

**Credit Europe Bank
(Dubai) Ltd**

Consolidated financial statements

For the year ended 31 December 2009

Credit Europe Bank (Dubai) Ltd

Consolidated financial statement

For the year ended 31 December 2009

Contents	Page
Report of the independent auditors	1
Consolidated statement of financial position	2
Consolidated statement of income	3
Consolidated statement of cash flows	4
Consolidated statement of changes in equity	5
Notes to the consolidated financial statements	6-34



KPMG LLP
P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent Auditor's Report

The Shareholders
Credit Europe Bank (Dubai) Ltd

We have audited the accompanying consolidated financial statements of Credit Europe Bank (Dubai) Ltd and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP
28 February 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 USD'000	2008 USD'000
ASSETS			
Cash		3	8
Due from banks	4	115,983	39,969
Loans and advances to customers	5	205,709	166,556
Financial investments	6	19,110	-
Property and equipment	7	835	881
Intangible assets	8	142	215
Other receivables	9	713	653
Total assets		342,495	208,282
LIABILITIES			
Due to banks	10	282,525	171,940
Due to customers	11	15,363	6,052
Other payables	12	1,293	162
Total liabilities		299,181	178,154
EQUITY			
Share capital	13	30,000	30,000
Retained earnings		13,314	128
		43,314	30,128
TOTAL EQUITY AND LIABILITIES		342,495	208,282

The notes set out on pages 6 to 34 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 28 February 2010 and signed on their behalf by:


Cihan Ozevin
Chief Financial Officer


Cenk Atmaca
Senior Executive Officer

The report of the Independent auditors is set out on page 1.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

	<i>Note</i>	Year ended 31.12.2009 USD '000	142 days period ended 31.12.2008 USD'000
Interest income	<i>14</i>	26,343	2,719
Interest expense	<i>15</i>	(11,038)	(1,748)
Net interest income		<u>15,305</u>	<u>971</u>
Fee income		121	1
Net trading income	<i>16</i>	1,558	33
Other operating income		322	-
Operating income		<u>17,306</u>	<u>1,005</u>
Administrative expenses	<i>17</i>	(3,839)	(864)
Depreciation and amortisation	<i>7,8</i>	(281)	(13)
Net Profit for the year/period		<u>13,186</u>	<u>128</u>
Other comprehensive income		-	-
		<u><u>13,186</u></u>	<u><u>128</u></u>

The notes set out on pages 6 to 34 are an integral part of these consolidated financial statements.

The report of the Independent auditors is set out on page I.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	<i>Note</i>	Year ended 31.12.2009 USD' 000	142 days period ended 31.12.2008 USD'000
Operating activities			
Profit for the year/period		13,186	128
<i>Adjustments for:</i>			
Depreciation and amortisation		281	13
Loss on sale of property and equipment		15	-
		-----	-----
<i>Operating profit before working capital changes</i>		13,482	141
Movement in operating assets			
Net change in due from banks		(111,096)	(2,235)
Net change in loans and receivables-customers		(39,153)	(166,556)
Net change in other receivables		(60)	(653)
Net change in due to banks		4,342	-
Net change in due to customers		9,311	6,052
Net change in other payables		1,131	162
		-----	-----
<i>Cash used in operating activities</i>		(122,043)	(163,089)
		-----	-----
Investing activities			
Purchase of investments – net		(19,110)	-
Acquisition of property and equipment		(201)	(892)
Acquisition of intangible		-	(217)
Proceeds from sale of property and equipment		24	-
		-----	-----
<i>Cash used in investing activities</i>		(19,287)	(1,109)
		-----	-----
Financing activity			
Share capital introduced		-	30,000
Increased in term loan from parent company		106,243	171,940
		-----	-----
<i>Cash generated from financing activity</i>		106,243	201,940
		-----	-----
Net changes in cash and cash equivalent		(35,087)	37,742
Cash and cash equivalent at beginning of period		37,742	-
		-----	-----
Cash and cash equivalent at end of period	<i>18</i>	2,655	37,742
		=====	=====

The notes set out on pages 6 to 34 are an integral part of these consolidated financial statements.

The report of the Independent auditors is set out on page 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital USD'000	Retained earnings USD'000	Total USD'000
Transactions with owners, recorded directly in equity			
Share capital introduced	30,000	-	30,000
Total comprehensive income for the period			
Profit for the period	-	128	128
Balance at 31 December 2008	<u>30,000</u>	<u>128</u>	<u>30,128</u>
Balance at 1 January 2009	30,000	128	30,128
Total comprehensive income for the year			
Profit for the year	-	13,186	13,186
Balance at 31 December 2009	<u><u>30,000</u></u>	<u><u>13,314</u></u>	<u><u>43,314</u></u>

The notes set out on pages 6 to 34 are an integral part of these consolidated financial statements.

