Credit Europe Bank N.V.

Interim Condensed Consolidated Financial Statements June 30, 2020

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CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

In thousands of EURO

	Notes	June 30, 2020	December 31, 2019
Assets			
Cash and balances at central banks	4	1,007,133	737,249
Financial assets at FVTPL	5	150,007	227,913
- Trading assets		128,220	204,267
-Non-trading assets mandatorily at FVTPL		21,787	23,646
Financial investments at FVOCI	6	516,217	537,482
Loans and receivables - banks	7	209,531	187,948
Derivative financial instruments	8	214,408	169,794
Loans and receivables - customers	9	2,334,137	2,742,270
Current tax assets		4,248	4,568
Deferred tax assets		56,159	49,382
Other assets	11	61,361	60,047
Inventory	11	44,553	47,154
Assets held for sale		23,251	37,248
Investment in associates and joint ventures		6,878	8,849
Property and equipment		99,912	102,515
Investment property		2,882	2,876
Intangible assets		4,318	4,800
Total assets		**4,734,995**	**4,920,095**
Liabilities			
Due to banks	12	482,025	482,804
Derivative financial instruments	8	204,073	164,517
Due to customers	13	3,202,707	3,401,723
Current tax liabilities		151	927
Other liabilities	14	38,134	38,391
Provisions	15	9,801	11,115
Deferred tax liabilities		22,315	22,088
Sub-total liabilities (excluding subordinated liabilities)		**3,959,206**	**4,121,565**
Subordinated liabilities	16	178,342	177,659
Total liabilities		**4,137,548**	**4,299,224**
Equity			
Equity attributable to owners of the Company		595,757	617,660
Equity attributable to non-controlling interests		1,690	3,211
Total equity	17	**597,447**	**620,871**
Total equity and liabilities		**4,734,995**	**4,920,095**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended June 30, 2020

In thousands of EURO

	Notes	January 1- June 30, 2020	January 1- June 30, 2019*
Interest income from financial instruments measured at amortized cost and FVOCI		71,067	89,685
Interest income from financial instruments measured at FVTPL		3,114	2,624
Interest expense from financial instruments measured at amortized cost		(25,704)	(32,263)
Net interest income	18	**48,477**	**60,046**
Fees and commissions income		15,211	17,611
Fees and commissions expense		(2,291)	(2,180)
Net fee and commission income	19	**12,920**	**15,431**
Net trading results	20	(2,081)	(14,415)
Net results on derecognition of financial assets measured at amortized cost		114	-
Net results from investment securities		5,147	5,128
Other operating income	21	11,101	22,145
Operating income		**14,281**	**12,858**
Net impairment loss on financial assets	10	(24,246)	1,179
Net operating income		**51,432**	**89,514**
Personnel expenses		(28,598)	(29,149)
General and administrative expenses	22	(13,109)	(14,226)
Depreciation and amortization		(5,751)	(6,585)
Other operating expenses	23	(12,314)	(17,387)
Other impairment losses	24	(103)	(9,610)
Total operating expenses		**(59,875)**	**(76,957)**
Share of profit of associate		(968)	(193)
Operating (loss)/profit before taxation		**(9,411)**	**12,364**
Income tax expense		2,910	(4,238)
Net results for the period		**(6,501)**	**8,126**
Net results for the period attributable to:			
Equity owners of the Company		(6,523)	8,094
Non-controlling interests		22	32

*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, 2020

In thousands of EURO

	January 1- June 30, 2020	January 1- June 30, 2019
Net results for the period	**(6,501)**	**8,126**
Other comprehensive income that will be reclassified to the income		
Foreign currency translation:		
Net results on hedge of net investments	(4,146)	(2,502)
Exchange differences on translations of foreign operations	(2,668)	(774)
Income tax relating to the above	752	893
Net change on foreign currency translation	**(6,062)**	**(2,383)**
Net change on debt instruments at FVOCI	(4,467)	4,806
Other comprehensive income that will not be reclassified to the income		
Net change on tangible revaluation reserves	16	(61)
Net change on equity instruments at FVOCI	(4,866)	2,127
Other comprehensive income for the period, net of tax	**(15,379)**	**4,489**
Total comprehensive income for the period, net of tax	**(21,880)**	**12,615**
Attributable to:		
Equity holders of the parent	(21,903)	12,587
Non-controlling interest	23	28

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2020

In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Tangible revaluation reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2020	**563,000**	**163,748**	**39,424**	**7,152**	**(99,989)**	**5,441**	**(61,116)**	**617,660**	**3,211**	**620,871**
Total comprehensive income										
Change in fair value reserve	-	-	-	(4,465)	-	-	-	**(4,465)**	(2)	**(4,467)**
Change in foreign currency translation reserve	-	-	-	-	-	-	(2,667)	**(2,667)**	(1)	**(2,668)**
Change in net investment hedge reserve	-	-	-	-	(3,394)	-	-	**(3,394)**	-	**(3,394)**
Change in fair value of equity instruments at FVOCI	-	-	400	(5,270)	-	-	-	**(4,870)**	4	**(4,866)**
Change in tangible revaluation reserve	-	-	-	-	-	16	-	**16**	-	**16**
Profit for the period	-	-	(6,523)	-	-	-	-	**(6,523)**	22	**(6,501)**
Total comprehensive income	**-**	**-**	**(6,123)**	**(9,735)**	**(3,394)**	**16**	**(2,667)**	**(21,903)**	**23**	**(21,880)**
Decrease in equity attributable to non-controlling interests (Note 17)	-	-	-	-	-	-	-	-	(1,544)	**(1,544)**
At June 30, 2020	**563,000**	**163,748**	**33,301**	**(2,583)**	**(103,383)**	**5,457**	**(63,783)**	**595,757**	**1,690**	**597,447**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the period ended June 30, 2020

In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2019	**563,000**	**163,748**	**19,547**	**(8,583)**	**(94,282)**	**-**	**(62,523)**	**580,907**	**3,178**	**584,085**
Total comprehensive income										
Change in fair value reserve	-	-	-	4,789	-	-	-	**4,789**	17	**4,806**
Change in foreign currency translation reserve	-	-	-	-	-	-	(753)	**(753)**	(21)	**(774)**
Change in net investment hedge reserve	-	-	-	-	(1,609)	-	-	**(1,609)**	-	**(1,609)**
Change in fair value of equity instruments at FVOCI	-	-	121	2,006	-	-	-	**2,127**	-	**2,127**
Change in other reserve	-	-	(61)	-	-	-	-	**(61)**	-	**(61)**
Profit for the period	-	-	8,094	-	-	-	-	**8,094**	32	**8,126**
Total comprehensive income	**-**	**-**	**8,154**	**6,795**	**(1,609)**	**-**	**(753)**	**12,587**	**28**	**12,615**
At June 30, 2019	**563,000**	**163,748**	**27,701**	**(1,788)**	**(95,891)**	**-**	**(63,276)**	**593,494**	**3,206**	**596,700**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2020

In thousands of EURO

	Notes	January 1- June 30, 2020	January 1- June 30, 2019
Profit for the period		**(6,501)**	**8,126**
Adjustments for:			
Net impairment loss on financial assets		24,246	(1,179)
Depreciation and amortization		5,751	6,585
Impairment loss	24	103	9,610
Income tax expense		(2,910)	4,238
Net interest income		(48,478)	(60,046)
Effect of exchange rate differences		733	572
Provisions		(337)	2,175
		(27,393)	**(29,919)**
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(4,543)	(1,960)
Loans and receivables - banks		(21,583)	187,145
Loans and receivables - customers		384,546	82,053
Other assets		(35,319)	22,703
Due to banks		(779)	(162,149)
Due to customers		(199,016)	(198,991)
Other liabilities		40,407	(35,724)
		163,713	**(106,923)**
Net change in trading assets		80,342	(74,498)
Interest received		73,995	109,596
Interest paid		(17,323)	(35,792)
Income taxes paid		(1,642)	(780)
Net cash used in operating activities		**271,692**	**(138,316)**
Cash flows from investing activities			
Acquisition of financial investments		(627,946)	(1,092,885)
Proceeds from sales of financial investments		636,712	1,400,361
Acquisition of property and equipment		(1,854)	(964)
Proceeds from sale of property and equipment		483	-
Acquisition of intangibles		(857)	(909)
Net cash used in investing activities		**6,538**	**305,603**
Cash flows from financing activities			
Interest paid		(7,007)	(6,847)
Payment of lease liabilities		(1,503)	(1,373)
Net cash from financing activities		**(8,510)**	**(8,220)**
Net cash from continuing operations		**269,720**	**159,067**
Net cash from discontinued operations			
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		670,335	573,123
Effect of exchange rate fluctuations on cash and cash equivalents held		(27)	579
Cash and cash equivalents at June 30	4	**940,028**	**732,769**

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 Consolidated Financial Statements of the Bank as of June 30, 2020 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

There is no significant change to the Group within 2020

2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2020 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 2019 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and accounting principles in Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting policies applied 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 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Bank's financial statements.

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 7, 2020.

Use of estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRS-EU 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 2019 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 26.

i) Covid-19 Pandemic Outbreak

The whole global economic spectrum have totally changed in the first quarter of 2020 when the outbreak of corona virus and the very tough measures that the governments had to impose to fight against the pandemic created a global shock to markets. The situation was further deteriorated with the crash in Oil price due to the failure on a production-cut agreement between OPEC and Russia.

Despite the continuous rounds of aggressive quantitative easing offered by major central banks as well as the IMF, the pandemic hit all countries, especially the ones with big infection rates in their populations as well as the ones depending on oil and tourism revenues. World commodity markets have been facing important demand disruptions as well as weaker unit prices. Considering the sensibility of the markets, follow-up on existing deals has been strengthened and a very conservative and selective approach has been adopted in accepting new transactions given that solid asset quality is CEB's main focus. As a prudent bank, CEB takes all necessary measures to manage through these tough times.

Additionally, Bank recognized EUR 16.1 million impairment on performing financial assets due to the deterioration in future outlook resulted from Covid-19 in the first half of 2020. To reflect the deteriorating outlook in forward looking impairment calculations, the Bank has applied enhanced IFRS9 macro-model scenarios by incorporating the impact of Covid-19. The drop in oil price, worsening in global growth, unemployment, government deficit and volume of export expectations and devaluation of emerging market currencies are integrated in the updated scenarios. For 2022 and beyond, long – term (10 year) averages of parameters are adopted for all scenarios in line with the recommendation of European Central Bank*.
(*) "IFRS9 in the context of Coronavirus (Covid-19) pandemic" – 01.04.2020 dated ECB publication

The tables below show the projections for the model parameters under three scenarios and their weights as of June 30, 2020 and December 31, 2019.

