Paper	9,636	1,337	12,227	4,356
Forestry	5,250	556	3,107	–
Electric	2,140	73	2,708	418
White/brown goods	2,116	414	12,725	2,475
Culture	387	–	334	–
Others	803,390	43,211	143,553	12,765
Total	5,398,595	498,155	3,278,705	554,764
Private persons/self-employed	380,297	48,969	473,157	22,540
Total	5,778,892	547,124	3,751,862	577,304

The highest concentration of risk exposure which the Bank faces is the 'Banks and financial institutions' segment (37%), followed by the 'Shipping' industry (6%).

To control concentrations in a group of clients, the Bank applies a comprehensive legal lending limit policy. Currently, the legal lending limit for a client's or group of clients' total risk position is equal to 25% of the Bank's actual own funds.

Credit quality of financial assets

The table below provides an overview of the credit quality of the Bank's credit risk exposure.

	2007	2006
Neither past due nor impaired	5,672,634	3,702,746
Past due, but not impaired	34,374	22,683
Impaired	68,447	25,557
Renegotiated (restructured)	3,437	876
Total	5,778,892	3,751,862

The following table offers a breakdown of the Bank's performing exposure neither past due nor impaired by external rating:

	2007	2006
Investment grade	904,829	320,167
Non-investment grade	998,717	609,806
Unrated	3,769,088	2,772,773
Total	5,672,634	3,702,746

Quality of assets is based upon the risk of exposures in terms of creditworthiness, varying from investment grade to non-investment grade, as expressed in Moody's (S&P or FITCH) equivalents. The creditworthiness of the customers that are not rated by the credit assessment institution defined as eligible by the Dutch Central Bank, for solvency test purposes is estimated by the internally developed rating systems.

Assessment and treatment of past due and impaired loans, write-offs and specific provisions are covered in the Bank's Credit Manual and Policy, and adapted by the subsidiaries.

According to the internal definition, the loan is transferred to the past due obligation class if principal or interest on this loan is not paid.

Aging of financial assets that are past due but not impaired

	2007
Past due up to 30 days	22,587
Past due 31–60 days	8,165
Past due 61–90 days	3,622
Past due over 90 days	–
Total	34,374

Due to its transition to Basel II, the Bank started to collect the information on past due loans in 2007. In this regard, no analysis is available for 2006.

Collateral for assets that are either past due or impaired

	2007
Mortgages on residential property	24
Total pledge on machinery and equipment or cars	18,828
Total	18,852

The impaired loans in the corporate portfolio are identified on an individual basis by the Credit Department. The clearest warning signal of the potential impairment is the steady deterioration of the borrower in successive financial statements.

Notes to Consolidated Financial Statements

The following factors and events are considered indications of an existing or potential deterioration in the borrower creditworthiness:

- late payment;
- rapid growth;
- doing business outside of the client's natural markets;
- entering new business;
- offering new products;
- concentration (by lenders/suppliers/buyers, management turnover).

When impairment loss occurs, the Bank allocates impairment allowances on the affected loan.

For retail customers, the impaired loss is recognized when at least one payment is missed. In order to accommodate potential consumer loan losses, the Bank sets up a provisioning scheme reflecting the inherent loan quality of the portfolio. The impairment allowances are calculated on the collective basis for each arrear segment.

According to the consumer loan collections and write-off policy, a non-performing loan will be eligible for write-off where no payment has been received for a period of 12 months. For restructured loans the following principal was adopted: the restructured loan is reverted to a performing loan, when three installments have been paid.

The Management Board receives from the Credit Department on a regular basis reports covering such areas as problem loans, write-offs and recoveries, allocated reserves, past due and non-accrual obligations.

Impaired financial assets	2007	2006
Total impaired financial assets (in euros)	68,447	25,558
Total provisions as a percentage of impaired financial assets	44%	62%

Liquidity risk

The Bank defines liquidity risk as the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they come due. Liquidity risk arises from inability to manage unplanned decreases or changes in funding sources and the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Bank monitors its liquidity position on a daily basis and conducts regular liquidity stress testing. The Board and senior management ensure that the Bank's funding strategy and its implementation are consistent with their expressed risk tolerance. The Board delegates responsibility for establishing specific liquidity risk policies and practices to the Asset/Liability Committee (ALCO). ALCO is responsible for ensuring that measurement systems adequately identify and quantify the Bank's liquidity exposure and that reporting systems communicate accurate and relevant information about the level and sources of that exposure.

Any violation of Liquidity Policy and predefined limits is reported to the ALCO. In case of limit excess during volatile markets, the ALCO calls an immediate meeting to discuss subsequent and alternative options to bring liquidity to desired levels. This can be achieved through slow-down and/or a (temporary) moratorium on entering into new commitments, sale of assets from trading and AFS portfolios (Treasury and/or F.I.) and increasing spreads to attract new long-term funds, both on the consumer and corporate sides. In order to mitigate liquidity risk, the Bank diversifies funding sources, such as customer deposits and funds borrowed from abroad, and maintains certain levels of assets, cash and cash equivalents.

Liquidity gaps showing size and maturity mismatches of assets and liabilities also generate liquidity risk. A liquidity gap analysis is done on a regular basis to be submitted to the ALCO. It distributes all on-balance sheet assets' and liabilities' expected cash flows in pre-defined maturity bands according to remaining maturity.

