Credit Europe Bank N.V.

Interim Condensed Consolidated Financial Statements

June 30, 2018

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CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018
In thousands of EURO

	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and balances at central banks	4	758,704	829,224
Financial assets at fair value through profit or loss	5	193,817	53,184
- Trading assets		41,721	53,184
-Non-trading assets mandatorily at fair value through PL		152,096	-
Financial investments	6	642,627	750,799
Loans and receivables - banks	7	317,993	538,062
Derivative financial instruments	8	272,917	236,391
Loans and receivables - customers	9	2,888,060	4,487,379
Current tax assets		4,255	6,803
Deferred tax assets		38,182	22,175
Other assets	11	113,092	239,088
Investment in associates and joint ventures		6,680	6,311
Property, equipment and investment property		154,252	190,721
Intangible assets		7,429	12,340
Assets classified as held for distribution to owners	29	1,579,739	-
Total assets		**6,977,747**	**7,372,477**
Liabilities			
Due to banks	12	451,869	629,762
Derivative financial instruments	8	233,598	203,635
Due to customers	13	3,910,362	4,899,025
Issued debt securities	29	-	70,843
Current tax liabilities		2,787	16,577
Other liabilities	14	75,118	60,229
Deferred tax liabilities		26,249	23,735
Liabilities classified as held for distribution to owners	29	1,333,058	-
Total liabilities (excluding subordinated liabilities)		**6,033,041**	**5,903,806**
Subordinated liabilities	15	172,652	593,934
Total liabilities		**6,205,693**	**6,497,740**
Equity			
Equity attributable to owners of the Company		769,649	872,843
Equity attributable to non-controlling interests		2,405	1,894
Total equity	16	**772,054**	**874,737**
Total equity and liabilities		**6,977,747**	**7,372,477**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the period ended June 30, 2018

	Notes	January 1- June 30, 2018	January 1- June 30, 2017*
Interest income from financial instruments measured at amortized cost and FVOCI		127,878	128,922
Interest income from financial instruments measured at FVTPL		12,564	7,086
Interest expense from financial instruments measured at amortized cost		(33,087)	(44,756)
Interest expense from financial instruments measured at FVTPL		(15,545)	(15,185)
Net interest income	17	**91,810**	**76,067**
Fees and commissions income		20,240	20,379
Fees and commissions expense		(3,784)	(3,662)
Net fee and commission income	18	**16,456**	**16,717**
Net trading results	19	(26,101)	(6,631)
Net gain from investment securities		11,637	2,306
Net results on derecognition of financial assets measured at amortized cost		(369)	-
Other operating income	20	17,240	13,506
Operating income		**2,407**	**9,181**
Net impairment loss on financial assets	10	(4,407)	(23,993)
Net operating income		**106,266**	**77,972**
Personnel expenses		(27,398)	(27,118)
General and administrative expenses	21	(16,203)	(16,141)
Depreciation and amortization		(5,350)	(6,983)
Other operating expenses	22	(11,567)	(14,575)
Other impairment losses	23	(4,217)	(52)
Total operating expenses		**(64,735)**	**(64,869)**
Share of profit of associate		382	178
Operating profit before tax		**41,913**	**13,281**
Income tax expense		(11,218)	(5,077)
Profit for the period from continuing operations		**30,695**	**8,204**
Discontinued operations			
(Loss) / profit before tax from discontinued operations	29	(66,166)	5,907
Income tax expense from discontinued operations		(2,507)	(2,611)
(Loss) / profit for the period from discontinued operations		**(68,673)**	**3,296**
(Loss) / profit for the period		**(37,978)**	**11,500**
Net results for the period attributable to:			
Equity owners of the Company		(37,870)	11,451
Non-controlling interests		(108)	49

*As restated. Reference is made to Note 2 ‘Basis of preparation

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended June 30, 2018
In thousands of EURO

	January 1- June 30, 2018	January 1- June 30, 2017
Net results for the period	**(37,978)**	**11,500**
Other comprehensive income that will be reclassified to the income statement		
Net change on foreign currency translation	1,094	(18,703)
Net change on cash flow hedges	21	966
Net change on debt instruments at FVOCI	(8,450)	-
Net change on available for sale financial assets	-	13,421
Other comprehensive income that will not be reclassified to the income statement		
Net change on tangible assets revaluation reserve	18	117
Net change on equity instruments at FVOCI	392	-
Total other comprehensive income for the period, net of tax	**(6,925)**	**(4,199)**
Total comprehensive income for the period, net of tax	**(44,903)**	**7,301**
Attributable to:		
Equity holders of the parent	(44,828)	7,238
Non-controlling interest	(75)	63

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 30, 2018
In thousands of EURO

	Attributable to equity owners of the Company									
	Issued capital	**Share premium**	**Retained earnings**	**Fair value reserve**	**Net investment hedge reserve**	**Cash flow hedge reserve**	**Translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
At December 31, 2017 (IAS 39)	**653,658**	**163,748**	**476,055**	**(2,462)**	**(105,927)**	**(112)**	**(312,117)**	**872,843**	**1,894**	**874,737**
Impact of adopting IFRS 9*	-	-	(56,267)	-	-	-	-	**(56,267)**	(113)	**(56,380)**
At January 01, 2018 (IFRS 9)	**653,658**	**163,748**	**419,788**	**(2,462)**	**(105,927)**	**(112)**	**(312,117)**	**816,576**	**1,781**	**818,357**
Total comprehensive income										
Change in fair value reserve	-	-	-	(8,020)	-	-	-	**(8,020)**	(38)	**(8,058)**
Change in translation reserve	-	-	-	-	-	-	(13,487)	**(13,487)**	71	**(13,416)**
Change in net investment hedge reserve	-	-	-	-	14,510	-	-	**14,510**	-	**14,510**
Change in cash flow hedge reserve	-	-	-	-	-	21	-	**21**	-	**21**
Change in tangible assets revaluation reserve	-	-	18	-	-	-	-	**18**	-	**18**
Profit for the period	-	-	(37,870)	-	-	-	-	**(37,870)**	(108)	**(37,978)**
Total comprehensive income	**-**	**-**	**(37,852)**	**(8,020)**	**14,510**	**21**	**(13,487)**	**(44,828)**	**(75)**	**(44,903)**
Disposal of subsidiary without loss of control	-	-	-	-	-	-	-	**-**	699	**699**
Dividends declared and paid	-	-	(2,099)	-	-	-	-	**(2,099)**	-	**(2,099)**
At June 30, 2018	**653,658**	**163,748**	**379,837**	**(10,482)**	**(91,417)**	**(91)**	**(325,604)**	**769,649**	**2,405**	**772,054**

*Reference is made to IFRS 9 Transition Impact Analysis

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 30, 2018
In thousands of EURO

	Attributable to equity owners of the Company									
	Issued capital	**Share premium**	**Retained earnings**	**Fair value reserve**	**Net investment hedge reserve**	**Cash flow hedge reserve**	**Translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
At January 1, 2017	**632,464**	**163,748**	**460,461**	**(9,071)**	**(118,581)**	**(1,230)**	**(265,899)**	**861,892**	**1,866**	**863,758**
Total comprehensive income										
Change in fair value reserve	-	-	-	13,401	-	-	-	**13,401**	20	**13,421**
Change in translation reserve	-	-	-	-	-	-	(22,823)	**(22,823)**	(6)	**(22,829)**
Change in net investment hedge reserve	-	-	-	-	4,126	-	-	**4,126**	-	**4,126**
Change in cash flow hedge reserve	-	-	-	-	-	966	-	**966**	-	**966**
Change in tangible assets revaluation reserve	-	-	117	-	-	-	-	**117**	-	**117**
Profit for the period	-	-	11,450	-	-	-	-	**11,450**	49	**11,499**
Total comprehensive income	**-**	**-**	**11,567**	**13,401**	**4,126**	**966**	**(22,823)**	**7,237**	**63**	**7,300**
At June 30, 2017	**632,464**	**163,748**	**472,028**	**4,330**	**(114,455)**	**(264)**	**(288,722)**	**869,129**	**1,929**	**871,058**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2018
In thousands of EURO

	Notes	January 1- June 30, 2018	January 1- June 30, 2017
Profit for the period from continuing operations		**30,695**	**8,204**
(Loss) / profit for the period from discontinued operations		**(68,673)**	**3,296**
Adjustments for:			
Net impairment loss on financial assets	10	4,407	23,993
Depreciation and amortization		5,350	6,983
Impairment loss	23	4,217	52
Income tax expense		11,218	5,077
Net interest income	18	(91,810)	(76,067)
Effect of exchange rate differences		9,695	(25,089)
Provision on discontinued operations		73,160	-
		(21,741)	**(53,551)**
Changes in:			
Financial assets at fair value through profit or loss		(959)	(1,696)
Loans and receivables - banks		59,335	(125,853)
Loans and receivables - customers		294,098	213,806
Other assets		(42,265)	(11,915)
Due to banks		(153,264)	99,846
Due to customers		40,088	(547,325)
Other liabilities		20,341	(99,654)
		217,374	**(472,791)**
Acquisition of financial assets at fair value through profit or loss		(442,340)	(964,923)
Proceeds from sales of financial assets at fair value through profit or loss		454,762	929,185
Interest received		152,055	228,673
Interest paid		(60,069)	(145,711)
Income taxes paid		(3,066)	(1,649)
Net cash used in operating activities		**296,975**	**(480,767)**
Cash flows from investing activities			
Acquisition of financial investments		(1,702,962)	(1,142,011)
Proceeds from sales of financial investments		1,805,851	1,265,760
Acquisition of property and equipment		(567)	(57,877)
Proceeds from sale of property and equipment		18	85
Acquisition of intangibles		(1,426)	(1,163)
Acquisition / disposal of subsidiaries		564	-
Net cash used in investing activities		**101,478**	**64,794**
Cash flows from financing activities			
Proceeds from the issue of debt securities		3,645	-
Repayment of long-term funding		(348,012)	(48,752)
Dividends paid to shareholders		(2,097)	-
Net cash from financing activities		**(346,464)**	**(48,752)**
Net cash from continuing operations		**51,989**	**(464,724)**
Net cash from discontinued operations		**33,249**	**27,137**
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at January 1		742,651	944,468
Effect of exchange rate fluctuations on cash and cash equivalents held		(4,652)	(3,874)
Cash and cash equivalents at June 30	4	**823,237**	**503,007**

1. Corporate information

General

Credit Europe Bank N.V., herein after ‘the Bank’, is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises four branches in the Netherlands, Germany, Belgium and Malta. The Condensed Consolidated Interim Financial Statements of the Bank as of June 30, 2018, comprise the figures of the Bank, its subsidiaries and other controlled entities. Together they are referred to as the ‘Bank’.

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

The Bank’s registered office is Karspeldreef 6A, 1101 CJ Amsterdam, Netherlands and Chamber of Commerce registration number is 33256675.

Changes to the Group

Spin-off of CEB Russia Ltd.

The Bank has completed the disposal of 90% of shares of its wholly owned subsidiary CEB Russia Ltd within September 2018. The transaction has been executed between the Bank and its shareholders: Fiba Holding A.S and Fina Holding A.S in the form of a spin-off.

There is no other significant change to the Group within 2018.

2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's 2017 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and accounting principles in Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended December 31, 2017 with the exception of newly adopted accounting pronouncements outlined in section ' Update to Significant Accounting Policies'.

Amounts in the notes to interim condensed consolidated financial statements are in thousands of euros unless otherwise indicated.

These condensed consolidated interim financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 26, 2018.

Use of estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires the Bank's management to make judgements, estimates and assumptions that affect the application of policies, and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017 with the exception of newly adopted accounting pronouncements outlined in section ' Update to Significant Accounting Policies'.

For estimates used when measuring the fair values of financial instruments refer to Note 28.

Going concern

The Bank adopted going concern assumption in preparation of the interim condensed consolidated financial statements.

Comparative information

In order to conform to presentation of consolidated statement of income for the year ended 30 June 2018, the Bank has performed below reclassification in the consolidated statement of income for the period ended 30 June 2017.

Summary of the effect of the changes is as follows;

(a) The presentation of results from derivative financial instruments not qualifying for hedge accounting in the income statement has been changed and previous year figures have been reclassified accordingly. EUR 9,448 that was previously presented under 'net interest income' has been reclassified to 'net trading results'.

(b) Previous period operating income and expenses related to vessel construction that were presented on net basis have been restated in order to provide a consistent presentation in consolidated statement of income. EUR 1,318 that was previously recognized within 'other operating expenses' has been reclassified to 'other operating income'.

Update to Significant Accounting Policies

a) Adoption of IFRS 9 “Financial Instruments”

On January 1, 2018, the Bank adopted IFRS 9 “Financial Instruments” which replaces IAS 39 “Financial Instruments: Recognition and Measurement” and substantially changes accounting and financial reporting in three key areas: classification and measurement of financial assets, impairment and hedge accounting. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures and retained hedge accounting under IAS 39.

Below “IFRS 9 Transition Impact Analysis” section provides the detailed effects of the adoption of IFRS 9.

IFRS 9 Transition Impact Analysis

The Bank has applied the classification, measurement, and impairment requirements retrospectively by adjusting the opening balance and equity as at 1 January 2018 without restating the comparative information for the period beginning 1 January 2017.

The adoption of IFRS 9 effective 1 January 2018 has resulted in a reduction to consolidated equity as of 1 January 2018 of EUR 56,380 (Pre-tax EUR 71,340).