		2020	2021	2022	2023	2024	June 30, 2020 Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	24.17	9.87	12.03	12.03	12.03	20%
	Government budget balance (% of GDP)	-2.90	-2.90	-1.73	-1.73	-1.73	
Base Case	Exchange Rate (TRY/EUR) - change (%)	25.45	15.64	12.03	12.03	12.03	50%
	Government budget balance (% of GDP)	-4.00	-3.80	-1.73	-1.73	-1.73	
Downside	Exchange Rate (TRY/EUR) - change (%)	25.45	15.64	12.03	12.03	12.03	30%
	Government budget balance (% of GDP)	-4.12	-3.70	-1.73	-1.73	-1.73	
Balance Sheet Lending - Rest of World / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.70	9.01	13.70	13.70	13.70	20%
	Inflation (Advanced Economies) (%) - Lagged	1.40	1.36	1.39	1.39	1.39	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.17	10.26	13.70	13.70	13.70	50%
	Inflation (Advanced Economies) (%) - Lagged	1.40	1.33	1.39	1.39	1.39	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	12.57	10.60	13.70	13.70	13.70	30%
	Inflation (Advanced Economies) (%) - Lagged	1.40	0.56	1.39	1.39	1.39	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.70	9.01	13.70	13.70	13.70	20%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	50.69	50.23	44.86	44.86	44.86	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.17	10.26	13.70	13.70	13.70	50%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	50.69	49.92	44.86	44.86	44.86	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	12.57	10.60	13.70	13.70	13.70	30%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	50.69	48.34	44.86	44.86	44.86	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	35.61	36.22	55.23	55.23	55.23	20%
Base Case	Crude oil price (US Dollars/Barrel)	35.61	37.04	55.23	55.23	55.23	50%
Downside	Crude oil price (US Dollars/Barrel)	35.61	37.87	55.23	55.23	55.23	30%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.23	49.75	49.56	49.56	49.56	20%
	GDP (world) - change (%)	2.61	2.80	2.90	2.90	2.90	
	Crude oil price (US Dollars/Barrel)	35.61	36.22	55.23	55.23	55.23	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	49.92	49.30	49.56	49.56	49.56	50%
	GDP (world) - change (%)	2.42	2.42	2.90	2.90	2.90	
	Crude oil price (US Dollars/Barrel)	35.61	37.04	55.23	55.23	55.23	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.34	51.52	49.56	49.56	49.56	30%
	GDP (world) - change (%)	-3.03	5.80	2.90	2.90	2.90	
	Crude oil price (US Dollars/Barrel)	35.61	37.87	55.23	55.23	55.23	
Global / LGD							
Upside	Volume of exports (Advanced Economies) - change (%)	1.25	1.34	4.15	4.15	4.15	20%
	Government budget balance (Advanced Economies) (% of GDP)	-3.20	-3.20	-3.75	-3.75	-3.75	
Base Case	Volume of exports (Advanced Economies) - change (%)	-6.16	0.24	4.15	4.15	4.15	50%
	Government budget balance (Advanced Economies) (% of GDP)	-3.80	-3.56	-3.75	-3.75	-3.75	
Downside	Volume of exports (Advanced Economies) - change (%)	-12.80	7.40	4.15	4.15	4.15	30%
	Government budget balance (Advanced Economies) (% of GDP)	-10.56	-5.45	-3.75	-3.75	-3.75	

December 31, 2019

		2020	2021	2022	2023	2024	Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	10.11	8.00	6.41	4.77	5.65	20%
	Government budget balance (% of GDP)	-2.50	-2.30	-2.00	-1.80	-1.40	
Base Case	Exchange Rate (TRY/EUR) - change (%)	13.12	9.87	4.79	5.00	5.77	50%
	Government budget balance (% of GDP)	-2.90	-2.90	-2.70	-2.60	-2.30	
Downside	Exchange Rate (TRY/EUR) - change (%)	12.82	15.64	10.17	9.12	8.74	30%
	Government budget balance (% of GDP)	-4.00	-3.80	-3.60	-3.50	-3.50	
Balance Sheet Lending - Rest of World / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.40	8.70	8.00	7.80	7.80	20%
	Inflation (Advanced Economies) (%) - Lagged	1.90	1.90	1.95	2.05	2.15	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	9.92	9.22	8.42	8.30	8.22	50%
	Inflation (Advanced Economies) (%) - Lagged	1.90	1.85	1.85	1.93	1.98	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	10.00	10.50	9.70	9.50	9.20	30%
	Inflation (Advanced Economies) (%) - Lagged	1.90	1.80	1.65	1.60	1.65	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.40	8.70	8.00	7.80	7.80	20%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	49.32	48.95	49.40	49.50	49.50	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	9.92	9.22	8.42	8.30	8.22	50%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	49.32	48.87	48.41	47.85	47.02	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	10.00	10.50	9.70	9.50	9.20	30%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	49.32	48.57	47.97	47.32	46.12	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	50.00	52.00	55.00	57.00	60.00	20%
Base Case	Crude oil price (US Dollars/Barrel)	58.00	59.00	63.00	67.00	68.00	50%
Downside	Crude oil price (US Dollars/Barrel)	63.00	67.00	70.00	78.00	85.00	30%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.95	49.40	49.50	49.50	49.70	20%
	GDP (world) - change (%)	3.10	3.30	3.50	3.70	4.00	
	Crude oil price (US Dollars/Barrel)	63.00	67.00	70.00	78.00	85.00	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.87	48.41	47.85	47.02	47.40	50%
	GDP (world) - change (%)	2.70	2.90	3.10	3.30	3.40	
	Crude oil price (US Dollars/Barrel)	58.00	59.00	63.00	67.00	68.00	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.57	47.97	47.32	46.12	46.82	30%
	GDP (world) - change (%)	2.50	2.50	2.70	2.90	3.00	
	Crude oil price (US Dollars/Barrel)	50.00	52.00	55.00	57.00	60.00	
Global / LGD							
Upside	Volume of exports (Advanced Economies) - change (%)	2.70	3.20	3.50	3.40	3.40	20%
	Government budget balance (Advanced Economies) (% of GDP)	-2.60	-2.50	-2.40	-2.30	-2.10	
Base Case	Volume of exports (Advanced Economies) - change (%)	2.60	2.80	3.00	3.20	3.10	50%
	Government budget balance (Advanced Economies) (% of GDP)	-2.70	-2.70	-2.60	-2.50	-2.50	
Downside	Volume of exports (Advanced Economies) - change (%)	1.00	0.50	1.00	2.00	2.00	30%
	Government budget balance (Advanced Economies) (% of GDP)	-3.20	-3.00	-2.90	-2.70	-2.50	

The existing IFRS 9 models are continued to be used due to modelling uncertainty at this point in the crisis. Given that modelling assumptions and calculation methodologies that prevail in normal times may prove impaired in the current context of extraordinary uncertainty, overlays based on expert opinion on portfolio level PD and LGD measures are used to produce the final output where deemed necessary. After calculation of PD and LGD metrics on portfolio basis, the Bank has opted for management overlays in line with the best practices and the recommendations of the regulatory bodies (ECB, ESMA and EBA). Management overlays were applied at individual borrowers’ level and sectoral and company specific differences were taken into account in addition to government reliefs and private moratoriums provided by credit institutions. These management overlays can be classified under three main topics: overriding the ratings of some clients, overriding the LGD at individual borrowers’ level and overriding stage transition of some customers.

Covid-19 related IFRS 9 impairment adjustments (after management overlays) have resulted in roughly 28% increase in PD and 22% increase in LGD (on exposure weighted average) measures of corporate performing (Stage 1 and Stage 2) loan portfolio. Accordingly, the total impairment has increased by EUR 16.1 million, some part of the increase is attributed to the reclassification of existing exposures to Stage 2. Reclassifications are mainly observed for Balance Sheet Lending (BSL) and Commercial Real Estate (CRE) exposures that are in retail and leisure and tourism sectors. Based on the current information and within the current possibilities, the Bank considers the loan impairment allowance as a whole to be their best estimate as of June 30, 2020. The scenario analysis and management overlays will be reviewed in the course of the second half of the year and updated if deemed necessary based on the global developments related to Covid-19 and oil prices.

The Bank performs several sensitivity analysis semi-annually to assess the impact of a potential deviation in the underlying assumptions (PD, LGD, macroeconomic scenario weights, macroeconomic variable projections) on impairment levels. The first sensitivity analysis shows that 5% increase in the LGD forecasts across the entire portfolio results in EUR 3,850 increase in impairment levels mainly due to higher sensitivity of Stage 2 exposures to changes in LGD level. The second scenario was designed to analyze the impairment impact of an additional 1 notch downgrade throughout the entire corporate portfolio. Downgrading all ratings by 1 notch results in EUR 14,600 increase in impairment. While this extreme scenario increases the PD levels by 150%, it also causes transitions from Stage 1 to Stage 2 for the exposures with lower PDs at origination. The third and fourth scenarios analyze the impact of changing scenario weights and worsening pessimistic scenario projections of macroeconomic variables by 25%, respectively. Scenario weights of scenario 3 are given in the table below. The third scenario has an impact of EUR 2,400 provision increase whereas the fourth scenario results in a provision increase of EUR 3,000. As it is the case for the initial scenarios, the provision increases mainly stem from the relatively large impact of Stage 2 exposures.

	Current Weight	Scenario 3 Weight
Base	50%	37%
Optimistic	20%	10%
Pessimistic	30%	52%

ECL	Pre - Pandemic	Post - Pandemic	Covid-19 Pandemic ECL Impact
Stage 1	(12,452)	(12,409)	43
Stage 2	(9,869)	(26,009)	(16,140)
Total	**(22,321)**	**(38,418)**	**(16,097)**

The Bank postponed principal and interest payments amounting to EUR 15,650 for a period of up to 9 months, which is including EUR 9,917 CEB Romania postponed amounts as result of moratorium declared by Romanian Government on 30 March, 2020, in the context of Covid-19.

Going concern

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

Update to significant accounting policies

Change in accounting policy relating to presentation of interest income and interest expense

As at 01 January 2020, the Bank changed the presentation of interest income and expense in relation to hedge accounting. Interest income and expense on hedging instruments is now presented in the same line item as the interest income and expense on the hedged item. The change better reflects the net effective interest results on hedged assets and liabilities in an effective hedge accounting relationship. The change in presentation did not have an impact on net interest income.

Due to the change in presentation of interest income and expense, the comparative figures have been adjusted, resulting in a EUR 11,823 decrease of both interest income and expense for the period 1 January 2019 - 30 June 2019.

Amendments and interpretations to standard are effective for annual periods beginning after 1 January 2020

The following amendments to standards are effective, were endorsed and adopted by the EU for annual periods beginning after 1 January 2020.

Amendments to References to Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Bank.

Definition of a Business (Amendments to IFRS 3)

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Bank, but may impact future periods should the Bank enter into any business combinations.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Bank identified the stock of instruments which are exposed to the discontinuation of interest rate benchmarks. Based on this analysis, the Bank has identified LIBOR and EURIBOR as the two main benchmarks it has exposure to. In order to calculate the impact of the reform, preliminary analysis of LIBOR and EURIBOR exposure is prepared. The analysis contains the list of derivative instruments, corporate and trading loans referencing LIBOR and EURIBOR as benchmark. In order to manage the process of transitioning to RFRs there is an ongoing cross-departmental effort and an IT Project.

From hedge accounting perspective, the Bank has three interest rate swaps referencing USD LIBOR being recognized as fair value hedge. Total notional of the hedging items is USD 180 million.

The interest rates swaps fixed receivers versus Libor6M+Spread whereas hedged item is fixed payer. Thus, interest rate risk is the only risk that the Bank hedged in these relationships. The Bank assumes that occurrence of the future cash flows will still be highly probable. During the period of uncertainty, the Bank will not discontinue fair value hedge accounting if hedge fails the 80-125% range as indicated on the paragraph AG105 (b) on the IAS39 retrospective assessment.

The following amendments to standard is effective but has not been endorsed by the EU for annual periods beginning after 1 January 2020.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions

In May 2020, the IASB proposed an amendment to IFRS 16 that allows for a practical expedient to not treat a change in lease payments as lease modification. The amendment applies to lessee accounting only. As a lessee, the Bank has not obtained any lease concessions due to Covid-19. As such, this amendment will not have impact on the consolidated financial statements of the Bank.

New standards and interpretations not yet adopted

The following amendments have been issued by the IASB, but have not yet been adopted by the European Union and are therefore not open for early adoption. Amendments to IFRS that are relevant for the Bank are discussed below.

Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)

On 23 January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

•The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
•Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
•The amendments clarify the situations that are considered settlement of a liability.

The Bank is currently assessing the impact of the amendments.

Notes to 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 (2019: 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.