The report of the Independent auditors is set out on page 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

1. Corporate information

General

Credit Europe Bank (Dubai) Ltd ("the Bank") was established in the Dubai International Finance Center ("DIFC") on September 24, 2008. The Bank was granted Category 1 banking license under the Article 48 of the Regulatory Law 2004 issued by the Dubai Financial Service Authority ("DFSA").

On 29 July 2009, the Bank set up a wholly owned subsidiary, Credit Plus (Gulf) Limited, a company incorporated in the UAE. The consolidated financial statements of the Bank as at and for the year ended 31 December 2009 comprise the Bank and its subsidiary (together referred to as "the Group") whereas the comparatives comprise those of the Bank.

The principal activities of the Group are accepting deposits, providing credit, arranging credit or deals in investment, advising on financial products or credit, dealing in investment as agent and arranging custody. The principal activity of the subsidiary is disclosed in Note 25.

The Bank is a wholly owned subsidiary of Credit Europe Bank NV (the "parent company") which is established in Amsterdam, Netherlands. Fiba Holding AS, a company established in Turkey, is the ultimate parent company. Credit Europe Bank N.V. was founded as a specialised trade finance bank with an aim to actively participate in the wholesale financing of international trade. In later years, the parent company started retail banking activities including saving accounts, mortgage loans, consumer loans and credit cards.

The registered address of the Bank is Level 2, Building 4, Office 204, Burj Dubai Business Square, P.O. Box 506719, Dubai, United Arab Emirates.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Basis of measurement

The consolidated financial statements are presented in U.S. Dollar ("USD"), which is the functional currency of the Group, and are prepared on a historical cost basis except for derivative financial instruments and available-for-sale financial investments, which are measured at fair value.

c) Significant accounting judgements and estimates

The preparation of the consolidated 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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

2. Basis of preparation *(continued)*

c) Significant accounting judgements and estimates *(continued)*

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

i) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position 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.

ii) Impairment losses on loans and advances

The Group 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. In particular, judgement by the management is required of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied by the Group during the period except for the changes in policies due to adoption of the following new accounting standards, interpretations or amendments effective from 1 January 2009:

i) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

ii) Disclosures pertaining to fair values and liquidity risk for financial instruments

The Group has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons thereof, are required to be disclosed for each class of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)

Disclosures pertaining to fair values and liquidity risk for financial instruments (continued)

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but *contractual* maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

a) Basis of consolidation

i) Subsidiary

Subsidiary is an entity controlled by the Group. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

ii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign Currency Translation

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 rate of exchange ruling at the reporting date. All differences are taken to profit or loss. 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.

Translation differences in the profit and loss are generally included in "net trading income".

c) Financial Instruments

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 recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies *(continued)*

c) Financial instruments *(continued)*

Measurement classifications

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

i) Due from banks and Loans and receivables

Due from banks and loans & receivables (excluding the 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 amortised cost using the effective interest method, less allowance for impairment. Amortised 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 amortisation is included in 'Interest income' in the profit or loss. The losses arising from impairment are recognised in the profit or loss in 'Impairment'.

ii) Due to banks and other payables

Due to banks and other payables, which are not designated at fair value through profit or loss, are classified as liabilities where the substance of the contractual arrangement results in the Group 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, due to banks and other payables are subsequently measured at amortised cost using the effective interest rate method. Amortised 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.

iii) Held to maturity financial investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held to maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a more than significant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Group from classifying investment securities as held to maturity for the current and following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal;
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonable anticipated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies *(continued)*

c) Financial instruments *(continued)*

iv) Available for sale financial investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Interest income is recognised in profit or loss using the effective interest rate method.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available for sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Derecognition of financial assets and liabilities

Financial assets

The Group derecognises 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 Group 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 Group 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 Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)

c) Financial instruments (continued)

Financial liabilities

A financial liability is derecognised 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 and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

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

The Group assesses at each balance sheet date 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.

Due from banks and loans and receivables from customer

For amounts due from banks and loans and receivables from customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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, recognised 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 assets' 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 recognised in the income statement. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all collateral has been realised nor has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)

c) Financial instruments (continued)

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 collateralised 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 analysed. 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 the back testing to reduce any differences between loss estimates and actual loss experience.

d) Bank as a lessee

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term and included in 'Other operating expenses.'

e) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, and amounts due from / due to banks on demand.

f) 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. Changes in the expected useful life are accounted for by changing the amortisation 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:

Vehicles, equipments and fixtures	5-10 years
Leasehold improvements	5-10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)

g) 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 amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the profit or loss.