This new standard leads to higher loan loss allowances as from 1 January 2018. Regarding the regulatory capital calculation, the Bank mitigates the impact on own funds requirements by benefiting from the five year transitionary arrangement in accordance with Regulation (EU) 2017/2395 of the European Parliament and of the Council.

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	December 31, 2017	January 1, 2018 Transitional (95%)	January 1, 2018 Fully loaded
Core Tier I	843,507	840,687	787,126
Total Tier I capital	883,808	880,989	827,428
Total Tier II capital	125,073	125,073	125,073
Total own funds	**1,008,881**	**1,006,062**	**952,501**

Solvency ratio	December 31, 2017	January 1, 2018 Transitional (95%)	January 1, 2018 Fully loaded
Capital ratio	17.04%	17.04%	16.26%
Tier I ratio	14.93%	14.92%	14.13%
Core Tier I	14.25%	14.24%	13.44%
RWA	**5,918,937**	**5,904,815**	**5,856,634**

Classification and measurement of financial assets and liabilities

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVTPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVTPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVTPL.

Equity financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVTPL. Embedded derivatives are no longer separated from a host financial asset.

The most significant classification and measurement changes on transition to IFRS 9 are as follows:

- Loans and receivables to customers that no longer qualify for amortized cost under IFRS 9 have been classified at FVTPL (mandatory) because their cash flow characteristics do not satisfy SPPI criteria.
- As of January 1, 2018, given its intention to dispose CEB Russia, the Bank has reassessed its business model in relation to CEB Russia activities. As result, business model has been changed from "held to collect" to "held for sale". Accordingly, financial investments at AFS that were measured at fair value and loans and receivables that were measured at amortized cost have been classified at FVTPL (mandatory).

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. IFRS 9 includes a policy choice that would allow to continue to apply the existing hedge accounting rules. The Bank has decided to continue applying IAS 39 for hedge accounting, including the application of the EU carve-out.

Impairment allowances

In IFRS 9 the incurred loss impairment model is replaced with a more forward looking expected loss model.
Expected credit loss (ECL) amount is calculated on a probability-weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive. The new standard outlines a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Bank recognizes a loss allowance for expected credit losses on amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees in accordance with IFRS 9. Equity instruments are not subject to impairment under IFRS 9.

The Bank's corporate ECL model leverages the data, systems and processes of the probability of default (PD) models that are developed for Internal Rating-Based Approach (IRB) purposes. Internally developed PD models produce the likelihood of default in the upcoming 12 months period. For ECL calculation Loss Given Default (LGD) is also an important metric. LGD is the expected loss of the Bank as a percentage of Exposure at Default (EAD) arising in case a borrower defaults on a loan in the upcoming 12 months period. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Bank utilizes regulatory figures for LGD parameter. Appropriate adjustments are made to regulatory LGD and internally developed PD parameters to meet IFRS 9 requirements, including the conversion of through-the-cycle and downturn parameters that are required for IRB purposes to point-in-time parameters used under IFRS 9 that considers forward-looking information.

For retail and credit card portfolios new PD and LGD models dedicated to IFRS9 are developed and implemented. Newly developed models are customized based on country breakdown and product specifics to obtain homogeneous risk differentiation. Both PD and LGD models are calibrated to be point-in-time and forward looking.

IFRS 9 requires the consideration of past events, current market conditions and reasonable forward-looking supportable information about future economic conditions in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected losses. In assessing information about possible future economic conditions, the Bank utilized multiple economic scenarios representing the base case, benign and adverse forecasts. Key economic variables used in the determination of the allowance for credit losses include GDP, the inflation rate, export volume and housing prices, among others. The Bank uses regional economic variables in its models to reflect the geographic diversity of its portfolios, where appropriate. Utilizing the macroeconomic models, forward looking retail and corporate ECL components are forecasted for the upcoming 3 and 5 years, respectively.

The staging assessment especially for longer dated portfolios has a significant impact on impairment calculation. The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition. Assets can move in both directions through the stages of the impairment model. Certain probation periods apply for forborne and credit-impaired exposures to move between stages. Probation periods that are required for forborne and defaulted exposures to be able to move to Stage 1 and Stage 2, are designed to be compatible with the European Banking Authority (EBA) guidelines on definition of default. The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

<u>Stage 1</u>
Stage 1 corresponds to fully performing exposures. Fully performing exposures are defined as credit exposures that are not past-due or exposures past-due up to 30 days, provided that there is no significant increase in credit risk since origination. An exposure is past-due when principal, interest or fee has not been paid at the date it was due.

<u>Stage 2</u>
There are three main reasons that cause classifying a loan from stage 1 to stage 2:

- Credit Quality Deterioration
  a. Warning Signals
  b. Significant Change in Probability of Default
- Performing Forborne
- Past-due 31 up to 90 days

Stage 3
Stage 3 corresponds to credit impaired exposures, where there is objective evidence of such impairment as a result of one or more events that occurred after the initial recognition of the exposure (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the exposure that can be reliably estimated. The Bank classifies all non-performing exposures (NPE) as both credit impaired and defaulted. Therefore the concepts of NPE, impaired and defaulted are aligned. For Stage 3 assets, lifetime ECL which incorporates forward looking information is realized. For corporate exposures, the stage 3 allowance is calculated on an individual basis whereas for retail exposures it is calculated on collective basis.

Stage 3 exposures are defined as exposures that satisfy either or both of the following criteria:
- exposures which are more than 90 days past-due
- the obligor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past-due.

The "unlikeliness to pay" definition at the Bank includes non-accrued status, a specific loan loss provision or a charge-off, sale of credit obligation, distressed restructuring of credit obligation, bankruptcy, specific treatments in specialized lending (SL) portfolios and other criterias which indicate deterioration of the counterparty's creditworthiness and may require a status change into a default immediately and/or in the nearest future.

New IFRS 9 impairment rules, driven by the expected credit losses rather than IAS 39's incurred loss approach, lead to higher loan loss allowances starting from 1 January 2018. The main impairment impact results from the lifetime expected losses of the Stage 2 portfolio, removal of the loss identification period attribute from the formula of loss calculation and treatment of unused retail credit lines under the scope of revolving credit facility under IFRS9.

Write-offs
The Bank directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The following tables provide an overview of the impact of the changes to total assets and total liabilities under classification, measurement and impairment for on- and off-balance sheet positions, affected by IFRS 9.

	IAS 39 Measurement				IFRS 9 Measurement
	Classification	Carrying Amount as at 31/12/2017	Reclassification	Remeasurement	Carrying Amount as at 01/01/2018
ASSETS					
Cash and balances at central banks	**Amortized cost**	**829,224**	**-**	**-**	**829,224**
Financial assets at FVTPL	**FVTPL**	**53,184**	**(1,276)**	**-**	**51,908**
Opening balance	FVTPL	53,184	-	-	53,184
To equity instruments-FVOCI	FVTPL	-	(1,276)	-	(1,276)
Financial assets at FVTPL (mandatory)	**-**	**-**	**1,389,098**	**(18,482)**	**1,370,616**
From loans and receivables at amortized cost[1]	-	-	1,385,152	(18,482)	1,366,669
From financial investments-AFS	-	-	3,946	-	3,946
Financial investments-AFS	**Available for Sale**	**750,799**	**(750,799)**	**-**	**-**
Opening Balance	Available for Sale	750,799	-	-	750,799
To FVOCI-debt instruments (-)[2]	Available for Sale	-	(737,838)	-	(737,838)
To FVOCI-equity instruments (-)	Available for Sale	-	(9,015)	-	(9,015)
To financial assets at FVTPL (-)	Available for Sale	-	(3,946)	-	(3,946)
Financial investments measured at FVOCI	**-**	**-**	**748,129**	**-**	**748,129**
From financial investments-AFS (debt instruments)[2]	-	-	737,838	-	737,838
From financial investments-AFS (equity instruments)	-	-	9,015	-	9,015
From financial assets at FVTPL	-	-	1,276	-	1,276
Loans and receivables – banks	**Amortized cost**	**538,062**	**(160,734)**	**(788)**	**376,540**
Opening Balance	Amortized cost	538,062	-	-	538,062
To financial assets at FVTPL (-)[1]	Amortized cost	-	(160,734)	-	(160,734)
Increase in credit losses (-)	Amortized cost	-	-	(788)	(788)
Loans and receivables – customers	**Amortized cost**	**4,487,379**	**(1,224,418)**	**(50,906)**	**3,212,055**
Opening Balance	Amortized cost	4,487,379	-	-	4,487,379
To financial assets at FVTPL (-)[1]	Amortized cost	-	(1,224,418)	-	(1,224,418)
Increase in credit losses (-)	Amortized cost	-	-	(50,906)	(50,906)
Derivative financial instruments	**FVTPL**	**236,391**	**-**	**-**	**236,391**
Opening Balance	FVTPL	236,391	-	-	236,391
Deferred Tax Assets		**22,175**	**-**	**14,960**	**37,135**
Opening Balance		22,175	-	-	22,175
Remeasurement in expected credit losses		-	-	12,303	12,303
Remeasurement arising from reclassifications		-	-	2,657	2,657
Current tax assets		6,803	-	-	6,803
Other assets		239,088	-	-	239,088
Investment in associates and joint ventures		6,311	-	-	6,311
Property, equipment and investment property		190,721	-	-	190,721
Intangible assets		12,340	-	-	12,340
Total Assets		**7,372,477**	**-**	**(55,216)**	**7,317,262**

1 EUR 1,336,752 has been reclassified at FVTPL (mandatory) due to the Bank's business model change in relation to CEB Russia activities. Reference is made to Note 29 for further information.

2 Represents financial investments reclassified due to the Bank's business model change in relation to CEB Russia activities. Reference is made to Note 29 for further information.

	IAS 39 Measurement				IFRS 9 Measurement
LIABILITIES	Classification	Carrying Amount as at 31/12/2017	Reclassification	Remeasurement	Carrying Amount as at 01/01/2018
Due to Banks	Amortized cost	629,762	-	-	629,762
Due to Customers	Amortized cost	4,899,025	-	-	4,899,025
Derivative financial instruments	FVTPL	203,635	-	-	203,635
Issued debt securities	Amortized cost	70,843	-	-	70,843
Subordinated liabilities	Amortized cost	593,934	-	-	593,934
Current tax liabilities		16,577	-	-	16,577
Deferred tax liabilities		23,735	-	-	23,735
Other liabilities		46,427	-	-	46,427
Provisions		**13,802**	**-**	**671**	**14,473**
Opening Balance		13,802	-	-	13,802
Remeasurement in expected credit losses on financial guarantee contracts and loan commitments		-	-	671	671
Total Liabilities		**6,497,740**	**-**	**671**	**6,498,411**

Impact (net of tax) of adopting IFRS 9 on reserves and retained earnings is as follows:

	IAS 39 Measurement			IFRS 9 Measurement
	Carrying Amount as at 31/12/2017	Reclassification	Remeasurement	Carrying Amount as at 01/01/2018
Fair value reserve-AFS	**(2,462)**	**2,462**	**-**	**-**
Opening Balance	(2,462)	-	-	(2,462)
To FVOCI (debt securities) reserve (-)	-	6,606	-	6,606
To FVOCI (equity instruments) reserve (-)	-	(2,055)	-	(2,055)
Deferred tax in relation to above	-	(2,089)	-	(2,089)
Fair value reserve-Financial investments at FVOCI	**-**	**(2,462)**	**-**	**(2,462)**
From AFS reserve (debt securities)	-	(6,606)	-	(6,606)
From AFS reserve (equity instruments)	-	2,055	-	2,055
Deferred tax in relation to above	-	2,089	-	2,089
Total change in other comprehensive income	-	-	-	-
Retained Earnings	**479,055**	**-**	**(56,380)**	**419,675**
Opening Balance	476,055	-	-	476,055
Remeasurement impact of reclassifications	-	-	(18,482)	(18,482)
Recognition of expected credit losses under IFRS 9	-	-	(52,858)	(52,858)
Deferred tax in relation to above	-	-	14,960	14,960
Total change in retained earnings	**-**	-	*(56,380)*	*(56,380)*

Reclassification of allowances and provisions on adoption of IFRS 9

The table below provides reconciliation from the IAS 39 allowances / IAS 37 provisions to the IFRS 9 ECL allowances / provisions recognized as of 1 January 2018 upon adoption of IFRS 9.

	31/12/2017	01/01/2018		
	Loss allowances and provisions (IAS 39 /IAS 37)	Reclassification	Remeasurement	Allowances for ECL / Provisions for ECL (IFRS 9)
On-balance sheet				
Loans and advances to banks	925	-	788	1,713
Loans and advances to customers	208,541	(69,720)	50,906	189,727
Total on-balance sheet	**209,466**	**(69,720)**	**51,694**	**191,440**
Off-balance sheet				
Financial guarantees	-	-	671	671
Total off-balance sheet	**-**	**-**	**671**	**671**
Total	**209,466**	**(69,720)**	**52,365**	**192,111**
of which: Stage 1	-	-	-	21,766
of which: Stage 2	-	-	-	49,630
of which:Stage 3	-	-	-	120,715

b) Adoption of IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which is effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for obligations as they are satisfied.

IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. It supersedes revenue recognition guidance of IAS 18 Revenue and IAS 11 Construction Contracts. While interest and fee income integral to financial instruments, insurance contracts and leases continue to fall outside the scope of IFRS 15 and are regulated by the other applicable standards, the application of IFRS 15 have an impact on the Bank's consolidated financial statements in respect of revenue from shipbuilding contracts.

Management has assessed that rendering of services in relation to shipbuilding contracts represents single performance obligations. The transaction price allocation to the performance obligation is made on an individual contract basis. Revenue from these construction contracts is recognised over time and the output method is used to measure the progress towards completion of these performance obligations. Management has assessed that impact arising from significant financing component, variable consideration and contract modifications on the Bank's consolidated financial statements is not significant.

New standards and interpretations not yet adopted

A new standard and amendments to standard are effective for annual periods beginning after 1 January 2018; however, the Bank has not applied the following standard in preparing these interim condensed consolidated financial statements.

IFRS 16: *Leases*

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between operating and financing lease for lessees. The requirements for lessor accounting remain largely unchanged. The Bank is currently adjusting the operating procedures and systems in order to implement the new requirements of the standard.

Notes to Interim Condensed Consolidated Financial Statements

3. Segment information

Segment information is presented in respect of the Bank's operating segments, for which the Bank assesses performance and accordingly makes resource allocations.

The Bank has five (2017: five) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

- Western Europe retail: includes retail loans and funds entrusted by retail customers in Western Europe, including Germany, the Netherlands and Belgium.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany, Belgium, Malta and Switzerland.
- Romania retail: includes retail loans and funds entrusted from retail customers in Romania.
- Romania wholesale: includes loans to non-retail customers and funds entrusted from non-retail customers in Romania.
- Other: includes Bank's operations in Dubai, Ukraine and Turkey.

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.

3. Segment information *(continued)*

	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	June 30, 2018 Total
Interest income – external	2,284	112,018	11,927	8,066	6,147	140,442
Interest income – other segments	-	2,682	-	181	99	2,962
Interest revenue	**2,284**	**114,700**	**11,927**	**8,247**	**6,246**	**143,404**
Interest expenses – external	-	(40,459)	(2,663)	(3,210)	(2,300)	(48,632)
Interest expense – other segments	-	(1,273)	-	(780)	(909)	(2,962)
Interest expense	**-**	**(41,732)**	**(2,663)**	**(3,990)**	**(3,209)**	**(51,594)**
Net interest income	**2,284**	**72,968**	**9,264**	**4,257**	**3,037**	**91,810**
Net commission income – external	286	12,063	3,173	368	566	16,456
Net commission income – other segments	-	(1,147)	1,342	5	(200)	-
Trading and other income	373	(9,660)	2,750	1,556	7,388	2,407
Net impairment loss on financial assets	(228)	(11,036)	5,682	1,141	34	(4,407)
Depreciation and amortization expense	(127)	(2,734)	(884)	(560)	(1,045)	(5,350)
Other operating expenses	(1,166)	(32,725)	(9,570)	(6,971)	(8,953)	(59,385)
Share of profit of associate	-	-	-	-	382	382
Operating profit before taxes	**1,422**	**27,729**	**11,757**	**(204)**	**1,209**	**41,913**
Income tax expense	(372)	(8,078)	(2,585)	(162)	(21)	(11,218)
Profit / (loss) for the period from continuing operations	**1,050**	**19,651**	**9,172**	**(366)**	**1,188**	**30,695**
Other information at 30 June 2018 - Financial position						
Total assets- continuing operations	79,319	4,006,433	372,581	741,767	197,908	5,398,008
Total liabilities- continuing operations	2,751,484	1,216,529	345,052	448,413	111,157	4,872,635
Investment in associates and joint ventures	-	-	-	-	6,680	6,680
Other information at 30 June 2018 - Income statement						
Reversal of impairment allowances no longer required	-	20,753	-	5,717	20	26,490

3. Segment information *(continued)*

						June 30, 2017
	West Europe Retail	**West Europe Wholesale**	**Romania Retail**	**Romania Wholesale**	**Other**	**Total**
Interest income – external	3,316	105,844	12,172	8,351	6,325	136,008
Interest income – other segments	-	11,863	-	583	940	13,386
Interest revenue	**3,316**	**117,707**	**12,172**	**8,934**	**7,265**	**149,394**
Interest expenses – external	-	(53,368)	(2,434)	(3,278)	(861)	(59,941)
Interest expense – other segments	-	(10,419)	-	(1,025)	(1,942)	(13,386)
Interest expense	**-**	**(63,787)**	**(2,434)**	**(4,303)**	**(2,803)**	**(73,327)**
Net interest income	**3,316**	**53,920**	**9,738**	**4,631**	**4,462**	**76,067**
Net commission income – external	41	12,141	3,468	633	434	16,717
Net commission income – other segments	-	(1,597)	1,600	4	(7)	-
Trading and other income	611	1,960	320	5,066	1,224	9,181
Net impairment loss on financial assets	(1,078)	(7,936)	(11,419)	(2,926)	(634)	(23,993)
Depreciation and amortization expense	(134)	(4,283)	(866)	(563)	(1,137)	(6,983)
Other operating expenses	(1,412)	(35,090)	(10,479)	(6,887)	(4,018)	(57,886)
Share of profit of associate	-	-	-	-	178	178
Operating profit before taxes	**1,344**	**19,115**	**(7,638)**	**(42)**	**502**	**13,281**
Income tax expense	(497)	(8,261)	3,951	(125)	(145)	(5,077)
Profit / (loss) for the period from continuing operations	**847**	**10,854**	**(3,687)**	**(167)**	**357**	**8,204**
Other information at 31 December 2017 - Financial position						
Total assets- continuing operations	93,598	4,304,220	356,063	827,261	242,262	5,823,404
Total liabilities- continuing operations	2,869,539	1,420,538	327,654	518,494	130,359	5,266,584
Investment in associates and joint ventures	-	-	-	-	6,311	6,311
Other information at 30 June 2017 - Income statement						
Reversal of impairment allowances no longer required	138	737	-	192	504	1,571

Information about major customers

As of June 30, 2018, there is no single customer revenues from which individually exceeded 10% of total revenue (30 June 2017: none).

4. 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.

	June 30, 2018	December 31, 2017
Balances with central banks	744,769	767,478
Cash on hand	13,935	61,746
Total	**758,704**	**829,224**

Deposits at central banks include reserve deposits amounting to EUR 80,360 (2017: EUR 86,573), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents with statement of cash flow

	June 30, 2018	June 30, 2017
Cash and balances at central banks	758,704	506,433
Less: reserve deposits at central banks	(80,360)	(92,127)
Cash and cash equivalents in the statement of cash flows (continuing operations)	**678,344**	**414,306**
Cash and balances at central banks (discontinued operations)	144,893	88,701
Cash and cash equivalents in the statement of cash flows	**823,237**	**503,007**

5. Financial assets at fair value through profit or loss

	June 30, 2018	December 31, 2017
Financial assets held for trading		
Government bonds	404	1,268
Equity instruments	1,072	2,466
Bank bonds	892	2,683
Corporate bonds	2,085	1,582
Trading loans	37,268	45,185
Total financial assets held for trading	**41,721**	**53,184**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	152,096	-
Total non-trading financial assets mandatorily at FVTPL	**152,096**	**-**
Total financial assets at fair value through profit or loss	**193,817**	**53,184**

As of June 30, 2018, EUR 4,455 (2017: EUR 7,999) of the total is listed securities and EUR 191,163 is non-listed financial instruments.

As of June 30, 2018, there is no financial asset that have been sold or re-pledged under repurchase agreements (2017: none).

Gains and losses on changes in fair value of financial assets at FVTPL are recognized in 'net trading results'.

6. Financial investments

	June 30, 2018	December 31, 2017
Financial investments- available for sale	-	750,799
Financial investments- at FVOCI	642,627	-
Total	**642,627**	**750,799**

As of June 30, 2018, there is not any financial assets that have been sold or re-pledged under repurchase agreements (2017: EUR 166,610). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary.

	At FVOCI June 30, 2018	AFS December 31, 2017
Government bonds	414,336	638,814
Bank bonds	196,388	97,301
Equities	8,279	9,015
Corporate bonds	23,624	5,669
Total	**642,627**	**750,799**

As of June 30, 2018, EUR 642,112 (2017: EUR 750,680) of the total is listed securities and EUR 119 (2017: EUR 119) is non-listed financial instruments.

The Bank elected to apply FVOCI option to the equities which are considered as strategic investments or source of stable dividend income.

	Carrying amount- June 30, 2018	Dividend income recognized in 2018
Visa	2,401	6
Mastercard	457	-
Investments in credit institutions	781	32
Investments in corporations	4,640	224
Total	**8,279**	**262**

EUR 39 dividend income has been recognised during the period in relation to equity investments derecognised.

7. Loans and receivables - banks

	June 30, 2018	December 31, 2017
Placements with other banks	290,919	511,105
Loans and advances	28,718	27,882
Subtotal	**319,637**	**538,987**
Allowances for credit losses	(1,644)	(925)
Total	**317,993**	**538,062**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 51,747 (2017: EUR 54,162).

Changes in allowances for credit losses may be summarized as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Balance at the beginning of the period	**(788)**	**-**	**(925)**	**(1,713)**
New impairment	(631)	-	-	**(631)**
Assets derecognised or matured (excluding write offs)	700	-	-	**700**
Balance at the end of the period	**(719)**	**-**	**(925)**	**(1,644)**

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 depend on movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures, credit default swaps, commodity 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 on which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market nor the credit risk.

			June 30, 2018			December 31, 2017
	Nominal Amounts	**Fair values - assets**	**Fair values -liabilities**	**Nominal Amounts**	**Fair values -assets**	**Fair values - liabilities**
Derivatives held for trading						
Interest rate derivatives						
Swaps	304,251	37,274	40,160	247,200	156	1,277
Options (purchased)	62,682	1,507	-	62,536	651	-
Options (sold)	(88,652)	-	1,509	(89,126)	-	651
Subtotal	**278,281**	**38,781**	**41,669**	**220,610**	**807**	**1,928**
Currency derivatives						
Swaps	4,009,191	165,390	129,704	4,301,207	169,149	133,907
Forwards	393,569	5,565	6,062	255,025	7,953	8,325
Options (purchased)	851,249	49,007	-	895,962	38,748	-
Options (sold)	(854,835)	-	50,424	(886,070)	-	42,437
Subtotal	**4,399,174**	**219,962**	**186,190**	**4,566,124**	**215,850**	**184,669**
Other derivatives						
Commodity swaps	6,073	88	73	-	-	-
Equity options (purchased)	13,930	1,285	-	49,744	1,904	-
Equity options (sold)	(13,930)	-	1,285	(49,744)	-	1,904
Commodity options (purchased)	-	-	-	6,879	4	-
Commodity options (sold)	-	-	-	(6,879)	-	4
Subtotal	**6,073**	**1,373**	**1,358**	**-**	**1,908**	**1,908**
Total derivatives	**4,683,528**	**260,116**	**229,217**	**4,786,734**	**218,565**	**188,505**

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 who are normally laid off with counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates on indices.

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. Futures 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, commodities or equity indices based on specified notional amounts.

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.

Commodity Options: Commodity option is a contract permitting the option buyer the right, without obligation, to buy or sell an underlying asset in the form of a commodity, such as precious metals, oil, or agricultural products, at a designated price until a designated date.

Fair value hedges

Market risk in the banking book is the risk that unfavourable market movements cause the bank's value or income to decline. The market risk in the banking book consists predominantly of interest rate risk, which arises from holding loans with interest rate maturities that are different from the interest rate maturities of the deposits. The assets have a longer average maturity than the liabilities. This applies to contractual as well as behavioural maturities.

The Bank uses a combination of portfolio (macro) hedges (portion of fixed rate customer deposits) and specific asset or liability (micro) hedges(portion of fixed income portfolio , Subordinated Notes) to swap fixed interest rates for floating interest rate positions. The resulting interest rate positions, after application of interest rate hedges, are in line with the bank's strategy and risk appetite. In addition, for specific loans, CEB hedges the changes in the fair value of the foreign currency denominated loans relating to changes in foreign currency exchange rates.

Net investment hedges

The objective is to protect net asset values of foreign investments of the Bank subsidiaries against unfavourable movements in the fx rates. The change in the value of hedging instrument, with respect to foreign exchange risk, is determined by reference to the functional currency of the Bank (EUR). This hedging objective is consistent with Bank`s overall FX risk management strategy of reducing the variability of its shareholders equity.

The fair value of derivatives designated as fair value hedges are as follows:

	Nominal Amounts	Fair values - assets	Fair values - liabilities	Nominal Amounts	Fair values - assets	Fair values - liabilities
Instrument type:						
Interest rate swaps	667,263	3,889	11	369,995	1,017	-
Currency swaps	131,179	2,377	-	134,204	565	57
Total	**798,442**	**6,266**	**11**	**504,199**	**1,582**	**57**

During 2018, there is EUR 2,322 gain relating to the ineffective portion of fair value hedges was recognized in the income statement (2017: none).

The fair value of derivatives designated as net investment hedges is as follows:

	Nominal Amounts	Fair values - assets	Fair values -liabilities	Nominal Amounts	Fair values - assets	Fair values - liabilities
Instrument type:						
Currency swaps	739,855	6,535	4,370	944,453	14,551	15,001
Total	**739,855**	**6,535**	**4,370**	**944,453**	**14,551**	**15,001**

During 2018, EUR 528 loss relating to the ineffective portion of net investment hedges was recognized in the income statement (2017: EUR 18 loss).

