EY

Building a better working world

Independent auditor's review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Credit Europe Bank N.V., set out on pages 3 to 64, which comprise the consolidated balance sheet as at 30 June 2017, the (condensed) consolidated statements of income, other comprehensive income, changes in total equity, and cash flows for the six-month period then ended and the related notes.

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

Scope

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Amsterdam, 15 September 2017

Ernst & Young Accountants LLP

signed by C.G.J. de Lange

Credit Europe Bank N.V.

Condensed Consolidated
Interim Financial Statements

June 30, 2017

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017
In thousands of EURO unless otherwise indicated

	Notes	June 30, 2017	December 31, 2016*
Assets			
Cash and balances at central banks	4	595,134	1,041,371
Financial assets at fair value through profit or loss	5	40,146	2,712
Financial investments	6	661,981	767,109
Loans and receivables - banks	7	443,059	306,666
Derivative financial instruments	8	330,530	344,393
Loans and receivables - customers	9	4,967,820	5,188,004
Current tax assets		932	8,690
Deferred tax assets		20,290	23,738
Other assets	11	130,951	156,672
Equity accounted investments		5,836	5,803
Property and equipment		291,766	252,333
Intangible assets		12,888	13,014
Total assets		**7,501,333**	**8,110,505**
Liabilities			
Due to banks	12	540,422	448,317
Derivative financial instruments	8	298,123	374,706
Due to customers	13	5,122,607	5,531,531
Issued debt securities	14	118,278	262,977
Current tax liabilities		12,602	7,541
Other liabilities	15	54,781	53,468
Deferred tax liabilities		37,581	36,881
Total liabilities (excluding subordinated liabilities)		**6,184,394**	**6,715,421**
Subordinated liabilities	16	445,881	531,326
Total liabilities		**6,630,275**	**7,246,747**
Equity			
Equity attributable to owners of the Company		869,129	861,892
Equity attributable to non-controlling interests		1,929	1,866
Total equity	17	**871,058**	**863,758**
Total equity and liabilities		**7,501,333**	**8,110,505**
Commitment and contingencies	29	976,422	1,193,939

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

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF INCOME
For the period ended June 30, 2017
In thousands of EURO unless otherwise indicated

	Notes	January 1- June 30, 2017	January 1- June 30, 2016
Interest and similar income		245,074	267,120
Interest expense and similar charges		(111,674)	(114,357)
Results on risk management derivatives, not designated in hedge accounting relationship		10,188	(39,173)
Net interest income	18	**143,588**	**113,590**
Fees and commissions income		59,005	51,332
Fees and commissions expense		(30,769)	(22,331)
Net fee and commission income	19	**28,236**	**29,001**
Net trading income	20	(12,977)	10,577
Results from financial transactions	21	2,308	9,156
Other operating income	23	21,205	17,699
Operating income		**10,536**	**37,432**
Net impairment loss on financial assets	10	(51,803)	(66,510)
Net operating income		**130,557**	**113,513**
Personnel expenses	23	(53,761)	(48,578)
General and administrative expenses	24	(34,047)	(31,046)
Depreciation and amortization		(10,308)	(9,621)
Other operating expenses	25	(13,884)	(3,542)
Other impairment losses	26	452	(1,822)
Total operating expenses		**(111,548)**	**(94,609)**
Share of profit of associate		178	253
Operating profit before tax		**19,187**	**19,157**
Income tax expense		(7,688)	863
Profit for the period		**11,499**	**20,020**
Profit for the period attributable to:			
Equity owners of the Company		11,450	19,954
Non-controlling interests		49	66

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended June 30, 2017
In thousands of EURO unless otherwise indicated

	January 1- June 30, 2017	January 1- June 30, 2016
Profit for the period	**11,499**	**20,020**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net gain on hedge of net investments	4,126	(40,011)
Exchange differences on translations on foreign operations	(22,829)	28,483
Net foreign currency translation	**(18,703)**	**(11,528)**
Cash flow hedges:		
Net gain / loss arising during the year	1,838	(68)
Less: Reclassification adjustments to the income statement	(631)	(43)
Income tax relating to the cash flow hedges	(241)	21
Net gain on cash flow hedges	**966**	**(90)**
Available for sale financial assets:		
Net gain / loss arising during the year	19,128	591
Reclassification adjustments to the income statement	(1,998)	(5,087)
Income tax gain (charge)/ relating to net unrealized losses on available for sale financial assets	(3,709)	723
Net change on available for sale financial assets	**13,421**	**(3,773)**
Other comprehensive income that will not be reclassified to the income statement		
Tangible assets:		
Income tax relating to tangible assets revaluation	117	23
Net tangible assets revaluation reserve	**117**	**23**
Other comprehensive income for the period, net of tax	**(4,199)**	**(15,368)**
Total comprehensive income for the period, net of tax	**7,300**	**4,652**
Attributable to:		
Equity holders of the parent	7,237	4,639
Non-controlling interest	63	13

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 30, 2017
In thousands of EURO unless otherwise indicated

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

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

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 30, 2017
In thousands of EURO unless otherwise indicated

	Attributable to equity owners of the Company									
	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Translation reserve	Total	Non-controlling interest	Total equity
At January 1, 2016	**632,464**	**163,748**	**436,830**	**201**	**(31,994)**	**646**	**(328,852)**	**873,043**	**1,834**	**874,877**
Total comprehensive income										
Change in fair value reserve	-	-	-	(3,737)	-	-	-	**(3,737)**	(36)	**(3,773)**
Change in translation reserve	-	-	-	-	-	-	28,500	**28,500**	(17)	**28,483**
Change in net investment hedge reserve	-	-	-	-	(40,011)	-	-	**(40,011)**	-	**(40,011)**
Change in cash flow hedge reserve	-	-	-	-	-	(90)	-	**(90)**	-	**(90)**
Change in tangible assets revaluation reserve	-	-	23	-	-	-	-	**23**	-	**23**
Profit for the period	-	-	19,954	-	-	-	-	**19,954**	66	**20,020**
Total comprehensive income	**-**	**-**	**19,977**	**(3,737)**	**(40,011)**	**(90)**	**28,500**	**4,639**	**13**	**4,652**
At June 30, 2016	**632,464**	**163,748**	**456,807**	**(3,536)**	**(72,005)**	**556**	**(300,352)**	**877,682**	**1,847**	**879,529**

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2017
In thousands of EURO unless otherwise indicated

