Credit Europe Bank N.V.

Condensed Consolidated
Interim Financial Statements
June 30, 2022

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CREDIT EUROPE BANK N.V.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended June 30, 2022

In thousands of EURO

	Notes	June 30, 2022	December 31, 2021
Assets			
Cash and balances at central banks	4	985,412	934,648
Financial assets at FVTPL	5	61,132	87,706
- Trading assets		27,230	68,511
-Non-trading assets mandatorily at FVTPL		33,902	19,195
Financial investments	6	601,970	693,291
Loans and receivables - banks	7	243,802	283,387
Derivative financial instruments	8	39,225	69,593
Loans and receivables - customers	9	2,840,309	2,753,014
Current tax assets		2,094	1,249
Deferred tax assets		87,099	79,324
Other assets	11	38,620	43,329
Inventory	11	45,316	47,942
Assets held for sale	31	16,123	597
Investment in associates and joint ventures		-	2,280
Property and equipment		105,705	99,133
Investment property		3,046	2,856
Intangible assets		7,402	7,120
Total assets		**5,077,255**	**5,105,469**
Liabilities			
Due to banks	12	606,952	799,098
Derivative financial instruments	8	101,601	87,878
Due to customers	13	3,508,827	3,326,040
Current tax liabilities		589	948
Other liabilities	14	37,029	33,976
Provisions	15	9,477	9,963
Deferred tax liabilities		18,869	18,183
Sub-total liabilities (excluding subordinated liabilities)		**4,283,344**	**4,276,086**
Subordinated liabilities	16	193,289	176,891
Total liabilities		**4,476,633**	**4,452,977**
Equity			
Equity attributable to owners of the Company		598,942	650,761
Equity attributable to non-controlling interests		1,680	1,731
Total equity	17	**600,622**	**652,492**
Total equity and liabilities		**5,077,255**	**5,105,469**

CREDIT EUROPE BANK N.V.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended June 30, 2022

In thousands of EURO

	Notes	January 1- June 30, 2022	January 1- June 30, 2021
Interest income from financial instruments measured at amortized cost and		66,615	59,928
Interest income from financial instruments measured at FVTPL		3,293	2,479
Interest expense from financial instruments measured at amortized cost		(20,766)	(18,375)
Net interest income	18	**49,142**	**44,032**
Fees and commissions income		19,742	17,231
Fees and commissions expense		(2,049)	(2,445)
Net fee and commission income	19	**17,693**	**14,786**
Revenue from repossessed assets	22	19,972	26,759
Net trading results	20	8,927	884
Net results on derecognition of financial assets measured at amortized cost	21	(2,435)	-
Net results from investment securities		(15,318)	3,220
Other operating income	22	3,197	3,910
Operating income		**(5,629)**	**8,014**
Net impairment result on financial assets	10	(4,980)	2,342
Net operating income		**76,198**	**95,933**
Personnel expenses		(30,425)	(27,542)
Core operating expenses	23	(13,557)	(12,147)
Depreciation and amortization		(6,435)	(6,473)
Other operating expenses	24	(2,693)	(991)
Expenses related to repossessed assets	22	(18,637)	(31,319)
Other impairment losses	25	(589)	-
Total operating expenses		**(72,336)**	**(78,472)**
Share of profit of associate		(2,449)	(2,243)
Operating profit before tax		**1,413**	**15,218**
Income tax result		3,118	(3,824)
Net results for the period		**4,531**	**11,394**
Net results for the period attributable to:			
Equity owners of the Company		4,513	11,381
Non-controlling interests		18	13

CREDIT EUROPE BANK N.V.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2022

In thousands of EURO

	January 1- June 30, 2022	January 1- June 30, 2021
Net results for the period	**4,531**	**11,394**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net result on hedge of net investments	6,968	1,461
Exchange differences on translations of foreign operations	(9,113)	(2,842)
Income tax relating to the above	(1,315)	1,563
Net change on foreign currency translation	**(3,460)**	**182**
Net change on debt instruments at FVOCI	(6,435)	(3,698)
Other comprehensive income that will not be reclassified to the income statement		
Net change on tangible revaluation reserves	(235)	18
Net change on equity instruments at FVOCI	(16,690)	4,662
Other comprehensive income for the period, net of tax	**(26,820)**	**1,164**
Total comprehensive income for the period, net of tax	**(22,289)**	**12,558**
Attributable to:		
Equity holders of the parent	(22,238)	12,540
Non-controlling interest	(51)	18

CREDIT EUROPE BANK N.V.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2022

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 December 31, 2021	**563,000**	**163,748**	**92,863**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**650,761**	**1,731**	**652,492**
IAS 29 impact	-	-	7,816	-	-	-	-	**7,816**	-	**7,816**
At January 1, 2022	**563,000**	**163,748**	**100,679**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**658,577**	**1,731**	**660,308**
Total comprehensive income										
Change in fair value reserve	-	-	-	(6,405)	-	-	-	**(6,405)**	(30)	**(6,435)**
Change in foreign currency translation reserve	-	-	-	-	-	-	(9,068)	**(9,068)**	(45)	**(9,113)**
Change in net investment hedge reserve	-	-	-	-	5,653	-	-	**5,653**	-	**5,653**
Change in fair value of equity instruments at FVOCI	-	-	(1,102)	(15,594)	-	-	-	**(16,696)**	6	**(16,690)**
Change in tangible revaluation reserve	-	-	-	-	-	(235)	-	**(235)**	-	**(235)**
Profit for the period	-	-	4,513	-	-	-	-	**4,513**	18	**4,531**
Total comprehensive income	**-**	**-**	**3,411**	**(21,999)**	**5,653**	**(235)**	**(9,068)**	**(22,238)**	**(51)**	**(22,289)**
Dividends declared and paid	-	-	(37,397)	-	-	-	-	**(37,397)**	-	**(37,397)**
At June 30, 2022	**563,000**	**163,748**	**66,693**	**(26,792)**	**(87,360)**	**232**	**(80,579)**	**598,942**	**1,680**	**600,622**

CREDIT EUROPE BANK N.V.

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

For the period ended June 30, 2022

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, 2021	**563,000**	**163,748**	**51,027**	**4,692**	**(99,355)**	**161**	**(72,413)**	**610,860**	**1,715**	**612,575**
Total comprehensive income										
Change in fair value reserve	-	-	-	(3,686)	-	-	-	**(3,686)**	(12)	**(3,698)**
Change in foreign currency translation reserve	-	-	-	-	-	-	(2,856)	**(2,856)**	14	**(2,842)**
Change in net investment hedge reserve	-	-	-	-	3,024	-	-	**3,024**	-	**3,024**
Change in fair value of equity instruments at FVOCI	-	-	3,340	1,319	-	-	-	**4,659**	3	**4,662**
Change in other reserve	-	-	-	-	-	18	-	**18**	-	**18**
Profit for the period	-	-	11,381	-	-	-	-	**11,381**	13	**11,394**
Total comprehensive income	**-**	**-**	**14,721**	**(2,367)**	**3,024**	**18**	**(2,856)**	**12,540**	**18**	**12,558**
At June 30, 2021	**563,000**	**163,748**	**65,748**	**2,325**	**(96,331)**	**179**	**(75,269)**	**623,400**	**1,733**	**625,133**

CREDIT EUROPE BANK N.V.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2022
In thousands of EURO

	Notes	January 1- June 30, 2022	January 1- June 30, 2021
Profit for the period from continuing operations		**4,531**	**11,394**
Adjustments for:			
Net impairment (reversal)/loss on financial assets	10	4,980	(2,342)
Depreciation and amortization		6,435	6,473
Net impairment on non-financial assets	25	589	-
Income tax expense		(3,118)	3,824
Net interest income		(49,142)	(44,032)
Effect of exchange rate differences		12,072	7,758
Provisions		(2,193)	726
		(25,846)	**(16,199)**
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(15,747)	(6,021)
Net change in financial assets at fair value through profit or loss	5	41,726	50,667
Loans and receivables - banks		39,585	(94,765)
Loans and receivables - customers		(96,014)	23,103
Other assets		93,631	84,647
Due to banks		(192,277)	26,383
Due to customers		182,788	104,817
Other liabilities		22,510	(55,577)
		76,202	**133,254**
Interest received		70,650	75,960
Interest paid		(17,769)	(18,836)
Income taxes paid		(58)	(987)
Net cash used in operating activities		**103,179**	**173,192**
Cash flows from investing activities			
Acquisition of financial investments		(567,485)	(564,408)
Proceeds from sales of financial investments		549,267	699,557
Acquisition of property and equipment		(958)	(3,742)
Proceeds from sale of property and equipment		633	123
Acquisition of intangibles		(510)	(1,638)
Dividends received	22(ii	596	1,236
Net cash used in investing activities		**(18,457)**	**131,128**
Cash flows from financing activities			
Dividends paid to shareholders		(37,397)	-
Payment of lease liabilities		(1,020)	(1,233)
Net cash from financing activities		**(38,417)**	**(1,233)**
Net cash from continuing operations		**46,304**	**303,087**
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		892,553	626,245
Effect of exchange rate fluctuations on cash and cash equivalents held		4,476	(2,084)
Cash and cash equivalents at June 30	4	**943,333**	**927,248**

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 three branches in the Netherlands, Germany and Malta. The Condensed Consolidated Financial Statements of the Bank as of June 30, 2022, comprise the figures of the Bank, its subsidiaries and associates. Together they are referred to as the ‘Bank’.

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 Özyeğin family.

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 2022.

2. Basis of preparation

The Bank's condensed consolidated financial statements as of June 30, 2022 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated 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 2021 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 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 2021. There is no new standards or material amendments to standards that are effective, were endorsed and adopted by the EU for annual periods beginning after 1 January 2022.

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

These condensed consolidated financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 16, 2022.

Other developments

Application of IAS 29 'Financial Reporting in Hyperinflationary Economies'

During the second quarter of 2022 Turkey became a hyperinflationary economy for accounting purposes. As The Bank has subsidiaries, which functional currency is TRY, in Turkey, IAS 29 'Financial Reporting in Hyperinflationary Economies' is applied to its operations as if the economy in Turkey had always been hyperinflationary. Given that The Bank presents its results in EUR, comparatives were not restated and IAS 29 was applied from 1 January 2022 with the impact of the first-time application and the effect for the period both shown in these Condensed consolidated financial statements for the six month period ended 30 June 2022.

Under IAS 29, the results of the operations in Turkey should be stated in terms of the current purchasing power at the reporting date. For that, the consumer price index (CPI) as determined by the Turkish Statistical Institute was used. The development of the CPI during the six month period ended 30 June 2022 was as follows (2003=100):

1 January 2022: 686.95

30 June 2022: 977.90

Change for the period: 42.35%

To state all the items in the financial statements in terms of their current purchasing power at the reporting date, The Bank restated the non-monetary items for the changes in CPI up to the reporting date. Monetary items (such as cash and balances with banks, loans) are not restated as they are already expressed in the current purchasing power.

Refer to Note 17 'Equity' for the impact of applying IAS 29 during the six month period ended 30 June 2022.

Use of estimates and judgements

The preparation of 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 2021.

For estimates used when measuring the fair values of financial instruments refer to Note 27.

Global Outlook

The post-pandemic economy is already afflicted by fluctuating demand and supply disruptions. Now, rising commodity and energy prices along with rising interest rates are a challenge for economies. Given the Covid-19 related disruptions, inflation rates have reached relatively high levels recently. The Ukraine/Russia war and impacts of Russia sanctions on supply chain further increased price pressures that were already climbing well before the conflict. These result in estimation uncertainty in the estimated expected credit loss.