Amortisation 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
-------------------	------------

h) Impairment of non-financial assets

The Group 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 Group 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

i) Provisions

Provisions are recognised when the Group 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.

j) Income taxes

The tax environment within the DIFC is governed by Article 14 of Law No. 9 of 2004. In common with the tax holidays offered to investors within other free zones, the DIFC also provides for a 50-year tax relief. According to Article 14 of Law No. 9 The Centre's Bodies and Centre Establishments and their employees shall be subject to a zero rate of tax for 50 (fifty) years from the date of enactment of related Law, including the income tax relating to their operations inside the Centre. The zero rate of tax will also extend to transfers of assets or profits or salaries in any kind of currency to any party outside the Centre for 50 (fifty) years from the date of enactment of related Law. It is permitted to renew the period for a similar period upon issuance of a resolution by the Ruler.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)

k) Recognition of income and expenses

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

l) Interest income and expenses

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded using 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 Group 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 recognised using the original effective interest rate applied to the new carrying amount.

ii) Fees and commissions

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions income and expense for the provision of services over a period of time are generally recognised 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 recognised on completion of the underlying transaction. Management and service fees are recognised based on the applicable service contracts. Fee for bank transfers and other banking transaction services are recorded as income when collected.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

iii) Net trading income

Net trading income comprises gains less losses arising from changes in the fair value and disposal of financial assets and liabilities held for trading. Interest income or expenses on trading derivatives excluding the asset-liability management purpose derivative financial instruments are included within net trading income. Also, translation in foreign differences is presented in net trading income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

3. Summary of significant accounting policies (continued)**1) New standards and interpretations not yet effective**

A number of new standards, amendments to standards and interpretations that are effective for accounting periods starting after 1 January 2009, and have not been early adopted in preparing these Consolidated financial statements are as follows:

- IFRS 3 (Revised) - Business Combination: Effective 1 July 2009.
- Amendments to IAS 39 - Financial Instruments recognition and measurement: Effective 1st July 2009.
- IFRIC 17 - Distribution of Non-cash Assets to Owners: Effective: 1 July 2009.
- IFRS 5 amendments - Non-current Assets Held for Sale and Discontinued Operations: Effective 1 July 2009.
- IFRS 1 (Revised) - First Time Adoption of International Financial Reporting Standards: Effective 1 July 2009 and 1 January 2010.
- IFRS 2 amendments - Share-based payment: Effective 1 January 2010.
- IAS-27 (Amended) - Consolidated and Separate Financial Statements: Effective 1 July 2009.
- Amendments to IAS 32 - Financial Instruments: Presentation: Effective 1 February 2010.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments: Effective 1 July 2010.
- IAS 24 (Revised) - Related Party Disclosures: Effective 1 January 2011.
- Amendments to IFRIC 14 IAS 19 - The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction: Effective 1 January 2011.
- IFRS 9 - Financial Instruments: Effective 1 January 2013.

The management is in process of assessing the impact of the application of these new standards and interpretations.

4. Due from banks

	2009 USD'000	2008 USD'000
Overnight, call and time deposits		
- with parent company	37,120	32,627
- with other banks	46,461	5,107
Discounted bills	32,402	2,235
	<u>115,983</u>	<u>39,969</u>

5. Loans and advances

	2009 USD'000	2008 USD'000
<i>By nature of customer advances</i>		
Term lending	205,709	166,556
<i>By economic sector</i>		
Commercial and industrial	<u>205,709</u>	<u>166,556</u>

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

6. Financial investments

	2009 USD'000	2008 USD'000
HTM debt securities	17,173	-
AFS investments (note 6.1)	1,937	-
	<u>19,110</u>	<u>-</u>

6.1 AFS investments represent a portfolio of non-performing retail loans purchased from Credit Europe Bank, Romania by Credit Gulf Plus at their fair value. At year end, the management has reassessed the fair value and believes that there is no significant change.

7. Property and equipment

	Leasehold improvements USD'000	Vehicles, equipments and fixtures USD'000	Total USD'000
Cost			
At 1 January 2009	382	510	892
Additions	11	190	201
Disposals	-	(46)	(46)
	<u>393</u>	<u>654</u>	<u>1,047</u>
At 31 December 2009	<u>393</u>	<u>654</u>	<u>1,047</u>
Accumulated depreciations			
At 1 January 2009	4	7	11
Charge for the period	75	133	208
Disposals	-	(7)	(7)
	<u>79</u>	<u>133</u>	<u>212</u>
At 31 December 2009	<u>79</u>	<u>133</u>	<u>212</u>
Net book value at 31 December 2009	<u>314</u>	<u>521</u>	<u>835</u>
Cost			
At date of incorporation	-	-	-
Additions	382	510	892
Disposals	-	-	-
	<u>382</u>	<u>510</u>	<u>892</u>
At 31 December 2008	<u>382</u>	<u>510</u>	<u>892</u>
Accumulated depreciations			
At date of incorporation	-	-	-
Charge for the period	4	7	11
Disposals	-	-	-
	<u>4</u>	<u>7</u>	<u>11</u>
At 31 December 2008	<u>4</u>	<u>7</u>	<u>11</u>
Net book value at 31 December 2008	<u>378</u>	<u>503</u>	<u>881</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