	Notes	January 1- June 30, 2017	January 1- June 30, 2016
Cash flows from operating activities			
Profit for the period		**11,499**	**20,020**
Adjustments for:			
Net impairment loss on financial assets	10	51,803	66,510
Depreciation and amortization		10,308	9,621
Other impairment losses	26	(452)	1,822
Income tax expense		7,688	(863)
Net interest income	18	(143,588)	(113,590)
		(62,742)	**(16,480)**
Changes in:			
Financial assets at fair value through profit or loss		(1,696)	322
Financial investments		8,332	(12,938)
Loans and receivables - banks		(79,511)	(96,328)
Loans and receivables - customers		128,879	1,086
Other assets		8,249	211,130
Due to banks		92,105	194,586
Due to customers		(408,924)	(310,173)
Other liabilities		(86,624)	(176,298)
		(339,190)	**(188,613)**
Interest received		335,684	315,035
Interest paid		(187,526)	(195,419)
Income tax paid		(2,854)	(4,834)
Net cash used in operating activities		**(256,628)**	**(90,311)**
Cash flows from investing activities			
Acquisition of financial investments and financial assets at fair value through profit or loss	5,6	(2,106,934)	(2,152,029)
Proceeds from sales of financial investments and financial assets at fair value through profit or loss	5,6	2,181,392	2,278,222
Acquisition of property and equipment		(61,675)	(3,649)
Proceeds from sale of property and equipment		85	192
Acquisition of intangibles		(2,698)	(2,508)
Net cash used in investing activities		**10,170**	**120,228**
Cash flows from financing activities			
Proceeds from the issue of debt securities		6,800	84,095
Repayment of long-term funding		(202,012)	(234,726)
Net cash from financing activities		**(195,212)**	**(150,631)**
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		1,041,371	532,139
Effect of exchange rate fluctuations on cash and cash equivalents held		(4,567)	5,190
Cash and cash equivalents at June 30	4	**595,134**	**416,615**

1. Corporate information

General

Credit Europe Bank N.V., herein after ‘the Bank’, is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises four branches in the Netherlands, Germany, Belgium and Malta. The Consolidated Financial Statements of the Bank as of June 30, 2017, comprise the figures of the Bank, its subsidiaries and other controlled entities. Together they are referred to as the ‘Bank’.

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

The Bank’s registered office is Karspeldreef 6A, 1101 CJ Amsterdam, Netherlands.

Changes to the Group

There is no significant change to the Group within 2017.

2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's 2016 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and accounting principles in Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended December 31, 2016.

These interim financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 15, 2017.

Use of estimates and judgments

The preparation of interim financial statements in conformity with IFRS requires the Bank's management to make judgments, 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 judgments 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 2016.

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

Going concern

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

Correction of error

The Bank's wholly owned subsidiary Maritime Enterprises B.V. holds equity shares of a company which were classified as available-for-sale assets at initial recognition. Per approval of the shareholders to sell the aforementioned equity shares classified as available for sale by the end of year 2016 and the Sales and Purchase Agreement signed in January 2017, the shares were derecognized as of 31 December 2016. The Bank recognized a receivable for the sale consideration, a payable for the cost to sell and recycled the other comprehensive income through profit and loss as of 31 December 2016.

The Bank reassessed its accounting treatment in the current period and concluded that the shares should not have been derecognized in 2016 in accordance with IAS 39. Therefore, the Bank restated its prior period comparative financial statements through reversing the impact of derecognition of the shares from the relevant financial statement line items as below. There is no impact on the opening financial statements as of 1 January 2016 and on the financial statements as of 30 June 2016 as the shares were derecognized as of 31 December 2016. The restatement will result in a decrease of net result of EUR 11,274 and an increase of fair value reserves of EUR 11,274 in respect of the second half year 2016.

In thousands of EURO unless otherwise indicated

Effect on balance sheet as at 31 December 2016:

	2016 before restatement	Restatement	2016 after restatement
Financial investments	741,009	26,100	767,109
Other assets	186,672	(30,000)	156,672
Total assets	**8,114,405**	**(3,900)**	**8,110,505**
Other liabilities	57,368	(3,900)	53,468
Total liabilities	**7,250,647**	**(3,900)**	**7,246,747**
Retained earnings	471,735	(11,274)	460,461
Fair value reserve	(20,345)	11,274	(9,071)
Total equity	**863,758**	**-**	**863,758**

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 2017; however, the Bank has not applied the following standards in preparing these consolidated financial statements.

IFRS 9: Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classifications and measurement of the financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of Bank`s operations, this standard is expected to have a significant impact on the Bank`s financial statements, which is summarized as follows:

Classification and measurement

Classification and measurement of financial assets dependent on two criteria: how the Bank manages them, and the type of contractual cash flows in these assets. Both criteria are used to determine whether the financial assets are accounted for at amortised cost, at fair value through comprehensive income or through profit or loss. The combination of these two criteria (business model and contractual cash flow characteristics) may result in some differences in the composition of financial assets as compared to IAS 39. The Bank currently expects the majority of the balance sheet to remain in the current measurement categories.

The classification and measurement of financial liabilities under IFRS 9 remains the same as under IAS 39 with the exception of gains and losses relating to the entity's own credit risk from financial liabilities designated at fair value, which is currently not applicable to the Bank.

Hedge accounting

Although the general accounting mechanisms will largely remain unchanged, IFRS 9 introduces some differences (such as prohibition of voluntary de-designation of the hedge relationship, replacement of 80%-125% effectiveness testing with more principle-based requirements, introduction of accounting solution for cross-currency basis spread) to current IAS 39 methodology. The Bank does not expect a significant impact from the upcoming changes.

Impairments

The Bank is in transition to IFRS 9 and the group-wide implementation project combining Risk, Finance and IT departments is underway. New IFRS 9 impairment rules, driven by the expected credit losses rather than IAS 39's incurred loss approach, are expected to lead to higher loan loss allowances as from 1 January 2018. Regarding the regulatory capital calculation, the five year transitionary arrangement (a proposal under discussion at the Council of the European Union: 2016/0360 (COD)) is expected to mitigate the impact on own funds requirements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRIC 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 'Leases' the new accounting standard for leases. The new standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases' and IFRC 4 'Determining whether an Arrangement contains a Lease'. Early adoption is permitted for companies that also apply IFRS 15 'Revenue from Contracts with Customers'. IFRS 16 is not yet endorsed by the EU. The new standard removes the classification of leases as either operating leases or finance leases, resulting in all leases for lessees being treated comparable to finance leases. All leases will be recognised on the balance sheet with the exception of short-term leases with a lease term of less than 12 months and leases of low-value assets (for example tablets or personal computers. The main reason for this change is to increase comparability between companies and increase the visibility of these types of assets and liabilities. Lessor accounting remains largely unchanged. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach as well as some practical transitional relieves. The Bank is yet to assess the impact of this standard.