The fair value of derivatives designated as cash flow hedge is as follows:

	Nominal Amounts	Fair values - assets	Fair values -liabilities	Nominal Amounts	Fair values - assets	Fair values - liabilities
Instrument type:						
Currency swaps	-	-	-	16,974	1,694	72
Total	**-**	**-**	**-**	**16,974**	**1,694**	**72**

During 2018 no loss relating to the ineffective portion of cash flow hedges was recognized in the income statement (2017: none).

The table below shows the fair value of derivative financial instruments recorded as assets and liabilities.

		June 30, 2018		December 31, 2017
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives designated as				
Held for trading	260,116	229,217	218,564	188,505
Net investment hedge	6,535	4,370	14,551	15,001
Fair value hedge	6,266	11	1,582	57
Cash flow hedge	-	-	1,694	72
Total	**272,917**	**233,598**	**236,391**	**203,635**

9. Loans and receivables - customers

	June 30, 2018	December 31, 2017
Commercial loans	2,529,179	3,249,085
Consumer loans	366,223	875,240
Credit card loans	95,594	322,849
Private banking loans	35,395	43,826
Finance lease receivables, net	10,054	52,450
Public sector loans	-	152,470
Subtotal	**3,036,445**	**4,695,920**
Individually assessed allowances for impairment	(84,528)	(58,056)
Collectively assessed allowances for impairment	(63,857)	(150,485)
Total	**2,888,060**	**4,487,379**

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

10. Loan impairment charges and allowances

	June 30, 2018					December 31, 2017
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Balance at 1 January (*)	**(20,403)**	**(49,534)**	**(119,790)**	**-**	**(189,727)**	**(186,394)**
New impairment	(6,614)	(5,564)	(16,416)	(2,148)	**(30,742)**	**(123,691)**
Assets derecognised or matured (excluding write offs)	3,166	7,274	3,532	-	**13,972**	**-**
Transfers to Stage 1	(621)	158	463	-	**-**	**-**
Transfers to Stage 2	645	(1,446)	801	-	**-**	**-**
Transfers to Stage 3	18	3,389	(3,407)	-	**-**	**-**
Reversal of impairment allowances no longer required	5,290	4,388	2,593	-	**12,271**	**12,280**
Amounts written off	-	-	37,205	-	**37,205**	**74,472**
Exchange differences	(860)	(995)	(740)	-	**(2,595)**	**14,792**
Transfer to financial assets mandatorily at FVTPL	-	-	11,232	-	**11,232**	**-**
Balance at period end	**(19,379)**	**(42,330)**	**(84,527)**	**(2,148)**	**(148,384)**	**(208,541)**
Commercial Loans	(16,322)	(30,708)	(18,851)	(2,148)	(68,029)	(95,127)
Consumer Loans	(1,527)	(11,354)	(60,019)	-	(72,900)	(93,061)
Credit Cards	(1,525)	(214)	(5,263)	-	(7,002)	(13,264)
Private Banking	(5)	-	-	-	(5)	(349)
Finance lease receivables, net	-	(54)	(394)	-	(448)	(6,740)
Total	**(19,379)**	**(42,330)**	**(84,527)**	**(2,148)**	**(148,384)**	**(208,541)**

*As restated. Reference is made to IFRS 9 Transition Impact Analysis

The Mortgage Payment Law (“Dare in Plata” or “DIP”), which came into force in Romania on in May 2016, entitled borrowers to request and to compel the lenders to accept a full discharge of mortgage-backed loans against the transfer of title of the mortgaged immoveable property to the lender. On the other hand, The Romanian Constitutional Court declared DIP law as a “hardship” law and reduced its scope to exceptional cases. The Constitutional Court’s decision brought clarity to which extent DIP law is applicable for the Bank. Based on last year`s recovery rates, the Bank revised LGDs for mortgage loans downward for both DIP and 30 or more past due loans.

11. Other assets

	June 30, 2018	December 31, 2017
Repossessed assets classified as inventories	49,363	56,738
Assets held for sale	18,516	74,218
Receivables from DNB	15,970	15,970
Accounts receivable	9,245	28,141
Prepayments to suppliers	4,600	8,634
Materials and supplies	4,081	2,375
Amounts held as guarantee	2,282	2,932
Tax related receivables	2,062	2,382
POS, plastic cards and ATM related receivables	991	19,943
Items in the course of settlement	217	18,932
Deferred acquisition costs	-	5,117
Other assets	5,765	3,706
Total	**113,092**	**239,088**

Assets held for sale and repossessed assets classified as inventories represent collaterals repossessed after clients were not able to meet their payment obligations.

12. Due to banks

	June 30, 2018	December 31, 2017
TLTRO-targeted longer term refinancing operations	163,978	164,311
Time deposits	147,642	361,401
Current accounts	72,511	36,488
Syndication loan	67,738	67,562
Total	**451,869**	**629,762**

There is no repo transaction in time deposits (2017: EUR 166,613).

13. Due to customers

	June 30, 2018	December 31, 2017
Retail time deposits	1,641,268	2,437,562
Retail saving and demand deposits	1,576,868	1,582,479
Corporate time deposits	376,936	448,320
Corporate demand deposits	315,290	430,664
Total	**3,910,362**	**4,899,025**

As of June 30, 2018, the Bank maintained customer deposit balances of EUR 22,118 (2017: EUR 22,028), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2018, EUR 1,810,692 (2017: EUR 2,059,006) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

14. Other liabilities

	June 30, 2018	December 31, 2017
Provisions (*)	33,130	692
Collaterals received	7,293	7,147
Accrued expenses	7,176	9,527
Litigation provision (**)	5,806	6,717
Advances from customers	5,037	4,192
Payables to suppliers	4,690	4,517
Staff related liabilities	3,682	6,828
Non-current tax related payable	2,407	3,137
Credit card payables	1,420	2,639
Items in the course of settlement	1,124	2,349
Deferred income	523	652
Unearned premiums reserve	-	7,409
Payables regarding insurance agreements	-	426
Other liabilities	2,830	3,997
Total	**75,118**	**60,229**

(*) Includes EUR 31,491 provision in relation to discontinued operations. Further details are provided in Note 29: Discontinued Operations.

(**) Provision set for litigations regarding abusive clauses in consumer contracts, in which the Bank's subsidiary, Credit Europe Bank (Romania) S.A., is involved as of June 30, 2018. Further details are provided in Note 26: Commitments and Contingencies.

The table below presents movement in total provisions recognized under both IAS 37 and IFRS 9:

			June 30, 2018		June 30, 2017
	Litigation	Credit related commitments	Other	Litigation	Other
Balance at 1 January	6,717	671	288	7,671	4,639
Addition	869	167	(37)	-	(3,103)
Reversal	(1,762)	(64)	-	(1,718)	(612)
Provisions in relation to discontinued operations	-	-	31,491	-	-
Currency translation differences	(18)	75	539	(1)	(48)
Balance at 30 June	**5,806**	**849**	**32,281**	**5,952**	**876**

(*) Includes provisions recognized for financial guarantees in the scope of IFRS 9 expected credit loss requirements of IFRS 9 and consists of EUR 824 and EUR 25 for Stage 1 and Stage 2 exposures, respectively.

15. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, the Bank and other Group companies.

	Year of maturity	June 30, 2018	December 31, 2017
USD 400 million subordinated liabilities with a fixed interest rate of 8 % p.a.	2018	-	345,190
USD 250 million subordinated notes with a fixed interest rate of 8.50 % p.a.	2019	-	81,033
USD 150 million Tier II loan with a fixed interest rate of 7.25 % p.a.	2027	129,590	125,880
USD 50 million Additional Tier I loan with a fixed interest rate of 8.95 % p.a.	2022	43,062	41,831
Total		**172,652**	**593,934**

16. Capital and reserves

	June 30, 2018	December 31, 2017
Share capital	653,658	653,658
Share premium	163,748	163,748
Retained earnings	436,104	476,055
IFRS 9 impact	(56,267)	-
Fair value reserve	(10,482)	(2,462)
Translation reserve	(325,604)	(312,117)
Hedging reserve	(91,508)	(106,039)
Equity attributable to owners of the Parent Company	**769,649**	**872,843**
Equity attributable to non-controlling interests	2,405	1,894
Total equity	**772,054**	**874,737**

As of June 30, 2018, the authorized share capital is EUR 1,000 million (2017: EUR 1,000 million) and consists of EUR 1,000 million (2017: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 653.7 million (2017: 653.7 million) ordinary shares with a face value of EUR 1.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in hedges of net investment in foreign operations and in cash flow hedges.

Fair value reserves

The fair value reserve includes the cumulative net change in the fair value of financial investments measured at fair value through other comprehensive income until the investment is derecognized.

17. Net interest income

	January 1- June 30, 2018	January 1- June 30, 2017
Interest income from financial instruments measured at amortized cost and FVOCI:	**126,906**	**128,922**
Loans and receivables – customers	118,607	118,575
Financial investments	6,385	8,470
Loans and receivables – banks	1,496	1,496
Cash and balances at central banks	231	22
Interest on financial lease	187	359
Interest income from financial instruments measured at FVTPL:	**13,536**	**7,086**
Derivative financial instruments	11,794	6,631
Non-trading financial assets mandatorily at FVTPL	972	-
Financial assets at fair value through profit or loss	770	455
Total interest income	**140,442**	**136,008**
Interest expense from financial instruments measured at amortized cost:	**33,087**	**44,756**
Due to customers	20,458	26,506
Subordinated liabilities	7,970	15,454
Due to banks	3,780	2,158
Cash and balances at central banks	879	638
Interest expense from financial instruments measured at FVTPL:	**15,545**	**15,185**
Derivative financial instruments	15,545	15,185
Total interest expense	**48,632**	**59,941**
Net interest income	**91,810**	**76,067**

18. Net fee and commission income

	January 1- June 30, 2018	January 1- June 30, 2017
Fee and commission income		
Cash loan fees	4,152	4,849
Credit card fees	3,884	3,947
Letters of credit commissions	3,168	2,746
Early redemption fee	2,167	451
Portfolio and other management fees	1,548	2,086
Commission on account maintenance	1,419	1,547
Payment and transaction services fees	1,383	1,606
Insurance related fees	632	365
Letters of guarantee commissions	387	948
Commissions on fiduciary transactions	305	458
Commissions on fund transfers	260	457
Other fees and commissions	935	919
Subtotal	**20,240**	**20,379**
Fee and commission expense		
Credit card fees	1,445	1,264
Payment and transaction services expense	944	977
Account maintenance fees	318	375
Commission paid to intermediaries/retailers	179	112
Other fee and commission expenses	898	934
Subtotal	**3,784**	**3,662**
Total	**16,456**	**16,717**

19. Net trading results

	January 1- June 30, 2018	January 1- June 30, 2017
Foreign exchange	3,913	(19,360)
Trading loans	1,712	714
Derivative financial instruments - hedge accounting	1,604	1,423
Debt securities	(104)	1,144
Loans measured mandatorily at FVTPL	(1,801)	-
Subtotal	**5,324**	**(16,079)**
Derivative financial instruments - not qualifying for hedge accounting	(31,425)	9,448
Total	**(26,101)**	**(6,631)**

20. Other operating income

	January 1- June 30, 2018	January 1- June 30, 2017
Vessels charter income	6,587	6,693
Revenue from shipbuilding activities	4,972	1,318
Collection from written off loans	2,468	2,325
Sale of inventory property	1,129	-
Rent income	510	960
Sale of assets held for sale	355	545
Dividend received	300	180
Other income	919	1,485
Total	**17,240**	**13,506**

21. General and administrative expenses

	January 1- June 30, 2018	January 1- June 30, 2017
Rent and maintenance expenses	3,761	4,276
Professional fees and consultancy	2,411	1,730
Information technology expenses	1,803	1,903
Communication and information expenses	1,715	2,011
Membership fees	1,280	1,161
Stationary, office supplies and printing expense	650	717
Taxes other than income	580	696
Advertising and marketing expenses	574	404
Legal services expenses	573	778
Security expenses	497	497
Management fees	408	59
Travel and transport expenses	402	341
Cleaning expenses	288	259
Insurance premiums	188	193
Representative expenses	179	98
Other expenses	894	1,018
Total	**16,203**	**16,141**

22. Other operating expenses

	January 1- June 30, 2018	January 1- June 30, 2017
Vessels maintenance expense	5,691	11,364
Cost of sale from shipbuilding activities	4,167	1,335
Cost of sales - inventory property	1,063	-
Claims service expenses	302	267
Fines and penalties	287	326
Provision (reversal) / expense	(710)	996
Other	767	287
Total	**11,567**	**14,575**

23. Other impairment losses

	January 1- June 30, 2018	January 1- June 30, 2017
Property and equipment	2,902	-
Investment property	1,315	-
Assets held for sale	-	(103)
Provision for financial guarantee contracts	-	155
Total	**4,217**	**52**

24. Taxation

The Bank recognizes the current and deferred tax consequences of transactions that have been included in the interim condensed consolidated financial statements using the provisions of the respective jurisdictions' tax laws. Current and deferred taxes are charged or credited to equity if the tax relates to items that are charged or credited directly to equity.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carry-forwards and tax credits. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period that 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.