8. Intangible assets

	Software USD'000
Cost	
At 1 January 2009	217
Additions	-

At 31 December 2009	<u>217</u>
Accumulated amortisation	
At 1 January 2009	2
Charge for the year	73

At 31 December 2009	<u>75</u>
Net book value at 31 December 2009	<u>142</u>
Cost	
At date of incorporation	-
Additions	217

At 31 December 2008	<u>217</u>
Accumulated amortisation	
At date of incorporation	-
Charge for the period	2

At 31 December 2008	<u>2</u>
Net book value at 31 December 2008	<u>215</u>

9. Other receivables

	2009 USD'000	2008 USD'000
Prepayment	320	490
Derivative financial instruments	183	-
Other receivables	210	163
	-----	-----
	<u>713</u>	<u>653</u>

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

10. Due to banks

	2009 USD'000	2008 USD'000
Term loans from parent company	278,183	171,940
Money Market borrowings from Banks	4,342	-
	<u>282,525</u>	<u>171,940</u>

The term loans from parent company carried an interest rate between 4.65% per annum to 6.85% per annum (2008: 4.65% - 6.85%) and repayable between 2 to 10 months.

11. Due to customers

	2009 USD'000	2008 USD'000
Current account	15,363	6,052

Due to customers represent deposit held as securities for credit facilities granted to customers. These balances are non-interest bearing.

12. Other payables

	2009 USD'000	2008 USD'000
Deferred income	839	76
Derivative financial instrument	335	-
Other payables and accruals	119	86
	<u>1,293</u>	<u>162</u>

13. Share capital

	2009 USD'000	2008 USD'000
<i>Authorised</i>		
100,000 ordinary shares at USD 1,000 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and paid up</i>		
30,000 ordinary shares of USD 1,000 each	<u>30,000</u>	<u>30,000</u>

14. Interest income

	Year ended 31.12.2009 USD'000	142 days period ended 31.12.2008 USD'000
From:		
Financial Investments	1,261	-
Due from banks	3,430	19
Loans and advances to customers	21,652	2,700
	<u>26,343</u>	<u>2,719</u>

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

15. Interest expense

	Year ended 31.12.2009 USD'000	142 days period ended 31.12.2008 USD'000
On:		
Due to banks	11,038	1,748

Included in interest expenses are interest payable for term loans provided by the parent company amounting to USD 10,566,000 (2008: USD 1,748,000).

16. Net trading income

	Year ended 31.12.2009 USD'000	142 days period ended 31.12.2008 USD'000
Interest rate instruments and related derivatives	1,151	-
Foreign exchange differences	407	33
	<u>1,558</u>	<u>33</u>

17. Administrative expenses

	Year ended 31.12.2009 USD'000	142 days period ended 31.12.2008 USD'000
Staff costs – salaries and wages	2,118	111
Travel and transport	72	134
Stationary and printing expenses	19	7
Communication and information	541	75
Rent and maintenance	498	246
Consultancy expenses	102	49
Advertising and marketing	19	7
Management fees	76	6
Other administrative fees	394	229
Total	<u>3,839</u>	<u>864</u>
Number of staff as at 31 December	<u>15</u>	<u>11</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

18. Cash and cash equivalents

Cash and cash equivalents comprise:

	2009 USD'000	2008 USD'000
Cash on hand	3	8
Due from banks	115,983	39,969
	-----	-----
	115,986	39,977
Less: Discounted bills	(32,402)	(2,235)
Time deposits	(80,929)	-
	-----	-----
	<u>2,655</u>	<u>37,742</u>

19. Commitment and Contingencies

To meet the financial needs of customers the Group issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Group. In many instances the amount recognised 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 Group 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.

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 Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

At 31 December 2009, the Group's contingent liabilities are as follows:

	2009 USD'000	2008 USD'000
Commitments:		
Documentary credits and short-term trade related transactions	37,494	15,000
Letters of guarantees granted-others	646	-
	-----	-----
Total non-cash loans	<u>38,140</u>	<u>15,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

20. Related party transactions

The Group's ultimate parent company is FIBA Holding A.S. a Turkish joint stock company, which is ultimately controlled by a single individual, Mr. Hüsnü Özyeğin. All amounts stated in the table below relate to group companies controlled by Mr. Hüsnü 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 Group enters into transactions with its parent company and other subsidiaries of the Group's ultimate parent company, directors and senior management in the ordinary course of business at negotiated rates. All the 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 consolidated financial statements are as follows:

	2009 USD'000	2008 USD'000
Assets		
Due from banks – with parent company	37,120	32,627
Liabilities		
Due to banks – with parent company	322,460	171,940
Commitment and contingencies		
Irrevocable commitments and contingencies	25,957	7,600

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

	Year ended 31.12.2009 USD'000	142 days period ended 31.12.2008 USD'000
Interest expenses – to parent company	10,566	1,748
Purchase of available for sale investments from Credit Europe Bank Romania, a related party	1,937	-

Key management compensation

Key management personnel are those persons, having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. The staff costs pertaining to the key management were USD 390,317 (2008: Nil). The staff cost pertaining to the key management in 2008 were fully met by the Parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management

This section provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

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

- credit risk
- liquidity risk.
- market risk
- operational risk

Below is a discussion of the various risks the Group is exposed to as a result of its activities and the approach taken to manage those risks.