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3. Segment information *(continued)*

						June 30, 2020
	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	1,424	50,929	9,695	7,858	4,275	74,181
Interest income – other segments	-	2,243	-	160	216	2,619
Interest revenue	**1,424**	**53,172**	**9,695**	**8,018**	**4,491**	**76,800**
Interest expenses – external	-	(21,654)	(2,113)	(970)	(967)	(25,704)
Interest expense – other segments	-	(781)	-	(754)	(1,084)	(2,619)
Interest expense	-	**(22,435)**	**(2,113)**	**(1,724)**	**(2,051)**	**(28,323)**
Net interest income	**1,424**	**30,737**	**7,582**	**6,294**	**2,440**	**48,477**
Net commission income – external	22	9,399	2,691	96	712	12,920
Net commission income – other segments	-	(481)	977	(1)	(495)	-
Trading and other income	359	2,951	387	2,107	8,477	14,281
Trading and other income– other segments	-	(288)	-	14	274	-
Net impairment loss on financial assets	(114)	(18,443)	588	(1,647)	(4,630)	(24,246)
Depreciation and amortization expense	(113)	(1,949)	(1,602)	(896)	(1,191)	(5,751)
Other operating expenses	(629)	(30,727)	(7,177)	(5,376)	(10,215)	(54,124)
Share of profit of associate	-	-	-	-	(968)	(968)
Operating profit before taxes	**949**	**(8,801)**	**3,446**	**591**	**(5,596)**	**(9,411)**
Income tax expense	-	3,710	(409)	(278)	(113)	2,910
Profit for the period	**949**	**(5,091)**	**3,037**	**313**	**(5,709)**	**(6,501)**
Other information at 30 June 2020 - Financial position						
Total assets	141,653	3,455,495	337,439	651,378	149,030	4,734,995
Total liabilities	2,352,507	1,063,234	292,907	366,889	62,011	4,137,548
Investment in associates and joint ventures	-	-	-	-	6,878	6,878
Assets held for sale	-	22,191	-	-	1,060	23,251
Other information at 30 June 2020 - Income statement						
Reversal of impairment allowances no longer required	28	884	1,121	343	1,340	3,716

3. Segment information *(continued)*

June 30, 2019	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	1,737	63,772	12,054	8,270	6,476	92,309
Interest income – other segments	-	3,079	-	166	950	4,195
Interest revenue	**1,737**	**66,851**	**12,054**	**8,436**	**7,426**	**96,504**
Interest expenses – external	-	(23,818)	(4,595)	(1,702)	(2,148)	(32,263)
Interest expense – other segments	-	(2,197)	-	(785)	(1,213)	(4,195)
Interest expense	**-**	**(26,015)**	**(4,595)**	**(2,487)**	**(3,361)**	**(36,458)**
Net interest income	**1,737**	**40,836**	**7,459**	**5,949**	**4,065**	**60,046**
Net commission income – external	128	11,089	4,042	(584)	756	15,431
Net commission income – other segments	-	(2,020)	2,574	216	(770)	-
Trading and other income	466	704	1,683	819	9,186	12,858
Depreciation and amortization expense	(80)	(2,776)	(1,643)	(860)	(1,226)	(6,585)
Other operating expenses	(777)	(40,802)	(7,680)	(6,660)	(14,453)	(70,372)
Share of profit of associate	-	-	-	-	(193)	(193)
Operating profit before taxes	1,638	5,813	7,906	110	(3,103)	12,364
Income tax expense	**(401)**	**(2,491)**	**(1,005)**	**(223)**	**(118)**	**(4,238)**
Profit for the period	1,237	3,322	6,901	(113)	(3,221)	8,126
Other information at 31 December 2019 - Financial position						
Total assets - continuing operations	146,388	3,571,766	350,603	606,068	245,270	4,920,095
Total liabilities - continuing operations	2,446,430	1,075,732	317,076	324,415	135,571	4,299,224
Investment in associates and joint ventures	-	-	-	-	8,849	8,849
Assets held for sale	-	36,050	-	-	1,198	37,248
Other information at 30 June 2019 - Income statement						-
Reversal of impairment allowances no longer required	1,783	2,928	2,446	2,502	45	9,704

Information about major customers

As of June 30, 2020, there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2019: 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, 2020	December 31, 2019
Balances with central banks	993,315	719,079
Cash on hand	13,818	18,170
Total	**1,007,133**	**737,249**

Deposits at central banks include reserve deposits amounting to EUR 67,105 (2019 EUR 66,913), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents

	June 30, 2020	December 31, 2019
Cash and balances at central banks	1,007,133	737,249
Less: reserve deposits at central banks	(67,105)	(66,913)
Cash and cash equivalents in the statement of cash flows	**940,028**	**670,336**

5. Financial assets at fair value through profit or loss

	June 30, 2020	December 31, 2019
Financial assets held for trading		
Trading loans	128,170	192,779
Equity instruments	50	-
Government bonds	-	1,166
Bank bonds	-	10,322
Total financial assets held for trading	**128,220**	**204,267**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	21,787	23,646
Total non-trading financial assets mandatorily at FVTPL	**21,787**	**23,646**
Total financial assets at fair value through profit or loss	**150,007**	**227,913**

As of June 30, 2020, EUR 50 (2019: EUR 11,488) of the total are listed financial instruments and EUR 149,957 (2019: EUR 216,425) are non-listed financial instruments.

As of June 30, 2020, there is no financial asset may be sold or re-pledged under repurchase agreements (2019: none)

Gains and losses on changes in fair value of trading and non-trading instruments are recognized in 'net trading results'.

6. Financial investments

	June 30, 2020	December 31, 2019
Financial investments at FVOCI	516,217	537,482
Total	**516,217**	**537,482**

As of June 30, 2020, there is no financial assets that may be sold or re-pledged under repurchase agreements (2019: EUR 48,564) 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.

	June 30, 2020	December 31, 2019
Government bonds	405,593	284,392
Bank bonds	57,140	59,863
Equities	41,046	33,006
Corporate bonds	12,438	160,221
Total	**516,217**	**537,482**

As of June 30, 2020, EUR 482,325 (2019: EUR 512,202) of the total are listed financial instruments and EUR 33,892 (2019: EUR 25,280) are non-listed financial instruments.

The Bank elected to apply FVOCI option to the equities which are considered as strategic investments, source of stable dividend income and interest retained in former subsidiary. As of June 30, 2020, EUR 249 dividend income (2019: EUR 913) was recognised from these equity instruments.

7. Loans and receivables – banks

	June 30, 2020	December 31, 2019
Placements with other banks	176,823	153,179
Loans and advances	33,997	36,054
Subtotal	**210,820**	**189,233**
Allowances for expected credit losses	(1,289)	(1,285)
Total	**209,531**	**187,948**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 7,556 (2019: EUR 15,541).

Changes in expected credit losses are summarized as follows:

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2020	**188,308**	**(360)**	**-**	**-**	**925**	**(925)**	**189,233**	**(1,285)**
Originated or purchased	190,861	(364)	-	-	-	-	190,861	(364)
Matured or sold	(162,562)	372	-	-	-	-	(162,562)	372
Re-measurement	(8,384)	2	-	-	-	-	(8,384)	2
Exchange differences	1,672	(14)	-	-	-	-	1,672	(14)
At June 30, 2020	**209,895**	**(364)**	**-**	**-**	**925**	**(925)**	**210,820**	**(1,289)**

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2019	**432,411**	**(433)**	**-**	**-**	**925**	**(925)**	**433,336**	**(1,358)**
Originated or purchased	165,212	(360)	-	-	-	-	165,212	(360)
Matured or sold	(360,415)	435	-	-	-	-	(360,415)	435
Re-measurement	(30,843)	(2)	-	-	-	-	(30,843)	(2)
At December 31, 2019	**188,308**	**(360)**	**-**	**-**	**925**	**(925)**	**189,233**	**(1,285)**

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, 2020			**December 31, 2019**		
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	60,000	37,953	37,827	95,500	30,966	30,999
Interest rate options (purchased)	57,984	4,198	-	60,509	16	-
Interest rate options (sold)	(57,984)	-	4,198	(60,509)	-	16
Foreign currency swaps	389,532	131,169	130,850	472,273	82,736	79,921
Foreign currency forwards	8,809	664	660	12,893	126	120
Foreign currency options (purchased)	23,222	2,669	-	56,858	4,541	-
Foreign currency options (sold)	(23,222)	-	3,133	(56,858)	-	5,309
Equity options (purchased)	-	-	-	1,785	117	-
Equity options (sold)	-	-	-	(1,785)	-	116
Total	**458,341**	**176,653**	**176,668**	**580,666**	**118,502**	**116,481**
Derivatives in economic hedge relationship						
Interest rate swaps	6,999	-	-	7,009	-	-
Foreign currency swaps	992,578	22,167	10,351	1,764,432	42,594	38,237
Forwards	131,233	271	344	170,851	1,315	1,154
Total	**1,130,810**	**22,438**	**10,695**	**1,942,292**	**43,909**	**39,391**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	571,085	1,518	13,991	402,558	3,071	4,344
Foreign currency swaps	63,578	13,166	-	94,804	3,008	-
Total	**634,663**	**14,684**	**13,991**	**497,362**	**6,079**	**4,344**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	332,035	633	2,719	335,832	1,304	4,301
Total	**332,035**	**633**	**2,719**	**335,832**	**1,304**	**4,301**
Total Derivatives	**2,332,644**	**214,408**	**204,073**	**3,356,152**	**169,794**	**164,517**

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.

Derivatives in economic hedge relationships: Included in this classification are any derivatives entered into by the Bank in order to economically hedge its exposures for risk management purposes that are not designated in hedge relationships as they do not meet the hedge accounting criteria.

Derivative financial instruments held or issued for hedge accounting: As part of its asset and liability management, the Bank uses derivatives for economic hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions, as well as hedging of aggregate financial position exposures. Where possible, the Bank applies hedge accounting.

-Fair value hedges in hedge accounting relationships

Market risk in the banking book is the risk that unfavourable market movements cause the Bank's value or income to fluctuate.

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 loans) 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, the Bank hedges the changes in the fair value of the foreign currency denominated loans relating to changes in foreign currency exchange rates.