Following the conflict between Ukraine and Russia, CEB's gross exposure to Russia and Ukraine decreased from EUR 129.3 to roughly EUR 61.2 million, including 10% minority stake in CEB Russia, in the first half of 2022. The risk reduction is largely due to full collection (or cash collateralization) of all trade finance receivables, partial maturity of local currency government bonds, fair value reduction of CEB's minority share in CEB Russia and the sale of a Russian Commercial real estate loan to a third party. In the meantime, CEB's total provisions for Russian and Ukrainian portfolio increased roughly to EUR 20 million, which corresponds roughly to 50% of corporate Russian and Ukrainian loan portfolios.

In the first half of 2022, the Bank continued to use the same macro model scenarios and factor projections that were used at 2021 year-end. That said, management overlays have been reviewed and updated where necessary to reflect the most recent macro-economic outlook in the first half of 2022. All modelled results are closely examined on case-by-case basis to determine the necessity for using management overlays in order to incorporate risk, which is not fully captured by the models. CEB has adjusted the ratings of customers to address shortcomings where model or data has limitations. Post model adjustments can have either positive or negative impact on ECL amount. While some borrowers experienced notable improvements in their liquidity, profitability and equity bases, the ones that have relatively lower equity base and lower access to liquidity are considered more vulnerable to the current macro-economic conditions. That said, CEB has witnessed mostly good operational margins in its portfolio and the number of management overlays used on ratings are rather limited. Besides rating overlays, LGD value of the performing Russian corporate exposure is stressed by 30%. Total post model adjustments resulted in 1.35 EUR million decrease in total provision amount as of June end.

Factor projections under multiple economic outlook scenarios and management overlays will be visited in the last quarter of 2022 and will be updated based on the global developments in 2022.

The table below shows the projections for the model parameters under three scenarios and their weights as of June 30, 2022 and December 31, 2021.

June 30, 2022

		2022	2023	2024	2025	2026	Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	9.82	8.62	8.40	6.79	5.44	15%
	Government budget balance (% of GDP)	-2.95	-3.03	-2.62	-2.04	-1.37	
Base Case	Exchange Rate (TRY/EUR) - change (%)	16.24	11.77	8.40	6.79	5.44	55%
	Government budget balance (% of GDP)	-3.48	-3.39	-3.23	-3.02	-2.75	
Downside	Exchange Rate (TRY/EUR) - change (%)	28.44	19.69	11.77	9.13	7.05	30%
	Government budget balance (% of GDP)	-5.28	-4.35	-4.09	-3.93	-3.83	
Balance Sheet Lending - Rest of World / PD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	15%
	Inflation (Emerging and Developing Europe) (%)	6.69	5.82	5.66	5.57	5.54	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	55%
	Inflation (Emerging and Developing Europe) (%)	8.51	7.74	7.41	7.33	7.42	
Downside	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	30%
	Inflation (Emerging and Developing Europe) (%)	12.26	9.58	8.51	8.10	7.86	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	8.88	8.46	8.11	7.80	7.55	15%
	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	9.13	8.82	8.67	8.58	8.49	55%
	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	10.81	10.12	9.74	9.64	9.63	30%
	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	15%
Base Case	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	55%
Downside	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	30%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.87	51.79	52.76	53.45	54.20	15%
	GDP (world) - change (%)	5.53	4.46	4.31	4.24	4.16	
	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.42	51.19	51.91	52.41	53.00	55%
	GDP (world) - change (%)	4.34	3.79	3.34	3.45	3.56	
	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	47.49	48.54	49.36	49.76	50.13	30%
	GDP (world) - change (%)	-2.82	3.47	3.06	2.88	2.76	
	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	
Global / LGD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	15%
	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	55%
	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	
Downside	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	30%
	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	

December 31,2021

		2022	2023	2024	2025	2026	Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	9.82	8.62	8.40	6.79	5.44	15%
	Government budget balance (% of GDP)	-2.95	-3.03	-2.62	-2.04	-1.37	
Base Case	Exchange Rate (TRY/EUR) - change (%)	16.24	11.77	8.40	6.79	5.44	55%
	Government budget balance (% of GDP)	-3.48	-3.39	-3.23	-3.02	-2.75	
Downside	Exchange Rate (TRY/EUR) - change (%)	28.44	19.69	11.77	9.13	7.05	30%
	Government budget balance (% of GDP)	-5.28	-4.35	-4.09	-3.93	-3.83	
Balance Sheet Lending - Rest of World / PD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	15%
	Inflation (Emerging and Developing Europe) (%)	6.69	5.82	5.66	5.57	5.54	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	55%
	Inflation (Emerging and Developing Europe) (%)	8.51	7.74	7.41	7.33	7.42	
Downside	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	30%
	Inflation (Emerging and Developing Europe) (%)	12.26	9.58	8.51	8.10	7.86	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	8.88	8.46	8.11	7.80	7.55	15%
	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	9.13	8.82	8.67	8.58	8.49	55%
	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	10.81	10.12	9.74	9.64	9.63	30%
	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	15%
Base Case	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	55%
Downside	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	30%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.87	51.79	52.76	53.45	54.20	15%
	GDP (world) - change (%)	5.53	4.46	4.31	4.24	4.16	
	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.42	51.19	51.91	52.41	53.00	55%
	GDP (world) - change (%)	4.34	3.79	3.34	3.45	3.56	
	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	47.49	48.54	49.36	49.76	50.13	30%
	GDP (world) - change (%)	-2.82	3.47	3.06	2.88	2.76	
	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	
Global / LGD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	15%
	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	55%
	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	
Downside	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	30%
	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	

The Bank performs validation and back-testing analysis annually and reviews all internal rating models, IFRS9 ECL calculation assumptions including the point-in-time PD calibrations and macroeconomic models that are used for forward looking adjustments. Based on the half-year back-testing results, macro models related to forward-looking adjustments will be updated in the last quarter of 2022 where deemed necessary. Due to point-in-time (PIT) calibration philosophy, all portfolios will be recalibrated to current forward-looking PIT PD levels before year-end. 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 2.43 million increase in impairment. The second scenario is designed to analyze the impairment impact of 1 notch downgrade throughout the entire corporate portfolio even though it is a very unlikely scenario. Downgrading all ratings by 1-notch results in EUR 8.96 million 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. The third scenario has an impact of EUR 3.85 million provision increase whereas the fourth scenario results in a provision increase of EUR 5.15 million.

e) Going concern

Having made appropriate enquiries, the Board is satisfied that the Bank as a whole have adequate resources to continue operational businesses for the foreseeable future and therefore continued to adopt the going concern basis in preparing the financial statements.

Update to significant accounting policies

a) Amendments and interpretations to standard are effective for annual periods beginning after 1 January 2022

There is no new standards or material amendments to standards that are effective, were endorsed and adopted by the EU for annual periods beginning after 1 January 2022.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Bank has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

The following amendments to standard is effective but has not been endorsed by the EU for annual periods beginning after 1 January 2022.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

The International Accounting Standards Board (IASB) has published ‘Amendments to IAS 12' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

IFRS 17 sets out requirements for the accounting, measurement and recognition of insurance contracts. IFRS 17 will be effective for reporting periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

The following amendments to standard is effective and being endorsed EU for annual periods beginning after 1 January 2022.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies (issued on 12 February 2021)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

3. Segment information

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

The Bank has five (2021: 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 and the Netherlands.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany, 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 Ukraine and Turkey.

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

3. Segment information *(continued)*

						June 30, 2022
	West Europe Retail	**West Europe Wholesale**	**Romania Retail**	**Romania Wholesale**	**Other**	**Total**
Interest income – external	66	50,983	10,829	6,847	1,183	69,908
Interest income – other segments	-	2,904	-	6	1	2,911
Interest revenue	**66**	**53,887**	**10,829**	**6,853**	**1,184**	**72,819**
Interest expenses – external	-	(15,950)	(3,575)	(1,109)	(132)	(20,766)
Interest expense – other segments	-	(549)	-	(709)	(1,653)	(2,911)
Interest expense	-	**(16,499)**	**(3,575)**	**(1,818)**	**(1,785)**	**(23,677)**
Net interest income	**66**	**37,388**	**7,254**	**5,035**	**(601)**	**49,142**
Net commission income – external	(1)	14,893	2,523	170	108	17,693
Net commission income – other segments	-	33	38	(1)	(70)	-
Revenue from repossessed assets	-	6,694	2,314	368	10,597	19,973
Trading and other income	19	(9,263)	1,093	1,276	1,245	(5,630)
Net impairment loss on financial assets	7	(5,530)	4,149	212	(3,818)	(4,980)
Depreciation and amortization expense	(39)	(3,234)	(1,256)	(724)	(1,182)	(6,435)
Other operating expenses	(366)	(30,905)	(7,374)	(6,912)	(1,707)	(47,264)
Expenses related to repossessed assets	-	(7,542)	(1,674)	-	(9,421)	(18,637)
Share of profit of associate	-	-	-	-	(2,449)	(2,449)
Operating profit before taxes	**(314)**	**2,534**	**7,067**	**(576)**	**(7,298)**	**1,413**
Income tax expense	100	4,480	(1,024)	(438)	-	3,118
Profit for the period	**(214)**	**7,014**	**6,043**	**(1,014)**	**(7,298)**	**4,531**
Other information at 30 June 2022 - Financial position						
Total assets	94,008	3,915,695	317,403	664,377	85,772	5,077,255
Total liabilities	2,258,800	1,560,406	266,020	372,521	18,886	4,476,633
Assets held for sale	-	10,885	-	-	5,238	16,123
Other information at 30 June 2022 - Income statement						
Reversal of impairment allowances no longer required	171	4,418	1,952	816	-	7,357

3. Segment information *(continued)*

						June 30, 2021
	West Europe Retail	**West Europe Wholesale**	**Romania Retail**	**Romania Wholesale**	**Other**	**Total**
Interest income – external	121	44,707	10,559	5,618	1,402	62,407
Interest income – other segments	-	2,556	-	51	9	2,616
Interest revenue	**121**	**47,263**	**10,559**	**5,669**	**1,411**	**65,023**
Interest expenses – external	-	(14,554)	(3,152)	(523)	(146)	(18,375)
Interest expense – other segments	-	(422)	-	(734)	(1,460)	(2,616)
Interest expense	**-**	**(14,976)**	**(3,152)**	**(1,257)**	**(1,606)**	**(20,991)**
Net interest income	**121**	**32,287**	**7,407**	**4,412**	**(195)**	**44,032**
Net commission income – external	4	12,096	2,455	101	130	14,786
Net commission income – other segments	-	(237)	320	(1)	(82)	-
Revenue from repossessed assets	-	3,517	887	-	22,355	26,759
Trading and other income	65	5,020	550	1,318	1,061	8,014
Trading and other income– other segments	-	(15)	-	-	15	-
Net impairment loss on financial assets	(40)	205	1,416	(153)	914	2,342
Depreciation and amortization expense	(50)	(2,794)	(1,571)	(923)	(1,136)	(6,473)
Other operating expenses	(571)	(26,423)	(7,332)	(4,629)	(1,724)	(40,680)
Expenses related to repossessed assets	-	(10,836)	(324)	-	(20,159)	(31,319)
Share of profit of associate	-	-	-	-	(2,243)	(2,243)
Operating profit before taxes	**(471)**	**12,820**	**3,808**	**125**	**(1,064)**	**15,218**
Income tax expense	151	(2,802)	(765)	(282)	(127)	(3,824)
Profit for the period	**(320)**	**10,018**	**3,043**	**(157)**	**(1,191)**	**11,394**
Other information at 31 December 2021 - Financial position						
Total assets	106,462	3,907,252	326,196	673,542	92,017	5,105,469
Total liabilities	2,277,816	1,443,702	265,862	430,974	34,624	4,452,977
Investment in associates and joint ventures	-	-	-	-	2,280	2,280
Assets held for sale	-	-	-	-	597	597
Other information at 30 June 2021 - Income statement						
Reversal of impairment allowances no longer required	73	7,970	1,206	724	-	9,973