Credit risk

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

Credit risk constitutes the most significant risk of the Group and arises mainly from trade-finance, lending and treasury. To identify measure and manage its credit risk arising from all these activities, the Group has adequate methodologies, policies and procedures in place.

In order to ensure a high level centralised management of credit risk the Risk Committee is established on two levels, namely Local Risk Committee, Amsterdam Credit Committee and International Credit Committee. The scope for review of the Local Risk Committee includes monitoring of credit portfolio of CEB Dubai's operation. On the Group level, International and/or Amsterdam Credit Committee reviews the risk profile of the consolidated portfolio of all the subsidiaries consolidated under the Credit Europe Group. The International and/or Amsterdam Credit Committees monitors Group's credit risk, including the subsidiaries consolidated under the Credit Europe Group. Credit policies and procedures adopted for all group entities.

Corporate credit risk is subject to capital-allocation and risk limits for mitigation purposes. These limits start at the borrowers' limit and evolve into portfolio-level concentration limits.

Credit limits are extended as secured and unsecured. Secured lines are against cash and cash equivalent types of collaterals, such as Letter of Guarantees and unsecured lines are against all other types of collaterals, including mortgages, equipment, pledge or assignment of trade receivables (title of goods), cheques, corporate and personal guarantees that are specifically stated on the credit approval form. Secured collaterals are managed and followed-up in processes fully supported by the Bank's corporate system by means of collateral transaction linkages, blocked accounts and system checking of collateralisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management *(continued)***Credit risk** *(continued)*

For the purpose of properly identifying, measuring, monitoring, and controlling the Group's credit risks, the Risk Committee on a regular basis, depending on the level of consolidation, receives variety of reports, provided by the Risk Management, covering:

- concentration of exposure to market sector;
- concentration of exposure on geographical basis;
- large customer group exposure;
- impaired assets and impairment allowances;
- specific segments of the Group's portfolio, (corporate, financial institutions and treasury);
- analysis of credit quality of assets.

Maximum credit exposure

The Bank identifies its maximum credit exposure as all transactions where losses might occur due to the fact that the counterparty may not fulfill its financial or other contractual obligations.

The table below provides the details about the Group's maximum exposure to credit risk, which arises from balance and off balance sheet items. The amount of exposure is shown gross, without taking account of any collateral or other credit enhancements, unless these credit enhancements qualify for offset in accordance with IAS 32.

	2009 USD'000	2008 USD'000
Assets		
Financial investments	19,110	-
Due from banks	115,983	39,969
Loans and advances	205,709	166,556
Other receivables (excluding prepayment)	393	163
	-----	-----
Total exposure	<u>341,195</u>	<u>206,688</u>

Concentration of Credit Risk

Concentration risk normally arises when number of counterparties operates in the same region or within the same economic sector, and thus is affected in the same extent to the economic, political and other conditions.

To measure, monitor and control the country concentration the Group is using a number of tools and limits, which are:

- Regular reporting to the Local Risk Committee, when outstanding risk exceeds 10% of the total credit exposure;
- Country Rating Model, which aims to evaluate risks of countries the Group is currently operating or is planning to make a business in;
- Country limits, which are established on consolidated level. Country limits are set by Financial Institutions Analysis Department and approved by the Central Credit Committee and are renewed on annual basis.

The next table shows the Group's exposure by geographical region. Exposure is allocated according to the risk country of the counterparty of the transaction, as defined in the internal Risk Country Assignment Procedure.

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)

Credit risk (continued)

Analysis of assets and liabilities:

	Due from Banks		Loans and receivables		Assets		Liabilities		Off-bal sheet Total USD'000
	USD'000	USD'000	USD'000	USD'000	Financial investments USD'000	Total USD'000	Due to Bank USD'000	Due to customers USD'000	
At 31 December 2009									
Turkey	75,961	131,038	5,798	210,797	-	-	-	-	1,273
Russia	-	7,502	13,376	20,878	-	-	-	-	-
European Union	37,345	35,569	1,936	74,850	278,182	278,182	-	-	193
USA	-	-	-	-	-	-	-	-	-
East Asia	2,677	31,600	-	34,277	4,343	19,706	15,363	-	36,674
	115,983	205,709	19,110	340,802	282,525	297,888	15,363	-	38,140
At 31 December 2008									
Turkey	5,003	137,042	-	142,045	-	-	-	-	-
Russia	-	1,606	-	1,606	-	-	-	-	-
European Union	34,966	20,393	-	55,359	171,940	171,940	-	-	-
USA	-	2,799	-	2,799	-	-	-	-	-
East Asia	-	4,716	-	4,716	-	-	6,052	-	15,000
	39,969	166,556	-	206,525	171,940	177,992	6,052	-	15,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management *(continued)***Credit risk** *(continued)*