Notes to Consolidated Financial Statements

3. Segment information

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

The Bank has seven (2016: seven) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

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

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

In thousands of EURO unless otherwise indicated

3. Segment information *(continued)*

	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	June 30, 2017 Total
Interest income – external	3,316	105,844	81,961	27,105	12,172	8,351	6,325	245,074
Interest income – other segments	-	11,863	-	8,705	-	583	940	22,091
Interest revenue	**3,316**	**117,707**	**81,961**	**35,810**	**12,172**	**8,934**	**7,265**	**267,165**
Interest expenses – external	-	(53,369)	(43,215)	(8,517)	(2,434)	(3,278)	(861)	(111,674)
Interest expense – other segments	-	(14,746)	-	(4,378)	-	(1,025)	(1,942)	(22,091)
Interest expense	**-**	**(68,115)**	**(43,215)**	**(12,895)**	**(2,434)**	**(4,303)**	**(2,803)**	**(133,765)**
Results on risk management derivatives, not designated in hedge accounting relationship	-	12,614	-	740	-	466	(3,632)	10,188
Net interest income	**3,316**	**62,206**	**38,746**	**23,655**	**9,738**	**5,097**	**830**	**143,588**
Net commission income – external	41	12,140	8,874	2,646	3,468	633	434	28,236
Net commission income – other segments	-	(1,597)	-	-	1,600	4	(7)	-
Trading and other income	611	(10,654)	7,986	4,135	320	4,600	3,538	10,536
Trading and other income– other segments	-	-	-	-	-	-	-	-
Net impairment loss on financial assets	(1,078)	(7,935)	(19,212)	(8,599)	(11,419)	(2,926)	(634)	(51,803)
Depreciation and amortization expense	(134)	(4,283)	(2,724)	(601)	(866)	(563)	(1,137)	(10,308)
Other operating expenses	(1,412)	(35,091)	(36,615)	(8,056)	(10,479)	(6,887)	(2,700)	(101,240)
Equity accounted earnings	-	-	-	-	-	-	178	178
Operating profit before taxes	**1,344**	**14,786**	**(2,945)**	**13,180**	**(7,638)**	**(42)**	**502**	**19,187**
Income tax expense	(497)	(8,262)	734	(3,344)	3,951	(125)	(145)	(7,688)
Profit for the period	**847**	**6,524**	**(2,211)**	**9,836**	**(3,687)**	**(167)**	**357**	**11,499**
Other information at 30 June 2017 - Financial position								
Total assets	108,788	4,570,573	742,036	737,206	380,589	744,467	217,674	7,501,333
Total liabilities	3,002,627	1,562,774	829,797	362,836	321,848	451,483	98,910	6,630,275
Equity accounted investments	-	-	-	-	-	-	5,836	5,836
Other information at 30 June 2017 - Income statement								
Reversal of impairment allowances no longer required	138	736	2,676	3,859	-	192	504	8,105

In thousands of EURO unless otherwise indicated

3. Segment information *(continued)*

June 30, 2016

	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	4,682	131,136	61,906	33,424	15,880	11,072	9,020	267,120
Interest income – other segments	-	17,125	-	8,766	-	1,964	1,118	28,973
Interest revenue	**4,682**	**148,261**	**61,906**	**42,190**	**15,880**	**13,036**	**10,138**	**296,093**
Interest expenses – external	87	(57,784)	(32,688)	(17,965)	(5,411)	424	(1,020)	(114,357)
Interest expense – other segments	-	(17,426)	-	(5,102)	-	(4,259)	(2,186)	(28,973)
Interest expense	**87**	**(75,210)**	**(32,688)**	**(23,067)**	**(5,411)**	**(3,835)**	**(3,206)**	**(143,330)**
Results on risk management derivatives, not designated in hedge accounting relationship	-	(34,834)	-	(2,030)	(517)	(1,240)	(552)	(39,173)
Net interest income	**4,769**	**38,217**	**29,218**	**17,093**	**9,952**	**7,961**	**6,380**	**113,590**
Net commission income – external	(17)	12,268	9,131	2,423	3,741	817	638	29,001
Net commission income – other segments	-	(2,115)	-	-	2,116	(1)	-	-
Trading and other income	464	15,279	5,970	5,200	6,054	2,611	1,854	37,432
Trading and other income– other segments	-	-	-	-	-	-	-	-
Net impairment loss on financial assets	(626)	(11,286)	(27,843)	(2,446)	(16,744)	(3,073)	(4,492)	(66,510)
Depreciation and amortization expense	(244)	(2,229)	(2,652)	(1,884)	(865)	(603)	(1,144)	(9,621)
Other operating expenses	(2,378)	(26,205)	(27,204)	(7,054)	(11,478)	(7,610)	(3,059)	(84,988)
Equity accounted earnings	-	-	-	-	-	-	253	253
Operating profit before taxes	**1,968**	**23,929**	**(13,380)**	**13,332**	**(7,224)**	**102**	**430**	**19,157**
Income tax expense	94	4,704	588	(1,037)	(2,583)	(627)	(276)	863
Profit for the year	**2,062**	**28,633**	**(12,792)**	**12,295**	**(9,807)**	**(525)**	**154**	**20,020**
Other information at 31 December 2016 - Financial position								
Total assets	138,977	5,071,994	836,979	669,175	410,619	742,699	240,062	8,110,505
Total liabilities	3,339,934	1,827,446	777,149	428,269	313,048	438,670	122,231	7,246,747
Equity accounted investments	-	-	-	-	-	-	5,803	5,803
Other information at 30 June 2016 - Income statement								
Reversal of impairment allowances no longer required	-	-	3,629	3,883	-	422	16	7,950

In thousands of EURO unless otherwise indicated

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, 2017	December 31, 2016
Balances with central banks	538,612	978,059
Cash on hand	56,522	63,312
Total	**595,134**	**1,041,371**

Deposits at central banks include reserve deposits amounting to EUR 92,127 (2016: EUR 96,903), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

5. Financial assets at fair value through profit or loss

	June 30, 2017	December 31, 2016
Financial assets held for trading		
Trading loans	34,778	-
Bank bonds	2,479	1,630
Corporate bonds	1,537	-
Equity instruments	1,168	1,082
Government bonds	184	-
Total	**40,146**	**2,712**

As of June 30, 2017, EUR 5,368 (2016: EUR 2,712) of the total is listed securities.