Liquidity gap analysis

December 31, 2007	On demand	Up to 1 month	1–3 months	3–6 months	6–12 months	Over 1 year	Total
Assets							
Cash and balances at central banks	185,345	–	–	–	–	–	185,345
Financial assets designated at fair value through profit or loss	249,771	–	–	–	–	–	249,771
Financial investments	113,835	–	1,637	8,680	16,843	12,188	153,183
Loans and receivables – banks	144,526	470,910	575,394	293,211	422,619	410,180	2,316,840
Loans and receivables – customers	149,366	332,990	456,280	552,832	769,970	2,214,119	4,475,558
Other assets	248	319	10,659	6,813	1,040	25,849	44,928
Total assets	843,091	804,219	1,043,970	861,536	1,210,472	2,662,337	7,425,625
Liabilities							
Due to banks	322,011	94,278	136,272	33,681	340,589	227,270	1,154,102
Due to customers	171,452	270,248	300,034	330,909	751,130	2,285,379	4,109,152
Issued debt securities	–	–	3,904	13,131	187,561	298,746	503,343
Funds borrowed	–	–	1,244	1,556	242,072	23,076	267,949
Other liabilities	3,817	3,231	5,980	1,978	369	132,471	147,846
Total liabilities (excluding subordinated liabilities)	497,280	367,757	447,434	381,255	1,521,721	2,966,944	6,182,392
Subordinated liabilities	–	1,816	1,931	3,710	7,497	320,751	335,705
Total liabilities	497,280	369,573	449,365	384,965	1,529,218	3,287,695	6,518,097
Net liquidity gap	345,811	434,646	594,605	476,571	(318,746)	(625,358)	907,528
December 31, 2006							
Assets							
Cash and balances at central banks	261,339	–	–	–	–	–	261,339
Financial assets designated at fair value through profit or loss	122,307	–	–	–	–	–	122,307
Financial investments	–	–	90	2,623	766	37,059	40,538
Loans and receivables – banks	90,636	173,330	109,506	221,469	513,231	157,715	1,265,887
Loans and receivables – customers	58,055	404,638	363,373	378,829	527,240	908,397	2,640,532
Other assets	1,124	1,420	12,095	3,620	–	13,970	32,229
Total assets	533,461	579,388	485,064	606,541	1,041,237	1,117,141	4,362,832
Liabilities							
Due to banks	17,404	181,583	70,006	247,879	61,473	–	578,345
Due to customers	20,593	466,630	206,510	335,115	481,248	1,368,443	2,878,539
Issued debt securities	–	–	32,224	7,498	7,498	204,810	252,030
Funds borrowed	–	1,061	–	1,705	10,147	6,601	19,514
Other liabilities	1,801	6,924	2,657	238	42	127,650	139,312
Total liabilities (excluding subordinated liabilities)	39,798	656,198	311,397	592,435	560,408	1,707,504	3,867,740
Subordinated liabilities	–	–	1,476	1,499	2,518	118,875	124,368
Total liabilities	39,798	656,198	312,873	593,934	562,926	1,826,379	3,992,108
Net liquidity gap	493,663	(76,810)	172,192	12,607	478,311	(709,238)	370,724

Market risk

Market risk is defined as the current or prospective threat to the Bank's earnings and capital as a result of adverse market movements in market prices, i.e. prices of securities and derivatives, as well as interest rates and foreign exchange rates. The trading portfolio of the Bank, comprising of securities and loans, as well as the banking book, are subject to interest rate and foreign exchange rate risk.

Market risk is monitored on a regular basis by the Risk Management Department at a consolidated level according to the methodologies, limits and contingency plan clearly specified in the approved policies. Market risk-related issues are analyzed by the Risk Management Department and discussed in weekly Risk Management Committee meetings, comprising the Head of Risk Management, risk analysts from the Risk Management Department and two Managing Board members. Based on the proposal of the Risk Management Committee, the Supervisory Board of the Bank determines risk management strategies and policies for managing market risk and ensures periodic monitoring of the implementation of the strategies. Bank risk tolerance in the form of limits is determined in order to manage the market risk efficiently and to keep market risk within these limits. Risk limits are set by considering the primary risk factors and are subject to revision quarterly. In case of a limit breach, a high-level Risk Management Committee is convened in order to determine strategy and take necessary actions to restore the outstanding exposure within limits in a certain period of time.

The Bank measures the market risk of its trading book as well as the foreign exchange risk of its banking book by using an internal model, based on Value-at-Risk (VaR) methodology. VaR defines the maximum loss not exceeded with 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 analysis.

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 Dutch Central Bank.

Other market risk types, such as liquidity, re-pricing and interest rate risk of the banking book, are measured and monitored through sensitivity and gap analysis, detailed in subsequent sections.

Value-at-Risk (VaR)

VaR is calculated by means of two major methods, namely Historical Simulation using 1.5 years of exponentially weighted historical data and Monte Carlo Simulation. Reporting to management considers the results derived by the latter approach. The holding period is set at one day and the confidence level at 99%. The VaR is reported daily per trading desk (fixed-income and foreign exchange) to the senior management at company-only level and on a monthly basis at the consolidated level. Bank risk tolerance in the form of limits is determined in order to manage the market risk efficiently and to keep market risk within these limits. Limit compliance is monitored by the Risk Management Department and any limit breaches are immediately brought to management's attention.