The following table sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

June 30, 2020	**Carrying amount of hedged items**		**Accumulated amount of fair value adj. on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate corporate loans	69,788	-	-	7,582
Fixed rate FVOCI debt instruments	208,887	-	5,484	-
Fixed rate subordinated liabilities	-	161,489	-	8,666
Subtotal	**278,675**	**161,489**	**5,484**	**16,248**
Portfolio fair value hedges				
Fixed rate customer deposits	-	166,235	-	916
Subtotal	**-**	**166,235**	**-**	**916**
Total	**278,675**	**327,724**	**5,484**	**17,164**

December 31, 2019	**Carrying amount of hedged items**		**Accumulated amount of fair value adj. on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate corporate loans	108,243	-	-	1,542
Fixed rate FVOCI debt instruments	141,907	-	838	-
Fixed rate subordinated liabilities	-	161,076	-	4,192
Subtotal	**250,150**	**161,076**	**838**	**5,734**
Portfolio fair value hedges				
Fixed rate customer deposits	-	68,796	-	783
Subtotal	**-**	**68,796**	**-**	**783**
Total	**250,150**	**229,872**	**838**	**6,517**

The Bank's hedging strategy in particular to changes in the fair value of the hedged items and hedging instruments used as the basis for recognising ineffectiveness is presented as follows:

June 30, 2020		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships ***hedging assets***				
Fixed rate corporate loans	Interest rate swaps	(40)	44	3
Fixed rate corporate loans	Foreign currency contracts	(6,000)	5,443	(557)
Fixed rate FVOCI debt instruments	Interest rate swaps	4,646	(5,172)	(527)
Subtotal		**(1,394)**	**315**	**(1,081)**
Micro fair value hedge relationships ***hedging liabilities***				
Fixed rate subordinated liabilities	Interest rate swaps	(4,474)	4,488	(208)
Subtotal		**(4,474)**	**4,488**	**(208)**
Total micro fair value relationships		**(5,868)**	**4,803**	**(1,289)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	(133)	290	157
Subtotal		**(133)**	**290**	**157**
Total portfolio fair value hedge		**(133)**	**290**	**157**
Total		**(6,001)**	**5,093**	**(1,132)**

December 31, 2019		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships ***hedging assets***				
Fixed rate corporate loans	Interest rate swaps	(7)	69	62
Fixed rate corporate loans	Foreign currency	(8)	402	394
Fixed rate FVOCI debt instruments	Interest rate swaps	(246)	1,154	909
Subtotal		**(261)**	**1,625**	**1,365**
Micro fair value hedge relationships ***hedging liabilities***				
Fixed rate subordinated liabilities	Interest rate swaps	(4,192)	4,188	(4)
Subtotal		**(4,192)**	**4,188**	**(4)**
Total micro fair value relationships		**(4,453)**	**5,813**	**1,361**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	(279)	313	34
Subtotal		**(279)**	**313**	**34**
Total portfolio fair value hedge		**(279)**	**313**	**34**
Total		**(4,732)**	**6,126**	**1,395**

The maturity profile of the Bank's hedging instruments used in micro fair value hedge relationships is as follows:

June 30, 2020	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans					
Interest rate swaps	-	-	13,500	-	13,500
Foreign currency contracts	-	27,823	32,062	-	59,885
Fixed rate FVOCI debt instruments					
Interest rate swaps	-	-	-	232,590	232,590
Fixed rate subordinated liabilities					
Interest rate swaps	-	-	160,571	-	160,571
Fixed rate customer deposits					
Interest rate swaps	-	-	168,117	-	168,117
Total	**-**	**27,823**	**374,250**	**232,590**	**634,663**

December 31, 2019	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans					
Interest rate swaps	-	-	18,000	-	18,000
Foreign currency contracts	1,521	62,741	30,542	-	94,804
Fixed rate FVOCI debt instruments					
Interest rate swaps	-	-	-	154,183	154,183
Fixed rate subordinated liabilities					
Interest rate swaps	-	-	160,170	-	160,170
Fixed rate customer deposits					
Interest rate swaps	-	-	70,205	-	70,205
Total	**1,521**	**62,741**	**278,917**	**154,183**	**497,362**

-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.

Details of the Bank's activities in relation to hedges of its net investment in foreign operations against foreign exchange movements are as follows:

		June 30, 2020
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	(5,748)	(37)
RON	949	(2,104)
CHF	4,409	2,354
UAH	2,459	(1,380)
TRY	(310)	(410)
Total	**1,759**	**(1,577)**

		December 31, 2019
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	2,149	235
RON	1,708	(4,697)
CHF	3,706	4,283
UAH	-	1,876
TRY	(489)	(460)
Total	**7,074**	**1,237**

Information regarding the foreign currency derivatives used as hedging instruments and hedge effectiveness is as follows:

June 30, 2020	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	32,149	(37)	195	5,748	-	5,748
RON swaps	172,817	571	1,808	(949)	-	(949)
CHF swaps	124,407	100	596	(4,409)	-	(4,409)
UAH swaps	-	-	-	(2,459)	-	(2,459)
TRY swaps	2,662	(1)	120	438	(128)	310
Total	**332,035**	**633**	**2,719**	**(1,631)**	**(128)**	**(1,759)**

December 31, 2019	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	32,591	478	59	(2,149)	-	(2,149)
RON swaps	180,992	373	1,206	(1,708)	-	(1,708)
CHF swaps	111,158	(72)	1,206	(3,706)	-	(3,706)
TRY swaps	11,091	524	1,831	2,364	(1,875)	489
Total	**335,832**	**1,303**	**4,302**	**(5,199)**	**(1,875)**	**(7,074)**

The maturity profile of the Bank's hedging instruments used in net investment hedge relationships is as follows:

Hedging Instruments	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
USD swaps	-	17,716	14,433	-	-	32,149
RON swaps	-	66,760	106,057	-	-	172,817
CHF swaps	-	71,076	53,331	-	-	124,407
TRY swaps	-	2,662	-	-	-	2,662
Total at June 30, 2020	**-**	**158,214**	**173,821**	**-**	**-**	**332,035**

Hedging Instruments	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
USD swaps	32,591	-	-	-	-	32,591
RON swaps	93,871	53,828	8,502	24,791	-	180,992
CHF swaps	111,158	-	-	-	-	111,158
TRY swaps	470	-	10,621	-	-	11,091
Total at December 31, 2019	**238,090**	**53,828**	**19,123**	**24,791**	**-**	**335,832**

9. Loans and receivables – customers

	June 30, 2020	December 31, 2019
Commercial loans	2,056,509	2,389,693
Consumer loans	252,837	258,540
Credit card loans	87,027	97,672
Finance lease receivables, net	7,469	7,908
Public sector loans	3,806	53,766
Private banking loans	330	1,041
Subtotal	**2,407,978**	**2,808,620**
Individually assessed allowances for expected credit losses	(33,527)	(36,647)
Collectively assessed allowances for expected credit losses	(40,314)	(29,703)
Total	**2,334,137**	**2,742,270**

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, 2020

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**2,190,756**	**(14,753)**	**359,805**	**(14,950)**	**258,059**	**(36,647)**	**2,808,620**	**(66,350)**
Originated or purchased	647,670	(2,537)	93	(1,352)	829	(1,109)	**648,592**	**(4,998)**
Matured or sold	(910,371)	772	(13,311)	307	(20,132)	89	**(943,814)**	**1,168**
Transfers to Stage 1	16,750	(867)	(16,750)	867	-	-	-	-
Transfers to Stage 2	(272,648)	5,315	274,606	(5,404)	(1,958)	89	-	-
Transfers to Stage 3	(18,055)	7	(40,112)	2,262	58,167	(2,269)	-	-
Re-measurement	(81,119)	(2,076)	(20,913)	(7,974)	609	(14,317)	**(101,423)**	**(24,367)**
Amounts written off	-	-	-	-	(18,900)	18,900	**(18,900)**	**18,900**
Recoveries	-	-	-	-	-	1,809	-	**1,809**
Exchange differences	17,732	117	(3,703)	(48)	874	(72)	**14,903**	**(3)**
Balance at period end	**1,590,715**	**(14,022)**	**539,715**	**(26,292)**	**277,548**	**(33,527)**	**2,407,978**	**(73,841)**
Commercial loans	1,439,027	(12,307)	399,419	(21,815)	218,063	(24,636)	**2,056,509**	**(58,758)**
Consumer loans	90,393	(344)	105,854	(3,818)	56,590	(6,282)	**252,837**	**(10,444)**
Credit cards	57,159	(1,371)	27,093	(644)	2,775	(2,489)	**87,027**	**(4,504)**
Private banking	330	-	-	-	-	-	**330**	-
Finance lease receivables, net	-	-	7,349	(15)	120	(120)	**7,469**	**(135)**
Public Loans	3,806	-	-	-	-	-	**3,806**	-
Total	**1,590,715**	**(14,022)**	**539,715**	**(26,292)**	**277,548**	**(33,527)**	**2,407,978**	**(73,841)**

December 31, 2019

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**2,040,075**	**(16,454)**	**512,542**	**(34,462)**	**310,811**	**(113,35**	**2,863,428**	**(164,27**
Originated or purchased	1,320,709	(3,499)	26,638	(102)	2,382	(7)	**1,349,729**	**(3,608)**
Matured or sold	(984,507)	3,023	(115,14	11,039	(39,436)	775	**(1,139,09**	**14,837**
Transfers to Stage 1	31,245	(1,011)	(30,546)	643	(699)	368	-	-
Transfers to Stage 2	(103,361)	1,196	110,317	(2,407)	(6,956)	1,211	-	-
Transfers to Stage 3	(3,105)	21	(76,610)	4,194	79,715	(4,215)	-	-
Re-measurement	(109,708)	1,203	(67,574)	6,767	13,100	(22,231)	**(164,182)**	**(14,261)**
Amounts written off					(98,783)	98,783	**(98,783)**	**98,783**
Recoveries	-	-	-	-	-	2,226	-	**2,226**
Exchange differences	(592)	768	185	(622)	(2,075)	(201)	**(2,482)**	**(55)**
Balance at period end	**2,190,756**	**(14,753)**	**359,805**	**(14,950)**	**258,059**	**(36,647)**	**2,808,620**	**(66,350)**
Commercial loans	1,978,878	(12,943)	211,931	(10,112)	198,884	(31,215)	**2,389,693**	**(54,270)**
Consumer loans	93,814	(421)	108,244	(4,120)	56,482	(3,698)	**258,540**	**(8,239)**
Credit cards	63,257	(1,389)	31,843	(703)	2,572	(1,613)	**97,672**	**(3,705)**
Private banking	1,041	-	-	-	-	-	**1,041**	-
Finance lease receivables, net	-	-	7,787	(15)	121	(121)	**7,908**	**(136)**
Public Loans	53,766	-	-	-	-	-	**53,766**	-
Total	**2,190,756**	**(14,753)**	**359,805**	**(14,950)**	**258,059**	**(36,647)**	**2,808,620**	**(66,350)**

Expected credit loss charges on financial instruments included in the statement of income are as follows:

	January 1- June 30, 2020				January 1- June 30, 2019
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	(3,841)	(9,019)	(11,503)	(24,363)	**1,070**
Loans to banks at amortized cost	22	-	-	22	**(68)**
Debt securities measured at FVOCI	(11)	-	-	(11)	**137**
Credit related commitments (non-cash loans)	95	11	-	106	**40**
Net impairment loss on financial instruments	**(3,735)**	**(9,008)**	**(11,503)**	**(24,246)**	**1,179**

The Mortgage Payment Law (“Dare in Plata” or “DIP”), which came into force in Romania 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. The bank considers the impairment impact of DIP law for mortgage loans in Romania.

Loans and receivables written off during the period amounting to EUR 10,675 (2019: 19,363) are still subject to enforcement activity.

11. Other assets and inventories

	June 30, 2020	December 31, 2019
Repossessed assets classified as inventories	44,553	47,154
Receivables from DSB	18,459	17,861
Insurance receivables	13,121	10,350
Prepayments to suppliers	8,031	4,726
Contract assets	7,885	11,318
Materials and supplies	4,400	2,540
POS, plastic cards and ATM related receivables	2,973	4,017
Amounts held as guarantee	2,509	2,619
Tax related receivables	1,202	1,499
Accounts receivable	317	1,461
Other assets	2,464	3,656
Total	**105,914**	**107,201**

12. Due to banks

	June 30, 2020	December 31,
Time deposits	209,665	422,583
Current accounts	139,650	33,516
Targeted longer term refinancing operations (TLTRO)	132,710	26,705
Total	**482,025**	**482,804**

As of June 30, 2020, there is no repo transactions (2019: EUR 48,564).

The Bank received government grants for its TLTRO III programme in 2019 and 2020. This programme has a maturity of three years and will end in 2022 and 2023.