25. Fair value information

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. Fair value of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

The estimated fair values of trading financial assets (excluding loans) at fair value through profit or loss, financial investments and debt securities issued are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on expected future cash flows and discount rates for similar instruments.

Classification of financial assets and liabilities

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

						June 30, 2018
	Trading	Measured at fair value	Loans and receivables	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	758,704	-	-	758,704
Financial assets at FVTPL	-	193,817	-	-	-	193,817
Financial investments	-	-	-	642,627	-	642,627
Loans and receivables - banks	-	-	317,993	-	-	317,993
Loans and receivables - customers	-	-	2,888,060	-	-	2,888,060
Derivative financial instruments	272,917	-	-	-	-	272,917
Total assets	**272,917**	**193,817**	**3,964,757**	**642,627**	**-**	**5,074,118**
Due to banks	-	-	-	-	451,869	451,869
Due to customers	-	-	-	-	3,910,362	3,910,362
Derivative financial instruments	233,598	-	-	-	-	233,598
Subordinated liabilities	-	-	-	-	172,652	172,652
Total liabilities	**233,598**	**-**	**-**	**-**	**4,534,883**	**4,768,481**

						December 31, 2017
	Trading	Measured at fair value	Loans and receivables	Available for sale	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	829,224	-	-	829,224
Financial assets at FVTPL	-	53,184	-	-	-	53,184
Financial investments	-	-	-	750,799	-	750,799
Loans and receivables - banks	-	-	538,062	-	-	538,062
Loans and receivables - customers	-	-	4,487,379	-	-	4,487,379
Derivative financial instruments	236,391	-	-	-	-	236,391
Total assets	**236,391**	**53,184**	**5,854,665**	**750,799**	**-**	**6,895,039**
Due to banks	-	-	-	-	629,762	629,762
Due to customers	-	-	-	-	4,899,025	4,899,025
Derivative financial instruments	203,635	-	-	-	-	203,635
Issued debt securities	-	-	-	-	70,843	70,843
Subordinated liabilities	-	-	-	-	593,934	593,934
Total liabilities	**203,635**	**-**	**-**	**-**	**6,193,564**	**6,397,199**

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments.

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

June 30, 2018	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	5	4,453	-	37,268	41,721
Derivative financial assets	8	-	272,917	-	272,917
Equity instruments measured at FVOCI		8,279	-	-	8,279
Non-trading assets mandatorily at FVTPL	5	5,507	-	146,589	152,096
Financial investments	6	634,229	-	119	634,348
Total		**652,468**	**272,917**	**183,976**	**1,109,361**
Financial liabilities					
Derivative financial liabilities	8	-	233,598	-	233,598
Total		**-**	**233,598**	**-**	**233,598**

December 31, 2017	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	5	7,999	-	45,185	53,184
Derivative financial assets	8	-	236,391	-	236,391
Financial investments	6	750,680	-	119	750,799
Total		**758,679**	**236,391**	**45,304**	**1,040,374**
Financial liabilities					
Derivative financial liabilities	8	-	203,635	-	203,635
Total		**-**	**203,635**	**-**	**203,635**

No financial assets were transferred from Level 1 to Level 2 of the fair value hierarchy in 2018.

Level 3 Financial assets and liabilities

As of 30 June 2018, no exchange traded financial asset was classified as Level 3.

During 2018, there were no financial assets transferred out of Level 3 to Level 2 due to change in inputs used in measuring the fair value of the assets.

Financial assets at FVTPL-trading consist of trading loans that are valued using discounted cash flow technique which incorporates brokers' quotes as indicative value with no attached commitment to transact at that price.

Non trading assets consist of loans mandatorily at fair value through profit or loss, that are measured at lower of carrying amount or fair value of the collateral calculated using the valuation techniques described in the following table.

Significant unobservable inputs used in determination of Level 3 fair values

The following table presents the valuation techniques and the significant inputs used in determination of fair values in Level 3 measurements.

Category	Carrying amount/fair value (in ths Eur)	Valuation Technique	Input	Range
Financial assets at FVTPL- non trading (loans and advances)	**146,589**			
Romania- residential and commercial properties Level-3	4,412	Market comparison approach	Price per square meter	730-980 Eur/sqm
		Income capitalization	Unit rental price p.m	9-9.5 Eur/sqm
			Vacancy rate	5%-15%
			Operating expenses p.m	3,000-14,000
			Capitalization rate	9%-10%
Romania- commercial properties Level-3	25,691	Market comparison approach	Price per square meter	600 Eur/sqm
		Income capitalization	Unit rental price p.m	7.5 Eur/sqm
			Vacancy rate	10%-20%
			Operating expenses p.m	5,000-34,000
			Capitalization rate	8%-12%
Vessels Level-3	10,944	Third party pricing	Broker price	n.a
Turkey- commercial properties Level -3	105,542	Discounted cash flow	Unit rental price	2.10 -9.50 Eur/sqm/month - 47 Eur/room
			Operating expenses p.m	0.8-1.5 Eur/sqm
			Capitalization rate	7.50%-8%
			Rent increase rate	2.5%-4%
			Renewal costs	1%-2%
Trading loans at FVTPL	**37,268**	Discounted cash flow	Broker price	
Other	**119**			
Total- Level 3 financial assets	**183,976**			

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 of the fair value hierarchy.

	June 30, 2018				December 31, 2017		
	Financial Assets-FVOCI	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**	**Financial Assets-FVOCI**	**Financial Assets at FVTPL-Trading**	**Total**
Balance at January 1	**119**	**46,625**	**45,185**	**91,929**	**31,579**	**-**	**31,579**
Total gains and losses							
- in net trading results	-	(1,801)	1,711	(90)	268	1,606	1,874
- in net interest income	-	831	-	831	-	-	-
- in OCI	-	-	-	-	(850)	-	(850)
Purchases/additions	-	101,260	374,174	475,434	-	475,374	475,374
Settlements/collections	-	(398)	(383,802)	(384,200)	(30,877)	(431,796)	(462,672)
Exchange differences	-	72	-	72	-	-	-
Balance at the period end	**119**	**146,589**	**37,268**	**183,976**	**119**	**45,185**	**45,304**

Financial instruments not measured at fair value

The following table compares the carrying amount of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy.

June 30, 2018	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets						
Cash and balances at central banks	4	-	758,704	-	758,704	758,704
Loans and receivables - banks	7	-	309,087	-	309,087	317,993
Loans and receivables - customers	9	-	-	2,925,524	2,925,524	2,888,060
Total		**-**	**1,067,791**	**2,925,524**	**3,993,315**	**3,964,757**
Financial liabilities						
Due to banks	12	-	451,108	-	451,108	451,869
Due to customers	13	-	3,886,040	-	3,886,040	3,910,362
Subordinated liabilities	16	-	174,632	-	174,632	172,652
Total		**-**	**4,511,780**	**-**	**4,511,780**	**4,534,883**

December 31, 2017	Note	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	829,224	-	829,224	829,224
Loans and receivables - banks	7	-	537,009	-	537,009	538,062
Loans and receivables - customers	9	-	-	4,447,638	4,447,638	4,487,379
Total		**-**	**1,366,233**	**4,447,638**	**5,813,871**	**5,854,665**
Financial liabilities						
Due to banks	12	-	629,483	-	629,483	629,762
Due to customers	13	-	4,985,171	-	4,985,171	4,899,025
Issued debt securities	14	69,911	2,027	-	71,938	70,843
Subordinated liabilities	16	87,435	524,382	-	611,817	593,934
Total		**157,346**	**6,141,063**	**-**	**6,298,409**	**6,193,564**

26. 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 statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank. In many instances, the amount recognized on the statement of financial position for incurred obligations 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 on 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, irrevocable letters of credit, advance payment guarantees, or 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.

	June 30, 2018	December 31, 2017
Contingent liabilities with respect to irrevocable letters of credit - import	288,926	211,350
Contingent liabilities with respect to letters of guarantee granted - corporates	52,290	80,155
Contingent liabilities with respect to irrevocable letters of credit - export	111,056	43,959
Contingent liabilities with respect to letters of guarantee granted - banks	6,591	76,162
Contingent liabilities with respect other guarantees	404	1,668
Total non-cash loans	**459,267**	**413,294**
Revocable credit-line commitments	119,021	229,282
Credit-card limits	163,782	394,149
Other commitments	70,424	14,289
Total from continuing operations	**812,494**	**1,051,014**
Total from discontinued operation	389,784	-
Total	**1,202,278**	**1,051,014**

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 the claims might have on its financial standing.

As at 30 June 2018, the Bank and the Bank’s subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 4,940 (2017: 5,620) is already provided for in the consolidated statement of financial position. Additionally, Credit Europe Bank (Romania) S.A. performed a comprehensive assessment for the entire retail loan portfolio in order to determine potential additional contributions in respect of potential litigations to be initiated by customers. As result, as at 30 June 2018, the Bank estimated a contingent liability at amount of EUR 10,315 (2017: 10,562)

27. Related parties

The Bank's Parent Company is Credit Europe Group N.V., The Netherlands, and the Ultimate Parent Company is FİBA Holding A.Ş., Turkey, both ultimately controlled by a single individual, Mr. Hüsnü Özyeğin.

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in financial and operating decisions. The Bank enters into transactions with its Parent company, ultimate parent company and other related parties controlled by Mr. Hüsnü Özyeğin in the ordinary course of business at commercial interest and commission rates. The Bank provides general banking services to related parties including current accounts, time deposits, fx transactions, fiduciary transactions, brokerage activities and custodian services. All loans and advances to related parties are classified as performing exposures for which the Bank allocated Stage 1 expected credit risk allowance.

All amounts included in the financial statements stated in the table below relate to Group companies controlled by Mr. Hüsnü Özyeğin:

				June 30, 2018				December 31, 2017
	Parent Company	**Ultimate Parent Company**	**Associates and joint ventures**	**Other Related Parties**	**Parent Company**	**Ultimate Parent Company**	**Associates and joint ventures**	**Other Related Parties**
Assets								
Loans and receivables – banks	-	-	24,745	1,990	-	-	22,083	2,504
Loans and receivables – customers	7,211	-	-	134,242	7,956	-	-	133,177
Derivative financial instruments	332	-	-	26,393	953	19,777	-	16,180
Other assets	-	-	-	-	-	-	-	22,930
Liabilities								
Due to banks	-	-	4,293	726	-	-	2,083	1,222
Due to customers	464	13,000	70	100,454	171	36,929	83	102,952
Derivative financial instruments	261	432	-	3,889	685	12,758	-	3,508
Subordinated liabilities	43,062	-	-	-	41,831	5,806	-	-
Commitment and contingencies	-	-	1,367	13,013	-	-	-	13,354

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of June 30, 2018, the Bank recognized EUR 542 expected credit loss allowance for loans issued to related parties (2017: None).

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

				January 1-June 30, 2018				January 1-June 30, 2017
	Parent Company	**Ultimate Parent Company**	**Associates and joint ventures**	**Other Related Parties**	**Parent Company**	**Ultimate Parent Company**	**Associates and joint ventures**	**Other Related Parties**
Interest income	-	-	982	1,160	-	-	153	1,843
Interest expense	(1,679)	-	(85)	(69)	(185)	-	(90)	(48)
Commission income	57	10	-	1,073	5	34	0	1,027
Commission expense	(115)	-	(725)	(666)	(113)	-	(828)	(339)
Net trading results	(403)	(5,970)	-	(1,123)	5	1	0	149
Other operating income	-	-	279	53	-	-	156	72
Operating expenses	-	-	(777)	(1,041)	-	-	(353)	(692)

The Bank has completed the sale of 90% of its interest in CEB Russia shares to Fiba Holding and Fina Holding in the form of a spin-off within September 2018. For further details, reference is made to Note:29 Discontinued Operations.

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 12 (2017: 12). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	June 30, 2018	**December 31, 2017**
Loans and receivables - customers	288	146

As of June 30, 2018, the Bank does not have any provisions regarding the balances with key management personnel (2017: None). Key management costs, including remuneration and fees for the year ended June 30, 2018 amounted to EUR 2,589 (2017: EUR 1,896). Pension plan contribution amounted to EUR 63 (2017: EUR 63).

28. Risk management

Credit Europe Bank has set policy-level standards in accordance with the regulations of the Dutch Central Bank (De Nederlandsche Bank – DNB) and the guidelines published by the Basel Committee and the European Banking Authority (EBA).

The core elements of the bank's risk management and control framework are:
- Adhering to the risk appetite and strategy set
- Periodically assessing the risk governance structure
- Maintaining capital management in line with the capital strategy
- Managing financial and operational risk in line with the risk appetite and strategy

Risk Appetite and Risk Governance

The risk management philosophy requires direct reporting lines and a clear division of tasks and responsibilities. At the same time, it ensures that bank-wide criteria for acceptance, monitoring, control and management of risks are deeply rooted. We clearly separate risk ownership from business activities.