The accuracy of the results derived is back-tested on a daily basis, using a 99% confidence interval, one-day holding period, and daily profit or losses. Both static and dynamic back-tests are employed as specified by regulation. Back-testing of VaR estimates has been performed since January 2007 comparing realized P&L values with estimated VaR values, as well as checking the performance of the VaR model used by means of statistical tests.

in million euro	Min	Max	Average	2007			2006	
				Year end	Min	Max	Average	Year end
CEB Holland (calculated daily)	0.28	2.57	1.46	2.35	0.64	3.24	1.50	0.66
CEB NV (calculated monthly)*	1.07	3.36	2.14	3.36	n/a	n/a	n/a	n/a

*VaR calculation on CEB NV level was initiated in 2007.

Risk management acknowledges the assumptions underlying the VaR methodology employed and is aware of the effects that they may have on the accurateness of the analysis. For this reason, stress-testing is put into practice so as to assess the market risk of the Bank's trading portfolios under extreme, but probable adverse market scenarios.

The methodology behind stress testing considers adverse historical daily changes in the risk parameters over different periods of time at different confidence levels as well as directly stressing the risk parameters by means of various degrees of standard deviation.

Interest rate risk (banking book)

One of the major risks under Pillar II risks for the Bank is the interest rate risk of the banking book. The Bank defines interest rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates. The trading book is also subject to interest rate risk, but this type of risk is dealt with under Market Risk: Value-at-Risk section.

The interest rate risk of the banking book is monitored on a regular basis by the Risk Management Department according to the methodologies, limits and contingency plan clearly specified in an approved policy. Interest rate sensitivity of the banking book is calculated according to the Economic Value approach and reported on a weekly basis to the Treasury Department and on a monthly basis at the consolidated level to the ALCO. In addition, interest rate risk is monitored by means of re-pricing gap analysis. In both interest sensitivity and re-pricing gap analyses, the trading portfolio is excluded and the maturity schedule differentiates between floating/fixed rate assets and liabilities.

For assessing the interest rate sensitivity of the banking book, various scenarios, including parallel and non-parallel shifts as well as more sophisticated modeling of the yield curves, are employed to see the interest rate change effect on the Bank's economic value.

The parallel and non-parallel shifts approaches consist of changing the overall shape of the yield curves by shifting short-term rates, long-term rates or both for each individual currency. Altogether, five different yield curve combinations of material impact are considered. They are as follows:

- 1 Parallel upward shift of short- and long-term rates by 200 bps.
- 2 Long-term interest rates rise by 200 bsp. Short-term interest rates stay fixed.
- 3 Long-term interest rates fall by 200 bsp. Short-term interest rates stay fixed.
- 4 Short-term interest rates rise by 200 bsp. Long-term interest rates stay fixed.
- 5 Short-term interest rates fall by 200 bsp. Long-term interest rates stay fixed.

The impact of the curve with the maximal net gain or loss compared to the benchmark yield curve is analyzed. The benchmark yield curve is derived from the current money market and swap rates as of reporting dates. The highest calculated negative effect on the net present value in relation must remain within the limit set.

In determining the required capital to cushion for interest rate risk a log-normal stressing methodology is employed. By assuming that interest rates are log-normally distributed, statistically it is possible to say with a given confidence level that the current rates will not exceed a certain stressed level in a given period of time. In calculating this stress test for interest rate rises, the Bank uses a confidence level of 99% and a five-year time horizon.

The results of the two approaches are reported in the table below:

Interest rate sensitivity table using different methodologies	Dec 07	Dec 06
200 bsp scenarios ¹	17,086	17,224
Log-normal stressing ²		
– in 3 months	35,957	22,819
– in 6 months	49,769	34,319

¹ Among the 200 bsp scenarios defined below, the highest calculated loss is reported.

² Log-normal stress-testing with a horizon of six months and confidence level of 99% is chosen to determine the ICAAP interest rate risk amount.

Considering the nature of the products under the Bank's asset and liabilities and the respective re-pricing gap in existing portfolios, currently interest rate risk in the banking book requires the highest level of additional capital buffer among the risks covered under Pillar II.

Notes to Consolidated Financial Statements

The re-pricing gap analyses distribute all on-balance sheet assets' and liabilities' cash flows in pre-defined maturity bands according to remaining maturity, whilst differentiating between floating- and fixed-rate transactions and taking into account interest rate reset dates. The resulting gaps must remain within pre-defined limits.