As of June 30, 2017, there is no financial asset that has been sold or re-pledged under repurchase agreements (2016: none).

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

	June 30, 2017	December 31, 2016
Balance at the beginning of the year	**2,712**	**7,578**
Additions	964,923	638,953
Disposals (sale and redemption)	(929,185)	(643,695)
Net changes in fair value	1,822	(173)
Exchange differences	(126)	49
Balance at the end of the period	**40,146**	**2,712**

In thousands of EURO unless otherwise indicated

6. Financial investments

	June 30, 2017	December 31, 2016*
Available-for-sale financial investments	661,981	767,109
Total	**661,981**	**767,109**

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

As of June 30, 2017, the fair value of financial assets that have been sold or re-pledged under repurchase agreements is EUR 175,736 (2016: EUR 6,301). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary.

	June 30, 2017	December 31, 2016
Available-for-sale portfolio		
Government bonds	429,279	437,249
Bank bonds	193,616	267,036
Equities	28,978	28,084
Corporate bonds	10,108	13,921
Trading loans	-	20,819
Total	**661,981**	**767,109**

As of June 30, 2017, EUR 635,759 (2016: EUR 688,613) of the total is listed securities and EUR 122 (2016: EUR 52,396) is non-listed financial instruments.

The movement in available-for-sale portfolio may be summarized as follows:

	June 30, 2017	December 31, 2016
Balance at the beginning of the year	**767,109**	**1,022,454**
Additions	1,142,011	3,049,325
Disposals (sale and redemption)	(1,252,207)	(3,323,266)
Net changes in fair value	16,817	(12,331)
Exchange differences	(11,749)	30,927
Balance at the end of the period	**661,981**	**767,109**

7. Loans and receivables - banks

	June 30, 2017	December 31, 2016
Placements with other banks	441,016	297,463
Loans and advances	2,968	10,128
Subtotal	**443,984**	**307,591**
Allowance for impairment	(925)	(925)
Total	**443,059**	**306,666**

Placements with other banks that are not available in the Bank's day-to-day operations amount to EUR 99,982 (2016: EUR 184,688).

In thousands of EURO unless otherwise indicated

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 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, 2017			**December 31, 2016**
	Nominal Amounts	**Fair values - assets**	**Fair values - liabilities**	**Nominal Amounts**	**Fair values - assets**	**Fair values - liabilities**
Derivatives held for trading						
Interest rate derivatives						
Swaps	7,201	-	171	35,651	43	502
Futures	23,596	93	126	19,987	16	10
Options (purchased)	89,117	578	-	23,140	-	-
Options (sold)	(94,117)	-	582	(28,140)	-	-
Subtotal	**25,797**	**671**	**879**	**50,638**	**59**	**512**
Currency derivatives						
Swaps	5,178,384	184,127	167,322	5,231,378	154,386	178,535
Forwards	770,458	14,139	14,296	903,660	11,360	12,466
Options (purchased)	2,236,813	89,954	14	1,964,794	108,361	19
Options (sold)	(2,228,517)	15	95,476	(1,955,155)	19	115,722
Subtotal	**5,957,138**	**288,235**	**277,108**	**6,144,677**	**274,126**	**306,742**
Other derivatives						
Equity options (purchased)	125,386	2,565	-	118,583	4,833	-
Equity options (sold)	(125,386)	-	2,566	(118,583)	-	4,833
Commodity swaps	-	-	-	10,389	1,157	915
Subtotal	**-**	**2,565**	**2,566**	**10,389**	**5,990**	**5,748**
Total derivatives	**5,982,935**	**291,471**	**280,553**	**6,205,704**	**280,175**	**313,002**

Derivative financial instruments held or issued for trading purposes: Most of the Bank's derivative trading activities relate to asset and liability management of the Bank and deals with customers who are normally laid off with counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates on indices.

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

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

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

In thousands of EURO unless otherwise indicated

Fair value hedges

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of its fixed income portfolio and cross-currency swaps to hedge its exposure to market interest rates on certain loans and advances.

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

			June 30, 2017			**December 31, 2016**
	Nominal Amounts	**Fair values -assets**	**Fair values -liabilities**	**Nominal Amounts**	**Fair values - assets**	**Fair values - liabilities**
Instrument type:						
Interest rate swaps	84,138	396	-	-	-	-
Currency swaps	(234,118)	-	1,086	(209,609)	846	68
Total	**(149,980)**	**396**	**1,086**	**(209,609)**	**846**	**68**

During 2017, there is not any loss relating to the ineffective portion of fair value hedges was recognized in the income statement (2016: None).

Net investment hedges

The Bank uses a mixture of foreign exchange contracts to hedge the foreign currency translation risk on its net investment in foreign subsidiaries.

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

			June 30, 2017			**December 31, 2016**
	Nominal Amounts	**Fair values - assets**	**Fair values -liabilities**	**Nominal Amounts**	**Fair values - assets**	**Fair values -liabilities**
Instrument type:						
Currency swaps	873,028	22,494	16,042	937,504	29,188	35,045
Total	**873,028**	**22,494**	**16,042**	**937,504**	**29,188**	**35,045**

During 2017, EUR 15 loss relating to the ineffective portion of net investment hedges was recognized in the income statement (2016: EUR 8 loss).

Cash flow hedges

The Bank uses cross-currency swaps to hedge part of its foreign currency risk related with USD denominated assets.

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

			June 30, 2017			**December 31, 2016**
	Nominal Amounts	**Fair values - assets**	**Fair values -liabilities**	**Nominal Amounts**	**Fair values - assets**	**Fair values -liabilities**
Instrument type:						
Currency swaps	184,974	16,169	442	293,402	34,184	26,591
Total	**184,974**	**16,169**	**442**	**293,402**	**34,184**	**26,591**

During 2017 no losses relating to the ineffective portion of cash flow hedges was recognized in the income statement (2016: none).