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

	31 December 2009			31 December 2008		
	On-balance sheet USD'000	Off-balance sheet USD'000	Total exposures USD'000	On-balance sheet USD'000	Off-balance sheet USD'000	Total exposures USD'000
Exposures to central government and financial institutions						
Exposure to financial institutions	135,093	5,142	140,235	54,758	-	54,758
Exposures to corporate clients						
Automotive and derivatives	18,447	-	18,447	4,062	-	4,062
Construction and installation	41,685	261	41,946	8,187	-	8,187
Fertilizers	-	2,610	2,610	5,037	-	5,037
Food, beverages and tobacco	11,510	-	11,510	10,810	-	10,810
International trade	-	-	-	4,702	-	4,702
Iron and steel	17,704	24,910	42,614	20,167	15,000	35,167
Paper and pulp	7,036	-	7,036	4,078	-	4,078
Petrochemical, plasticizers and derivatives	23,312	5,217	28,529	7,390	-	7,390
Real estate	3,260	-	3,260	1,010	-	1,010
Shipping and shipyard	4,214	-	4,214	45,992	-	45,992
Textile, clothing, and ready made wearing	9,425	-	9,425	6,313	-	6,313
Tourism	18,353	-	18,353	15,322	-	15,322
Transportation and logistic	-	-	-	2,024	-	2,024
Energy/Coal	17,518	-	17,518	-	-	-
Soft commodities and agricultural products	18,164	-	18,164	-	-	-
Others	15,081	-	15,081	16,673	-	16,673
	<u>340,802</u>	<u>38,140</u>	<u>378,942</u>	<u>206,525</u>	<u>15,000</u>	<u>221,525</u>

There are no past dues from the above exposures, and management has assessed no impairment is required as at 31 December 2009 (2008: nil).

Cash and cash equivalents are maintained mainly with parent company, and other banks with good repute.

Liquidity risk

The Group 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 recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)**Liquidity risk** (continued)

The Group monitors its liquidity position on a daily basis and conducts regular liquidity stress testing. The board and senior management ensure that the Group'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 Group Asset/Liability Committee ("ALCO"). ALCO is responsible for ensuring that measurement systems adequately identify and quantify the Group's liquidity exposure and that reporting systems communicate accurate and relevant information about the level and sources of that exposure.

Any violation of the Liquidity Policy and predefined limits is reported to ALCO. In case of limit excess during a market turmoil ALCO calls an immediate meeting to discuss following and other options to bring the liquidity at its desired levels through slow-down and/or stop entering into new commitments and increasing spreads to attract new long-term funds both on consumer and corporate side.

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

	Up to 3 months USD'000	3 to 12 months USD'000	1 to 5 years USD'000	No fixed maturities USD'000	Total USD'000
At 31 December 2009					
Assets					
Cash	-	-	-	3	3
Financial investments	-	-	19,110	-	19,110
Due from banks	-	113,328	-	2,655	115,983
Loans and advances	87,213	53,302	65,194	-	205,709
Property and equipment	-	-	-	835	835
Intangible assets	-	-	-	142	142
Other receivables	168	-	-	545	713
Total assets	87,381	166,630	84,304	4,180	342,495
Liabilities					
Due to bank	238,724	23,818	19,983	-	282,525
Due to customers	-	-	-	15,363	15,363
Other payables	335	-	-	958	1,293
Total liabilities	239,059	23,818	19,983	16,321	299,181
Net liquidity gap	(151,678)	142,812	64,321	(12,141)	43,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)**Liquidity risk (continued)**

At 31 December 2008	Up to 3 months USD'000	3 to 12 months USD'000	1 to 5 years USD'000	No fixed maturities USD'000	Total USD'000
Assets					
Cash	-	-	-	8	8
Due from banks	39,969	-	-	-	39,969
Loans and advances	72,112	80,098	14,346	-	166,556
Property and equipment	-	-	-	881	881
Intangible assets	-	-	-	215	215
Other receivables	-	-	-	653	653
Total assets	112,081	80,098	14,346	1,757	208,282
Liabilities					
Due to bank	49,611	122,329	-	-	171,940
Due to customers	6,052	-	-	-	6,052
Other payables	-	-	-	162	162
Total liabilities	55,663	122,329	-	162	178,154
Net liquidity gap	56,418	(42,231)	14,346	1,595	30,128

The financial liabilities of the Group comprises mainly borrowings which are interest bearing with a maturity of less than 12 months, and other payables which are non interest bearing with a maturity of less than one year. The contractual cash flows are not materially different from their carrying amount.