December 31, 2007	Up to 1 month	1–3 months	3–6 months	6–12 months	Over 1 year	Non-interest	Total
Assets							
Cash and balances at central banks	–	–	–	–	–	185,345	185,345
Financial investments	113,835	1,637	8,680	16,843	12,188	–	153,183
Loans and receivables – banks	152,975	428,372	613,359	271,537	656,228	91,231	2,213,702
Loans and receivables – customers	403,693	610,034	765,328	685,794	1,870,976	–	4,335,825
Other assets	–	–	–	–	–	45,780	45,780
Total assets	670,503	1,040,043	1,387,367	974,174	2,539,392	322,357	6,933,835
Liabilities							
Due to banks	250,306	129,597	257,482	169,992	229,195	112,821	1,149,393
Due to customers	217,415	216,810	284,562	223,331	1,096,825	2,058,159	4,097,102
Issued debt securities	–	3,904	13,132	284,820	189,710	–	491,566
Funds borrowed	2,584	83,097	6,407	161,601	6,005	–	259,694
Other liabilities	–	–	–	–	–	148,045	148,045
Total liabilities	470,305	433,408	561,583	839,744	1,521,735	2,319,025	6,145,800
Subordinated liabilities	–	113,038	78,748	969	39,136	–	231,891
Total liabilities	470,305	546,446	640,331	840,713	1,560,871	2,319,025	6,377,690
Net on balance sheet position	200,198	493,597	747,036	133,461	978,521	(1,996,668)	556,145
December 31, 2006							
Assets							
Cash and balances at central banks	–	–	–	–	–	261,339	261,339
Financial investments	–	90	2,623	766	37,059	–	40,538
Loans and receivables – banks	120,124	238,887	375,330	390,257	35,277	89,408	1,249,283
Loans and receivables – customers	143,192	753,833	488,405	461,683	736,206	–	2,583,319
Other assets	1,420	12,095	3,621	–	931	14,162	32,229
Total assets	264,736	1,004,905	869,979	852,706	809,473	364,909	4,166,708
Liabilities							
Due to banks	181,583	69,405	247,014	61,257	–	17,404	576,663
Due to customers	472,980	176,370	285,781	379,473	429,169	1,134,752	2,878,525
Issued debt securities	–	32,224	7,498	7,498	204,810	–	252,030
Funds borrowed	1,061	–	3,205	10,147	4,886	–	19,299
Other liabilities	6,924	128	239	42	–	131,979	139,312
Total liabilities	662,548	278,127	543,737	458,417	638,865	1,284,135	3,865,829
Subordinated liabilities	–	61,476	468	468	39,426	–	101,838
Total liabilities	662,548	339,603	544,205	458,885	678,291	1,284,135	3,967,667
Net on balance sheet position	(397,812)	665,302	325,774	393,821	131,183	(919,227)	199,041

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Bank also engages in foreign currency and Eurobond buy-sell option transactions.

The Bank's currency risk position limit is determined according to the foreign currency net position standard ratio determined by the Dutch Central Bank.

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations. The Bank monitors the risks of forward transactions, options and other similar agreements, reviews open positions with the ALCO and takes appropriate action where deemed necessary.

Consolidated subsidiaries and associates determine position limits related to currency risk as determined by local regulatory bodies. Subsidiaries established abroad conduct their operations in the local currencies of the countries they are incorporated in.

Foreign exchange risk of the position held is calculated with the Value at Risk methodology and reported daily at bank-only level and monthly at the consolidated level. The VaR limits and other market risk related issues are monitored by the Risk Management Department and discussed in weekly Risk Management Committee meetings.

December 31, 2007	EUR	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	166,226	79,225	6	6	38,913	5,789	–	9	290,174
Financial assets designated at fair value through profit or loss	22,638	347,022	–	–	43,474	–	7,874	–	421,008
Financial investments	5,059	105,000	–	–	14,942	33,326	–	–	158,327
Loans and receivables – banks	495,265	536,006	17,091	115,735	9,423	7,367	209,405	3,618	1,393,910
Loans and receivables – customers	1,218,945	1,246,985	49,830	14,536	811,895	292	83,453	10,227	3,436,163
Derivative financial instruments	20,487	60,691	155	9,535	3,792	83	3,966	602	99,311
Equity-accounted investments	125	833	–	–	–	–	–	–	958
Property and equipment	28,839	–	–	642	16,543	2,519	–	–	48,543
Goodwill and other intangible assets	1,628	–	–	52	1,654	200	–	–	3,533
Other assets – monetary	13,252	4,013	–	11,432	13,268	697	416	27	43,105
Other assets – non monetary	–	–	–	–	–	–	–	–	–
Total assets	1,972,464	2,379,775	67,081	151,938	953,904	50,273	305,114	14,483	5,895,032
Due to banks	213,614	507,856	1,740	–	29,131	21,261	5,893	25,463	804,959
Due to customers	3,251,981	533,791	321	990	123,098	917	32,162	9,886	3,953,145
Derivative financial instruments	17,672	28,745	582	3,459	471	–	2,305	707	53,941
Issued debt securities	–	304,161	–	–	75,880	–	–	–	380,041
Other liabilities – monetary	46,190	82,177	–	1,774	7,425	421	114	315	138,416
Subordinated liabilities	163,164	16,482	–	–	–	–	–	–	179,647
Total liabilities	3,692,621	1,473,212	2,642	6,223	236,005	22,599	40,474	36,372	5,510,148
Net open position	(1,720,157)	906,563	64,439	145,715	717,899	27,674	264,639	(21,889)	384,884