In thousands of EURO unless otherwise indicated

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

	June 30, 2017		December 31, 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives designated as				
Held for trading	291,471	280,553	280,175	313,002
Net investment hedge	22,494	16,042	29,188	35,045
Fair value hedge	396	1,086	846	68
Cash flow hedge	16,169	442	34,184	26,591
Total	**330,530**	**298,123**	**344,393**	**374,706**

9. Loans and receivables - customers

	June 30, 2017	December 31, 2016
Commercial loans	3,463,665	3,575,341
Consumer loans	878,905	959,110
Public sector loans	399,903	397,964
Credit card loans	332,585	364,898
Finance lease receivables, net	50,648	47,950
Private banking loans	29,525	29,135
Subtotal	**5,155,231**	**5,374,398**
Individually assessed allowances for impairment	(29,118)	(23,314)
Collectively assessed allowances for impairment	(158,293)	(163,080)
Total	**4,967,820**	**5,188,004**

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, 2017	December 31, 2016
Not later than 1 year	29,554	28,057
Later than 1 year and not later than 5 years	30,197	28,437
Later than 5 years	450	793
Gross lease receivables	**60,201**	**57,287**
Not later than 1 year	(5,014)	(5,011)
Later than 1 year and not later than 5 years	(4,513)	(4,246)
Later than 5 years	(26)	(80)
Unearned interest income	**(9,553)**	**(9,337)**
Finance lease receivables, net	**50,648**	**47,950**

In thousands of EURO unless otherwise indicated

10. Loan impairment charges and allowances

	June 30, 2017	December 31, 2016
Balance at the beginning of the period	**187,319**	**197,565**
New impairment allowances	59,908	138,147
Reversal of impairment allowances no longer required	(8,105)	(15,896)
Amounts written off	(43,827)	(164,956)
Currency translation differences	(6,959)	32,459
Balance at the end of the period	**188,336**	**187,319**
Breakdown of balance at the end of the period		
Consumer loans	100,140	103,384
Commercial loans	64,042	56,894
Credit card loans	16,030	18,394
Finance lease receivables	7,199	7,722
Loans to banks	925	925
Total	**188,336**	**187,319**

Net impairment loss on financial assets in income statement	**June 30, 2017**	**June 30, 2016**
New impairment allowances	59,908	74,460
Reversal of impairment allowances no longer required	(8,105)	(7,950)
Net impairment loss on financial assets	**51,803**	**66,510**

In 2017, there is no credit loss charge recognized in income statement related to financial investment held as available-for-sale. (2016: None)

Individually assessed allowances for impairment

	June 30, 2017	June 30, 2016	December 31, 2016
Balance at the beginning of the year	24,239	22,859	22,859
New impairment allowances	17,416	12,768	43,260
Reversal of impairment allowances no longer required	(1,029)	(1,278)	(1,076)
Amounts written off	(10,832)	(2,662)	(42,269)
Currency translation differences	249	1,219	1,465
Balance at the end of the period	**30,043**	**32,906**	**24,239**

In thousands of EURO unless otherwise indicated

Collectively assessed allowances for impairment

	June 30, 2017	June 30, 2016	December 31, 2016
Balance at the beginning of the year	163,080	174,706	174,706
New impairment allowances	42,492	61,692	94,887
Reversal of impairment allowances no longer required	(7,076)	(6,672)	(14,820)
Amounts written off	(32,995)	(57,449)	(122,687)
Currency translation differences	(7,208)	13,944	30,994
Balance at the end of the period	**158,293**	**186,221**	**163,080**

The Mortgage Payment Law ("Dare in Plata" or "DIP"), which came into force in Romania on in May 2016, entitled borrowers to request and to compel the lenders to accept a full discharge of mortgage-backed loans against the transfer of title of the mortgaged immoveable property to the lender. On the other hand, The Romanian Constitutional Court declared DIP law as a "hardship" law and reduced its scope to exceptional cases. While the Constitutional Court's decision brought clarity to which extent DIP law is applicable for CEB; the local courts' individual decisions in the future might have some financial impact on the Bank.

11. Other assets

	June 30, 2017	December 31, 2016*
Assets held for sale	53,502	60,845
Receivables from DNB	15,970	15,970
POS, plastic cards and ATM related receivables	15,471	24,696
Items in the course of settlement	8,833	17,318
Prepayments to suppliers	8,558	9,062
Accounts receivable	8,349	7,344
Amounts held as guarantee	5,873	8,443
Deferred acquisition costs	3,301	2,738
Tax related receivables	3,209	3,666
Materials and supplies	2,079	2,986
Other assets	5,806	3,604
Total	**130,951**	**156,672**

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

'Assets held for sale' represents collaterals repossessed after clients were not able to meet their payment obligations.

12. Due to banks

	June 30, 2017	December 31, 2016
Time deposits	432,398	353,453
Syndication loan	66,560	66,462
Current accounts	41,464	28,402
Total	**540,422**	**448,317**

The amount of repo transactions in time deposits is EUR 88,184 (2016: EUR 10,690).

In thousands of EURO unless otherwise indicated

13. Due to customers

	June 30, 2017	December 31, 2016
Retail time deposits	2,468,178	2,642,213
Retail saving and demand deposits	1,661,425	1,687,955
Corporate demand deposits	560,758	639,010
Corporate time deposits	432,246	562,353
Total	**5,122,607**	**5,531,531**

As of June 30, 2017, the Bank maintained customer deposit balances of EUR 35,344 (2016: EUR 66,138), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2017, EUR 2,124,431 (2016: EUR 2,259,407) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

14. Issued debt securities

Fixed rate debt securities	June 30, 2017	December 31, 2016
Within 1 year	2,124	13,654
More than 1 year but less than 5 years	30,157	159,308
More than 5 years	85,997	90,014
Total	**118,278**	**262,977**

15. Other liabilities

	June 30, 2017	December 31, 2016*
Accrued expenses	12,273	8,119
Staff related liabilities	6,031	7,472
Litigation provision **	5,952	7,553
Payables to suppliers	5,826	3,884
Unearned premiums reserve	5,686	5,542
Items in the course of settlement	3,059	4,036
Non-current tax related payable	2,974	4,098
Credit card payables	2,491	2,529
Provisions	877	756
Deferred income	656	459
Payables regarding insurance agreements	447	513
Other liabilities	8,509	8,507
Total	**54,781**	**53,468**

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

** Provision set for litigations regarding abusive clauses in consumer contracts, in which the Bank's subsidiary, Credit Europe Bank (Romania) S.A., is involved as of June 30, 2017. Further details are provided in Note 29: Commitments and Contingencies.