Information about major customers

As of June 30, 2022, there is no single customer revenues from which individually exceeded 10% of total revenue (June 30, 2021: 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, 2022	December 31, 2021
Balances with central banks	969,698	918,786
Cash on hand	15,714	15,862
Total	**985,412**	**934,648**

Deposits at central banks include reserve deposits amounting to EUR 42,079 (2021: EUR 42,095), 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, 2022	December 31, 2021
Cash and balances at central banks	985,412	934,648
Less: reserve deposits at central banks	(42,079)	(42,095)
Cash and cash equivalents in the statement of cash flows	**943,333**	**892,553**

5. Financial assets at fair value through profit or loss

	June 30, 2022	December 31, 2021
Financial assets held for trading		
Trading loans	24,863	65,457
Corporate bonds	1,915	888
Government bonds	452	-
Equity instruments	-	2,166
Total financial assets held for trading	**27,230**	**68,511**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	30,647	16,197
Equity instruments	3,255	2,998
Total non-trading financial assets mandatorily at FVTPL	**33,902**	**19,195**
Total financial assets at fair value through profit or loss	**61,132**	**87,706**

As of June 30, 2022, EUR 5,622 (2021: EUR 6,052) are listed financial instruments and EUR 55,511 (2021: EUR 81,654) are non-listed financial instruments.

As of June 30, 2022, there are no financial asset that have been sold or re-pledged under repurchase agreements (2021: 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, 2022	December 31, 2021
Financial investments at FVOCI	492,342	676,169
Financial investments at amortized cost	109,628	17,122
Total	**601,970**	**693,291**

As of June 30, 2022, EUR 37,011 financial assets may have been sold or re-pledged under repurchase agreements (2021: EUR 130,318). 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 exchange markets where the Bank acts as an intermediary.

	June 30, 2022	December 31, 2021
Government bonds	483,256	482,216
Loans and advances	69,011	125,471
Bank bonds	19,445	26,106
Equities	17,733	43,351
Corporate bonds	12,525	16,147
Total	**601,970**	**693,291**

As of June 30, 2022 EUR 529,294 (2021: EUR 553,823) of the total are listed financial instruments and EUR 72,676 (2021: EUR 139,468) are non-listed financial instruments.

The Bank elected to apply the FVOCI option to the equity investments, which consists of instruments that provide a strategic source of stable dividend income.

The Bank's equity investments as of June 30, 2022 and December 31, 2021 are listed as below:

			June 30, 2022
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	9,791	260	Based on quoted market prices
Other	7,942	336	Based on quoted market prices
Total	**17,733**	**596**	

			December 31, 2021
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	17,967	815	Based on quoted market prices
CEB Russia - minority share*	12,285	937	Discounted cash flow
Other	13,099	319	Based on quoted market prices
Total	**43,351**	**2,071**	

(*) Please refer to Note 27 'Fair value hierarchy' for significant unobservable inputs. In 2022, the Bank's 10% share in former subsidiary CEB Russia is classified as "Assets held for sale". Further details are provided in Note 31 'Assets held for sale'.

7. Loans and receivables – banks

	June 30, 2022	December 31, 2021
Placements with other banks	199,158	229,301
Loans and advances	44,963	54,282
Subtotal	**244,121**	**283,583**
Allowances for expected credit losses	(319)	(196)
Total	**243,802**	**283,387**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 64,781 (2021: EUR 47,832).

Changes in loans, impairment charges and allowances 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, 2022	**283,583**	**(196)**	**-**	**-**	**-**	**-**	**283,583**	**(196)**
Originated or purchased	137,246	(227)	-	-	-	-	137,246	(227)
Matured or sold	(172,973)	110	-	-	-	-	(172,973)	110
Re-measurement	(4,585)	(6)	-	-	-	-	(4,585)	(6)
Exchange differences	850	-	-	-	-	-	850	-
At June 30, 2022	**244,121**	**(319)**	**-**	**-**	**-**	**-**	**244,121**	**(319)**

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2021	**204,314**	**(341)**	**-**	**-**	**-**	**-**	**204,314**	**(341)**
Originated or purchased	162,608	(69)	-	-	-	-	162,608	(69)
Matured or sold	(128,278)	215	-	-	-	-	(128,278)	215
Re-measurement	62,162	(81)	-	-	-	-	62,162	(81)
Exchange differences	(1,795)	3	-	-	-	-	(1,795)	3
At June 30, 2021	**299,011**	**(273)**	**-**	**-**	**-**	**-**	**299,011**	**(273)**

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, 2022			**December 31, 2021**		
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	596,650	2,974	2,975	155,340	2,934	2,934
Foreign currency swaps	50,334	190	1,396	51,118	22,846	22,878
Foreign currency forwards	67,262	158	276	8,145	175	170
Foreign currency options (purchased)	62,936	1,233	-	-	-	-
Foreign currency options (sold)	62,936	-	1,234	-	-	-
Total	**840,118**	**4,555**	**5,881**	**214,603**	**25,955**	**25,982**
Derivatives in economic hedge relationship						
Interest rate swaps	7,019	32	31	7,006	161	161
Foreign currency swaps	1,238,010	20,801	65,653	1,274,309	39,035	53,241
Forwards	92,426	639	672	287,949	922	727
Total	**1,337,455**	**21,472**	**66,356**	**1,569,264**	**40,118**	**54,129**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	783,000	6,080	21,919	457,413	273	34
Foreign currency swaps	4,822	4,961	-	17,627	129	-
Total	**787,822**	**11,041**	**21,919**	**475,040**	**402**	**34**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	344,672	2,157	7,445	346,366	3,118	7,733
Total	**344,672**	**2,157**	**7,445**	**346,366**	**3,118**	**7,733**
Total Derivatives	**3,310,067**	**39,225**	**101,601**	**2,605,273**	**69,593**	**87,878**

Derivative financial instruments held or issued for trading purposes: A financial asset is held for trading if the Bank acquired it for the purpose of selling in the near future or is part of a portfolio of financial assets subject to trading. Derivative assets are always treated as held for trading unless they are effective hedging instruments.

Derivatives in economic hedge relationships: Most of the Bank's derivatives in economic hedge relationships relate to asset and liability management of the Bank and deals with customers who are normally laid off with counterparties. Included in this classification are any derivatives entered into by the Bank in order to hedge economically 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 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, 2022	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	2,448	-	-	5,031
Fixed rate FVOCI debt instruments	30,957	-	-	6,373
Fixed rate subordinated liabilities	-	174,138	37	-
Subtotal	**33,405**	**174,138**	**37**	**11,404**
Portfolio fair value hedges				
Fixed rate customer deposits	-	546,037	10,472	-
Subtotal	**-**	**546,037**	**10,472**	**-**
Total	**33,405**	**720,175**	**10,509**	**11,404**

December 31, 2021	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	11,141	-	-	5,890
Fixed rate FVOCI debt instruments	120,500	-	-	2,933
Fixed rate subordinated liabilities	-	159,584	-	2,970
Subtotal	**131,641**	**159,584**	**-**	**11,793**
Portfolio fair value hedges				
Fixed rate customer deposits	-	158,897	-	332
Subtotal	**-**	**158,897**	**-**	**332**
Total	**131,641**	**318,481**	**-**	**12,125**

The following table sets out the outcome of 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. Ineffectiveness has been recognised under PL line “Net trading result”. Main source of ineffectiveness are the minor notional/schedule/interest rate differences of hedged and hedging items, floating leg of hedging item and the differences in yield curves used for hedged and hedging items during hedge ineffectiveness tests.

June 30, 2022		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	Foreign currency contracts	859	(1,058)	(199)
Fixed rate FVOCI debt instruments	Interest rate swaps	(3,435)	2,832	(603)
Subtotal		**(2,576)**	**1,774**	**(802)**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	2,786	(2,894)	(108)
Subtotal		**2,786**	**(2,894)**	**(108)**
Total micro fair value relationships		**210**	**(1,120)**	**(910)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	10,804	(10,826)	(22)
Subtotal		**10,804**	**(10,826)**	**(22)**
Total portfolio fair value hedge relationships		**10,804**	**(10,826)**	**(22)**
Total		**11,014**	**(11,946)**	**(932)**

December 31, 2021		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	(41)	42	1
Fixed rate corporate loans	Foreign currency contracts	(1,506)	1,448	(58)
Fixed rate FVOCI debt instruments	Interest rate swaps	(5,241)	5,328	87
Subtotal		**(6,788)**	**6,818**	**30**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	3,019	(3,784)	(765)
Subtotal		**3,019**	**(3,784)**	**(765)**
Total micro fair value relationships		**(3,769)**	**3,034**	**(735)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	693	(831)	(137)
Subtotal		**693**	**(831)**	**(137)**
Total portfolio fair value hedge relationships		**693**	**(831)**	**(137)**
Total		**(3,076)**	**2,203**	**(872)**

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

June 30, 2022	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Foreign currency contracts	4,822	-	-	4,822
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	6,441	48,619	55,060
Fixed rate subordinated liabilities				
Interest rate swaps	173,052	-	-	173,052
Fixed rate customer deposits				
Interest rate swaps	49,852	224,064	280,972	554,888
Total	**227,726**	**230,505**	**329,591**	**787,822**

December 31, 2021	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Foreign currency contracts	14,467	3,160	-	17,627
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	-	130,699	130,699
Fixed rate subordinated liabilities				
Interest rate swaps	-	158,597	-	158,597
Fixed rate customer deposits				
Interest rate swaps	-	168,117	-	168,117
Total	**14,467**	**329,874**	**130,699**	**475,040**

-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, 2022
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	(850)	(1,056)
RON	3,858	136
CHF	4,939	4,832
UAH	19	(37)
TRY	203	(1,062)
Total	**8,169**	**2,813**

		December 31, 2021
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	1,664	1,936
RON	709	(3,090)
CHF	5,472	5,813
UAH	32	1,218
TRY	(1,080)	(4,861)
Total	**6,797**	**1,016**

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

June 30, 2022	**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	2,145	-	30	850	-	850
RON swaps	202,365	1,658	2,830	(3,858)	-	(3,858)
CHF swaps	131,605	(33)	3,438	(4,939)	-	(4,939)
UAH swaps	-	-	-	(19)	-	(19)
TRY swaps	8,557	531	1,147	(203)	-	(203)
Total	**344,672**	**2,156**	**7,445**	**(8,169)**	**-**	**(8,169)**

December 31, 2021	**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	20,250	45	2	(1,664)	-	(1,664)
RON swaps	178,943	1,416	1,533	(709)	-	(709)
CHF swaps	130,366	(304)	4,915	(5,472)	-	(5,472)
UAH swaps	4,000	19	40	(32)	-	(32)
TRY swaps	12,807	1,943	1,243	1,080	-	1,080
Total	**346,366**	**3,119**	**7,733**	**(6,797)**	**-**	**(6,797)**

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

	Less than 1 month	1 to 3 months	3 to 12 months	Total
RON swaps	57,147	31,548	113,670	202,365
CHF swaps	53,072	-	78,533	131,605
TRY swaps	1,542	6,225	790	8,557
USD swaps	2,145	-	-	2,145
Total at June 30, 2022	**113,906**	**37,773**	**192,993**	**344,672**

	Less than 1 month	1 to 3 months	3 to 12 months	Total
RON swaps	51,502	81,809	45,632	178,943
CHF swaps	44,909	55,928	29,529	130,366
USD swaps	20,250	-	-	20,250
TRY swaps	982	8,105	3,720	12,807
UAH swaps	4,000	-	-	4,000
Total at December 31, 2021	**121,643**	**145,842**	**78,881**	**346,366**

9. Loans and receivables – customers

	June 30, 2022	December 31, 2021
Commercial loans	2,581,331	2,393,942
Consumer loans	238,673	239,866
Credit card loans	83,275	85,510
Finance lease receivables, net	4,904	5,320
Private banking loans	81	-
Public sector loans	-	86,539
Subtotal	**2,908,264**	**2,811,177**
Allowances for expected credit losses	**(67,955)**	**(58,163)**
-Commercial loans	(43,810)	(36,078)
-*Consumer loans*	(23,646)	(20,630)
-*Credit card loans*	(382)	(1,319)
-Finance lease receivables, net	(117)	(136)
Total	**2,840,309**	**2,753,014**

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.