Market Risk

Market risk is defined as the current or perspective threat to the Group'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.

Market risk is monitored on a regular basis by the Group Risk Management Department at consolidated level according to methodologies, limits and contingency plan clearly specified in approved policies. Market risk related issues are analysed by the Risk Management department and discussed in weekly Risk Committee meetings, featuring the Head of Risk Management, risk analysts from the Risk Management Department and two Management Board members. Based on the proposal of the Risk Committee, the Board of Directors of the Group 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, high level Risk 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)**Market Risk (continued)****Interest Rate Risk**

One of the major risks for the Group is the interest rate risk of the banking book. The Group defines interest rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates.

Interest rate risk of the banking book is monitored on a regular basis by the Group Risk Management Department according to methodologies, limits and contingency plan clearly specified in an approved policy. Interest rate sensitivity of the banking book is calculated according to Economic Value approach and reported on a weekly basis to the Treasury Department, and on a monthly basis at 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, 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 Group's economic value.

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.

	Up to 3 months	3 to 12 months	1 to 5 years	Non interest bearing	Total
At 31 December 2009	USD'000	USD'000	USD'000	USD'000	USD'000
Assets					
Cash	-	-	-	3	3
Financial investments	-	-	19,110	-	19,110
Due from banks	56,682	40,692	-	18,609	115,983
Loans and advances	60,792	72,515	72,402	-	205,709
Property and equipment	-	-	-	835	835
Intangible assets	-	-	-	142	142
Other receivables	-	-	-	713	713
Total assets	117,474	113,207	91,512	20,302	342,495
Liabilities					
Due to bank	4,342	-	278,183	-	282,525
Due to customers	-	-	-	15,363	15,363
Other payables	-	-	-	1,293	1,293
Total liabilities	4,342	-	278,183	16,656	299,181
On balance sheet gap	113,132	113,207	(186,671)	3,646	
Cumulative interest rate sensitivity gap	113,132	226,339	39,668	43,314	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management *(continued)***Market Risk** *(continued)***Interest Rate Risk** *(continued)*

At 31 December 2008	Up to 3 months USD'000	3 to 12 months USD'000	1 to 5 years USD'000	Non interest bearing USD'000	Total USD'000
Assets					
Cash	-	-	-	8	8
Due from banks	7,238	-	-	32,731	39,969
Loans and advances	65,166	80,957	20,433	-	166,556
Property and equipment	-	-	-	881	881
Intangible assets	-	-	-	215	215
Other receivables	-	-	-	653	653
Total assets	72,404	80,957	20,433	34,488	208,282
Liabilities					
Due to bank	49,611	122,329	-	-	171,940
Due to customers	-	-	-	6,052	6,052
Other payables	-	-	-	162	162
Total liabilities	49,611	122,329	-	6,214	178,154
On balance sheet gap	22,793	(41,372)	20,433	28,274	
Cumulative interest rate sensitivity gap	22,793	(18,579)	1,854	30,128	

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Position limit of the Group related with currency risk is determined according to foreign currency net position standard ratio determined by the DFSA regulations.

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)

Market Risk (continued)

At 31 December 2009

Assets	USD USD'000	EUR USD'000	CHF USD'000	RON USD'000	AED USD'000	TRY USD'000	Total USD'000
Cash	-	-	-	-	3	-	3
Financial investments	13,846	3,752	-	1,512	-	-	19,110
Due from banks	36,723	78,782	3	299	168	8	115,983
Loans and advances	104,320	101,389	-	-	-	-	205,709
Property and equipment	835	-	-	-	-	-	835
Intangible assets	142	-	-	-	-	-	142
Other receivables	713	-	-	-	-	-	713
Total assets	156,579	183,923	3	1,811	171	8	342,495
Liabilities							
Due to bank	93,887	188,367	-	-	271	-	282,525
Due to customers	14,874	489	-	-	-	-	15,363
Other payables	1,074	2	-	-	217	-	1,293
Total liabilities	109,835	188,858	-	-	488	-	299,181
Equity							
Share capital	30,000	-	-	-	-	-	30,000
Retained earnings	13,314	-	-	-	-	-	13,314
Total liabilities and shareholders' equity	153,149	188,858	-	-	488	-	342,495
On balance sheet FX position	3,430	(4,935)	3	1,811	(317)	8	
Net off balance sheet position	17,766	4,287	-	(1,771)	(160)	-	
Net FX position	21,196	(648)	3	40	(477)	8	

CREDIT EUROPE BANK (DUBAI) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management (continued)

Market Risk (continued)