13. Due to customers

	June 30, 2020	December 31, 2019
Retail time deposits	1,457,030	1,550,926
Retail saving and demand deposits	1,221,228	1,239,297
Corporate demand deposits	347,661	365,743
Corporate time deposits	176,788	245,757
Total	**3,202,707**	**3,401,723**

As of June 30, 2020, the Bank maintained customer deposit balances of EUR 31,012 (2019: EUR 23,583), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2020, EUR 1,446,583 (2019: EUR 1,680,179) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

14. Other liabilities

	June 30, 2020	December 31, 2019
Advances from customers	12,601	12,368
Lease liabilities	7,115	7,573
Accrued expenses	4,750	4,906
Payables to suppliers	3,786	3,234
Non-current tax related payable	2,849	2,561
Credit card payables	2,513	2,462
Items in the course of settlement	1,049	1,204
Deferred income	573	725
Staff related liabilities	271	329
Other liabilities	2,627	3,029
Total	**38,134**	**38,391**

15. Provisions

	June 30, 2020	December 31, 2019
Litigation (*)	4,221	4,627
Staff related	3,223	4,568
Credit related commitments	1,782	1,889
Other	575	31
Total	**9,801**	**11,115**

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Bank's subsidiary, Credit Europe Bank (Romania) SA, is involved as of June 30, 2020. Further details are provided in Note 27: Commitments and Contingencies.

The table below presents movement in total provisions:

				June 30, 2020
	Litigation	Staff related	Credit related	Other
At January 1, 2020	**4,627**	**4,568**	**1,889**	**31**
Addition	-	70	25	738
Provisions used during the year	-	(1,382)	(24)	(203)
Reversal	(403)	(22)	(108)	-
Currency translation differences	(3)	(11)	-	(4)
Other	-	-	-	13
At June 30, 2020	**4,221**	**3,223**	**1,782**	**575**

				December 31, 2019
	Litigation	Staff related	Credit related	Other
At January 1, 2019	**5,754**	**4,906**	**669**	**436**
Addition	415	1,431	1,491	177
Provisions used during the year	(472)	(1,391)	(76)	(433)
Reversal	(1,012)	(360)	(209)	-
Currency translation differences	(58)	(18)	14	(7)
Other				(142)
At December 31, 2019	**4,627**	**4,568**	**1,889**	**31**

16. 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.

	Maturity Date	First possible call date	June 30, 2020	December 31, 2019
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	November 2027	November 2022	134,711	133,021
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	Perpetual	December 2022	43,631	44,638
Total			**178,342**	**177,659**

Changes in liabilities arising from financial activities

Subordinated loans

	June 30, 2020	December 31, 2019
Balance at the beginning of the period	177,659	173,927
Interest expense	6,985	13,761
Interest paid	(7,008)	(13,783)
Foreign exchange movement	706	3,754
Balance at the end of the period	**178,342**	**177,659**

17. Equity

	June 30, 2020	December 31, 2019
Share capital	563,000	563,000
Share premium	163,748	163,748
Retained earnings, net	33,301	39,424
Tangible revaluation reserve	5,457	5,441
Fair value reserve	(2,583)	7,152
Foreign currency translation reserve	(63,783)	(61,116)
Net investment hedge reserve	(103,383)	(99,989)
Equity attributable to owners of the Parent Company	**595,757**	**617,660**
Equity attributable to non-controlling interests	1,690	3,211
Total equity	**597,447**	**620,871**

As of June 30, 2020, the authorized share capital is EUR 1,000 million (2019: EUR 1,000 million) and consists of EUR 1,000 million (2019: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of - million (2019: 563.0 million) ordinary shares with a face value of EUR 1.

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

Net Investment hedge 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 debt and equity investments measured at fair value through other comprehensive income including expected credit losses for debt securities.

Tangible revaluation reserve
The tangible revaluation reserve includes the cumulative net revaluation surpluses arising from the revaluation of land and buildings.

18. Net interest income

	January 1- June 30, 2020	January 1- June 30, 2019*
Interest income from financial instruments measured at amortized cost and FVOCI	**71,067**	**89,685**
Loans and receivables – customers	65,035	81,732
Financial investments	3,823	4,253
Loans and receivables – banks	2,018	3,459
Interest on financial lease	113	126
Cash and balances at central banks	78	115
Interest income from financial instruments measured at FVTPL	**3,114**	**2,624**
Financial assets held for trading	2,659	1,994
Non-trading financial assets mandatorily at FVTPL	455	630
Subtotal	**74,181**	**92,309**
Interest expense from financial instruments measured at amortized cost	**25,704**	**32,263**
Due to customers	14,537	18,298
Subordinated liabilities	6,090	6,852
Due to banks	3,402	5,743
Cash and balances at central banks	1,601	1,302
Lease liabilities	74	68
Subtotal	**25,704**	**32,263**
Total	**48,477**	**60,046**

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

19. Net fee and commission income

	January 1-June 30, 2020	January 1-June 30, 2019
Fee and commission income		
Cash loan fees	3,914	4,763
Letters of credit commissions	3,514	4,173
Credit card fees	2,823	3,364
Payment and transaction services fees	1,038	1,218
Portfolio and other management fees	871	704
Commission on account maintenance	866	1,192
Insurance related fees	380	478
Letters of guarantee commissions	348	371
Commissions on fund transfers	251	259
Commissions on fiduciary transactions	214	182
Other fees and commissions	992	907
Subtotal	**15,211**	**17,611**
Fee and commission expense		
Credit card fees	890	1,009
Payment and transaction services expense	534	577
Account maintenance fees	251	243
Commission paid to intermediaries/retailers	110	135
Other fee and commission expenses	506	216
Subtotal	**2,291**	**2,180**
Total	**12,920**	**15,431**

20. Net trading results

	January 1-June 30, 2020	January 1-June 30, 2019
Trading loans	4,101	1,947
Debt securities	495	1,872
Foreign exchange	(139)	3,675
Derivative financial instruments - hedge accounting	(909)	(680)
Loans measured mandatorily at FVTPL	(2,134)	(490)
Subtotal	**1,414**	**6,324**
Derivative financial instruments - not qualifying for hedge accounting	(3,495)	(20,739)
Total	**(2,081)**	**(14,415)**

21. Other operating income

	January 1- June 30, 2020	January 1- June 30, 2019
Revenue from shipbuilding activities	7,972	7,031
Shipping charter and freight income	778	7,478
Income from DSB receivables	600	3,956
Sale of inventory property	410	1,136
Rent income	363	637
Sale of assets held for sale	286	407
Dividend income	249	913
Other income	443	587
Total	**11,101**	**22,145**

22. General and administrative expenses

	January 1- June 30, 2020	January 1- June 30, 2019
Professional fees and consultancy	2,012	2,091
Rent and maintenance expenses	1,802	2,381
Communication and information expenses	1,585	1,743
Information technology expenses	1,557	1,738
Membership fees	1,368	1,079
Taxes other than income	1,096	885
Legal services expenses	676	587
Stationary, office supplies and printing expense	570	818
Security expenses	422	498
Travel and transport expenses	324	445
Cleaning expenses	251	318
Advertising and marketing expenses	242	263
Insurance premiums	240	198
Representative expenses	181	140
Other expenses	783	1,042
Total	**13,109**	**14,226**

23. Other operating expenses

	January 1- June 30, 2020	January 1- June 30, 2019
Cost of sale from shipbuilding activities	6,996	6,235
Vessels running costs	2,634	4,864
Fines and penalties	568	613
Cost of sales - inventory property	372	1,089
Claims service expenses	189	174
Provision (reversal) / addition	(104)	3,588
Other	1,659	824
Total	**12,314**	**17,387**

24. Other impairment losses

	January 1- June 30, 2020	January 1- June 30, 2019
Property and equipment*	-	8,583
Other	103	1,027
Total	**103**	**9,610**

(*) There is no impairment loss recognised in 2020. As of June 30, 2019, EUR 8,583 impairment loss is presented under "West Europe Wholesale" geographical segment in Note 3: Segment information.

25. 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.

26. 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.

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, 2020

	Trading	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	1,007,133	-	-	1,007,133
Financial assets at FVTPL	-	150,007	-	-	-	150,007
Financial investments	-	-	-	516,217	-	516,217
Loans and receivables - banks	-	-	209,531	-	-	209,531
Loans and receivables - customers	-	-	2,334,137	-	-	2,334,137
Derivative financial instruments	214,408	-	-	-	-	214,408
Total assets	**214,408**	**150,007**	**3,550,801**	**516,217**	**-**	**4,431,433**
Due to banks	-	-	-	-	482,025	482,025
Due to customers	-	-	-	-	3,202,707	3,202,707
Derivative financial instruments	204,073	-	-	-	-	204,073
Subordinated liabilities	-	-	-	-	178,342	178,342
Total liabilities	**204,073**	**-**	**-**	**-**	**3,863,074**	**4,067,147**

December 31, 2019

	Trading	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	737,249	-	-	737,249
Financial assets at FVTPL	-	227,913	-	-	-	227,913
Financial investments	-	-	-	537,482	-	537,482
Loans and receivables - banks	-	-	187,948	-	-	187,948
Loans and receivables - customers	-	-	2,742,270	-	-	2,742,270
Derivative financial instruments	164,517	-	-	-	-	164,517
Total assets	**164,517**	**227,913**	**3,667,467**	**537,482**	**-**	**4,597,379**
Due to banks	-	-	-	-	482,804	482,804
Due to customers	-	-	-	-	3,401,723	3,401,723
Derivative financial instruments	164,517	-	-	-	-	164,517
Subordinated liabilities	-	-	-	-	177,659	177,659
Total liabilities	**164,517**	**-**	**-**	**-**	**4,062,186**	**4,226,703**

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

Valuation Models

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: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Bank's portfolio. Transfers out of Level 1 into Level 2 or Level 3 occur when the Bank establishes that markets are no longer active and therefore unadjusted quoted process are no longer provide reliable pricing information.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable 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: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could 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. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

Transfers into and transfers out of fair value hierarchy levels are made on a quarterly basis.

The Bank uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods.

Debt securities: Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange market, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. For measuring derivatives, fair values take into account both credit valuation adjustments (CVA) and debit valuation adjustments (DVA). In assessing the counterparty risk the Bank accounts for the following aspects: the default probability of the counterparty, the default probability of the Bank itself, the nature of transactions and the impact of risk mitigants such as netting and collateralisation for each counterparty individually.

Trading loans measured at fair value through profit or loss: Fair values of loans are determined by reference to similar instruments trading in active markets and valuation models where inputs are unobservable. These models calculate the present value of expected future cash flows. The inputs used include prices available from dealers, brokers or providers of consensus pricing, yield rates and currency exchange rates.

In 2020, there has been no change in valuation techniques and models.

Valuation framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements

When third party confirmation, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to the measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using these quotes.

Significant valuation issues are reported to the Asset Liability Committee (ALCO).

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, 2020	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	5	50	-	128,170	128,220
Derivative financial assets	8	-	214,409	-	214,409
Equity instruments measured at FVOCI	6	22,221	-	18,825	41,046
Non-trading assets mandatorily at FVTPL	5	-	-	21,787	21,787
Other financial investments	6	460,104	15,066	-	475,170
Total		**482,375**	**229,475**	**168,782**	**880,632**
Financial liabilities					
Derivative financial liabilities	9	-	204,073	-	204,073
Total		**-**	**204,073**	**-**	**204,073**

December 31, 2019	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	5	11,488	-	192,779	204,267
Derivative financial assets	8	-	169,794	-	169,794
Equity instruments measured at FVOCI	6	7,726	-	25,280	33,006
Non-trading assets mandatorily at FVTPL	5	-	-	23,646	23,646
Other financial investments	6	504,476	-	-	504,476
Total		**523,690**	**169,794**	**241,705**	**935,189**
Financial liabilities					
Derivative financial liabilities	8	-	164,517	-	164,517
Total		**-**	**164,517**	**-**	**164,517**

No financial instruments were transferred from Level 1 to Level 2 of the fair value hierarchy in 2020. (2019: None)
No financial instruments were transferred between Level 1 and Level 2 to Level 3 in 2020. (2019: None)

Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of June 30, 2020, EUR 18,825 (2019: EUR 25,280) securities were classified as Level 3.