Details of finance lease receivables are summarized below:

	June 30, 2022	December 31, 2021
Not later than 1 year	1,197	1,198
Later than 1 year and not later than 5 years	3,928	3,926
Later than 5 years	164	655
Gross lease receivables	**5,289**	**5,779**
Not later than 1 year	(131)	(144)
Later than 1 year and not later than 5 years	(253)	(308)
Later than 5 years	(1)	(7)
Unearned interest income	**(385)**	**(459)**
Finance lease receivables, net	**4,904**	**5,320**

10. Loans to customers, impairment charges and allowances

June 30, 2022

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**2,347,783**	**(10,251)**	**267,092**	**(21,546)**	**196,302**	**(26,366)**	**2,811,177**	**(58,163)**
Originated or purchased	1,379,693	(2,103)	1,788	-	1,525	4	**1,383,006**	**(2,099)**
Matured or sold	(1,230,668)	2,229	(16,410)	2,076	(8,629)	2,939	**(1,255,707)**	**7,244**
Transfers to Stage 1	17,495	(404)	(16,286)	275	(1,209)	130	**-**	**1**
Transfers to Stage 2	(17,403)	210	21,849	(2,752)	(4,825)	885	**(379)**	**(1,657)**
Transfers to Stage 3	(16,662)	2	(7,176)	628	23,838	(629)	**-**	**1**
Re-measurement	(483)	(591)	(30,157)	3,637	2,741	(11,350)	**(27,899)**	**(8,304)**
Amounts written off	-	-	-	-	(2,225)	1,421	**(2,225)**	**1,421**
Exchange differences	227	576	49	(68)	15	(6,907)	**291**	**(6,399)**
Balance at period end	**2,479,982**	**(10,332)**	**220,749**	**(17,750)**	**207,533**	**(39,873)**	**2,908,264**	**(67,955)**

June 30, 2021

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**1,866,993**	**(14,399)**	**539,825**	**(32,530)**	**237,325**	**(32,690)**	**2,644,143**	**(79,619)**
Originated or purchased	1,092,144	(3,480)	7,370	-	510	-	**1,100,024**	**(3,480)**
Matured or sold	(996,354)	1,948	(25,375)	341	(58,445)	5,702	**(1,080,174)**	**7,991**
Transfers to Stage 1	28,323	(345)	(28,323)	345	-	-	-	-
Transfers to Stage 2	(92,729)	966	94,224	(1,166)	(1,495)	200	-	-
Transfers to Stage 3	(890)	6	(8,967)	1,518	9,857	(1,524)	-	-
Re-measurement	(42,763)	565	(41,043)	122	37,672	(8,439)	**(46,134)**	**(7,752)**
Amounts written off	-	-	-	-	(6,990)	5,216	**(6,990)**	**5,216**
Exchange differences	(734)	(171)	797	392	(224)	404	**(161)**	**625**
Balance at period end	**1,853,990**	**(14,910)**	**538,508**	**(30,978)**	**218,210**	**(31,131)**	**2,610,708**	**(77,019)**

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

			June 30, 2022		June 30, 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans to customers at amortized cost	3,561	3,218	(11,031)	(4,252)	**1,194**
Credit related commitments (non-cash loans)	(585)	10	(21)	(596)	**1,080**
Loans to banks at amortized cost	(110)	-	-	(110)	**70**
Debt securities measured at FVOCI	(22)	-	-	(22)	**(2)**
Net impairment loss on financial instruments	**2,844**	**3,228**	**(11,052)**	**(4,980)**	**2,342**

There is no loans and receivables written off during the period (2021: EUR 1,137), which are still subject to enforcement activity.

11. Other assets and inventories

	June 30, 2022	**December 31, 2021**
Repossessed assets classified as inventories*	45,316	47,942
Contract assets	9,894	11,428
Receivables from DSB	6,259	6,259
Prepayments to suppliers	4,786	3,998
Materials and supplies	4,103	2,443
Accounts receivable	1,954	1,829
Other assets	11,624	17,372
Total	**83,936**	**91,271**

(*) Repossessed assets classified as inventories includes land, commercial and residential real estate amounting to EUR 43.3 million (2021: EUR 39 million), and a yacht amounting to EUR 2 million (2021: EUR 2 million).
In 2022, EUR 4.6 million commercial real estate (2021: EUR 3.3 million) and EUR 4.5 million artworks (2021: EUR 6 million) are classified as "Assets held for sale". Please refer to Note 27 'Fair value hierarchy' for significant unobservable inputs for the assets, which are classified as "Assets held for sale".

12. Due to banks

	June 30, 2022	December 31, 2021
Time deposits	431,737	627,427
Targeted longer term refinancing operations (TLTRO)	143,927	144,719
Current accounts	31,288	26,952
Total	**606,952**	**799,098**

The amount of repo transactions in time deposits is EUR 37,011 (2021: EUR 130,318).

The funding obtained under the targeted longer-term refinancing operations III (TLTRO III) is presented separately in this disclosure. With the TLTROs, the ECB offers banks long-term funding at attractive conditions, with the aim to further incentivize bank lending to the real economy. The legal maturity date of the current TLTRO-loans lies between December 2022, June 2023, and March 2024 with a quarterly early repayment option. The interest rate to be applied is partly linked to the issuance of new loans to non-financial corporations and households in the Eurozone. For the period of 24 June 2020 to 24 June 2022 the interest rate is set by DNB at -1% because CEB met the relevant benchmark. For the part of the maturity falling outside this special period, the interest rate will be the average ECB Deposit Facility Rate (As of June 30, 2022: -0.5%)

13. Due to customers

	June 30, 2022	December 31, 2021
Retail saving and demand deposits	1,288,900	1,305,542
Retail time deposits	1,226,248	1,239,484
Corporate demand deposits	740,027	506,378
Corporate time deposits	253,652	274,636
Total	**3,508,827**	**3,326,040**

As of June 30, 2022, the Bank maintained customer deposit balances of EUR 36,083 (2021: EUR 35,847), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2022, EUR 1,398,278 (2021: EUR 1,421,435) of deposits from customers are expected to be settled in more than 12 months after the balance sheet date.

14. Other liabilities

	June 30, 2022	December 31, 2021
Lease liabilities	12,405	8,040
Advances from customers	6,168	9,014
Accrued expenses	5,487	4,819
Credit card payables	2,574	2,531
Items in the course of settlement	607	2,486
Other liabilities	9,788	7,086
Total	**37,029**	**33,976**

15. Provisions

	June 30, 2022	December 31, 2021
Litigation(*)	3,595	3,955
Staff related	3,134	4,524
- Vacation pay liability	*1,949*	*1,636*
- Bonus provision	*954*	*293*
- Employee termination benefits	*67*	*1,027*
- Other	*164*	*1,568*
Credit related commitments	2,709	1,452
Other	39	32
Total	**9,477**	**9,963**

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Bank's and the Bank's subsidiary, Credit Europe Bank (Romania) SA, are involved as of June 30, 2022. Further details are provided in Note 28: Commitments and Contingencies.

The table below presents movement in total provisions:

				June 30, 2022
	Litigation	Staff related	Credit related commitments	Other
At January 1, 2022	**3,955**	**4,524**	**1,452**	**32**
Addition	137	1,280	1,252	6
Provisions used during the period	-	(1,624)	-	-
Reversal	(516)	(878)	-	-
Currency translation differences	19	(168)	5	1
At June 30, 2022	**3,595**	**3,134**	**2,709**	**39**

				December 31, 2021
	Litigation	Staff related	Credit related commitments	Other
At January 1, 2021	**3,830**	**3,772**	**2,660**	**28**
Addition	1,410	1,098	188	18
Provisions used during the period	-	(1,144)	-	(16)
Reversal	(398)	(40)	(1,193)	-
Currency translation differences	(73)	(6)	(74)	(2)
At June 30, 2021	**4,769**	**3,680**	**1,581**	**28**

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, 2022	December 31, 2021
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	November 2027	November 2022	145,070	132,689
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	Perpetual	December 2022	48,219	44,202
Total			**193,289**	**176,891**

Changes in liabilities arising from financial activities

Subordinated loans	June 30, 2022	June 30, 2021
Balance at the beginning of the period	176,891	162,916
Interest expense	7,044	6,391
Interest paid	(7,194)	(6,290)
Foreign exchange movement	16,548	5,669
Balance at period end	**193,289**	**168,686**

17. Equity

	June 30, 2022	December 31, 2021
Share capital	563,000	563,000
Share premium	163,748	163,748
Retained earnings*	66,693	92,863
Tangible revaluation reserve	232	467
Fair value reserve	(26,792)	(4,793)
Foreign currency translation reserve	(80,579)	(71,511)
Net investment hedge reserve	(87,360)	(93,013)
Equity attributable to owners of the Parent Company	**598,942**	**650,761**
Equity attributable to non-controlling interests	1,680	1,731
Total equity	**600,622**	**652,492**

(*) In March 2022 the Bank paid a dividend of EUR 37.4 million to its direct shareholder, Credit Europe Group N.V.

As of June 30, 2022, the authorized share capital is EUR 1,000 million (2021: EUR 1,000 million) and consists of EUR 1,000 million (2021: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 563 million (2021: 563 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.

IAS 29 'Hyperinflation'

In 2022 Turkey was deemed a hyperinflationary economy for accounting purposes and the Bank started applying IAS 29 'Hyperinflation' on its foreign investment in Turkey. All non-monetary balance sheet positions are stated at 'the measuring unit current at the end of the reporting period' (by indexation using general price indexes as from the date of acquisition of the non-monetary item, or the date of the latest revaluation of non-monetary items measured at revalued amounts). Indexation effect is reflected in Equity. The IAS 29 indexation impact on equity at an amount of EUR 7.8 million in retained earnings.