Main pillars of the risk appetite are illustrated below:

QUALITATIVE

Governance
- Standardized policies, guidelines and limits
- Risk tolerance is proposed and executed by the Managing Board upon the approval of the Supervisory Board
- Risk appetite in certain geographies and segments is determined in accordance with local presence and expertise
- Risk management is centralized and functions independently from the business lines

Reputation
- Ensure high financial reporting transparency and efficient external communications

QUANTITATIVE

Credit risk concentration
- Diversified exposure within different geographies through retail, SME and corporate clients.
- Low sovereign exposure

Liquidity
- No risk tolerance for liquidity risk, restrictions on short-term funding and credit-sensitive liabilities
- Insignificant liability concentration

Trading and ALM
- Minor sensitivity to trading risk and limited interest rate mismatches in the banking book
- No exposure to securitized/re-securitized assets or CDOs

CEB exercises full control over its subsidiaries' business performance and steers their risk appetite. In addition, we employ the following risk management governance structure:

- Effective Audit & Risk Committees at subsidiary as well as consolidated level;
- Direct reporting of general managers of the banks' subsidiaries to the CEO of CEB;
- Presence of a global CRO function on the Managing Board;
- A uniform credit committee structure at both local and the consolidated level.

The Audit and Risk Committee (ARC) at the consolidated level plays a pivotal role in CEB's risk governance framework. ARC meets 4 times a year and receives regular reports and updates on the Bank's actual risk appetite with respect to the approved risk appetite statement. The Committee reviews and monitors the limits for individual types of risks and takes decisions whether principal risks have been properly identified and are being appropriately managed. ARC also makes assessments on the existing risk management capacity / know-how of the Bank and raises action items / investment plans –where necessary- to reach the desired level.

In line with the ARC recommendations we continued to invest in the Bank's risk management systems in 2017, including but not limited to the streamlining of the credit process, particularly with regard to capital planning, and implementing integrated stress testing tools.

Capital Management

A capital level commensurate with the Bank's risk profile is the key to financial resilience. CEB operates with an optimum level and mix of capital resources. A centralized regulatory/internal capital management model plays a major role in this process. The internal capital model incorporates detailed scenario analyses of key risk factors and their potential effects on income statement and the Bank's capital base under different assumptions. This framework is designed to ensure CEB has sufficient capital resources to meet the capital requirements of DNB, as well as those of local regulators in our operating countries.

It further ensures that we have capital available to meet our own risk appetite and internal guidelines. We place great emphasis on the strength of our capital base as a way to maintain investor, creditor and market confidence, and to sustain future business development.

CEB allocates assets in accordance with the risk-return thresholds defined in our risk appetite statement. Business units are required to fully understand the inherent risk-reward profile of their business and to generate a specific level of return on regulatory/internal capital requirements. The CEB risk strategy has proved its value, not only by providing consistently strong financial results, but also by yielding consistently robust returns on equity.

The Bank's capital-management objectives are to:

- Maintain sufficient capital resources to meet the DNB's minimum regulatory capital requirements.
- Ensure that locally regulated subsidiaries can meet their minimum capital requirements.
- Achieve adequate capital levels to support the bank's risk appetite and internal capital requirements.
- Maintain a strong capital base to reassure investors, creditors and markets, and to sustain future business development.

To support its capital-management objectives, the Bank takes into account:

- Possible volatility in anticipated demand for capital caused by new business opportunities, including acquisitions, or by deterioration in the credit quality of the Bank's assets
- Possible volatility of reported profits and other capital resources compared with forecast.
- Capital ratio sensitivity to foreign-exchange-rate movements.

Regulatory Capital

Starting from January 1st 2015, CEB and all its subsidiaries are subject to CRD IV (Capital Requirement Derivative) rules:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC
- Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

The Bank applies the standardized approach for credit risk, market risks and operational risk. Banks are expected to meet the capital-requirements constraints imposed by the Basel III accord.

The Bank's total own funds consist of Core Tier I capital (also named as common Equity Tier I, CET 1), Additional Tier I capital (AT 1) and Tier II capital. The various elements making up both components are presented in the table below:

	June 30, 2018	**December 31, 2017**
Total Equity	**772,054**	**874,737**
- Current year profit (1)	-	(14,994)
- Eligible year end profit after approval	-	-
- Non-eligible minority interest (2)	(1,562)	(1,148)
- Deductions from revaluation Reserve - AFS	-	2,462
Prudential filters		
- Cash flow hedge reserve	106	36
- Prudent valuation	(937)	(877)
- Intangible asset (2)	(7,429)	(10,552)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(18,896)	(4,187)
- transitional adjustments to CET1 Capital (3)	-	(1,970)
- transitional adjustments to IFRS 9 provisions	53,453	-
Core Tier I	**796,789**	**843,507**
Perpetual Tier I capital	**43,723**	**41,831**
- transitional adjustments to AT1 Capital	**-**	**(1,530)**
Additional Tier I	**43,723**	**40,301**
Total Tier I capital	**840,512**	**883,808**
Tier II capital		
Subordinated capital	**128,800**	**125,073**
Total Tier II capital	**128,800**	**125,073**
Total own funds	**969,312**	**1,008,881**

(1) Current year profit is excluded from total own funds based on article 26, point 2 of CRR IV
(2) Under CRD IV frame, additional items listed below shall be deducted fully by 31 December 2018 to enhance own funds quality:
- Non-eligible minority interest
- Other intangible asset (Non-solvency deductible under Basel II framework)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

(3) Transitional adjustment is permitted to apply the calculation referred in article 473 (2) and (3) of CRD IV by deducting fully under prudential filter and adding 40% back to total own funds

The Bank and its individually supervised subsidiaries have complied with all externally imposed capital requirements throughout the reporting period and maintained their capital ratios above the regulatory minimum ratios.

Solvency ratio	**June 30, 2018**	**December 31, 2017**
Capital ratio	17.80%	17.04%
Tier I ratio	15.43%	14.93%
Core Tier I	14.63%	14.25%
RWA	**5,446,859**	**5,918,937**

Credit risk

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

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

Concentration limits

The bank has established maximum concentration limits –in terms of both nominal and capital consumption- over country, industry and single-name concentrations to manage concentration risk in its loan portfolio.

Credit risk is managed by following tools and principles:

Risk mitigation

CEB actively uses collateral management as the major risk mitigation mechanism. Collaterals are managed and followed-up in processes fully supported by the bank's banking system by means of collateral-transaction linkages, blocked accounts and system checking of collateralization.

In particular, specialized lending is run through on collaterals and documentation. Valuation reports, survey report updates, insurance policies management are followed up systematically. Outsourcing is also utilized by Collateral Management Agreements and Collateral Monitoring Agreements with expert collateral management agents who have the management and reporting capabilities on the site of the collateral.

CEB follows legal certainty and operational requirements as a pre-requisite for consideration risk mitigation effects of the collaterals. Legal department conducts in-depth legal review confirming the enforceability of the collateral arrangements under the law applicable to these arrangements in all relevant jurisdictions.

Collateral value should not have a material positive correlation with the credit quality of the provider. The market value of the collateral should be appraised at least annually or more often whenever there is a reason to believe that a significant decrease in its market value has occurred.

Internal Rating Models and Scorecards

The Bank borrower rating systems require fundamental credit analysis (corporate) and behavioural inputs (retail) and supplemented by statistical models.

The obligor rating framework has several building blocks to ensure that qualitative and quantitative risk drivers of corporate default are inherent in the rating process. Since 2011, Internal Rating System model coverage has been extended with new specialized lending models, which ensure more robust estimation of initial risk parameters for transactional lending portfolios. In line with the Bank lending practices, seven sub-classes of specialized lending, namely structured trade finance, marine object finance, marine project (shipbuilding) finance, income producing real estate finance, real estate development finance, object finance and other project finance, are separately identified within the corporate asset class regarding the applied rating criteria. In 2017, the Bank implemented new object finance, real estate finance and balance sheet lending rating models and finalized the process of migration to the 21-grade master scale -which covers both corporate and retail lending.

The Bank has established a centre of excellence for retail risk management responsible for scoring, risk based pricing, algorithm development, stress testing, monitoring and reporting. The centre is composed of highly skilled statisticians, bankers, econometrists, database programmers and risk managers. The team has worked in projects in several countries including Russia, Romania, Germany, Turkey and Belgium. Now through their efforts, all banking entities are taking the right risk with the right interest margin.

Stress testing

The Bank puts stress-testing and capital planning at the centre of its internal capital assessment process. The factual starting point of the capital planning process is the three year business plan which reflects the baseline assumptions on the global economy. Macroeconomic assumptions are mainly based on a survey of multiple sources to ensure objectivity and consistency. Then, the Bank identifies the potential threats to its business plan and capital adequacy based on a set of adverse scenarios.

Having a hypothetical stress testing framework, the bank’s stress-testing methodology discourages both under- and over-reliance on internal data. The magnitude of the shocks varied across different portfolios based on their expected default correlation with the systematic risks which materialize under the adverse scenario.

The Bank’s credit-risk stress tests shock both default- and recovery-related risk parameters. In particular, risk concentrations in the portfolio are penalized with harsher shocks. The Bank’s stress-testing methodology does not aim to make accurate forecasts of the downturns, but instead aims to capture the tail loss by simulating the unexpected and the undesirable.

28. a. Credit exposure

Maximum credit-risk exposure

The Bank identifies its maximum credit exposure as the sum of all transactions that may potentially expose the Bank to credit losses, should the counterparty not fulfil its contractual obligations. The maximum credit exposure presented in the table below comprises on- and off-balance sheet items. Credit exposure is measured without taking account of any collateral held or other credit enhancements.

Maximum credit-risk exposure, net of impairment allowances

On-balance sheet items are presented at their gross carrying amount, gross of impairment allowances. Derivative financial instruments are assessed at fair value of future cash flows.

The off-balance credit risk exposure comprises:

- Letters of guarantee granted and letters of credit issued or confirmed, shown at the maximum amount that the Bank would have to pay if the guarantees or letters of credit are called upon; and,
- Undrawn credit-card limits
- Revocable credit line commitments are excluded as they do not create credit risk.

	June 30, 2018	December 31, 2017
Balance sheet items		
Balances with central banks	744,769	767,478
Financial assets measured at fair value through profit or loss	193,817	53,184
Financial investments	642,627	750,799
Loans and receivables - banks	319,637	538,987
Loans and receivables - customers	3,036,445	4,695,920
Derivative financial instruments	272,917	236,391
Subtotal	**5,210,212**	**7,042,759**
Off- balance sheet items		
Issued letters of guarantee	59,285	157,985
Issued irrevocable letters of credit	399,982	255,309
Undrawn credit-card limits	163,782	394,149
Other commitments and contingent liabilities	-	-
Total off-balance sheet*	**623,049**	**807,443**
Maximum credit risk exposure	**5,833,261**	**7,850,202**

*Excluding revocable credit line commitments.

The Bank considers items such as ‘other credit commitments and contingent liabilities’ as a part of its maximum credit risk exposure. However, these are not included in tables below since they are composed of credit facilities that are either revocable or can be cancelled unconditionally by the Bank, and therefore bear insignificant credit risk.

Concentration of credit exposure

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

28. b. Sector concentration

The Bank monitors its credit exposure within the following counterparty groups: corporate customers, banks and central governments, retail customers, SME customers, and residential mortgage loans. Exposure to corporate customers is presented, broken down by industry, according to the internal sector definitions.

				June 30, 2018		December 31, 2017
	On-balance sheet	**Off-balance sheet**	**Total exposure(*)**	**% of total exposure**	**Total exposure(*)**	**% of total exposure**
Exposure to central governments and financial institutions						
Exposure to central governments and central banks	744,769	-	744,769	62.95%	767,478	53.79%
Exposure to financial institutions	319,637	118,640	438,277	37.05%	659,233	46.21%
Total exposure to central governments and financial institutions	**1,064,406**	**118,640**	**1,183,046**	**100.00%**	**1,426,711**	**100.00%**
Corporate exposure						
Oil & derivatives	286,682	187,015	473,697	16.37%	328,089	8.86%
Construction & installation	396,912	17,719	414,631	14.33%	540,183	14.58%
Leisure & tourism	375,109	127	375,236	12.97%	568,320	15.34%
Financial services & investments	316,436	108	316,544	10.94%	437,313	11.81%
Shipping & shipyards	243,752	-	243,752	8.42%	198,783	5.37%
Real estate	113,084	27,172	140,256	4.86%	288,307	7.76%
Iron & steel	64,489	60,777	125,266	4.33%	106,992	2.89%
Transportation, logistics & warehousing	109,262	500	109,762	3.79%	187,397	5.06%
Fertilizers	88,071	-	88,071	3.04%	65,207	1.76%
Petrochemical, plasticizers & derivatives	50,090	35,642	85,732	2.96%	82,971	2.24%
Energy & coal	85,183	-	85,183	2.94%	125,707	3.39%
Textile, clothing and leather	61,901	5,487	67,388	2.33%	87,758	2.37%
Holding	53,903	-	53,903	1.86%	55,399	1.50%
Food, beverage & tobacco	49,164	152	49,316	1.70%	81,538	2.20%
Retail	35,952	1,169	37,121	1.28%	55,383	1.50%
Automotive & Derivatives	35,684	55	35,739	1.24%	39,706	1.07%
Soft commodities & agricultural products	32,306	-	32,306	1.12%	63,597	1.72%
Services	440	-	440	0.02%	45,562	1.23%
Public loans	-	-	-	-	152,513	4.12%
Other	155,878	3,302	159,180	5.50%	193,673	5.23%
Total exposure to corporate clients and private banking	**2,554,298**	**339,225**	**2,893,523**	**100.00%**	**3,704,398**	**100.00%**
Exposure to retail customers and SMEs						
Exposure to retail customers	143,761	163,782	307,543	47.50%	1,220,666	72.70%
Exposure secured by residential real estate	318,056	-	318,056	49.15%	371,572	22.15%
Exposure to SME	20,330	1,402	21,732	3.35%	86,481	5.15%
Total exposure to retail customers and SMEs	**482,147**	**165,184**	**647,331**	**100.00%**	**1,678,719**	**100.00%**
Total credit risk exposure*	**4,100,851**	**623,049**	**4,723,900**	**100.00%**	**6,809,828**	**100.00%**

*Excluding financial assets and derivatives.