During 2020, there were no financial instruments transferred out of Level 3 to Level 2 due to change in inputs used in measuring the fair value of the assets. (2019: None)

Trading assets classified under Level 3 consist of trading loans valued using discounted cash flow technique that incorporate brokers' quotes as indicative value with no attached commitment to transact at that price.

Changes in the unobservable inputs used in the valuation of Level 3 financial assets would not have a significant impact on equity and net income.

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 determined using the valuation techniques described in the following table.

Fair value measurement of non-financial assets and liabilities

Non-financial assets for which fair value is taken into account as measurement basis comprise of investment properties, assets held for sale and some repossessed assets classified as inventory.

Independent appraisal reports are used for determination of fair values of those assets that are classified as Level 3 of the fair value hierarchy since the valuation techniques used are mostly based on unobservable inputs.

Unrealised gains and losses during the year that relate to Level 3 non-financial assets have been recognised in the statement of income as follows:

- Changes in fair value of investment properties are included in other impairment loss.
- Changes in fair value of assets held for sale are included in other impairment loss.

For the amounts recognized in the statement of income, reference is made to Note 23- Other impairment loss.

In 2020, there has been no change in valuation techniques.

As at June 30, 2020, the Bank has no non-financial liabilities measured at fair value (2019: none).

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 Eur)	Valuation Technique	Input	Range
Financial assets				
Romania- residential and commercial properties Level-3	3,958	Market comparison approach	Price per square meter	730-980 Eur/sqm
		Income capitalization	Unit rental price p.m Vacancy rate Operating expenses p.m Capitalization rate	9-9.5 Eur/sqm 5%-15% 3,000-14,000 9%-10%
Romania- commercial properties Level-3	13,686	Market comparison approach	Price per square meter	600 Eur/sqm
		Income capitalization	Unit rental price p.m Vacancy rate Operating expenses p.m Capitalization rate	7.5 Eur/sqm 10%-20% 5,000-34,000 8%-12%
Vessels Level-3	1,759	Third party pricing	Broker price	n.a
Loans mandatorily at FVTPL	**21,787**			
Trading loans at FVTPL	**128,170**	Discounted cash flow	Projections of future cash flows	n.a
Equity instruments measured at FVOCI	**18,825**	Discounted cash flow	Projections of future cash flows Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium)	 3.39% 6.54% 1.24% 5.95%
Total- Level 3 financial assets	**167,135**			
Non-financial assets				
Western Europe- land/buildings	43,048	Market comparison approach Income capitalization	Price per square meter IRR/Yield Multiplier	15-24 Eur/sqm/month 5%-6% 24-28
Romania- land/ buildings	8,435	Market comparison approach Income capitalization	Price per square meter	600-2,800 Eur/sqm/month
Turkey- shipyard	20,603	Income approach Market comparison approach Cost approach	n.a	n.a
Sub-total land/buildings	**72,086**			
Turkey- commercial properties	2,882	Discounted cash flow	Unit rental price Rent increase rate	2.10 -9.50 Eur/sqm/month - 47 Eur/room 2.5%-4%
Sub-total investment properties	**2,882**			
Vessels	8.029	Sales price	n.a	n.a
Spain- villa/land	9,000	Sales price	n.a	n.a
Turkey- leasehold right	5,950	Sales price	n.a	n.a
Ukraine- commercial and residential properties	1,061	Market comparison approach	n.a	n.a
Sub-total assets held for sale	**24.040**			
Total Level 3 non-financial assets	**99,008**			

Reconciliation of Level 3 financial assets

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

				June 30, 2020				**December 31, 2019**
	Financial Assets-FVOCI	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**	**Financial Assets-FVOCI**	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**
Balance at the beginning of the period	**25,280**	**23,646**	**192,779**	**241,705**	**19,114**	**27,872**	**56,557**	**103,543**
Total gains and losses								
- in net trading results	-	(1,679)	4,101	2,422	-	(2,068)	4,661	2,593
- in net interest income	-	-	-	-	-	1,270	-	1,270
- in OCI	(3,300)	-	-	(3,300)	4,001	-	-	4,001
Purchases/additions	-	-	532,728	532,728	-	-	1,084,048	1,084,048
Settlements/Collections/Sales	-	19	(601,344)	(601,325)	(117)	(2,942)	(952,487)	(955,546)
Exchange differences	(3,155)	(199)	(94)	(3,448)	2,282	(486)	-	1,796
Balance at the period end	**18,825**	**21,787**	**128,170**	**168,782**	**25,280**	**23,646**	**192,779**	**241,705**

EUR 62 loss included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2019: EUR 11 gain).

Reconciliation of Level 3 non-financial assets

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 non-financial assets.

	Land & Buildings	**Investment properties**	**Assets held for sale**
Balance at the beginning of the period	**73,447**	**2,876**	**37,248**
Disposals	-	-	(13,081)
Depreciation	(1,277)	-	-
Exchange differences	(84)	6	(127)
Balance at the period end	**72,086**	**2,882**	**24,040**

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, 2020	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	1,007,133	-	1,007,133	1,007,133
Loans and receivables - banks	7	-	208,892	-	208,892	209,531
Loans and receivables - customers	9	-	-	2,352,174	2,352,174	2,334,137
Total		**-**	**1,216,025**	**2,352,174**	**3,568,199**	**3,550,801**
Financial liabilities						
Due to banks	12	-	482,109	-	482,109	482,025
Due to customers	13	-	3,225,381	-	3,225,381	3,202,707
Subordinated liabilities	16	-	176,097	-	176,097	178,342
Total		**-**	**3,883,587**	**-**	**3,883,587**	**3,863,074**

December 31, 2019	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	737,249	-	737,249	737,249
Loans and receivables - banks	7	-	188,035	-	188,035	187,948
Loans and receivables - customers	9	-	-	2,773,198	2,773,198	2,742,270
Total		**-**	**925,284**	**2,773,198**	**3,698,482**	**3,667,467**
Financial liabilities						
Due to banks	12	-	482,993	-	482,993	482,804
Due to customers	13	-	3,424,930	-	3,424,930	3,401,723
Subordinated liabilities	16	-	165,277	-	165,277	177,659
Total		**-**	**4,073,200**	**-**	**4,073,200**	**4,062,186**

27. 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, 2020	**December 31, 2019**
Contingent liabilities with respect to irrevocable letters of credit - import	109,672	285,327
Contingent liabilities with respect to irrevocable letters of credit - export	61,934	113,706
Contingent liabilities with respect to letters of guarantee granted - corporates	59,714	72,241
Contingent liabilities with respect to letters of guarantee granted - banks	3,800	14,170
Contingent liabilities with respect other guarantees	2,005	2,173
Total non-cash loans	**237,125**	**487,617**
Credit-card limits	184,566	178,833
Credit-line commitments	40,410	18,601
Total	**462,101**	**685,051**

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 June 30, 2020, 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 3,073 (2019: EUR 3,364) 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 June 30, 2020, the Bank estimated a contingent liability at amount of EUR 6,650 (2019: EUR 8,007).

As of June 30, 2020, there is a legal claim against the Bank in respect of a case where repayment of the insurance proceeds of USD 22 million is claimed from the Bank. The Bank's legal advisor's opinion is that it is possible, but not probable, that the court ruling may be in favor of the claimant. Accordingly, no provision for any claims has been made in these financial statements. The Bank has another legal claim related contingent liability of EUR 740 where repayment of loans is claimed from the Bank and there is a possible obligation.

28. 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 performing advances.

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

				June 30, 2020				**December 31, 2019**
	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	-	-	-	1,003	-	-	-	2,155
Loans and receivables – customers	25,551	-	-	132,405	25,554	-	-	97,530
Derivative financial instruments	-	2,464	-	23,039	482	150	-	11,871
Liabilities								
Due to banks	-	-	-	-	-	-	-	319
Due to customers	288	17,865	51	81,324	484	6,741	4,738	133,905
Derivative financial instruments	117	670	-	19,365	22	82	-	6,940
Subordinated liabilities	44,739	-	-	-	44,638	-	-	-
Commitment and contingencies	-	-	-	973	-	-	-	89

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of June 30, 2020, the Bank does not have any provisions regarding related party balances (2019: None).

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

				January 1- June 30,				**January 1- June 30,**
	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	706	-	-	717	908	-	-	749
Interest expense	(2,021)	-	-	(219)	(1,963)	(45)	-	(172)
Commission income	14	42	-	489	8	32	-	238
Commission expense	-	-	-	(224)	-	-	-	(167)
Net trading results	(205)	1,796	-	(737)	(682)	150	-	1,473
Other operating income	-	-	-	41	-	-	-	937
Operating expenses	-	-	(968)	(343)	-	-	(193)	(494)

As of June 30, 2020, there is no loans have been sold to related parties (2019: EUR 40,289). As of June 30, 2019, EUR 156 net gain has been recognized in the condensed consolidated statement of income. Pricing of the loans have been determined in accordance with arm's length principle.

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 10 (2019: 11). 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, 2020	December 31, 2019
Loans and receivables - customers	6	21

As of June 30, 2020, the Bank does not have any provisions regarding the balances with key management personnel (2019: None). Key management costs, including remuneration and fees for the period ended June 30, 2020 amounted to EUR 2,048 (2019: EUR 2,026). Pension plan contribution amounted to EUR 87 (2019: EUR 94).

29. 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
- 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
- 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
- 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, 2020	December 31, 2019
Total Equity	**597,447**	**620,871**
- Current year profit (1)	-	(19,494)
- Non-eligible minority interest (2)	(1,052)	(2,445)
Prudential filters		
- Cash flow hedge reserve	-	(20)
- Prudent valuation	(809)	(917)
- Intangible asset (2)	(4,318)	(4,801)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(22,143)	(15,020)
- transitional adjustments to IFRS 9 provisions (85%) (3)	25,498	30,963
Core Tier I	**594,623**	**609,137**
Perpetual Tier I capital	44,753	44,638
- transitional adjustments to AT1 Capital	-	-
Additional Tier I	**44,753**	**44,638**
Total Tier I capital	**639,376**	**653,775**
Tier II capital		
Subordinated capital	132,701	132,145
Total Tier II capital	**132,701**	**132,145**
Total own funds	**772,077**	**785,920**

(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 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 by adding 85% IFRS 9 Provisions 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, 2020	December 31, 2019
Capital ratio	23.29%	20.35%
Tier I ratio	19.28%	16.93%
Core Tier I	17.93%	15.77%
RWA	**3,315,732**	**3,862,027**

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.

29. 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, 2020	December 31, 2019
Balance sheet items		
Balances with central banks	993,315	719,079
Financial assets measured at fair value through profit or loss	150,007	227,913
Financial investments	516,217	537,482
Loans and receivables - banks	210,820	189,233
Loans and receivables - customers	2,407,978	2,808,620
Derivative financial instruments	214,408	169,794
Subtotal	**4,492,745**	**4,652,121**
Off- balance sheet items		
Other commitments and contingent liabilities	224,976	18,601
Issued irrevocable letters of credit	171,606	399,033
Issued letters of guarantee	65,519	88,584
Undrawn credit-card limits	-	178,833
Total off-balance sheet	**462,101**	**685,051**
Maximum credit risk exposure	**4,954,846**	**5,337,172**

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.