Notes to Consolidated Financial Statements

December 31, 2006	EUR	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	228,657	5,809	34	3	32,722	–	–	70	267,295
Financial assets designated at fair value through profit or loss	3,477	50,858	–	–	42,048	–	26,946	–	123,329
Financial investments	–	23,076	–	–	–	–	–	–	23,076
Loans and receivables – banks	261,920	701,083	2,516	2,242	27,619	–	42	1,912	997,334
Loans and receivables – customers	701,931	1,046,709	–	29,543	431,562	–	106,437	2,084	2,318,266
Derivative financial instruments	2,222	33,897	–	4	5,205	–	114	3	41,445
Equity accounted investments	125	–	–	–	–	–	–	–	125
Property and equipment	27,557	233	–	403	10,202	–	–	–	38,395
Goodwill and other intangible assets	663	–	–	73	1,571	–	–	–	2,307
Other assets – monetary	11,722	1,752	–	1,451	11,282	–	19	15	26,241
Other assets – non-monetary	–	–	–	–	–	–	–	–	–
Total assets	1,238,274	1,863,417	2,550	33,719	562,211	–	133,558	4,084	3,837,813
Due to banks	44,860	187,527	13	981	13,882	–	53,753	1,737	302,753
Due to customers	1,972,623	720,649	778	–	101,920	–	8,281	6,228	2,810,479
Derivative financial instruments	3,315	18,106	112	1,164	1,359	–	653	3	24,712
Issued debt securities	–	190,690	–	–	31,690	–	–	–	222,380
Other liabilities – monetary	43,160	83,809	1	1,360	2,135	–	70	375	130,910
Other liabilities – non-monetary	2	1,351	–	–	889	–	–	–	2,242
Subordinated liabilities	61,010	24,866	–	–	–	–	–	–	85,876
Total liabilities	2,124,970	1,226,998	904	3,505	151,875	–	62,757	8,343	3,579,352
Net open position	(886,696)	636,419	1,646	30,214	410,336	–	70,801	(4,259)	258,461

35 Capital adequacy

The standards applied by the Dutch Central Bank for the principal capital ratios are based on the capital adequacy guidelines of the EU and the Basel Committee for Banking Supervision. These ratios compare the Bank's total capital and tier 1 capital with the total of risk-weighted assets and off-balance sheet items and the market risk associated with the trading portfolios. The minimum requirement for the total capital ratio and tier 1 ratio is 8% and 4% respectively of risk-weighted assets. In addition, the Dutch Central Bank requires stricter ratios as part of its country risk policy. This capital adequacy ratio includes an additional capital requirement for country risk exposures.

With the introduction of Basel II, the Bank is using regulatory capital management as a tool to determine the overall shape of the asset portfolio while ensuring that the chosen strategies optimize the balance of risk and reward, and maximize shareholder value. The proactive approach to regulatory capital management comprises the following principles:

- shaping of the business strategy through an understanding of the regulatory capital framework;
- considering every aspect of the constraints specific to each subsidiary and local regulatory environment;
- identifying parts of the portfolio generating high and low returns on regulatory capital;
- analyzing the differences between economic and regulatory capital;
- forecasting regulatory capital demand which is dictated by annual and longer-term business plans.

The following table analyzes actual capital and the minimum standard in accordance with supervisory requirements of the Dutch Central Bank.

	2007 required	2007 actual	2006 required	2006 actual
Total capital	354	552	232	323
Total capital ratio	8%	12.46%	8.00%	11.15%
Tier 1 capital	177	372	116	233
Tier 1 ratio	4%	8.40%	4.00 %	8.05%

As of December 31, 2007, the BIS solvency ratio of the Bank is 14.16% (December 31, 2006: 12.54%)

36 Subsequent event

The sole shareholder of CEB NV, being CEG NV, currently owns 100% of the issued and outstanding shares in Credit Europe Bank (Suisse) SA and 89.90% of the issued and outstanding shares in Credit Europe Bank (Romania) SA.

After internal consideration and consultation on the optimization of the group structure, it has been decided that CEG NV will transfer its interest in these two banks to the Bank during the first half of 2008.

37 List of direct subsidiaries

Name	Place	Country	Interest	
			2007	2006
Credit Europe Bank Ltd	Moscow	Russia	95.00%	95.00%
Credit Europe Servicii Financiare IFN SA	Bucharest	Romania	–	100.00%
Credit Europe Ipotecar IFN SA	Bucharest	Romania	100.00%	100.00%
SC Credit Europe Leasing IFN SA	Bucharest	Romania	98.57%	100.00%
Credit Europe Leasing LLC	Kiev	Ukraine	100.00%	–
CSJC Credit Europe Bank	Kiev	Ukraine	99.99%	99.99%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%

Summary of significant accounting policies

Basis of preparation

The financial statements of Credit Europe Bank N.V.'s parent company have been prepared in accordance with Dutch accounting principles as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as used for the preparation of the consolidated financial statements of the Bank.

The accounting policies that are used in preparation of these separate financial statements are consistent with the accounting policies used in preparation of the consolidated financial statements of the Bank as set out in those financial statements.

The additional accounting policies that are specific to the parent company financial statements of Credit Europe Bank N.V. are described below.

Investment in subsidiaries

The group companies are stated at their net asset value, determined on the basis of IFRS as applied in the consolidated financial statements of the Bank. For details on the accounting policies applied for the group companies refer to the notes to the consolidated financial statements on *page 82*.

Dividend income

Dividend income from investments in subsidiaries is recognized when the right to receive payment is established.