The top five industries account for 63.03% (2017: 58.37%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

28. c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2018:

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	June 30, 2018 Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	125,525	1,157	-	618,087	**744,769**
Financial assets measured at fair value through profit or loss	-	2,157	30,032	-	34,236	127,392	**193,817**
Financial investments	-	-	259,893	-	13,807	368,927	**642,627**
Loans and receivables - banks	-	24,227	10,790	56	40,096	244,468	**319,637**
Loans and receivables - customers	123,948	940,485	716,408	26,917	92,812	1,135,875	**3,036,445**
Derivative financial instruments	-	55,288	573	38	545	216,473	**272,917**
Total balance sheet	**123,948**	**1,022,157**	**1,143,221**	**28,168**	**181,496**	**2,711,222**	**5,210,212**
Off-balance sheet items	-	50,518	172,445	325	97,527	302,234	**623,049**
Total credit-risk exposure	**123,948**	**1,072,675**	**1,315,666**	**28,493**	**279,023**	**3,013,456**	**5,833,261**

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2017 :

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	December 31, 2017 Total exposure
Balance sheet items							
Demand deposits with central banks	63,494	-	181,642	684	-	521,658	**767,478**
Financial assets measured at fair value through profit or loss	-	340	1,276	-	42,097	9,471	**53,184**
Financial investments	3,946	-	236,753	6,880	12,064	491,156	**750,799**
Loans and receivables - banks	157,890	40,088	9,554	110	12,451	318,894	**538,987**
Loans and receivables - customers	1,350,108	1,104,570	804,532	33,015	216,078	1,187,617	**4,695,920**
Derivative financial instruments	973	101,285	151	40	2	133,940	**236,391**
Total balance sheet	**1,576,411**	**1,246,283**	**1,233,908**	**40,729**	**282,692**	**2,662,736**	**7,042,759**
Off-balance sheet items	294,837	58,220	158,715	922	107,572	187,177	**807,443**
Total credit-risk exposure	**1,871,248**	**1,304,503**	**1,392,623**	**41,651**	**390,264**	**2,849,913**	**7,850,202**

28. d. Collaterals and other credit enhancements obtained

The Bank's credit policy requires that the loan extension process is conducted with strong evidence of the customer's ability to repay the loan. Collaterals are also actively used for the purposes of credit risk mitigation. In the tables below, collaterals are aggregated into two groups:

- Financial collaterals, which includes any kind of documentary collateral, such as bills of exchange or trade-related promissory notes. Cash collaterals, credit derivatives and other guarantees are also part of this group.
- Physical collaterals comprise other collaterals not mentioned under 'financial collaterals'.

Although the Bank accepts personal and corporate guarantees as collateral, they are not included in the tables below, due to their limited credit risk mitigation ability.

Breakdown of collateralized exposure by collateral type					**June 30, 2018**
	Total exposure, net	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total net exposure**
Balance sheet					
Demand deposits with central banks	744,769	-	-	-	-
Financial assets measured at fair value through profit or loss	193,817	33,937	19,352	53,289	27%
Financial investments	642,627	-	-	-	-
Loans and receivables - banks	319,637	442	-	442	1%
Loans and receivables - customers	3,036,445	489,972	811,770	1,301,742	43%
Derivative financial instruments	272,917	2,566	-	2,566	1%
Total balance sheet	**5,210,212**	**526,917**	**831,122**	**1,358,039**	**26%**
Off-balance sheet	623,049	15,729	10	15,739	3%
Total credit risk exposure	**5,833,261**	**542,646**	**831,132**	**1,373,778**	**24%**

Breakdown of collateralized exposure by collateral type					**December 31, 2017**
	Total exposure, net	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total net exposure**
Balance sheet					
Demand deposits with central banks	767,478	-	-	-	-
Financial assets measured at fair value through profit or loss	53,184	-	-	-	-
Financial investments	750,799	-	-	-	-
Loans and receivables - banks	538,987	426	-	426	0%
Loans and receivables - customers	4,695,920	624,763	1,545,046	2,169,809	46%
Derivative financial instruments	236,391	2,535	-	2,535	1%
Total balance sheet	**7,042,759**	**627,724**	**1,545,046**	**2,172,770**	**31%**
Off-balance sheet	807,443	64,556	1,005	65,561	8%
Total credit risk exposure	**7,850,202**	**692,280**	**1,546,051**	**2,238,331**	**29%**

Collaterals for derivative financial instruments consist mostly of the margins called by the Bank for its OTC derivative assets.

28. e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of June 30, 2018 and December 31, 2017. In assessing the credit quality of its financial assets, the Bank obtains ratings from eligible credit assessment institutions, namely Fitch, Standard & Poor's (S&P) and Moody's. In order to compare assets, the ratings below were mapped to Fitch's rating scale.

	External rating class						June 30, 2018
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	618,070	18	125,524	-	1,157	-	**744,769**
Financial assets measured at fair value through profit or loss	309	129	30,759	4,833	-	157,787	**193,817**
Financial investments	98,795	136,610	365,665	11,535	-	30,022	**642,627**
Loans and receivables - banks	28,779	53,481	83,821	25,765	-	127,791	**319,637**
Loans and receivables - customers	-	-	-	54,537	-	2,981,908	**3,036,445**
Derivative financial instruments	3,332	163,408	612	344	-	105,221	**272,917**
Off-balance sheet	519	7,261	78,655	36,057	-	500,557	**623,049**
Total	**749,804**	**360,907**	**685,036**	**133,071**	**1,157**	**3,903,286**	**5,833,261**

	External rating class						December 31, 2017
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	521,502	156	181,642	63,494	684	-	**767,478**
Financial assets measured at fair value through profit or loss	390	1,351	22,145	17,921	-	11,377	**53,184**
Financial investments	28,538	71,080	627,003	12,046	6,880	5,252	**750,799**
Loans and receivables - banks	39,029	208,798	2,458	178,525	-	110,177	**538,987**
Loans and receivables - customers	152,470	-	88,463	34,504	3,048	4,417,435	**4,695,920**
Derivative financial instruments	3,191	110,008	2,267	1,783	-	119,142	**236,391**
Off-balance sheet	175	9,145	62,702	37,956	1,030	696,435	**807,443**
Total	**745,295**	**400,538**	**986,680**	**346,229**	**11,642**	**5,359,818**	**7,850,202**

The assets in the tables above are allocated through the rating bucket following the principles imposed by the Basel II accord. Where multiple credit assessments are available, a 'second worst' is taken into account.

The total amount of impaired assets included in the tables above is EUR 246,104 (2017: EUR 376,142). The total amount of provisions allocated for these assets is EUR 84,792 (2017: EUR 149,527), while EUR 925 is allocated for loans to banks.

Loans and receivables – customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2018, the bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

CEB differentiates between the following categories of assets in the loan portfolio:

- Fully performing: Fully performing exposures are defined as credit exposures that are not past-due or exposures past-due up to 30 days, provided that there is no significant increase in credit risk since origination. An exposure is past-due when any amount of principal, interest or fee has not been paid at the date it was due. Fully performing exposures correspond to the IFRS 9 Stage 1 classification.
- Underperforming: Underperforming exposures belong to a sub-category of the performing asset class, where the Bank observes a significant increase in credit risk since origination. Underperformance might become evident if an exposure is past-due more than 30 days, subject to forbearance measures, or the assigned PD has increased significantly since the origination of the exposure (measured by CEB's internal PD Master Scale). Underperforming exposures correspond to the IFRS 9 Stage 2 classification.
- Non-performing: Non-performing exposures (NPE) are defined as exposures that satisfy either or both of the following criteria:

1. material exposures which are more than 90 days past-due;
2. the obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past-dforue.

An exposure is past-due only if there is a legal obligation to make a payment and this payment is compulsory. The counting of days past-due starts as soon as any amount of principal, interest or fee has not been paid to CEB at the date this obligation was due.
A non-performing exposure corresponds to the IFRS 9 Stage 3 classification.

Definitions of asset classifications, entry criteria, additional indicators and exit criteria are strengthened and brought in line with the latest regulatory requirements.

28. f. Credit quality of loans and advances to customers

The following tables provide a breakdown of the Bank's loans and advances to customers per credit-quality group, defined above. It also shows the allocation of provisions and collaterals obtained per group.

							June 30, 2018
	Gross loans	**Credit loss allowance**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**2,554,298**	**(67,408)**	**2,486,890**	**483,705**	**590,486**	**1,074,191**	**43%**
Stage 1	2,005,576	(16,211)	1,989,365	251,757	430,305	682,062	34%
Stage 2	405,894	(30,468)	375,426	211,645	105,724	317,369	85%
Stage 3	105,128	(18,581)	86,547	20,303	54,457	74,760	86%
POCI- Purchased or originated credit impaired	37,700	(2,148)	35,552	-	-	-	-
Retail loans (incl. mortgages)	**461,817**	**(80,028)**	**381,789**	**5,532**	**215,030**	**220,562**	**58%**
Stage 1	207,270	(3,052)	204,218	4,807	70,702	75,509	37%
Stage 2	117,998	(11,569)	106,429	258	79,886	80,144	75%
Stage 3	136,549	(65,407)	71,142	467	64,442	64,909	91%
SME loans	**20,330**	**(949)**	**19,381**	**735**	**6,254**	**6,989**	**36%**
Stage 1	13,095	(116)	12,979	371	3,673	4,044	31%
Stage 2	2,808	(29)	2,779	364	887	1,251	45%
Stage 3	4,427	(804)	3,623	-	1,694	1,694	47%
Total exposure	**3,036,445**	**(148,385)**	**2,888,060**	**489,972**	**811,770**	**1,301,742**	**45%**
Total Stage 3 (NPLs)	246,104	(84,792)	161,312	20,770	120,593	141,363	88%

								December 31, 2017
	Gross loans	**Provisions for individually assessed assets (-)**	**Provisions for collectively assessed assets (-)**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**3,413,070**	**(51,561)**	**(29,328)**	**3,332,181**	**610,346**	**1,063,824**	**1,674,170**	**50%**
Performing loans	2,979,812	-	(23,171)	2,956,641	475,059	850,375	1,325,434	45%
Sub-Standard Loans	249,420	-	(6,131)	243,289	97,079	99,245	196,324	81%
NPL	183,838	(51,561)	(26)	132,251	38,208	114,204	152,412	115%
Retail loans (incl. mortgages)	**1,198,089**	**(762)**	**(105,695)**	**1,091,632**	**-**	**423,163**	**423,163**	**39%**
Performing loans	1,013,314	-	(15,954)	997,360	-	360,174	360,174	36%
Sub-Standard Loans	20,239	-	(4,641)	15,598	-	10,880	10,880	70%
NPL	164,536	(762)	(85,100)	78,674	-	52,109	52,109	66%
SME loans	**84,761**	**(5,733)**	**(15,462)**	**63,566**	**14,421**	**58,059**	**72,480**	**114%**
Performing loans	55,239	-	(8,925)	46,314	13,897	35,524	49,421	107%
Sub-Standard Loans	1,754	-	(192)	1,562	321	1,417	1,738	111%
NPL	27,768	(5,733)	(6,345)	15,690	203	21,118	21,321	136%
Total exposure	**4,695,920**	**(58,056)**	**(150,485)**	**4,487,379**	**624,767**	**1,545,046**	**2,169,813**	**48%**
Total NPL	376,142	(58,056)	(91,471)	226,615	38,411	187,431	225,842	100%

Further credit quality breakdown of retail loans are as below:

					June 30, 2018
	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	**95,594**	**(7,002)**	**88,592**	**-**	**-**
Stage 1	79,209	(1,524)	77,685	-	-
Stage 2	9,790	(215)	9,575	-	-
Stage 3	6,595	(5,263)	1,332	-	-
Car loans	**150**	**(145)**	**5**	**27**	**540%**
Stage 1	-	-	-	-	-
Stage 2	5	-	5	5	100%
Stage 3	145	(145)	-	22	-
Mortgage	**318,088**	**(65,287)**	**252,801**	**214,718**	**85%**
Stage 1	90,247	(1,358)	88,889	70,702	80%
Stage 2	107,349	(11,275)	96,074	79,737	83%
Stage 3	120,492	(52,654)	67,838	64,279	95%
Other retail	**47,985**	**(7,594)**	**40,391**	**5,817**	**14%**
Stage 1	37,814	(170)	37,644	4,807	13%
Stage 2	854	(79)	775	402	52%
Stage 3	9,317	(7,345)	1,972	608	31%
Total retail exposure	**461,817**	**(80,028)**	**381,789**	**220,562**	**58%**
Total Stage 3 (NPLs)	136,549	(65,407)	71,142	64,909	91%

					December 31, 2017
	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	**322,873**	**(13,263)**	**309,610**	**-**	**-**
Performing loans	310,002	(3,528)	306,474	-	-
Sub-Standard Loans	-	-	-	-	-
NPL	12,871	(9,735)	3,136	-	-
Car loans	**223,463**	**(7,056)**	**216,407**	**223,339**	**103%**
Performing loans	214,104	(1,379)	212,725	214,104	101%
Sub-Standard Loans	1,737	(776)	961	1,737	181%
NPL	7,622	(4,901)	2,721	7,498	276%
Mortgage	**371,548**	**(64,899)**	**306,649**	**199,628**	**65%**
Performing loans	232,808	(7,219)	225,589	145,932	65%
Sub-Standard Loans	14,740	(2,117)	12,623	9,143	72%
NPL	124,000	(55,563)	68,437	44,553	65%
Other retail	**280,205**	**(21,239)**	**258,966**	**196**	**-**
Performing loans	256,400	(3,828)	252,572	138	-
Sub-Standard Loans	3,762	(1,748)	2,014	-	-
NPL	20,043	(15,663)	4,380	58	1%
Total retail exposure	**1,198,089**	**(106,457)**	**1,091,632**	**423,163**	**39%**
Total NPL	164,536	(85,862)	78,674	52,109	66%

Strong collateralization forms a major component of CEB's risk appetite lending criteria and we believe this substantially mitigates the losses CEB might incur otherwise. The table above shows the collaterals held by the Bank against credit exposures. These valuations are renewed at least annually and conducted mostly by third party appraisers. In certain cases, particularly residential mortgage loans, CEB could employ internal appraisers but ensure that all internal valuations are benchmarked against market prices.