18. Net interest income

	January 1- June 30, 2022	January 1- June 30, 2021
Interest income from financial instruments measured at amortized cost and FVOCI	**66,615**	**59,928**
Loans and receivables – customers	61,726	55,008
Financial investments	2,753	2,829
Loans and receivables – banks	1,319	1,305
Cash and balances at central banks*	740	699
Interest on financial lease	77	87
Interest income from financial instruments measured at FVTPL	**3,293**	**2,479**
Financial assets held for trading	2,745	2,351
Non-trading financial assets mandatorily at FVTPL	548	128
Subtotal	**69,908**	**62,407**
Interest expense from financial instruments measured at amortized cost	**20,766**	**18,375**
Due to customers	9,819	9,979
Subordinated liabilities	5,326	4,513
Due to banks	3,521	2,244
Cash and balances at central banks	2,070	1,612
Lease liabilities	30	27
Subtotal	**20,766**	**18,375**
Total	**49,142**	**44,032**

(*) Includes EUR 722 negative TLTRO interest (2021: EUR 689).

Interest result on instruments classified at amortised cost and assets measured at FVOCI is presented in 'Interest income/expense from financial instruments measured at amortized cost and FVOCI'. Interest result on instruments designated and mandatorily at fair value are presented in 'Interest income/expense from financial instruments measured at FVTPL'.

Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

19. Net fee and commission income

	January 1- June 30, 2022	January 1- June 30, 2021
Fee and commission income		
Letters of credit commissions	7,367	5,527
Cash loan fees	5,155	4,864
Credit card fees	3,095	3,259
Commission on account maintenance	975	736
Payment and transaction services fees	854	888
Portfolio and other management fees	379	358
Other fees and commissions	1,917	1,599
Subtotal	**19,742**	**17,231**
Fee and commission expense		
Credit card fees	1,275	1,286
Payment and transaction services expense	298	648
Other fee and commission expenses	476	511
Subtotal	**2,049**	**2,445**
Total	**17,693**	**14,786**

20. Net trading results

	January 1- June 30, 2022	January 1- June 30, 2021
Foreign exchange	43,547	16,292
Interest rate derivatives	15,034	1,581
Trading loans	1,885	3,266
Debt securities	(326)	(65)
Derivative financial instruments - hedge accounting	(932)	(417)
Dividend on FVTPL investments	-	91
Non trading financial assets mandatorily at FVTPL	-	1,320
Subtotal	**59,208**	**22,068**
Derivative financial instruments - not qualifying for hedge accounting	(50,281)	(21,184)
of which interest component	*(8,397)*	*(6,343)*
of which MTM component	*684*	*(5)*
of which FX component	*(42,567)*	*(14,836)*
Total	**8,927**	**884**

21. Net results on derecognition of financial assets measured at amortized cost

As of June 30, 2022, EUR 2,435 (2021: None) transaction loss is recognized due to partial sale of the Russian risk portfolio.

22. Revenue from repossessed assets and other operating income

i. Revenue from repossessed assets

	January 1- June 30, 2022	January 1- June 30, 2021
Revenue from shipbuilding activities	10,597	22,355
Shipping charter and freight income	6,694	3,517
Gain on disposal of repossessed assets	2,681	887
Total	**19,972**	**26,759**

The revenue in the table above relates to assets that the Bank has repossessed as part of the foreclosure of collateral. In the efforts to maximize the proceeds, the Bank operates these assets while optimizing their performance before selling them. While it is the Bank’s intention to sell these assets, they do not yet meet the requirements to be presented as assets held for sale under IFRS 5 and consequently present revenue as revenue from discontinued operations. As of June 30, 2022, the total amount of work in progress relating to the shipbuilding activities amounts to EUR 0.4 million, whereas EUR 6.1 million in advance payments was received.

The table below includes an overview of revenue and expenses associated with repossessed assets.

	January 1- June 30, 2022	January 1- June 30, 2021
Revenue from repossessed assets	19,972	26,759
Direct materials used in shipbuilding activities	4,114	13,941
Other expenses associated with shipbuilding activities	4,376	4,121
Vessels running costs	6,602	8,987
Employee expenses	931	2,097
Other	2,614	2,173
Expenses related to repossessed assets	**18,637**	**31,319**
Depreciation	2,843	2,033
Net impairment result (Note 25)	589	-
Expenses related to repossessed assets recognized in other PL items	**3,432**	**2,033**
Net result (pre-tax)	**(2,097)**	**(6,593)**

ii. Other operating income

	January 1- June 30, 2022	January 1- June 30, 2021
Net monetary gain*	923	0
Dividend income	596	1,236
Other income	1,678	2,674
Total	**3,197**	**3,910**

(*) In 2022, EUR 923 net monetary gain reflecting the IAS 29 hyperinflation impact in Turkey related to the indexation of Turkey's statement of financial position.

23. Core operating expenses

	January 1- June 30, 2022	January 1- June 30, 2021
Professional fees and consultancy	2,618	1,899
Communication and information expenses	1,599	1,531
Information technology expenses	1,576	1,432
Rent and maintenance expenses	1,453	1,670
Contributions and subscriptions	1,186	749
Supervision fees	940	895
Legal services expenses	727	664
Taxes other than income	668	892
Stationary, office supplies and printing expense	459	465
Other expenses	2,331	1,950
Total	**13,557**	**12,147**

24. Other operating expenses

	January 1- June 30, 2022	January 1- June 30, 2021
Provision addition	544	264
Fines and penalties	208	131
Other	1,941	596
Total	**2,693**	**991**

25. Other impairment losses

	January 1- June 30, 2022	January 1- June 30, 2021
Repossessed assets classified as inventories	589	-
Total	**589**	**-**

26. Taxation

The Bank recognizes the current and deferred tax consequences of transactions that have been included in the 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.

27. Fair value information

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

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

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

Classification of financial assets and liabilities

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

						June 30, 2022
	Trading	**Designated at FVTPL**	**Measured mandatorily at FVTPL**	**Measured at amortized cost**	**Measured at FVOCI**	**Other amortized costs**
Cash and balances at central banks	-	-	-	985,412	-	-
Financial assets at FVTPL	-	27,230	33,902	-	-	-
Financial investments	-	-	-	109,628	492,342	-
Loans and receivables - banks	-	-	-	243,802	-	-
Loans and receivables - customers	-	-	-	2,840,309	-	-
Derivative financial instruments	39,225	-	-	-	-	-
Total assets	**39,225**	**27,230**	**33,902**	**4,179,151**	**492,342**	**-**
Due to banks	-	-	-	-	-	606,952
Due to customers	-	-	-	-	-	3,508,827
Derivative financial instruments	101,601	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	193,289
Total liabilities	**101,601**	**-**	**-**	**-**	**-**	**4,309,068**

						December 31, 2021
	Trading	**Designated at FVTPL**	**Measured mandatorily at FVTPL**	**Measured at amortized cost**	**Measured at FVOCI**	**Other amortized costs**
Cash and balances at central banks	-	-	-	934,648	-	-
Financial assets at FVTPL	-	68,511	19,195	-	-	-
Financial investments	-	-	-	17,122	676,169	-
Loans and receivables - banks	-	-	-	283,387	-	-
Loans and receivables - customers	-	-	-	2,753,014	-	-
Derivative financial instruments	69,593	-	-	-	-	-
Total assets	**69,593**	**68,511**	**19,195**	**3,988,171**	**676,169**	**-**
Due to banks	-	-	-	-	-	799,098
Due to customers	-	-	-	-	-	3,326,040
Derivative financial instruments	87,878	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	176,891
Total liabilities	**87,878**	**-**	**-**	**-**	**-**	**4,302,029**

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 consider them 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.

Interest rate benchmark reform

The Bank has been closely monitoring market developments, announcements from industry bodies and regulators about IBOR Benchmark transition and has taken the necessary steps to be ready for the upcoming changes in this regard in a timely manner.

Core Banking Treasury modules have been developed to address current and potential future needs arising from the move to RFRs.

The bank, in line with SOFR-First initiative, moved Interest Rate Swap and Cross-currency Swap activities to RFR based derivatives and moved valuations to RFR based curves when appropriate.

The bank has adhered to 2020 ISDA IBOR Fallbacks Protocols, effectively incorporating robust fallbacks to its protocol covered contracts. Legacy derivatives transaction in the bank`s books that reference LIBOR are all executed under ISDA and are limited in number and value.

The Bank also adhered to ISDA 2021 EONIA Collateral Agreement Fallbacks Protocol in October 2021 largely completed its efforts to amend its CSAs (ISDA) bilaterally with counterparties where needed.

The Bank has engaged a law firm as its legal counsel to advice on legal aspects of the LIBOR transition. The scope of the legal engagement comprises (i) providing general advice on various aspects of the LIBOR transition; (ii) creating amendment templates to existing loan agreements; (iii) updating standard loan agreements; and (iv) preparing client communications and guidance notes for clients.

The Bank has also been in line with the timelines for transition related to new loan issuance. Since 2022, the floating rate USD Loans have been issued based on SOFR. Core’s loan module has also been successfully developed to address RFR related requirements and is being actively used in production.

Hedge accounting

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 equal to the total notional of hedged items which is USD 180 million. These hedge relationships will mature in 2022, before IBOR benchmark transition deadline.

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.

Since the result of the hedge relationships is floating rate, the Bank does not expect material impact or ineffective test result, caused by the interest rate benchmark reform.

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.

Loans mandatorily at fair value through profit or loss: All financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition as fair value through profit or loss.

In 2022, 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, 2022	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	5	2,366	-	24,864	27,230
Derivative financial assets	8	-	39,225	-	39,225
Equity instruments measured at FVOCI	6	14,068	798	2,866	17,732
Equity instruments classified as AHS*	31	-	-	6,351	6,351
Non-trading assets mandatorily at FVTPL	5	3,255	-	30,647	33,902
Other financial investments	6	405,598	-	69,012	474,610
Total		**425,287**	**40,023**	**133,740**	**599,050**
Financial liabilities					
Derivative financial liabilities	8	-	101,601	-	101,601
Total		**-**	**101,601**	**-**	**101,601**

December 31, 2021	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	5	3,054	-	65,457	68,511
Derivative financial assets	8	-	69,593	-	69,593
Equity instruments measured at FVOCI	6	29,355	-	13,996	43,351
Non-trading assets mandatorily at FVTPL	5	6,055	-	13,140	19,195
Other financial investments	6	507,347	-	125,471	632,818
Total		**545,811**	**69,593**	**218,064**	**833,468**
Financial liabilities					
Derivative financial liabilities	8	-	87,878	-	87,878
Total		**-**	**87,878**	**-**	**87,878**

(*) In 2022, the Bank's 10% share in former subsidiary CEB Russia is classified as "Assets held for sale".

No financial instruments were transferred from Level 1 to Level 2 in 2022. (2021: None)
No financial instruments were transferred from Level 1 and Level 2 to Level 3 in 2022. (2021: None)

Level 3 Financial assets and liabilities

Fair value measurements using significant inputs that are unobservable in the market due to limited activity or an illiquid 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, 2022, EUR 9,217 (2021: EUR 13,996) securities were classified as Level 3.

During 2022, 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. (2021: None)

Loans and receivable 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 in line with IFRS 13 requirements 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, land and buildings. Assets held for sale is measured at lower of the carrying amount or fair value less cost to sell.

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 25: Other impairment loss.

In 2022, there has been no change in valuation techniques.