Balance Sheet of the Parent Company as of December 31, 2007

	Notes	2007	2006
Assets			
Cash and balances at central banks	a page 82	145,079	220,226
Financial assets at fair value through profit or loss	b page 82	392,860	105,688
Financial investments	c page 82	183,480	23,076
Loans and receivables – banks	d page 83	1,827,248	1,203,131
Loans and receivables – customers	e page 83	2,230,976	1,646,598
Derivative financial instruments	g page 84	101,910	48,034
Participating interests in group companies	h page 85	249,341	84,653
Property and equipment		28,838	27,790
Intangible assets		1,628	663
Other assets	i page 86	16,875	7,369
Total assets		5,178,235	3,367,228
Liabilities			
Due to banks	j page 86	702,309	229,428
Due to customers	k page 86	3,747,229	2,669,929
Derivative financial instruments	g page 82	51,228	24,917
Other liabilities	l page 87	124,960	127,444
Total liabilities (excluding subordinated liabilities)		4,625,726	3,051,718
Subordinated liabilities	m page 87	177,430	61,010
Total liabilities		4,803,156	3,112,728
Equity			
Share capital	n page 87	324,500	162,000
Share premium	o page 88	3,639	49,941
Retained earnings		58,446	41,346
Net gains/(losses) not recognized in the profit or loss statement		(822)	278
Translation reserve		(10,684)	935
Total equity		375,079	254,500
Total equity and liabilities		5,178,235	3,367,228
Commitment and contingencies	p page 88	402,795	506,746

Profit and Loss Statement of the Parent Company

	2007	2006
Profit for the year of the parent company after taxes	36,939	24,480
Profit for the year participating interests after taxes	11,662	4,449
Profit for the year	48,601	28,929

Statement of Changes in Equity of the Parent Company as of December 31, 2007

	Attributable to equity holders of the parent					
	Issued capital	Share premium	Retained earnings	Net gains / (losses) not recognized in the profit or loss statement	Translation reserve	Total
At January 1, 2007	162,000	49,941	41,346	278	935	254,500
Net gains on available-for-sale financial assets	–	–	–	(1,100)	–	(1,100)
Foreign currency translation	–	–	–	–	(11,619)	(11,619)
Total income and expense for the year recognized directly in equity	–	–	–	(1,100)	(11,619)	(12,719)
Profit for the year	–	–	48,601	–	–	48,601
Transfer from the retained earnings	18,000	–	(18,000)	–	–	–
Transfer from share premium	49,500	(49,500)	–	–	–	–
Addition to legal reserves	–	–	13	–	–	13
Issue of share capital	95,000	–	–	–	–	95,000
Merger effect	–	3,198	–	–	–	3,199
Dividends	–	–	(13,514)	–	–	(13,514)
At December 31, 2007	324,500	3,639	58,446	(822)	(10,684)	375,079
At January 1, 2006	110,000	26,071	34,268	10,902	2,301	183,542
Net gains on available-for-sale financial assets	–	–	–	(10,624)	–	(10,624)
Foreign currency translation	–	–	–	–	(1,367)	(1,367)
Total income and expense for the year recognized directly in equity	–	–	–	(10,624)	(1,367)	(11,990)
Share of changes recognized directly in equity of subsidiary	–	23,870	–	–	–	23,870
Profit for the year	–	–	28,929	–	–	28,929
Issue of share capital	52,000	–	–	–	–	52,000
Dividends	–	–	(21,851)	–	–	(21,851)
At December 31, 2006	162,000	49,941	41,346	277	935	254,500

Notes to Financial Statements of the Parent Company

a Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the Bank has a presence.

	2007	2006
Cash on hand	10	10
Balances at central bank	145,069	220,216
Total	145,079	220,226

Deposits at central banks include reserve deposits amounting to €145,068 (2006: €110,216), that represent the mandatory deposits and are not available in the Bank's day-to-day operations.

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b Financial assets at fair value through profit or loss

As at December 31, 2007 and 2006, financial assets at fair value through profit or loss comprised the following:

Financial assets held for trading	2007	2006
Bank bonds	210,264	69,993
Trading loans	104,212 ¹	–
Government bonds and T-Bills	30,089	26,947
Corporate bonds	25,351	8,748
Mutual funds	22,944	–
Total	392,860²	105,688

¹ The Bank started to use a trading portfolio for loans as of January 1, 2007.

² €288,648 (2006: 105,688) of the total is listed securities and €104,212 (2006: none) is non-listed loans.

Gains and losses on changes in fair value of trading instruments are recognized in net trading income.

Bank bonds issued by related companies amount to €64,096 (2006: none).

c Financial investments

Available-for-sale portfolio	2007	2006
Government bonds	104,810	21,127
Loans	70,399 ¹	–
Corporate bonds	8,271	–
Bank bonds	–	1,949
Total	183,480²	23,076

¹ The Bank started to use the available-for-sale portfolio for loans as of January 1, 2007.

² €113,081 (2006: €23,076) of the total is listed securities and €70,399 (2006: none) is non-listed loans.

The movement in investment securities can be summarized as follows:

Available-for-sale	2007	2006
At January 1	23,075	129,488
Exchange differences and monetary loss on monetary assets	(2,023)	(2,237)
Additions	165,900	3,872
Disposals (sale and redemption)	(3,872)	(108,030)
Gains/(losses) from changes in fair value	400	(18)
At December 31	183,480	23,075

d Loans and receivables – banks

	2007	2006
Placement with other banks	945,960	113,243
Loans and advances	881,288	1,089,888
Total	1,827,248	1,203,131

Loans to and receivables from related companies amount to €188,611 (2006: €345,914).

e Loans and receivables – customers

	2007	2006
Commercial	2,075,969	1,582,403
Consumer	169,986	72,521
Credit cards	1,871	1,216
Public sector	–	1,067
Subtotal	2,247,826	1,657,207
Allowances for impairment	(16,850)	(10,609)
Total	2,230,976¹	1,646,598

¹ None of these loans are subordinated.