At 31 December 2008	USD USD'000	EUR USD'000	CHF USD'000	RON USD'000	AED USD'000	TRY USD'000	Total USD'000
Assets							
Cash	-	-	-	-	8	-	8
Due from banks	37,819	2,037	-	-	113	-	39,969
Loans and advances	75,946	83,239	7,371	-	-	-	166,556
Property and equipment	881	-	-	-	-	-	881
Intangible assets	215	-	-	-	-	-	215
Other receivables	169	375	109	-	-	-	653
Total assets	115,030	85,651	7,480	-	121	-	208,282
Liabilities							
Due to bank	79,290	85,214	7,436	-	-	-	171,940
Due to customers	6,052	-	-	-	-	-	6,052
Derivative financial instruments	-	-	-	-	-	-	-
Other payables	1	131	30	-	-	-	162
Total liabilities	85,343	85,345	7,466	-	-	-	178,154
Equity							
Share capital	30,000	-	-	-	-	-	30,000
Retained earnings	128	-	-	-	-	-	128
Total liabilities and shareholders' equity	115,471	85,345	7,466	-	-	-	208,282
On balance sheet FX position	(441)	306	14	-	121	-	-
Off Balance sheet commitments	38,140	-	-	-	-	-	-
Net FX position	37,699	306	14	-	121	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

21. Risk Management *(continued)***Operational risk**

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

CEB Dubai utilises the functionality of the operational risk management department which is established in CEB N.V. at Group level. Operational Risk Management ("ORM") department whose goal is to consolidate already existing ORM activities and coordinate implementation of the framework at locations where there was no prior ORM activity. The framework uses the Risk Control Self Assessment and Operational Loss database to identify risks and to establish risk mitigating action points. There are ORM officers at each department ensuring that Operational Risk Management is embedded into the day-to-day operations. A new Product Approval process has also been introduced to the business to ensure that new products and thus processes are introduced in a well prepared manner by all parties involved.

22. Fair value

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 using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgement is necessary 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 realised in the current circumstances.

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

	31 December 2009		31 December 2008	
	Carrying amount USD'000	Fair value USD'000	Carrying amount USD'000	Fair value USD'000
Financial assets				
Due from banks	115,983	115,983	39,969	39,969
Loans and advances	205,709	205,709	166,556	166,556
Financial investments	19,110	21,304	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Due to bank	282,525	282,525	171,940	171,940
Due to customers	15,363	15,363	6,052	6,052
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

22. Fair value (continued)**Fair value hierarchy**

The following table analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which fair value measurement is categorized:

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
Available for sale financial investments	-	-	1,937	1,937
Derivative financial assets	-	183	-	183
Derivative financial liability	-	335	-	335
	-----	-----	-----	-----
Total	-	518	1,937	2,455
	=====	=====	=====	=====

23. Derivatives

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of an underlying financial instrument, reference rate or index. Derivative financial instruments include forwards, futures, swaps and options.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amount 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 neither indicative of the market risk nor credit risk.

	Notional Amount USD '000	Positive fair value USD '000	Negative fair value USD '000
31 December 2009			
Foreign currency swaps	6,369	15	168
Derivative financial assets	13,762	168	167
	-----	-----	-----
Total	20,131	183	335
	=====	=====	=====

24. Capital adequacy**Regulatory capital**

The Company's lead regulator, the Dubai Financial Services Authority (DFSA) sets and monitors regulatory capital requirements.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern and increase the returns for the shareholders; and
- comply with regulatory capital requirements set by the DFSA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

(Unless otherwise stated all amounts are in U.S. Dollars)

24. Capital adequacy (continued)

In implementing current capital requirements, the Company assesses its capital resources in accordance with the guidelines issued by the DFSA prescribing the minimum capital adequacy requirements.

Summary data of regulatory capital managed as at year end was as follows:

	2009 USD'000	2008 USD'000
Tier 1 capital		
Share capital	30,000	30,000
Retained profits	13,314	128
	-----	-----
	43,314	30,128
Tier 2 capital	-	-
	-----	-----
Total Tier 1 and Tier 2 capital	43,314	30,128
	=====	=====
Required	26,642	17,579
	=====	=====

The Company has complied with all externally imposed capital requirements throughout the period.

25. Subsidiary

The detail of the Bank's subsidiary is as follows:

Name of company	Principal activity	Country of incorporation	Effective ownership interest	
			2009	2008
Credit Plus (Gulf) Ltd	Provision of managing non performing retail loans of Credit Europe Group	U.A.E.	100%	-

The subsidiary was incorporated on 29 July 2009. Since incorporation, the subsidiary contributed a net profit of USD 4,000 to the Group.

26. Comparative figures

The comparative figures of profit and loss account represents income and expense for the period of 142 days and hence are not comparable.

Certain comparative figures have been reclassified to conform to the presentation adopted in these consolidated financials.