29.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, 2020		**December 31, 2019**
	On-balance sheet	**Off-balance sheet**	**Total exposure**	**% of total exposure**	**Total exposure**	**% of total exposure**
Balances with central banks	993,315	25,000	1,018,315	20.55%	719,079	13.47%
Financial assets measured at fair value through profit or loss	150,007	-	150,007	3.03%	227,913	4.27%
Financial investments	516,217	-	516,217	10.42%	537,482	10.07%
Loans and receivables - banks	210,820	68,057	278,877	5.63%	316,762	5.94%
Loans and receivables - customers	2,407,978	369,044	2,777,022	56.05%	3,366,142	63.07%
Loans and receivables - corporate	*2,048,954*	*183,557*	*2,232,511*	*45.06%*	*2,806,814*	*52.59%*
Real Estate	*343,606*	*4,404*	*348,010*	*7.02%*	*320,573*	*6.01%*
Oil & Derivatives	*268,860*	*75,175*	*344,035*	*6.94%*	*690,154*	*12.93%*
Leisure & Tourism	*326,453*	*133*	*326,586*	*6.59%*	*298,921*	*5.60%*
Financial service and investment	*265,558*	*104*	*265,662*	*5.36%*	*240,303*	*4.50%*
Shipping & Shipyard	*214,956*	*2,551*	*217,507*	*4.39%*	*182,941*	*3.43%*
Iron-Steel-Metals & Alloys	*108,974*	*36,267*	*145,241*	*2.93%*	*156,285*	*2.93%*
Energy & Coal	*120,298*	*3,946*	*124,244*	*2.51%*	*211,291*	*3.96%*
Construction & Installation	*89,699*	*9,440*	*99,139*	*2.00%*	*148,679*	*2.79%*
Petrochemical, Plasticizers & Derivatives	*42,760*	*5,864*	*48,624*	*0.98%*	*83,375*	*1.56%*
Transportation, Logistics & Warehousing	*47,856*	*352*	*48,208*	*0.97%*	*36,476*	*0.68%*
Paper and Pulp & Forestry	*37,929*	*3*	*37,932*	*0.77%*	*37,651*	*0.71%*
Fertilizers	*31,055*	*5,888*	*36,943*	*0.75%*	*79,817*	*1.50%*
Retail	*29,986*	*6,573*	*36,559*	*0.74%*	*35,128*	*0.66%*
Soft Commodities & Agricultural Products	*32,255*	*2,027*	*34,282*	*0.69%*	*88,351*	*1.66%*
Holding	*25,551*	-	*25,551*	*0.52%*	*25,554*	*0.48%*
Media & Publishing	-	*25,000*	*25,000*	*0.50%*	-	*0.00%*
Food, Beverage & Tobacco	*13,938*	*437*	*14,375*	*0.29%*	*19,267*	*0.36%*
Automotive & derivatives	*10,579*	*2,847*	*13,426*	*0.27%*	*23,529*	*0.44%*
Public loans	*3,818*	-	*3,818*	*0.08%*	*53,126*	*1.00%*
Other	*34,823*	*2,546*	*37,369*	*0.75%*	*75,393*	*1.41%*
Loans and receivables - retail customers and SMEs	*359,024*	*185,487*	*544,511*	*10.99%*	*559,328*	*10.48%*
Exposure to retail customers	98,254	184,136	*282,390*	*5.70%*	*293,348*	*5.50%*
Exposure secured by residential real estate	242,433	-	*242,433*	*4.89%*	*241,697*	*4.53%*
Exposure to SME	18,337	1,351	*19,688*	*0.40%*	*24,283*	*0.45%*
Derivative financial instruments	214,408	-	214,408	*4.33%*	*169,794*	*3.18%*
Total credit risk exposure	**4,492,745**	**462,101**	**4,954,846**	**100.00%**	**5,337,172**	**100.00%**

The top five industries account for 67.27% (2019: 62.75%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

29.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2020:

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure June 30, 2020
Balance sheet items							
Demand deposits with central banks	-	-	176,125	2,486	-	814,704	**993,315**
Financial assets measured at FVTPL	-	1,207	17,644	-	108,401	22,755	**150,007**
Financial investments	18,825	-	150,486	14,229	306	332,371	**516,217**
Loans and receivables - banks	55	88,771	224	-	72,476	49,294	**210,820**
Loans and receivables - customers	89,900	599,292	634,180	44,596	383,155	656,855	**2,407,978**
Derivative financial instruments	-	36,847	-	-	392	177,169	**214,408**
Total balance sheet	**108,78**	**726,117**	**978,659**	**61,311**	**564,730**	**2,053,148**	**4,492,745**
Off-balance sheet items	89	46,490	201,795	235	85,077	128,415	**462,101**
Total credit-risk exposure	**108,86**	**772,607**	**1,180,454**	**61,546**	**649,807**	**2,181,563**	**4,954,846**

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2019

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure December 31, 2019
Balance sheet items							
Demand deposits with central banks	-	-	144,916	11,081	-	563,082	**719,079**
Financial assets measured at FVTPL	-	1,207	17,978	-	145,393	63,335	**227,913**
Financial investments	31,074	-	133,349	20,909	1,029	351,121	**537,482**
Loans and receivables - banks	174	25,940	352	-	59,659	103,108	**189,233**
Loans and receivables - customers	112,541	584,045	620,650	78,092	359,020	1,054,272	**2,808,620**
Derivative financial instruments	-	49,294	2	-	-	120,498	**169,794**
Total balance sheet	**143,789**	**660,486**	**917,247**	**110,082**	**565,101**	**2,255,416**	**4,652,121**
Off-balance sheet items	89	52,885	201,056	232	152,318	278,471	**685,051**
Total credit-risk exposure	**143,878**	**713,371**	**1,118,303**	**110,314**	**717,419**	**2,533,887**	**5,337,172**

* Developed countries represent advanced economies published by International Monetary Fund.

The following table provides the distribution of the Bank's liabilities including due to banks, due to customers and derivative financial instruments by risk country:

LIABILITY	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
June 30, 2020	3,191	165,314	656,765	9,989	135,775	2,917,771	**3,888,805**
December 31, 2019	2,387	164,294	644,166	16,995	218,383	3,002,819	**4,049,044**

* Developed countries represent advanced economies published by International Monetary Fund.

29.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 mainly comprised of commercial and residential mortgages.

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, 2020**
	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	993,315	-	-	-	-
Financial assets measured at fair value through profit or loss	150,007	10,926	12,720	23,646	16%
Financial investments	516,217	-	-	-	-
Loans and receivables - banks	210,820	767	-	767	0.4%
Loans and receivables - customers	2,407,978	262,103	1,110,196	1,372,299	57%
Derivative financial instruments	214,408	-	-	-	-
Total balance sheet	**4,492,745**	**273,796**	**1,122,916**	**1,396,712**	31%
Off-balance sheet	462,101	2,617	-	2,617	1%
Total credit risk exposure	**4,954,846**	**276,413**	**1,122,916**	**1,399,329**	**28%**

Breakdown of collateralized exposure by collateral type					**December 31, 2019**
	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	719,079	-	-	-	-
Financial assets measured at fair value through profit or loss	227,913	10,926	12,720	23,646	10%
Financial investments	537,482	-	-	-	-
Loans and receivables - banks	189,233	4,467	-	4,467	2%
Loans and receivables - customers	2,808,620	302,432	1,051,692	1,354,124	48%
Derivative financial instruments	169,794	-	-	-	-
Total balance sheet	**4,652,121**	**317,825**	**1,064,412**	**1,382,237**	30%
Off-balance sheet	685,051	6,037	-	6,037	1%
Total credit risk exposure	**5,337,172**	**323,862**	**1,064,412**	**1,388,274**	**26%**

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

29.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of June 30, 2019 and December 31, 2019. 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.

							June 30, 2020
	External rating class						
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	763,438	569	176,125	2,486	-	50,697	993,315
Financial assets measured at fair value through profit or loss	-	13,427	13,427	81,547	-	41,606	150,007
Financial investments	121,794	62,989	289,261	36,354	-	5,819	516,217
Loans and receivables - banks	25,181	13,753	9,248	134,104	-	28,534	210,820
Loans and receivables - customers	72,151	-	-	29,369	-	2,306,458	2,407,978
Derivative financial instruments	41,325	85,214	-	-	4,693	83,176	214,408
Off-balance sheet	3,211	23,946	26,838	25,019	278	382,809	462,101
Total	**1,027,100**	**199,898**	**514,899**	**308,879**	**4,971**	**2,899,099**	**4,954,846**

							December 31, 2019
	External rating class						
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	562,550	532	144,916	11,081	-	-	719,079
Financial assets measured at fair value through profit or loss	10,166	49,506	1,166	95,887	-	71,188	227,913
Financial investments	21,149	57,897	273,875	49,627	-	134,934	537,482
Loans and receivables - banks	24,066	45,059	13,526	74,969	-	31,613	189,233
Loans and receivables - customers	132,129	-	40,111	29,974	-	2,606,406	2,808,620
Derivative financial instruments	3,734	60,977	857	-	-	104,226	169,794
Off-balance sheet	13,181	49,843	25,775	45,395	311	550,546	685,051
Total	**766,975**	**263,814**	**500,226**	**306,933**	**311**	**3,498,913**	**5,337,172**

Credit risk rating process

In principle, all risk ratings are based on a Risk Rating (PD) Model. The Bank's PD master scale consists of 21 grades (1=highest credit quality, 21=lowest credit quality) for performing loans, and 1 grade (D) for default.

The grades are composed of the following categories:

- Investment grade (1 to 10)
- Non-investment grade (11 to 16)
- Sub-standard (17 to 21)
- Non-performing (D)

The following tables present the credit quality of the Bank's "loans to customers" exposures (including off-balance sheet exposure) by credit risk rating grade, as of June 30, 2020 and December 31, 2019:

June 30, 2020	Stage 1		Stage 2		Stage 3		TOTAL	
Loans and receivables - customers	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Investment grade	260,894	(186)	34,329	(82)	-	-	295,223	(268)
Non-investment grade	1,520,496	(11,174)	344,466	(12,092)	-	-	1,864,962	(23,266)
Sub-standard	66,297	(2,662)	171,530	(14,093)	-	-	237,827	(16,755)
Non-performing	-	-	-	-	286,055	(33,527)	286,055	(33,527)
Non rated	84,658	-	8,297	(25)	-	-	92,955	(25)
Total	**1,932,345**	**(14,022)**	**558,622**	**(26,292)**	**286,055**	**(33,527)**	**2,777,022**	**(73,841)**

December 31, 2019	Stage 1		Stage 2		Stage 3		TOTAL	
Loans and receivables - customers	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Investment grade	790,832	(531)	20,499	(160)	-	-	811,331	(691)
Non-investment grade	1,585,342	(9,809)	358,071	(10,533)	-	-	1,943,413	(20,342)
Sub-standard	152,249	(4,413)	44,486	(4,242)	-	-	196,735	(8,655)
Non-performing	-	-	-	-	267,114	(36,647)	267,114	(36,647)
Non rated	139,763	-	7,787	(15)	-	-	147,550	(15)
Total	**2,668,186**	**(14,753)**	**430,843**	**(14,950)**	**267,114**	**(36,647)**	**3,366,143**	**(66,350)**

29.f. Credit quality of financial investments, loans and receivables - banks and loans and advances to customers

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2019, 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. 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 past-due days.

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.