Loans to and receivables from related companies amount to €41,227 (2006: €243,058).

No individual loan or receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of CEB NV.

Loans to customers do not include any amount related to the receivables with regard to securities which have been acquired in reverse repo transactions.

f Loan impairment charges and allowances

	2007	2006
Balance at 1 January	10,608	13,753
New impairment allowances	9,746	2,239
Reversal of impairment allowances no longer required	(2,046)	(4,190)
Recoveries of amounts previously written off	–	–
Currency translation differences	(618)	(1,194)
Amounts written off	(840)	–
Balance at 31 December	16,850	10,608
Commercial loans	9,370	7,414
Consumer loans	7,480	3,195
Total	16,850	10,609

g Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures, credit default swaps and options.

The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of the market or credit risk.

Derivatives held for trading	2007			2006		
	Notional amounts	Assets	Fair values liabilities	Notional amounts	Assets	Fair values liabilities
Interest rate derivatives OTC						
Credit default swaps	(20,379)	159	582	86,932	33	–
Options (purchased)	–	–	–	22,779	456	37
Options (sold)	–	–	–	(45,558)	37	545
Subtotal	(20,379)	159	582	64,153	526	582
Currency derivatives OTC						
Swaps	4,061,264	92,836	41,238	1,422,830	37,605	18,087
Forwards	332,666	2,513	3,006	320,381	5,595	1,941
Options (purchased)	211,036	4,211	–	220,843	–	4,308
Options (sold)	(211,036)	–	4,211	(220,843)	4,308	–
Subtotal	4,393,930	99,560	48,455	1,743,211	47,508	24,336
Other derivatives						
Equity options (purchased)	325,728	2,191	–	–	–	–
Equity options (sold)	(325,728)	–	2,191	–	–	–
Subtotal	–	2,191	2,191	–	–	–
Total derivatives	4,373,551	101,910	51,228	1,807,363	48,034	24,917

Derivative financial instruments held or issued for trading purposes: Most of the Bank's derivative trading activities relate to asset and liability management of the Bank and deals with customers which are normally laid off with counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices or rates on indices. No hedge accounting has been applied.

Forwards and futures: Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Future contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps: Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices based on specified notional amounts.

Credit default swap: A credit default swap (CDS) is a swap designed to transfer the credit risk of fixed-income products from one party to the other. It is an agreement between a protection buyer and a protection seller whereby the buyer pays a periodic fee in return for a contingent payment by the seller upon a credit event (such as a certain default) happening in the reference entity.

Options: Options are contractual agreements that convey the right but not the obligation for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

h Participating interests in group companies

For 2007, the movement of participating interests in group companies is as follows:

	Balance at 1 January	Additions	Merger	Result for the year	Translation difference	Balance at 31 December
Credit Europe Bank Ltd	74,747	107,956	–	13,568	(6,309)	189,963
Credit Europe Servicii Financiare IFN SA	(542)	–	542	–	–	–
Credit Europe Ipotecar IFN SA	2,969	2,837	(542)	(2,555)	(277)	2,432
Stichting Credit Europe Custodian Services	125	–	–	–	–	125
SC Credit Europe Leasing IFN SA	354	7,793	3,199	(24)	–	11,322
CSJC Credit Europe Bank	6,999	41,858	–	814	(5,028)	44,643
Credit Europe Leasing LLC	–	169	–	(141)	(5)	23
Credit Europe (Romania) Bank SA	–	–	833	–	–	833
	84,652	160,613	4,032	11,662	(11,619)	249,341

For 2006, the movement of participating interests in Group companies is as follows:

	Balance at 1 January	Additions	Dividends received	Result for the year	Translation difference	Balance at 31 December
Credit Europe Bank Ltd	32,637	38,007	–	5,414	(1,311)	74,747
Credit Europe Servicii Financiare IFN SA	5,537	162	(5,404)	(806)	(31)	(542)
Credit Europe Ipotecar IFN SA	2,984	322	–	(324)	(13)	2,969
Stichting Credit Europe Custodian Services	125	–	–	–	–	125
SC Credit Europe Leasing IFN SA	(99)	301	–	164	(12)	354
CJSC Finansbank	–	6,999	–	–	–	6,999
	41,184	45,791	(5,404)	4,448	(1,367)	84,652

i Other assets

	2007	2006
Prepayments and advance payments to suppliers	8,911	2,517
Deferred tax assets	2,612	1,336
Other receivables	1,485	1,196
Current tax assets	40	1,699
Other assets	3,826	622
Total	16,874	7,370

j Due to banks

This item comprises amounts due to banking institutions.

	2007	2006
Time deposits	420,285	212,274
Syndicated loan	169,825	–
Current accounts	112,199	17,154
Total	702,309	229,428

Deposits and current accounts of related companies amount to €63,305 (2006: €1,087).

k Due to customers

This item comprises amounts due to non-banking customers.

	2007	2006
Saving accounts	1,769,318	968,210
Consumer deposits	1,162,142	748,465
Corporate deposits	648,624	785,771
Current accounts	167,145	167,483
Total	3,747,229	2,669,929

The parent company maintained customer deposit balances of €281,650 (2006: €337,478), which were blocked by the parent company as collateral for loans and off-balance sheet credit instruments granted by the parent company.