As at June 30, 2022 the Bank has no non-financial liabilities measured at fair value (2021: 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	3,809	Market comparison approach	Price per square meter	900-1000 Eur/sqm
		Income capitalization	Unit rental price p.m	9-9.5 Eur/sqm
			Vacancy rate	5%-15%
			Operating expenses p.m	20.000
			Capitalization rate	8%-10%
Romania- commercial properties Level-3	8.645	Market comparison approach	Price per square meter	676 Eur/sqm
		Income capitalization	Unit rental price p.m	6.5 Eur/sqm
			Vacancy rate	7%-15%
			Operating expenses p.m	4,000-37,000
			Capitalization rate	8.5%-12%
Vessels Level-3	330	Third party pricing	Broker price	n.a
Loans mandatorily at FVTPL Level-3	17,863	Discounted cash flow	EURIBOR	-0.51%-1.65%
Non-trading assets mandatorily at FVTPL	**30,647**			
Trading assets - *Trading loans at FVTPL*	**24,864**	Third party pricing	Broker price	n.a
Other financial investments - *Trading loans at FVOCI*	**69,012**	Third party pricing	Broker price	n.a
Equity instruments measured at FVOCI				
- **Investment fund**	**2,866**	Net asset value	n.a	n.a
Equity instruments classified as AHS			Projections of future cash flows	
- **Minority shares**	**6,351**	Discounted cash flow	Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium)	25.20% 10.77% 2.90% 4.24%
Total- Level 3 financial assets	**133,740**			
Non-financial assets				
Western Europe- land/buildings	15,414	Market comparison approach Income capitalization	Price per square meter IRR/Yield	15-16 Eur/sqm/month 5.65%-5.8%
Romania- land/ buildings	8,063	Market comparison approach Income capitalization	Price per square meter	600-2,000 Eur/sqm/month
Turkey- shipyard	25,263	Income approach Market comparison approach Cost approach	Terminal growth rate Discount rate	2.20% 14.80%
Sub-total land/buildings	**48,740**			
Turkey- commercial properties	3,046	Market comparison approach	Price per square meter	1.685 - 4.114 Eur/sqm
Sub-total investment properties	**3,046**			
Western Europe- artworks	4,534	Market comparison approach	n.a	n.a
Turkey- commercial property	4,634	Market comparison approach	n.a	n.a
Ukraine- commercial and residential properties	604	Market comparison approach	n.a	n.a
Sub-total assets held for sale	**9,772**			
Total Level 3 non-financial assets	**61,558**			

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 of the fair value hierarchy.

					June 30, 2022				June 30, 2021
	Financial Assets-FVOCI	**Financial Assets-AHS**	**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 January 1	**139,467**	**-**	**13,140**	**65,457**	**218,064**	**132,244**	**20,437**	**64,678**	**217,359**
Total gains and losses									
- in net trading results	957	-	-	1,189	2,146	1,351	-	2,852	4,203
- in net interest income	-	-	548	-	548	-	128	-	128
- in OCI	(6,397)	-	-	-	(6,397)	(43)	-	-	(43)
Purchases/additions	-	-	16,600	148,345	164,945	184,333	-	451,436	635,769
Settlements/Collections/Sales	(56,263)	-	-	(190,172)	(246,435)	(171,426)	(3,613)	(503,929)	(678,968)
Transfers between financial asset classes	(6,351)	6,351	-	-	-	-	-	-	-
Exchange differences	465	-	359	45	869	(52)	(235)	36	(251)
Balance at the period end	**71,878**	**6,351**	**30,647**	**24,864**	**133,740**	**146,407**	**16,717**	**15,073**	**178,197**

EUR 6 gain included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2021: EUR 1 loss).

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.

June 30, 2022	**Land&Buildings**	**Investment properties**	**Assets held for sale**
Balance at the beginning of the period	**47,096**	**2,856**	**597**
Addition	21	-	7,472
IAS 29 impact	-	-	1,696
Exchange differences	1,623	190	7
Balance at the period end	**48,740**	**3,046**	**9,772**

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, 2022	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	985,412	-	985,412	985,412
Loans and receivables - banks	7	-	244,020	-	244,020	243,802
Loans and receivables - customers	9	-	-	2,834,095	2,834,095	2,840,309
Total		**-**	**1,229,432**	**2,834,095**	**4,063,527**	**4,069,523**
Financial liabilities						
Due to banks	12	-	609,404	-	609,404	606,952
Due to customers	13	-	3,520,399	-	3,520,399	3,508,827
Subordinated liabilities	16	-	191,155	-	191,155	193,289
Total		**-**	**4,320,958**	**-**	**4,320,958**	**4,309,068**

December 31, 2021	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	934,648	-	934,648	934,648
Loans and receivables - banks	7	-	283,510	-	283,510	283,387
Loans and receivables - customers	9	-	-	2,766,037	2,766,037	2,753,014
Total		**-**	**1,218,158**	**2,766,037**	**3,984,195**	**3,971,049**
Financial liabilities						
Due to banks	12	-	798,880	-	798,880	799,098
Due to customers	13	-	3,338,322	-	3,338,322	3,326,040
Subordinated liabilities	16	-	176,766	-	176,766	176,891
Total		**-**	**4,313,968**	**-**	**4,313,968**	**4,302,029**

28. 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, 2022	**December 31, 2021**
Contingent liabilities with respect to irrevocable letters of credit - import	599,232	733,166
Contingent liabilities with respect to irrevocable letters of credit - export	132,015	250,814
Contingent liabilities with respect to letters of guarantee granted - corporates	118,580	54,016
Contingent liabilities with respect to letters of guarantee granted - banks	19,475	4,734
Contingent liabilities with respect other guarantees	14,647	7,626
Total non-cash loans	**883,949**	**1,050,356**
Credit-card limits	185,104	178,719
Credit-line commitments	67,638	91,256
Other commitments	1,382	-
Total	**1,138,073**	**1,320,331**

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 a bank with a banking license, CEB is from time to time investigated by regulatory authorities or subject to other claims or litigations proceedings. Estimating the financial impact thereof requires judgment. Provisions for these matters (if any) are determined based on CEB's best estimate based on the current facts and circumstances, the actual outcome could however deviate. On the basis of legal advice, taking into consideration the facts known at present CEB is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

As at June 30, 2022, 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 2,749 (2021: EUR 2,852) is already provided for in the consolidated statement of financial position.

29. 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 Özyeğin family.

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 Özyeğin family 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 Özyeğin family:

				June 30, 2022				December 31, 2021
	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	-	-	-	1,249	-	-	-	310
Loans and receivables – customers	-	-	-	128,535	30,408	-	-	130,433
Derivative financial instruments	2	-	-	14,300	20	-	-	18,110
Liabilities								
Due to banks	-	-	-	541	-	-	-	443
Due to customers	1,345	5,050	54	120,538	629	1,997	85	71,566
Derivative financial instruments	267	-	-	453	2	-	-	2,928
Subordinated liabilities	48,219	-	-	-	44,202	-	-	-
Commitment and contingencies	-	-	-	96	-	-	-	88

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of June 30, 2022, the Bank does not have any stage 3 provisions regarding related party balances (2021: None).

				January 1-June 30, 2022				January 1-June 30, 2021
	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	224	-	-	2,714	448	-	-	1,947
Interest expense	(2,038)	-	-	(1,737)	(1,847)	-	-	(368)
Commission income	6	8	-	181	3	12	-	448
Commission expense	-	-	-	(48)	-	-	-	(225)
Net trading results	(85)	-	-	(64)	(36)	-	-	(2,752)
Other operating income	-	-	-	84	-	-	-	983
Operating expenses	-	-	-	(426)	-	-	-	(333)
Share of profit of associate	-	-	(2,449)	-	-	-	(2,243)	-

In the course of 2022, EUR 15,429 loans to customers were sold to related parties (2021: EUR 4,286). As result EUR 2,435 transaction loss was recognized (2021: None) in the condensed consolidated statement of income.

The 10% equity stake in CEB Russia is valued at EUR 6,351 (RUB 357,700) as at June 30, 2022. During the first half-year of 2022 the Bank has reached an agreement with its ultimate parent entity, FIBA Holding, for the sale of the equity stake for that same amount. The sale is subject to approval by the Russian Central Bank, which is expected to be obtained in the second half of 2022.

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 8 (2021: 10). 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, 2022	December 31, 2021
Loans and receivables - customers	-	11

As of June 30, 2022, the Bank does not have any provisions regarding the balances with key management personnel (2021: None). Key management costs, including remuneration and fees for the year ended June 30, 2022 amounted to EUR 1,486 (2021: EUR 2,075). Pension plan contribution amounted to EUR 74 (2021: EUR 91).

30. Risk management

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

The core elements of the bank's risk management and control framework are:

- Adhering to the risk appetite and strategy set
- Periodically assessing the risk governance structure
- Maintaining capital management in line with the capital strategy
- Managing financial and operational risk in line with the risk appetite and strategy

Risk Appetite and Risk Governance

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

Main pillars of the risk appetite are illustrated below:

QUALITATIVE

Governance

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

Reputation

- Ensure high financial reporting transparency and efficient external communications

QUANTITATIVE

Credit risk concentration

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

Liquidity

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

Trading and ALM

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

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

- 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 four times a year, 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 / expertise 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 understand fully 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

CEB follows Capital Requirement Directive and Capital Requirement Regulation for Capital Requirement calculation. Related documents are following:

CRD

• Directive 2013/36/EU on access to the activity of credit institution and the prudential supervision of credit institutions and investment firms (CRD IV), 26 June 2013[1]

• DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures[2]

CRR

• Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)[3]

• REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012[4]

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, 2022	**December 31, 2021**
Total Equity	**600,622**	**652,492**
- Current year profit (1)	(4,513)	(37,397)
- Non-eligible minority interest (2)	(1,199)	(1,330)
Prudential filters		
- Prudent valuation	(636)	(832)
- Intangible asset (2)	(7,402)	(7,120)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(58,398)	(52,416)
- CIU Investment deductions	(2,866)	(1,712)
- transitional adjustments to IFRS 9 provisions (25%) (3)	8,584	17,179
Core Tier I	**534,192**	**568,864**
Perpetual Tier I capital	48,219	44,202
Additional Tier I	**48,219**	**44,202**
Total Tier I capital	**582,411**	**613,066**
Tier II capital		
Subordinated capital	143,988	131,721
Total Tier II capital	**143,988**	**131,721**
Total own funds	**726,399**	**744,787**

(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 25% 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, 2022	December 31, 2021
Capital ratio	19.43%	19.73%
Tier I ratio	15.58%	16.24%
Core Tier I	14.29%	15.07%
RWA	**3,737,837**	**3,774,474**

Credit risk

Credit risk is defined as the current or prospective threat to the Bank's earnings and capital because 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. Collateral Management Agreements and Collateral Monitoring Agreements also utilize outsourcing 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.

30. 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, 2022	December 31, 2021
Balance sheet items		
Balances with central banks	969,698	918,786
Financial assets measured at fair value through profit or loss	61,132	87,706
Financial investments	601,970	693,291
Loans and receivables - banks	244,121	283,583
Loans and receivables - customers	2,908,264	2,811,177
Derivative financial instruments	39,225	69,593
Subtotal	**4,824,410**	**4,864,136**
Off- balance sheet items*		
Issued letters of guarantee	152,702	66,376
Issued irrevocable letters of credit	506,772	928,118
Undrawn credit-card limits	185,104	178,719
Other commitments and contingent liabilities	69,020	91,256
Total off-balance sheet	**913,598**	**1,264,469**
Maximum credit risk exposure	**5,738,008**	**6,128,605**

(*) Back-to-back LCs are excluded.