In thousands of EURO unless otherwise indicated

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. These liabilities, except for the subordinated bonds issued by Credit Europe Bank Ltd. on November 12, 2012 for an amount of USD 250 million, qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for DNB.

	Year of maturity	June 30, 2017	December 31, 2016
USD 250 million subordinated notes with a fixed interest rate of 8.50 % p.a.	2019	85,115	92,799
USD 400 million Tier II loan with a fixed interest rate of 8 % p.a.	2022	360,766	390,683
USD 50 million Tier II loan with a fixed interest rate of 10 % p.a. *	2023	-	47,844
Total		**445,881**	**531,326**

* Early closed in February 2017.

17. Capital and reserves

	June 30, 2017	December 31, 2016*
Share capital	632,464	632,464
Share premium	163,748	163,748
Retained earnings	472,028	460,461
Fair value reserve	4,330	(9,071)
Translation reserve	(288,722)	(265,899)
Hedging reserve	(114,719)	(119,811)
Equity attributable to owners of the Parent Company	**869,129**	**861,892**
Equity attributable to non-controlling interests	1,929	1,866
Total equity	**871,058**	**863,758**

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

As of June 30, 2017, the authorized share capital is EUR 1,000 million (2016: EUR 1,000 million) and consists of EUR 1,000 million (2016: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 632.5 million (2016: 632.5 million) ordinary shares with a face value of EUR 1.

Translation reserve

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

Hedging reserve

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

Fair value reserves

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognized or impaired.

In thousands of EURO unless otherwise indicated

18. Net interest income

	January 1- June 30, 2017	**January 1- June 30, 2016**
Interest income from:		
Loans and receivables – customers valued at amortized cost	220,268	238,455
Financial investments	9,207	16,599
Derivative financial instruments - hedge accounting	8,920	5,462
Loans and receivables – banks valued at amortized cost	3,164	3,682
Interest on financial lease	3,038	2,781
Financial assets at fair value through profit or loss	455	108
Cash and balances at central banks valued at amortized cost	22	33
Subtotal	**245,074**	**267,120**
Interest expense from:		
Due to customers valued at amortized cost	59,816	45,836
Subordinated liabilities valued at amortized cost	19,379	22,184
Derivative financial instruments - hedge accounting	15,182	8,002
Issued debt securities valued at amortized cost	13,516	26,570
Due to banks valued at amortized cost	3,139	11,601
Cash and balances at central banks valued at amortized cost	642	164
Subtotal	**111,674**	**114,357**
Results on risk management derivatives, not designated in hedge accounting relationship	10,188	(39,173)
Total	**143,588**	**113,590**

In thousands of EURO unless otherwise indicated

19. Net fee and commission income

	January 1- June 30, 2017	January 1- June 30, 2016
Fee and commission income		
Credit card fees	33,496	25,651
Cash loan fees	4,849	4,842
Insurance related fees	4,046	3,661
Payment and transaction services fees	3,050	3,040
Letters of credit commissions	2,753	2,506
Portfolio and other management fees	2,094	1,753
Commission on account maintenance	1,860	2,028
Cash withdrawal fees	1,851	2,030
Letters of guarantee commissions	1,459	1,207
Foreign exchange transaction fees	846	698
Commissions on fund transfers	632	670
Commissions on fiduciary transactions	458	636
Other fees and commissions	1,611	2,610
Subtotal	**59,005**	**51,332**
Fee and commission expense		
Credit card fees	21,253	15,311
Commission paid to intermediaries/retailers	2,930	1,738
Insurance related fees	2,695	1,616
Payment and transaction services expense	1,240	1,277
Collection operation fees	1,207	906
Account maintenance fees	375	350
Other fee and commission expenses	1,069	1,133
Subtotal	**30,769**	**22,331**
Total	**28,236**	**29,001**

20. Net trading income

	January 1- June 30, 2017	January 1- June 30, 2016
Foreign exchange	(17,107)	10,499
Trading loans	714	-
Fixed income	1,144	1,162
Derivatives	2,272	(1,084)
Total	**(12,977)**	**10,577**

In thousands of EURO unless otherwise indicated

21. Results from financial transactions

	January 1- June 30, 2017	January 1- June 30, 2016
Net gain from the disposal of available-for-sale investments	2,308	9,156
Total	**2,308**	**9,156**

Results from financial transactions include amounts transferred from equity to the income statement on derecognition of available-for-sale asset and gains and losses recognized from the difference between the carrying amount and the consideration received upon derecognition.

22. Other operating income

	January 1- June 30, 2017	January 1- June 30, 2016
Vessels charter income	6,693	478
Income from loan sales	4,003	4,888
Income from operational leasing activities	3,406	4,538
Collection from written off loans	3,256	2,543
Rent income	1,361	806
Sale of assets held for sale	638	1,904
Dividend received	180	1,726
Other income	1,668	816
Total	**21,205**	**17,699**

23. Personnel expenses

	January 1- June 30, 2017	January 1- June 30, 2016
Wages and salaries	42,707	38,916
Social security payments	4,710	4,187
Retirement benefit costs	4,221	3,583
Health insurance costs	634	436
Other employee costs	1,489	1,456
Total	**53,761**	**48,578**
Average number of employees	**4,122**	**4,176**
Banking activities – Netherlands	206	217
Banking activities - foreign countries	3,916	3,959

The retirement benefit costs of EUR 413 (2016: EUR 558) relates to a defined contribution plan. The Bank has no defined benefit program. The assets of the schemes are held separately from those of the Bank in funds under the control of insurance companies.