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, 2020

	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**2,048,953**	**(58,933)**	**1,990,020**	**257,112**	**889,724**	**1,146,836**	**58%**
Stage 1	1,432,340	(12,305)	1,420,035	188,854	460,022	648,876	46%
Stage 2	401,153	(22,019)	379,134	28,707	278,346	307,053	81%
Stage 3	215,460	(24,609)	190,851	39,551	151,356	190,907	100%
Retail loans (incl. mortgages)	**340,687**	**(14,029)**	**326,658**	**4,406**	**203,183**	**207,589**	**64%**
Stage 1	148,390	(1,678)	146,712	3,798	72,208	76,006	52%
Stage 2	134,053	(4,248)	129,805	537	79,318	79,855	62%
Stage 3	58,244	(8,103)	50,141	71	51,657	51,728	103%
SME loans	**18,338**	**(879)**	**17,459**	**585**	**17,289**	**17,874**	**102%**
Stage 1	9,985	(39)	9,946	-	9,985	9,985	100%
Stage 2	4,509	(25)	4,484	585	3,912	4,497	100%
Stage 3	3,844	(815)	3,029	-	3,392	3,392	112%
Total exposure	**2,407,978**	**(73,841)**	**2,334,137**	**262,103**	**1,110,196**	**1,372,299**	**59%**
Total Stage 3 (NPLs)	277,548	(33,527)	244,021	39,622	206,405	246,027	101%

December 31, 2019

	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**2,432,518**	**(54,270)**	**2,378,248**	**297,592**	**831,377**	**1,128,969**	**47%**
Stage 1	2,021,703	(12,943)	2,008,760	226,981	575,359	802,340	40%
Stage 2	211,931	(10,112)	201,819	38,927	132,278	171,205	85%
Stage 3	198,884	(31,215)	167,669	31,684	123,740	155,424	93%
Retail loans (incl. mortgages)	**356,212**	**(11,266)**	**344,946**	**4,529**	**201,146**	**205,675**	**60%**
Stage 1	159,028	(1,774)	157,254	4,183	70,891	75,074	48%
Stage 2	141,569	(4,814)	136,755	261	79,331	79,592	58%
Stage 3	55,615	(4,678)	50,937	85	50,924	51,009	100%
SME loans	**19,890**	**(814)**	**19,076**	**311**	**19,169**	**19,480**	**102%**
Stage 1	10,025	(36)	9,989	16	10,008	10,024	100%
Stage 2	6,305	(24)	6,281	295	5,999	6,294	100%
Stage 3	3,560	(754)	2,806	-	3,162	3,162	113%
Total exposure	**2,808,620**	**(66,350)**	**2,742,270**	**302,432**	**1,051,692**	**1,354,124**	**49%**
Total Stage 3 (NPLs)	258,059	(36,647)	221,412	31,769	177,826	209,595	95%

Further credit quality breakdown of retail loans are as below:

.					June 30, 2020
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**87,027**	**(4,564)**	**82,463**	**-**	**0%**
Stage 1	56,442	(1,366)	55,076	-	0%
Stage 2	26,768	(607)	26,161	-	0%
Stage 3	3,817	(2,591)	1,226	-	0%
Mortgage	**242,552**	**(8,683)**	**233,869**	**203,228**	**87%**
Stage 1	83,478	(283)	83,195	72,208	87%
Stage 2	105,697	(3,565)	102,132	79,363	78%
Stage 3	53,377	(4,835)	48,542	51,657	106%
Other retail	**11,108**	**(782)**	**10,326**	**4,361**	**42%**
Stage 1	8,470	(29)	8,441	3,798	45%
Stage 2	1,588	(76)	1,512	492	33%
Stage 3	1,050	(677)	373	71	19%
Total retail exposure	**340,687**	**(14,029)**	**326,658**	**207,589**	**64%**
Total Stage 3 (NPLs)	58,244	(8,103)	50,141	51,728	103%

					December 31, 2019
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**97,702**	**(3,705)**	**93,997**	**-**	**0%**
Stage 1	63,287	(1,389)	61,898	-	0%
Stage 2	31,843	(703)	31,140	-	0%
Stage 3	2,572	(1,613)	959	-	0%
Mortgage	**241,666**	**(6,514)**	**235,152**	**201,197**	**86%**
Stage 1	82,694	(359)	82,335	70,891	86%
Stage 2	107,584	(4,017)	103,567	79,382	77%
Stage 3	51,388	(2,138)	49,250	50,924	103%
Other retail	**16,844**	**(1,047)**	**15,797**	**4,478**	**28%**
Stage 1	13,047	(26)	13,021	4,183	32%
Stage 2	2,141	(94)	2,047	210	10%
Stage 3	1,656	(927)	729	85	12%
Total retail exposure	**356,212**	**(11,266)**	**344,946**	**205,675**	**60%**
Total Stage 3 (NPLs)	55,616	(4,678)	50,938	51,009	100%

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 following tables provide a summary of the Bank's forborne assets as of June 30, 2020 and December 31, 2019

						June 30, 2020
	Stage 1		**Stage 2**		**Stage 3**	
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**
Loans and receivables – banks	-	-	-	-	-	-
Loans and receivables – customers	**109,579**	**9,965**	**209,747**	**1,582**	**62,621**	**129,047**
Corporate loans	109,579	9,965	189,570	-	41,434	128,861
Retail loans (incl. mortgage)	-	-	20,177	1,582	19,074	126
SME	-	-	-	-	2,113	60
Total exposure	**109,579**	**9,965**	**209,747**	**1,582**	**62,621**	**129,047**

						December
	Stage 1		**Stage 2**		**Stage 3**	
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**
Loans and receivables – banks	-	-	-	-	-	-
Loans and receivables – customers	-	-	**85,022**	**70,315**	**67,796**	**90,479**
Corporate loans	-	-	70,930	68,549	49,448	90,292
Retail loans (incl. mortgage)	-	-	13,976	1,766	16,188	126
SME	-	-	116	-	2,160	61
Total exposure	-	-	**85,022**	**70,315**	**67,796**	**90,479**

(*) Terms and conditions

NPL ratio

Gross NPL ratio of the Bank defined according to the EBA guideline (EBA/GL/2018/06). For the NPL ratio, the gross carrying amount of NPLs and advances is divided by the gross carrying amount of total loans and advances subject to the NPL definition.

					June 30, 2020
	Demand deposits with central banks	**Non- trading financial assets mandatorily at FVTPL**	**Loans and receivables - banks**	**Loans and receivables - customers**	**TOTAL**
Gross exposure	993,315	23,924	210,820	2,407,978	**3,636,037**
NPLs (Gross)	-	23,924	925	277,548	**302,397**
Gross NPL ratio					**8.3%**
ECL	-	(2,137)	(1,289)	(73,841)	**(77,267)**
NPLs (Net)	-	21,787	(364)	203,707	**225,130**
Net NPL ratio					**6.2%**

					December 31, 2019
	Demand deposits with central banks	**Non- trading financial assets mandatorily at FVTPL**	**Loans and receivables - banks**	**Loans and receivables - customers**	**TOTAL**
Gross exposure	719,079	32,256	189,233	2,808,620	**3,749,188**
NPLs (Gross)	-	32,256	925	258,059	**291,240**
Gross NPL ratio					**7.8%**
ECL	-	(8,610)	(925)	(66,350)	**(75,885)**
NPLs (Net)	-	23,646	-	191,709	**215,355**
Net NPL ratio					**5.7%**

29.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, 2020
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	1,795,231	3,991	-	140,326	109,405	2,048,953
Retail loans and residential mortgage loans	249,174	24,388	9,698	23,285	34,142	340,687
SME loans	14,334	158	22	3,824	-	18,338
Total loans and advances to customers	**2,058,739**	**28,537**	**9,720**	**167,435**	**143,547**	**2,407,978**

						December 31, 2019
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	2,242,414	14,857	139	17,734	157,374	2,432,518
Retail loans and residential mortgage loans	258,780	25,528	13,635	26,488	31,781	356,212
SME loans	15,792	63	295	3,740	-	19,890
Total loans and advances to customers	**2,516,986**	**40,448**	**14,069**	**47,962**	**189,155**	**2,808,620**

As of June 30, 2020, EUR 1,978,638 (2019: EUR 2,501,565) of total exposure is neither past due nor impaired, EUR 151,793 (2019: EUR 48,997) of total exposure is past due but not impaired.

29.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:

							June 30, 2020
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**89,900**	**283,170**	**598,903**	**44,487**	**383,155**	**649,338**	**2,048,953**
Stage 1	59,491	228,691	233,338	28,387	317,868	564,565	**1,432,340**
Stage 2	10,947	37,224	248,865	986	50,694	52,437	**401,153**
Stage 3	19,462	17,255	116,700	15,114	14,593	32,336	**215,460**
Retail loans (incl. mortgages)	**-**	**332,672**	**389**	**109**	**-**	**7,517**	**340,687**
Stage 1	-	141,886	384	-	-	6,120	**148,390**
Stage 2	-	132,634	5	107	-	1,307	**134,053**
Stage 3	-	58,152	-	2	-	90	**58,244**
SME loans	**-**	**18,338**	**-**	**-**	**-**	**-**	**18,338**
Stage 1	-	9,985	-	-	-	-	**9,985**
Stage 2	-	4,509	-	-	-	-	**4,509**
Stage 3	-	3,844	-	-	-	-	**3,844**
Total exposure	**89,900**	**634,180**	**599,292**	**44,596**	**383,155**	**656,855**	**2,407,978**

							December 31, 2019
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**112,541**	**257,304**	**583,951**	**77,949**	**359,020**	**1,041,753**	**2,432,518**
Stage 1	88,345	225,937	358,387	59,519	314,186	975,329	**2,021,703**
Stage 2	5,009	14,958	126,421	1,383	37,441	26,719	**211,931**
Stage 3	19,187	16,409	99,143	17,047	7,393	39,705	**198,884**
Retail loans (incl. mortgages)	**-**	**343,456**	**94**	**143**	**-**	**12,519**	**356,212**
Stage 1	-	148,027	87	-	-	10,914	**159,028**
Stage 2	-	139,892	7	143	-	1,527	**141,569**
Stage 3	-	55,537	-	-	-	78	**55,615**
SME loans	**-**	**19,890**	**-**	**-**	**-**	**-**	**19,890**
Stage 1	-	10,025	-	-	-	-	**10,025**
Stage 2	-	6,305	-	-	-	-	**6,305**
Stage 3	-	3,560	-	-	-	-	**3,560**
Total exposure	**112,541**	**620,650**	**584,045**	**78,092**	**359,020**	**1,054,272**	**2,808,620**

30. Subsequent events

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 participations

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, 2020	Interest December 31, 2019
Credit Europe Bank (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) S.A.	Geneva	Switzerland	100.00%	100.00%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Credit Europe Asset Management S.A.	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%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime 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%
FMT Holding B.V.	Amsterdam	The Netherlands	100.00%	100.00%
JSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	100.00%	100.00%
Credit Europe Bank (Romania) SA	Bucharest	Romania	99.99%	99.99%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	53.00%	53.00%
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%
Hunter Navigation Ltd.	Msida	Malta	-	100.00%
Mysia Shipping Ltd	Msida	Malta	-	100.00%

Amsterdam, September 7, 2020

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Independent auditor's review report

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

Our conclusion

We have reviewed the condensed consolidated interim financial information included in the accompanying Interim report of Credit Europe Bank N.V. (hereinafter: Credit Europe or the bank) based in Amsterdam for the period from 1 January 2020 to 30 June 2020.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information of Credit Europe for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial information comprises:

- The condensed consolidated statement of financial position as at 30 June 2020
- The following condensed consolidated statements for the period from 1 January 2020 to 30 June 2020: the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial information section of our report.

We are independent of Credit Europe in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter relating to uncertainty about Corona

The developments around the Corona (COVID-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve, giving rise to complexity and inherent uncertainty. Credit Europe is confronted with this uncertainty as well.

The condensed consolidated interim financial statements and our review report thereon reflect the conditions at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the use of estimates and judgements section (chapter COVID-19 Pandemic Outbreak). We draw attention to these disclosures. Our conclusion is not modified in respect of this matter.

Responsibilities of management and the supervisory board for the condensed consolidated interim financial information

Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the Bank's financial reporting process.

Our responsibilities for the review of the condensed consolidated interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.
Our review included among others:

- Updating our understanding of the bank and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within the bank
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial information
- Obtaining assurance evidence that the condensed consolidated interim financial information agrees with, or reconciles to, the bank's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle

- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial information
- Considering whether the condensed consolidated interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

Amsterdam, 7 September 2020

Ernst & Young Accountants LLP

René Koekkoek