Deposits and current accounts of related companies amount to €125,136 (2006: 285,598).

I Other liabilities

	2007	2006
Deferred payment liability under letters of credit ¹	105,683	116,599
Accrued expenses	5,954	5,265
Current tax liabilities	5,767	1,571
Deferred tax liabilities	1,751	1,994
Payables to suppliers	892	32
Other liabilities	4,913	1,983
Total	124,960	127,444

¹This liability relates to deferred payments in relation to contractual agreements as set in letters of credits provided to or received from customers.

m Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of the Bank. This liability qualifies as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch Central Bank.

The following table analyzes the subordinated liabilities:

Principal amount	Original currency	Interest rate	Opening date	Maturity date	Effective interest rate	2007	2006
						Effective interest rate	Amount
100,000	EUR	Euribor+2.5% ¹	April 26, 2007	October 26, 2017	7.48%	102,154	–
60,000	EUR	Euribor+3% ²	September 1, 2005	September 1, 2015	7.83%	61,011	61,010
21,000	USD	Labor +2.5% ³	September 28, 2007	September 28, 2017	7.24%	14,265	–
						177,430	61,010

¹ Interest rate is Euribor plus 2.50% per annum until October 2012 and Euribor plus 3.00% per annum thereafter. Early redemption is allowed in October 2012.

² The subordinated bond is listed on the Luxembourg stock exchange. Interest will be payable quarterly in arrears. Interest rate is Euribor plus 3.00% per annum until September 2010 and Euribor plus 3.50% per annum thereafter. Early redemption is allowed in September 2010.

³ The loan is 10 years for the initial period which can be extended for another five years at the request of the borrower by issuing a request thereto six months prior to the end of the initial period.

n Share capital

The authorized share capital is €400 million (2006: €250 million) and consists of 400 million (2006: 250 million) ordinary shares with a face value of €1. The called up and paid-in capital consists of 324.5 million (2006: 162 million) ordinary shares with a face value of €1.



o Share premium

During the year 2007, the share premium amounting to €49.5 million was transferred to share capital.

In December 2007, a subsidiary of CEG NV, SC Credit Europe International Leasing IFN SA, was merged with the subsidiary of the Bank, SC Credit Europe Leasing IFN SA to form a solid structure in the leasing operations of the Bank in Romania. After the merger, the portion owned by CEG NV was transferred to the Bank as share premium.

p Commitments and contingencies

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank. In many instances, the amount recognized on the balance sheet for incurred obligation does not represent the loss potential of the arrangement in full.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. With respect to credit risk on commitments to extend the credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term-to-maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	2007	2006
Contingent liabilities with respect to irrevocable letters of credit – import	176,372	196,376
Contingent liabilities with respect to letter of guarantees granted – others	127,747	70,501
Contingent liabilities with respect to irrevocable letters of credit – export	31,404	17,901
Contingent liabilities with respect to acceptance credits	7,242	9,159
Contingent liabilities with respect to letter of guarantees granted – banks	91	76
Total non-cash loans	342,856	294,013
Credit card limits	4,126	3,626
Other commitments ¹	55,813	209,107
Total	402,795	506,746

¹ Other commitments represent loan and credit line commitments amounting to €55,800 (2006: €81,200). Committed forward transactions have no balance in 2007 (2006: €127,800).

q Litigation claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The parent company has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the parent company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the parent company's Management is unaware of any significant actual, pending or threatened claims against the Bank.

r Rental and lease contracts

In addition, the parent company entered into rental and lease contracts. The amounts can be specified as follows:

Operating lease commitment – bank as lessee and rent commitments	2007	2006
Within 1 year	1,006	668
After 1 year not more than 5 years	823	1,235
Total	1,829	1,903

s Remuneration

Key management costs including remuneration and fees for the year ended December 31, 2007 amount to €2,246 (2006: €1,685).

Amsterdam, May 5, 2008

Supervisory Board:

Maarten J. Hulshoff
Hüsnü Özyeğin
Fevzi Bozer
F. Onur Umut
Mehmet Güleşci
Murat Özyeğin

Managing Board:

Turhan Cemal Beriker
Şenol Aloğlu
Umut Bayoğlu
Yavuz Tayfun

Other information

Proposed Profit Appropriation

The profit is appropriated pursuant to Article 31 of the Articles of Association of Credit Europe Bank N.V.; the relevant stipulations are as follows:

- The profits shall be at the disposal of the General Meeting.
- Dividends may be paid only up to an amount that does not exceed the amount of the distributable part of net assets.
- Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.

It will be proposed to appropriate net profit pursuant to Article 31 of the Articles of Association as follows:

<u>Proposed profit appropriation</u>	
Net Profit	€48,601
Addition to retained earnings pursuant to Article 31 of the Articles of Association	€32,601
At the disposal of the General Meeting of Shareholders pursuant to Article 31 of the Articles of Association	€16,000

Dividend of €0.05 (in total €16 million) per ordinary share.

This proposal has not been reflected in the financial statements.

To the general meeting of Shareholders of Credit Europe Bank N.V.

Report on the financial statements

We have audited the accompanying financial statements 2007 of Credit Europe Bank N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements

based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Credit Europe Bank N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Credit Europe Bank as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 May 2008

KPMG Accountants N.V.

W.G. Bakker RA

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