In thousands of EURO unless otherwise indicated

24. General and administrative expenses

	January 1- June 30, 2017	January 1- June 30, 2016
Rent and maintenance expenses	11,406	11,157
Communication and information expenses	4,455	3,978
Professional fees and consultancy	3,544	2,330
Taxes other than income	3,021	3,242
Information technology expenses	2,380	1,884
Stationary, office supplies and printing expense	1,883	1,591
Membership fees	1,161	1,239
Legal services expenses	940	401
Advertising and marketing expenses	923	612
Security expenses	820	707
Travel and transport expenses	815	838
Cleaning expenses	522	417
Insurance premiums	517	341
Other expenses	1,660	2,309
Total	**34,047**	**31,046**

25. Other operating expenses

	January 1- June 30, 2017	January 1- June 30, 2016
Vessels maintenance expense	11,364	873
Provision expenses	996	541
Fines and penalties	381	463
Claims service expenses	272	544
Losses from asset held for sale	150	823
Other	721	298
Total	**13,884**	**3,542**

26. Other impairment losses

	January 1- June 30, 2017	January 1- June 30, 2016
Assets held for sale	(103)	77
Property and equipment	-	1,791
Other	(349)	(46)
Total	**(452)**	**1,822**

In thousands of EURO unless otherwise indicated

27. Taxation

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

28. Fair value information

Fair value is 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 in the principal or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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, 2017
	Trading	**Designated at fair value**	**Loans and receivables**	**Available for sale**	**Other amortized costs**	**Total carrying amount**
Cash and balances at central banks	-	-	595,134	-	-	595,134
Financial assets at fair value through profit or loss	-	40,146	-	-	-	40,146
Financial investments	-	-	-	661,981	-	661,981
Loans and receivables - banks	-	-	443,059	-	-	443,059
Loans and receivables - customers	-	-	4,967,820	-	-	4,967,820
Derivative financial instruments	330,530	-	-	-	-	330,530
Total assets	**330,530**	**40,146**	**6,006,013**	**661,981**	**-**	**7,038,670**
Due to banks	-	-	-	-	540,422	540,422
Due to customers	-	-	-	-	5,122,607	5,122,607
Derivative financial instruments	298,123	-	-	-	-	298,123
Issued debt securities	-	-	-	-	118,278	118,278
Subordinated liabilities	-	-	-	-	445,881	445,881
Total liabilities	**298,123**	**-**	**-**	**-**	**6,227,188**	**6,525,311**

In thousands of EURO unless otherwise indicated

						December 31, 2016*
	Trading	Designated at fair value	Loans and receivables	Available for sale	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	1,041,371	-	-	1,041,371
Financial assets at fair value through profit or loss	-	2,712	-	-	-	2,712
Financial investments	-	-	-	767,109	-	767,109
Loans and receivables - banks	-	-	306,666	-	-	306,666
Loans and receivables - customers	-	-	5,188,004	-	-	5,188,004
Derivative financial instruments	344,393	-	-	-	-	344,393
Total assets	**344,393**	**2,712**	**6,536,041**	**767,109**	**-**	**7,650,255**
Due to banks	-	-	-	-	448,317	448,317
Due to customers	-	-	-	-	5,531,531	5,531,531
Derivative financial instruments	374,706	-	-	-	-	374,706
Issued debt securities	-	-	-	-	262,977	262,977
Subordinated liabilities	-	-	-	-	531,326	531,326
Total liabilities	**374,706**	**-**	**-**	**-**	**6,774,151**	**7,148,857**

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

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.
- 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.

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

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

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

Loans to customers designated as 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 all inputs are observable. 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.

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).

Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of December 31, 2016, securities classified as Level 3 include certain diversified payment rights securities.

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.

In thousands of EURO unless otherwise indicated

Reconciliation

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

			June 30, 2017			**December 31, 2016**
	Financial Investments - securities	**Financial Assets FVTPL - Loans and receivables**	**Total**	**Financial Investments - securities**	**Financial Investments - Loans and receivables**	**Total**
Balance at January 1	**31,579**	**-**	**31,579**	**30,520**	**152,845**	**183,365**
Total gains and losses						
- in net trading income	-	714	714	1,055	1,775	2,830
- in OCI	-	-	-	4	(230)	(226)
Purchases	-	357,835	357,835	-	776,302	776,302
Settlements	(31,456)	(323,771)	(355,226)	-	(909,875)	(909,875)
Balance at the period end	**123**	**34,778**	**34,901**	**31,579**	**20,817**	**52,395**

Financial instruments measured at fair value

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, 2017	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	6	5,368	-	34,778	40,146
Derivative assets held for risk management and trading	10	-	330,530	-	330,530
Financial investments	7	635,758	26,100	123	661,981
Total		**641,126**	**356,630**	**34,901**	**1,032,657**
Financial liabilities					
Derivative assets held for risk management	10	-	298,123	-	298,123
Total		**-**	**298,123**	**-**	**298,123**

December 31, 2016*	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading assets	6	2,712	-	-	2,712
Derivative assets held for risk management and trading	10	-	344,393	-	344,393
Financial investments	7	688,613	26,100	52,396	767,109
Total		**691,325**	**370,493**	**52,396**	**1,114,214**
Financial liabilities					
Derivative assets held for risk management	10	-	374,706	-	374,706
Total		**-**	**374,706**	**-**	**374,706**

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

No securities were transferred from Level 1 to Level 2 of the fair value hierarchy in 2017.

In thousands of EURO unless otherwise indicated

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, 2017	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	595,134	-	595,134	595,134
Loans and receivables - banks	8	-	441,596	-	441,596	443,059
Loans and receivables - customers	9	-	-	4,934,991	4,934,991	4,967,820
Total		**-**	**1,036,730**	**4,934,991**	**5,971,721**	**6,006,013**
Financial liabilities						
Due to banks	12	-	540,130	-	540,130	540,422
Due to customers	13	-	5,208,317	-	5,208,317	5,122,607
Issued debt securities	14	115,718	1,488	-	117,206	118,278
Subordinated liabilities	16	89,356	370,551	-	459,907	445,881
Total		**205,074**	**6,120,486**	**-**	**6,325,560**	**6,227,188**

December 31, 2016	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	1,041,371	-	1,041,371	1,041,371
Loans and receivables - banks	8	-	306,621	-	306,621	306,666
Loans and receivables - customers	9	-	-	5,149,694	5,149,694	5,188,004
Total		**-**	**1,347,992**	**5,149,694**	**6,497,686**	**6,536,041**
Financial liabilities						
Due to banks	12	-	447,762	-	447,762	448,317
Due to customers	13	-	5,630,032	-	5,630,032	5,531,531
Issued debt securities	14	253,687	10,895	-	264,582	262,977
Subordinated liabilities	16	94,171	443,802	-	537,973	531,326
Total		**347,858**	**6,532,491**	**-**	**6,880,349**	**6,774,151**

29. 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.

In thousands of EURO unless otherwise indicated

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, 2017	**December 31, 2016**
Contingent liabilities with respect to irrevocable letters of credit - import	170,600	251,255
Contingent liabilities with respect to letters of guarantee granted - banks	79,054	25,554
Contingent liabilities with respect to letters of guarantee granted - corporates	56,883	121,667
Contingent liabilities with respect to irrevocable letters of credit - export	35,841	23,189
Contingent liabilities with respect other guarantees	1,322	1,488
Contingent liabilities with respect to acceptance credits	624	44
Total non-cash loans	**344,324**	**423,197**
Credit-card limits	376,361	387,199
Revocable credit-line commitments	233,814	370,569
Other commitments	21,923	12,974
Total	**976,422**	**1,193,939**

Litigation claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects the claims might have on its financial standing.