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.

30.b. Sector concentration

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

				June 30, 2022		**December 31, 2021**
	On-balance sheet	**Off-balance sheet**	**Total exposure**	**% of total exposure**	**Total exposure**	**% of total exposure**
Balances with central banks	969,698	25,000	994,698	17.3%	965,464	15.8%
Financial assets measured at fair value through profit or loss	61,132	-	61,132	1.1%	87,706	1.4%
Financial investments	601,970	-	601,970	10.5%	693,291	11.3%
Loans and receivables - banks	244,121	156,719	400,840	7.0%	543,957	8.9%
Loans and receivables - customers	2,908,264	731,879	3,640,143	63.4%	3,768,594	61.5%
Loans and receivables - corporate	*2,558,064*	*546,041*	*3,104,105*	*54.1%*	*3,244,982*	*52.9%*
Oil & Derivatives	*574,803*	*361,291*	*936,094*	*16.3%*	*1,060,870*	*17.3%*
Shipping & Shipyard	*364,284*	*17,704*	*381,988*	*6.7%*	*300,231*	*4.9%*
Iron-Steel-Metals & Alloys	*244,078*	*87,953*	*332,031*	*5.8%*	*354,227*	*5.8%*
Leisure & Tourism	*265,925*	*65*	*265,990*	*4.6%*	*274,182*	*4.5%*
Real Estate	*229,334*	*916*	*230,250*	*4.0%*	*288,403*	*4.7%*
Financial Service & Investment	*209,465*	*2,843*	*212,308*	*3.7%*	*112,504*	*1.8%*
Soft Commodities & Agricultural Products	*178,000*	*16,473*	*194,473*	*3.4%*	*148,310*	*2.4%*
Energy & Coal	*107,071*	*4,236*	*111,307*	*1.9%*	*125,997*	*2.1%*
Fertilizers	*77,044*	*23,767*	*100,811*	*1.8%*	*95,207*	*1.6%*
Technology, IT & Electronic Equipment	*81,812*	*-*	*81,812*	*1.4%*	*113,114*	*1.8%*
Petrochemical, Plasticizers & Derivatives	*48,010*	*9,019*	*57,029*	*1.0%*	*73,591*	*1.2%*
Automotive & Derivatives	*39,657*	*2,612*	*42,269*	*0.7%*	*20,411*	*0.3%*
Retail	*25,063*	*7,708*	*32,771*	*0.6%*	*27,853*	*0.5%*
Transportation, Logistics & Warehousing	*23,046*	*571*	*23,617*	*0.4%*	*33,383*	*0.5%*
Paper and Pulp & Forestry	*15,830*	*190*	*16,020*	*0.3%*	*3,097*	*0.1%*
Food, Beverage & Tobacco	*10,754*	*4,780*	*15,534*	*0.3%*	*11,157*	*0.2%*
Construction & Installation	*12,240*	*1,972*	*14,212*	*0.2%*	*21,730*	*0.4%*
Media & Publishing	*11,962*	*-*	*11,962*	*0.2%*	*22,607*	*0.4%*
Public loans	*-*	*-*	*-*	*-*	*86,539*	*1.4%*
Other	*39,686*	*3,941*	*43,627*	*0.8%*	*71,569*	*1.2%*
Loans and receivables - retail customers and SMEs	*350,200*	*185,838*	*536,038*	*9.3%*	*523,612*	*8.5%*
Exposure to retail customers	*87,200*	*184,717*	*271,917*	*4.7%*	*271,170*	*4.4%*
Exposure secured by residential real estate	*234,946*	*-*	*234,946*	*4.1%*	*234,911*	*3.8%*
Exposure to SME	*28,054*	*1,121*	*29,175*	*0.5%*	*17,531*	*0.3%*
Derivative financial instruments	*39,225*	*-*	*39,225*	*0.7%*	*69,593*	*1.1%*
Total credit risk exposure	**4,824,410**	**913,598**	**5,738,008**	**100.0%**	**6,128,605**	**100.0%**

The top five industries account for 69.15% (2021: 70.20%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

30.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2022 and December 31, 2021.

June 30, 2022	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	161,068	364	-	808,266	969,698
Financial assets measured at FVTPL	-	15,650	12,454	-	4,851	28,177	61,132
Financial investments	-	942	183,847	13,882	68,416	334,883	601,970
Loans and receivables - banks	53	61,962	639	-	45,206	136,261	244,121
Loans and receivables - customers	31,865	423,758	619,652	8,566	438,627	1,385,796	2,908,264
Derivative financial instruments	-	3,348	-	-	-	35,877	39,225
Total balance sheet	**31,918**	**505,660**	**977,660**	**22,812**	**557,100**	**2,729,260**	**4,824,410**
Off-balance sheet items	96	69,972	209,237	41	322,647	311,605	913,598
Total credit-risk exposure	**32,014**	**575,632**	**1,186,897**	**22,853**	**879,747**	**3,040,865**	**5,738,008**

December 31, 2021	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	204,977	71	-	713,738	918,786
Financial assets measured at FVTPL	-	-	12,503	-	57,488	17,715	87,706
Financial investments	12,284	860	173,292	28,171	124,611	354,073	693,291
Loans and receivables - banks	6	57,101	235	-	34,926	191,315	283,583
Loans and receivables - customers	55,344	465,379	602,287	27,895	455,868	1,204,404	2,811,177
Derivative financial instruments	-	12,422	3	-	-	57,168	69,593
Total balance sheet	**67,634**	**535,762**	**993,297**	**56,137**	**672,893**	**2,538,413**	**4,864,136**
Off-balance sheet items	5,516	95,562	203,116	42	299,627	660,606	1,264,469
Total credit-risk exposure	**73,150**	**631,324**	**1,196,413**	**56,179**	**972,520**	**3,199,019**	**6,128,605**

* 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, 2022	129	85,303	617,996	8,523	384,067	3,124,206	4,220,224
December 31, 2021	103	85,777	738,827	22,708	358,041	3,007,560	4,213,016

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

30.d. Collaterals and other credit enhancements obtained

The Bank's credit policy requires that the loan extension process be 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, 2022**
	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	969,698	-	-	-	-
Financial assets measured at fair value through profit or loss	61,132	3,255	25,182	28,437	47%
Financial investments	601,970	-	-	-	-
Loans and receivables - banks	244,121	1,200	-	1,200	0%
Loans and receivables - customers	2,908,264	449,436	1,157,287	1,606,723	55%
Derivative financial instruments	39,225	-	-	-	-
Total balance sheet	**4,824,410**	**453,891**	**1,182,469**	**1,636,360**	**34%**
Off-balance sheet	913,598	17,704	-	17,704	2%
Total credit risk exposure	**5,738,008**	**471,595**	**1,182,469**	**1,654,064**	**29%**

Breakdown of collateralized exposure by collateral type					**December 31, 2021**
	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	918,786	-	-	-	-
Financial assets measured at fair value through profit or loss	87,706	12,273	7,294	19,567	22%
Financial investments	693,291	-	-	-	-
Loans and receivables - banks	283,583	221	-	221	0%
Loans and receivables - customers	2,811,177	474,294	1,176,226	1,650,520	59%
Derivative financial instruments	69,593	-	-	-	-
Total balance sheet	**4,864,136**	**486,788**	**1,183,520**	**1,670,308**	**34%**
Off-balance sheet	1,264,469	16,210	-	16,210	1%
Total credit risk exposure	**6,128,605**	**502,998**	**1,183,520**	**1,686,518**	**28%**

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

30.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets per external mapped to the Fitch`s credit rating scale, as of June 30, 2022 and December 31, 2021.

	External rating class						June 30, 2022
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	694,580	3,158	161,068	-	364	110,528	969,698
Financial assets measured at fair value through profit or loss	-	-	-	20,502	-	40,630	61,132
Financial investments	252,487	51,086	211,805	32,105	13,882	40,605	601,970
Loans and receivables - banks	45,001	103,008	7,773	62,170	14	26,155	244,121
Loans and receivables - customers	-	40,803	-	15,916	-	2,851,545	2,908,264
Derivative financial instruments	1,347	639	-	-	-	37,239	39,225
Off-balance sheet	9,301	43,082	39,233	93,370	-	728,612	913,598
Total	**1,002,716**	**241,776**	**419,879**	**224,063**	**14,260**	**3,835,314**	**5,738,008**

	External rating class						December 31, 2021
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	634,991	1,361	204,977	71	-	77,386	918,786
Financial assets measured at fair value through profit or loss	193	1,427	30,087	28,472	-	27,527	87,706
Financial investments	200,451	52,400	273,749	77,086	-	89,605	693,291
Loans and receivables - banks	78,650	64,520	10,511	61,555	4	68,343	283,583
Loans and receivables - customers	86,539	-	-	112,253	-	2,612,385	2,811,177
Derivative financial instruments	1,147	5,592	305	-	-	62,549	69,593
Off-balance sheet	11,099	131,243	77,014	82,121	-	962,992	1,264,469
Total	**1,013,070**	**256,543**	**596,643**	**361,558**	**4**	**3,900,787**	**6,128,605**

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, 2022 and December 31, 2021.

June 30, 2022	**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	548,647	(690)	-	-	-	-	548,647	(690)
Non-investment grade	2,520,366	(8,335)	105,467	(5,717)	-	-	2,625,833	(14,052)
Sub-standard	63,736	(1,307)	121,018	(12,033)	-	-	184,754	(13,340)
Non-performing	-	-	-	-	209,449	(39,873)	209,449	(39,873)
Non rated	71,460	-	-	-	-	-	71,460	-
Total	**3,204,209**	**(10,332)**	**226,485**	**(17,750)**	**209,449**	**(39,873)**	**3,640,143**	**(67,955)**

December 31, 2021	**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	899,712	(882)	-	-	-	-	899,712	(882)
Non-investment grade	2,324,517	(7,698)	114,901	(5,041)	-	-	2,439,418	(12,739)
Sub-standard	69,898	(1,670)	157,538	(16,501)	-	-	227,437	(18,171)
Non-performing	-	-	-	-	200,348	(26,366)	200,348	(26,366)
Non rated	1,627	(1)	52	(4)	-	-	1,679	(5)
Total	**3,295,754**	**(10,251)**	**272,491**	**(21,546)**	**200,348**	**(26,366)**	**3,768,594**	**(58,163)**

30.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 2020, 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, if 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 loans (NPL) 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 impairments and collaterals obtained per group.