The total amount of NPL as of June 30, 2018 is EUR 246,104 (2017: EUR 376,142). The total NPL ratio as of June 30, 2018, is 8.11% (2017: 8.01%). The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus the total coverage for Bank's NPL as of June 30, 2018 is 118% (2017:115%).

The evolution of the net NPL ratio after deduction of the provisions can be seen in the below table.

	June 30, 2018	December 31, 2017
Loans to Customers (Gross)	3,036,445	4,695,920
NPLs (Gross)	246,104	376,142
Provisions	(148,385)	(208,541)
NPLs (Net)	97,719	167,601
Net NPL ratio	**3.4%**	**3.7%**

In case CEB considers a loan as uncollectible partially or in full, the associated principal and interest are written-off. Once the exposure is derecognized, both the gross carrying amount of the loan and the corresponding impairment for credit losses are reduced accordingly. In this respect, the exposure amounts disclosed above are gross of any impairment, but net of write-offs.

28. g. Aging of loans and advances to customers

The tables below present the Bank's portfolio of loans and advances to customers, broken down by delinquency bucket:

						June 30, 2018
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	2,444,396	15,318	710	3,468	90,406	**2,554,298**
Retail loans and residential mortgage loans	274,208	33,655	16,936	8,393	128,625	**461,817**
SME loans	13,421	2,159	340	423	3,987	**20,330**
Total loans and advances to customers	**2,732,025**	**51,132**	**17,986**	**12,284**	**223,018**	**3,036,445**

						December 31, 2017
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	3,189,174	17,191	4,436	25,919	176,350	**3,413,070**
Retail loans and residential mortgage loans	940,330	53,090	21,440	18,693	164,536	**1,198,089**
SME loans	51,444	4,068	1,058	423	27,768	**84,761**
Total loans and advances to customers	**4,180,948**	**74,349**	**26,934**	**45,035**	**368,654**	**4,695,920**

As of June 30, 2018, EUR 2,713,231 (2017: EUR 4,173,460) of total exposure is neither past due nor impaired, EUR 76,869 (2017: EUR 146,318) of total exposure is past due but not impaired.

28. h. Geographical concentration of loans advanced to customers, broken down by counterparty type

The following tables breaks down customers' loans and receivables by risk country:

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	June 30, 2018 Total exposure
Corporate loans	**123,917**	**271,611**	**940,485**	**25,503**	**92,812**	**1,099,970**	**2,554,298**
Stage 1	82,090	220,600	659,926	-	92,812	950,148	**2,005,576**
Stage 2	34,534	33,225	230,570	8,689	-	136,576	**443,594**
Stage 3	7,293	17,786	49,989	16,814	-	13,246	**105,128**
Retail loans (incl. mortgages)	**31**	**424,467**	**-**	**1,414**	**-**	**35,905**	**461,817**
Stage 1	31	173,163	-	-	-	34,076	**207,270**
Stage 2	-	117,151	-	345	-	502	**117,998**
Stage 3	-	134,153	-	1,069	-	1,327	**136,549**
SME loans	**-**	**20,330**	**-**	**-**	**-**	**-**	**20,330**
Stage 1	-	13,095	-	-	-	-	**13,095**
Stage 2	-	2,808	-	-	-	-	**2,808**
Stage 3	-	4,427	-	-	-	-	**4,427**
Total exposure	**123,948**	**716,408**	**940,485**	**26,917**	**92,812**	**1,135,875**	**3,036,445**

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	December 31, 2017 Total exposure
Corporate loans	**589,886**	**330,474**	**1,104,570**	**31,602**	**216,078**	**1,140,460**	**3,413,070**
Performing loans	469,898	252,330	975,084	1,634	206,927	1,073,939	2,979,812
Sub-Standard Loans	57,754	26,206	88,492	23,582	11	53,375	249,420
NPL	62,234	51,938	40,994	6,386	9,140	13,146	183,838
Retail loans (incl. mortgages)	**705,620**	**443,899**	**-**	**1,413**	**-**	**47,157**	**1,198,089**
Performing loans	667,955	298,835	-	412	-	46,112	1,013,314
Sub-Standard Loans	8,459	11,778	-	2	-	-	20,239
NPL	29,206	133,286	-	999	-	1,045	164,536
SME loans	**54,602**	**30,159**	**-**	**-**	**-**	**-**	**84,761**
Performing loans	37,054	18,185	-	-	-	-	55,239
Sub-Standard Loans	3	1,751	-	-	-	-	1,754
NPL	17,545	10,223	-	-	-	-	27,768
Total exposure	**1,350,108**	**804,532**	**1,104,570**	**33,015**	**216,078**	**1,187,617**	**4,695,920**

29. Discontinued Operations

In June 2017, the Bank applied for regulatory approvals to sell 90% of its interest in CEB Russia for a consideration of RUB 13,545 million to Fiba Holding A.S. and Fina Holding A.S., the Bank's shareholders. The transaction will be executed in the form of a spin-off.

Upon approval from De Nederlansche Bank on April 05, 2018, CEB Russia, being a major separate component of the Bank has been reclassified as held for distribution to owners. As of reporting date, the valuation basis for the assets and liabilities classified as held for sale is the lower of carrying amount and fair value less costs to sell.

As of January 1, 2018, given its intention to dispose CEB Russia, the Bank has reassessed its business model in relation to CEB Russia activities. As result, business model has been changed from "held to collect" to "held for sale". Therefore, as of January 1, 2018, financial assets of CEB Russia have been remeasured at fair value with any additional impact from remeasurement to fair value recognized as IFRS 9 impact within retained earnings.

As of June 30, 2018, the Bank, using discounted cash flow approach, has determined CEB Russia's fair value at EUR 215,224 (RUB 15,747 million). The difference between the carrying amount of disposal group (EUR 286,757) was partially allocated to non-current assets of CEB Russia (EUR 40,042), for the remaining difference the Bank recognised provision at amount of EUR 31,491.

The Bank has completed the sale transaction in September 2018, following the approval from the Central Bank of the Russian Federation received on August 27, 2018.

The major classes of assets and liabilities of CEB Russia classified as held for distribution to owners as at 30 June 2018, are as follows:

	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and balances at central banks	a	144,893	111,646
Financial assets mandatorily at FVTPL	b	1,379,204	-
Financial investments		-	3,946
Loans and receivables		-	1,336,752
Derivative financial instruments		529	973
Property and equipment		-	31,494
Intangible assets		-	5,230
Other assets		55,113	59,031
Total		**1,579,739**	**1,549,072**
Liabilities			
Due to banks	c	33,596	24,629
Due to customers	d	1,112,029	1,028,751
Derivative financial instruments		394	380
Issued debt securities	e	70,819	70,843
Other liabilities	f	34,558	25,520
Subordinated liabilities	g	81,662	81,033
Total		**1,333,058**	**1,231,156**

a) "Cash and balances at central banks" consist of EUR 43,197 cash on hand and EUR 101,696 balances at central bank, out of which EUR 10,490 represents the mandatory deposit and is not available in the Bank's day-to-day operations.

b) "Financial assets mandatorily at FVTPL consist of EUR 1,376,572 loans and receivables and EUR 4,760 debt securities held which have been reclassified under this category upon remeasurement of financial assets at fair value.

c) "Due to banks" consists of EUR 28,201 time deposits and EUR 5,396 current accounts. The amount of repo transactions in time deposits is nil.

d) "Due to customers" by type is as follows:

Retail time deposits	801,622
Retail saving and demand deposits	95,664
Corporate time deposits	108,774
Corporate demand deposits	105,969
Total	**1,112,029**

The Bank maintained customer deposit balances of EUR 858, which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

e) "Issued debt securities" by remaining maturity is as follows:

Fixed rate debt securities	
Within 1 year	1,935
More than 1 year but less than 5 years	68,884
Total	**70,819**

f) "Subordinated liabilities" consist of USD 250 million notes issued with a fixed interest rate of 8.50% per annum and maturity date of 2019.

The results of CEB Russia for the period are presented as follows:

	January 1- June 30, 2018	**January 1- June 30, 2017**
Net interest income	54,524	57,333
Net fee and commission income	7,970	11,520
Operating income	17,345	12,861
Net impairment loss on financial assets	-	(27,811)
Operating expenses	(49,468)	(47,996)
Loss recognised on remeasurement of financial assets at fair value	(22,693)	-
Profit before tax from discontinued operations	**7,677**	**5,907**
Tax benefit/(expense):		
Related to pre-tax loss from the ordinary activities for the period	(2,507)	(2,611)
Profit for the period from discontinued operations	**5,170**	**3,296**
Impairment loss:		
Allocated on non-financial assets of CEB Russia	(40,725)	-
Recognised as provision in the consolidated financial statements	(33,118)	-
Total loss for the period from discontinued operations	**(68,673)**	**3,296**

The net cash flows incurred by CEB Russia are as follows:

	January 1- June 30, 2018
Net cash used in operating activities	32,644
Net cash from financing activities	605
Net cash flows for the period	**33,249**

Fair value information on assets and liabilities measured at fair value is as follows:

June 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	554	-	554
Financial assets mandatorily at FVTPL	4,760	40,601	1,335,971	1,381,332
Total	**4,760**	**41,155**	**1,335,971**	**1,381,886**
Financial liabilities				
Derivative financial liabilities	-	1,625	-	1,625
Total	**-**	**1,625**	**-**	**1,625**

Unobservable input which is significant to the fair value measurement of the instruments classified as Level 3 is the discount rate. The following table shows the rates used in determination of fair values using discounted cash flow valuation technique.

	RUB	USD	EUR
Corporate loans	10% - 17%	6% - 10.3%	3.9% - 6.8%
Retail loans	10.5% - 25%	10% - 14%	6%
Placements with banks and other financial institutions	9% - 9.3%	-	-

Reconciliation of Level 3 financial assets;

	June 30, 2018
	Financial Assets at FVPL-Non-Trading
Balance at January 1	**1,097,884**
Gains and losses in the income statement	115,545
Purchases	334,027
Settlements	(153,949)
Sale of assets	(82,799)
Exchange differences	25,263
Balance at the period end	**1,335,971**

30. Subsequent events

Except for the spin off of CEB Russia explained in note 29, there has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which would be reported by the Bank.

31. List of subsidiaries

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent Company in the form of cash dividends or to repay loans or advances.

Name	Place	Country	Interest June 30, 2018	Interest December 31, 2017
Credit Europe Bank Ltd	Moscow	Russia	100.00%	100.00%
Credit Europe Bank (Romania) SA	Bucharest	Romania	98.96%	98.95%
Credit Europe Bank (Suisse) SA	Geneva	Switzerland	100.00%	100.00%
Credit Europe Bank (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
PJSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Credit Europe Leasing IFN SA	Bucharest	Romania	100.00%	100.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Nomadmed XXI S.L.	Barcelona	Spain	100.00%	100.00%
Hunter Navigation Ltd.	Msida	Malta	100.00%	100.00%
Mediqueen Maritime Ltd	Msida	Malta	100.00%	100.00%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Lodestar Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	100.00%
Hitit Shipping Ltd	Msida	Malta	100.00%	100.00%
Cappadocia Shipping Ltd	Msida	Malta	100.00%	100.00%
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	53.00%	100.00%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Maritime Enterprises B.V.	Amsterdam	The Netherlands	-	100.00%
Lycia Shipping Ltd	Msida	Malta	-	100.00%
Cilicia Shipping Ltd	Msida	Malta	-	100.00%
Phrygia Shipping Ltd	Msida	Malta	-	100.00%
Thrace Shipping Ltd	Msida	Malta	-	100.00%

Amsterdam, September 26, 2018

EY
Building a better working world

Review report

To: the supervisory board and the managing board of Credit Europe Bank N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Credit Europe Bank N.V., set out on pages 2 to 63, which comprise the consolidated balance sheet as at 30 June 2018, the (condensed) consolidated statements of income, other comprehensive income, changes in total equity, and cash flows for the six-month period then ended and the related notes.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Amsterdam, 26 September 2018

Ernst & Young Accountants LLP

signed by C.G.J. de Lange