							June 30, 2022
	Gross loans	**ECL**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**2,558,064**	**(42,635)**	**2,515,429**	**443,017**	**909,041**	**1,352,058**	**54%**
Stage 1	2,272,083	(9,732)	2,262,351	344,962	750,705	1,095,667	48%
Stage 2	135,670	(10,146)	125,524	1,321	113,080	114,401	91%
Stage 3	150,311	(22,757)	127,554	96,734	45,256	141,990	111%
Retail loans (incl. mortgages)	**322,146**	**(24,592)**	**297,554**	**3,526**	**223,998**	**227,524**	**76%**
Stage 1	185,858	(343)	185,515	3,314	99,140	102,454	55%
Stage 2	82,849	(7,460)	75,389	180	77,253	77,433	103%
Stage 3	53,439	(16,789)	36,650	32	47,605	47,637	130%
SME loans	**28,054**	**(728)**	**27,326**	**2,893**	**24,248**	**27,141**	**99%**
Stage 1	22,041	(257)	21,784	2,893	18,957	21,850	100%
Stage 2	2,230	(144)	2,086	-	2,089	2,089	100%
Stage 3	3,783	(327)	3,456	-	3,202	3,202	93%
Total exposure	**2,908,264**	**(67,955)**	**2,840,309**	**449,436**	**1,157,287**	**1,606,723**	**57%**
Total Stage 3 (NPLs)	207,533	(39,873)	167,660	96,766	96,063	192,829	115%

							December 31, 2021
	Gross loans	**ECL**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**2,469,513**	**(32,285)**	**2,437,228**	**470,139**	**935,910**	**1,406,049**	**58%**
Stage 1	2,167,617	(9,531)	2,158,086	364,525	778,809	1,143,334	53%
Stage 2	167,250	(12,691)	154,559	14,152	116,955	131,107	85%
Stage 3	134,646	(10,063)	124,583	91,462	40,146	131,608	106%
Retail loans (incl. mortgages)	**325,301**	**(25,589)**	**299,712**	**3,742**	**224,721**	**228,463**	**76%**
Stage 1	167,917	(694)	167,223	102	85,912	86,014	51%
Stage 2	98,910	(8,853)	90,057	3,589	84,656	88,245	98%
Stage 3	58,474	(16,042)	42,432	51	54,153	54,204	128%
SME loans	**16,363**	**(289)**	**16,074**	**413**	**15,595**	**16,008**	**100%**
Stage 1	12,249	(26)	12,223	413	11,591	12,004	98%
Stage 2	932	(2)	930	-	932	932	100%
Stage 3	3,182	(261)	2,921	-	3,072	3,072	105%
Total exposure	**2,811,177**	**(58,163)**	**2,753,014**	**474,294**	**1,176,226**	**1,650,520**	**60%**
Total Stage 3 (NPLs)	196,302	(26,366)	169,936	91,513	97,371	188,884	111%

The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus, the total coverage for Bank's NPL as of June 30, 2022 is 126% (2021:127%).

Further credit quality breakdown of retail loans are as below:

					June 30, 2022
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**83,275**	**(381)**	**82,894**	**-**	**-**
Stage 1	81,225	(135)	81,090	-	-
Stage 2	1,640	(19)	1,621	-	-
Stage 3	410	(227)	183	-	-
Mortgage	**234,946**	**(23,795)**	**211,151**	**224,030**	**106%**
Stage 1	101,832	(203)	101,629	99,140	98%
Stage 2	80,793	(7,429)	73,364	77,253	105%
Stage 3	52,321	(16,163)	36,158	47,637	132%
Other retail	**3,925**	**(416)**	**3,509**	**3,494**	**100%**
Stage 1	2,801	(5)	2,796	3,314	119%
Stage 2	416	(12)	404	180	45%
Stage 3	708	(399)	309	-	-
Total retail exposure	**322,146**	**(24,592)**	**297,554**	**227,524**	**76%**
Total Stage 3 (NPLs)	53,439	(16,789)	36,650	47,637	130%

					December 31, 2021
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**85,510**	**(1,319)**	**84,191**	**-**	**-**
Stage 1	78,822	(505)	78,317	-	-
Stage 2	5,873	(90)	5,783	-	-
Stage 3	815	(724)	91	-	-
Mortgage	**234,746**	**(23,991)**	**210,755**	**224,752**	**107%**
Stage 1	85,620	(186)	85,434	85,912	101%
Stage 2	91,826	(8,720)	83,106	84,687	102%
Stage 3	57,300	(15,085)	42,215	54,153	128%
Other retail	**5,045**	**(279)**	**4,766**	**3,711**	**78%**
Stage 1	3,475	(3)	3,472	102	3%
Stage 2	1,210	(43)	1,167	3,558	305%
Stage 3	360	(233)	127	51	40%
Total retail exposure	**325,301**	**(25,589)**	**299,712**	**228,463**	**76%**
Total Stage 3 (NPLs)	58,475	(16,042)	42,433	54,204	128%

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, 2022 and December 31, 2021:

							June 30, 2022
	Stage 1		Stage 2		Stage 3		
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**TOTAL**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**134,956**	**52,684**	**124,638**	**812**	**59,076**	**78,705**	**450,871**
Corporate loans	134,956	52,684	120,120	-	45,268	78,313	431,341
Retail loans (incl. mortgage)	-	-	4,411	111	11,426	352	16,300
SME	-	-	107	701	2,382	40	3,230
Total exposure	**134,956**	**52,684**	**124,638**	**812**	**59,076**	**78,705**	**450,871**

							December 31, 2021
	Stage 1		Stage 2		Stage 3		
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**TOTAL**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**
Corporate loans	139,218	55,730	147,293	791	45,346	78,223	466,601
Retail loans (incl. mortgage)	-	-	4,036	172	11,097	251	15,556
SME	-	-	165	-	1,729	41	1,935
Total exposure	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**

(*) 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, 2022	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	969,698	69,011	31,114	244,121	2,908,264	**4,222,208**
NPLs (Gross)	-	-	13,251	-	207,533	**220,784**
Gross NPL ratio						**5.2%**
ECL	-	-	(467)	-	(67,955)	**(68,422)**
NPLs (Net)	-	-	12,784	-	139,578	**152,362**
Net NPL ratio						**3.6%**

December 31, 2021	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	918,786	125,471	16,584	283,583	2,811,177	**4,155,601**
NPLs (Gross)	-	-	16,584	-	196,302	**212,886**
Gross NPL ratio						**5.1%**
ECL	-	-	(387)	-	(58,163)	**(58,550)**
NPLs (Net)	-	-	16,197	-	138,139	**154,336**
Net NPL ratio						**3.7%**

30.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:

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	June 30, 2022 Total loans to customers
Corporate loans	2,513,366	4,075	-	7,261	33,362	2,558,064
Retail loans and residential mortgage loans	242,756	20,532	8,386	18,648	31,824	322,146
SME loans	25,212	256	107	2,479	-	28,054
Total loans and advances to customers	**2,781,334**	**24,863**	**8,493**	**28,388**	**65,186**	**2,908,264**

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	December 31, 2021 Total loans to customers
Corporate loans	2,453,143	841	-	7,666	7,863	2,469,513
Retail loans and residential mortgage loans	247,644	17,339	8,336	16,687	35,295	325,301
SME loans	13,410	19	171	2,599	164	16,363
Total loans and advances to customers	**2,714,197**	**18,199**	**8,507**	**26,952**	**43,322**	**2,811,177**

As of June 30, 2022, EUR 2,667,822 (2021: EUR 2,589,342) of total exposure is neither past due nor impaired, EUR 32,910 (2021: EUR 25,532) of total exposure is past due but not impaired.

30.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, 2022
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**31,865**	**271,310**	**423,515**	**8,513**	**438,627**	**1,384,234**	**2,558,064**
Stage 1	-	247,072	255,530	-	392,943	1,376,538	**2,272,083**
Stage 2	10,043	16,977	66,529	-	42,121	-	**135,670**
Stage 3	21,822	7,261	101,456	8,513	3,563	7,696	**150,311**
Retail loans (incl. mortgages)	**-**	**320,288**	**243**	**53**	**-**	**1,562**	**322,146**
Stage 1	-	184,405	243	-	-	1,210	**185,858**
Stage 2	-	82,529	-	-	-	320	**82,849**
Stage 3	-	53,354	-	53	-	32	**53,439**
SME loans	**-**	**28,054**	**-**	**-**	**-**	**-**	**28,054**
Stage 1	-	22,041	-	-	-	-	**22,041**
Stage 2	-	2,230	-	-	-	-	**2,230**
Stage 3	-	3,783	-	-	-	-	**3,783**
Total exposure	**31,865**	**619,652**	**423,758**	**8,566**	**438,627**	**1,385,796**	**2,908,264**

							December 31, 2021
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**55,344**	**263,291**	**465,267**	**27,843**	**455,868**	**1,201,900**	**2,469,513**
Stage 1	34,178	236,187	263,390	26,239	405,723	1,201,900	**2,167,617**
Stage 2	-	17,967	101,655	1,333	46,295	-	**167,250**
Stage 3	21,166	9,137	100,222	271	3,850	-	**134,646**
Retail loans (incl. mortgages)	**-**	**322,633**	**112**	**52**	**-**	**2,504**	**325,301**
Stage 1	-	165,820	110	-	-	1,987	**167,917**
Stage 2	-	98,425	2	52	-	431	**98,910**
Stage 3	-	58,388	-	-	-	86	**58,474**
SME loans	**-**	**16,363**	**-**	**-**	**-**	**-**	**16,363**
Stage 1	-	12,249	-	-	-	-	**12,249**
Stage 2	-	932	-	-	-	-	**932**
Stage 3	-	3,182	-	-	-	-	**3,182**
Total exposure	**55,344**	**602,287**	**465,379**	**27,895**	**455,868**	**1,204,404**	**2,811,177**

31. Assets held for sale

Assets held for sale represents collaterals repossessed after clients were not able to meet their payment obligations and interest retained in a former subsidiary.

As of June 30, 2022, following assets have been classified as “Assets held for sale”:

. The 10% equity stake in CEB Russia is valued at EUR 6,351 (RUB 357,700) as at June 30, 2022. During the first half-year of 2022 the Bank has reached an agreement with its ultimate parent entity, FIBA Holding, for the sale of the equity stake for that same amount. The sale is subject to approval by the Russian Central Bank, which is expected to be obtained in the second half of 2022.

. commercial real estate in Turkey (EUR 4,634), for which sale agreement has been signed.

. artworks in Western Europe (EUR 4,534), for which marketing activities are ongoing.

. commercial & residential real estates in Ukraine (EUR 604), for which marketing activities are ongoing.

32. 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.

33. 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, 2022	Interest December 31, 2021
Credit Europe (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) SA	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%
Hitit Shipping Ltd	Msida	Malta	100.00%	100.00%
Cappadocia Shipping Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	100.00%
Hunter Navigation Ltd	Msida	Malta	100.00%	100.00%
Angora 1 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 2 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 3 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 4 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora Yacht Ltd	Msida	Malta	100.00%	-
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
Etkin Deger 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	99.99%	99.99%
Credit Europe Bank (Romania) SA	Bucharest	Romania	99.34%	99.34%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	53.00%	53.00%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%

Amsterdam, September 16, 2022

Independent auditor’s review report

To: the Shareholder and the Supervisory Board of Credit Europe Bank N.V.

Our conclusion

We have reviewed the accompanying the condensed consolidated interim financial statements of Credit Europe Bank N.V.(or hereafter: the “Company”) based in Amsterdam. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are 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 statements comprise:

1 the condensed consolidated statement of financial position as at 30 June 2022;

2 the following statements for six-months period ended 30 June 2022: the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows; and

3 the notes comprising of a summary of the accounting policies and other 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 interim financial information' section of our report.

We are independent of Credit Europe Bank N.V. 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.

Responsibilities of the Managing Board and the Supervisory Board for the condensed consolidated interim financial statements

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

The Supervisory Board is responsible for overseeing the Company‘s financial reporting process.

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

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 limited assurance 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 scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing 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 the condensed consolidated interim financial statements;
- Making inquiries of management and others within the entity;
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements;
- Obtaining assurance evidence that the condensed consolidated interim financial statements agree with, or reconcile to the entity'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 statements; and
- Considering whether the condensed consolidated interim financial statements have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amstelveen, 16 September 2022

KPMG Accountants N.V.

N.C. Paping RA