As at June 30, 2017, 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. Consolidated financial statements include provision at amount of EUR 5,620 for those litigations. Additionally, Credit Europe Bank (Romania) S.A. performed a comprehensive assessment for the entire retail loan portfolio in order to determine the maximum exposure to risk in respect of potential litigations to be initiated by customers. As result, as at June 30, 2017, the Bank estimated a contingent liability at amount of EUR 10,844.

In thousands of EURO unless otherwise indicated

Lease commitments

The Bank leases a number of buildings and cars under operating leases. Non-cancellable operating lease rentals are payable as follows:

Operating lease commitment - bank as lessee and rent commitments	June 30, 2017	December 31, 2016
Not later than 1 year	10,187	11,825
Later than 1 year and not later than 5 years	20,986	26,129
Total	**31,173**	**37,954**

Operating lease commitment - bank as lessor	June 30, 2017	December 31, 2016
Not later than 1 year	6,810	7,098
Later than 1 year and not later than 5 years	5,982	6,337
Total	**12,792**	**13,435**

The Bank leases a number of premises and equipment under operating lease. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually changed annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year EUR 12,684 was recognized as an expense in the statement of income in respect of operating leases (2016: EUR 10,270).

In thousands of EURO unless otherwise indicated

30. Related parties

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

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

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

				June 30, 2017				December 31, 2016
	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	-	-	5,283	4,497	-	-	-	1,496
Loans and receivables – customers	5,171	-	218	153,153	2,586	-	213	158,038
Derivative financial instruments	1,564	11,314	-	73,412	1,774	8,877	-	80,177
Liabilities								
Due to banks	-	-	901	345	-	-	4,577	472
Due to customers	383	4,465	87	150,397	1,971	3,536	107	273,726
Derivative financial instruments	1,109	6,607	-	18,960	1,337	5,360	-	10,883
Commitment and contingencies	-	-	-	2,114	-	-	-	10,623

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of June 30, 2017, the Bank does not have any provisions regarding related party balances (2016: None)

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

				January 1-June 30, 2017				January 1-June 30, 2016
	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	-	-	153	1,843	222	-	-	1,256
Interest expense	(185)	-	(90)	(48)	-	(21)	(115)	(337)
Commission income	5	34	0	1,027	2	23	-	700
Commission expense	(113)	-	(828)	(339)	-	-	-	(318)
Net trading income	5	1	0	149	(1)	-	-	1,092
Other operating income	-	-	156	72	-	-	9	56
Operating expenses	-	-	(353)	(692)	-	-	-	(758)

In thousands of EURO unless otherwise indicated

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 12 (2016: 12). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	June 30, 2017	December 31, 2016
Loans and receivables - customers	142	235

As of June 30, 2017, the Bank does not have any provisions regarding the balances with key management personnel (2016: None).

Key management costs, including remuneration and fees for the year ended June 30, 2017 amounted to EUR 1,896 (2016: EUR 2,267). Pension plan contribution amounted to EUR 63 (2016: EUR 58).

In thousands of EURO unless otherwise indicated

31. Intra-Group balances

Intra-group balances that are eliminated during consolidation process:

	June 30, 2017	December 31, 2016
Assets		
Financial investments	1,923	34,376
Loans and receivables - banks	168,082	241,333
Loans and receivables – customers	303,731	258,970
Derivative financial instruments	21,134	50,157
Other assets	152	122
Liabilities		
Due to banks	467,419	492,596
Due to customers	4,394	7,707
Derivative financial instruments	21,134	50,157
Issued debt securities	-	33,431
Subordinated liabilities	1,923	945
Other liabilities	152	122
Commitments and contingencies	25,190	38,335

	January 1- June 30, 2017	January 1- June 30, 2016
Interest income	22,091	28,973
Interest expense	(22,091)	(28,973)
Commission income	1,600	2,116
Commission expense	(1,600)	(2,116)

32. 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	QUANTITATIVE
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	**Credit risk concentration** - Diversified exposure within different geographies through retail, SME and corporate clients. - Low sovereign exposure **Liquidity** - No risk tolerance for liquidity risk, restrictions on short-term funding and credit-sensitive liabilities - Insignificant liability concentration **Trading and ALM** - Minor sensitivity to trading risk and limited interest rate mismatches in the banking book - No exposure to securitized/re-securitized assets or CDOs

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

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

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

In line with the ARC recommendations we continued to invest in the Bank's risk management systems in 2014, including but not limited to the streamlining of the credit process, particularly with regard to capital planning, and implementing integrated stress testing tools.

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

In thousands of EURO unless otherwise indicated

Regulatory Capital

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

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

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

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

	June 30, 2017	December 31, 2016*
Total Equity	**871,058**	**863,758**
- Current year profit (1)	(11,450)	(33,842)
- Eligible 1st half year profit after approval	-	-
- Non-eligible minority interest (2)	(1,291)	(1,205)
- Deductions from revaluation Reserve - AFS	(4,330)	9,070
Prudential filters		
- Cash flow hedge reserve	223	1,256
- Prudent valuation	(826)	(972)
- Intangible asset (2)	(12,595)	(12,687)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(125)	(795)
- transitional adjustments to CET1 Capital (3)	3,464	(5,442)
Core Tier I	**844,128**	**819,141**
Perpetual Tier I capital	-	-
Additional Tier I	**-**	**-**
Total Tier I capital	**844,128**	**819,141**
Tier II capital		
Subordinated capital	350,508	426,904
Total Tier II capital	**350,508**	**426,904**
Total own funds	**1,194,636**	**1,246,045**

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

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

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

In thousands of EURO unless otherwise indicated

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, 2017	December 31, 2016
Capital ratio	19.79%	19.53%
Tier I ratio	13.99%	12.84%
Core Tier I	13.99%	12.84%
RWA	**6,035,111**	**6,379,340**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

IN 2016, CEB is in the process of migrating from the existing 11-grade rating scale to a new 21-grade master scale -which covers both corporate and retail lending. CEB 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 CEB NV 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.

CEB 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.

In thousands of EURO unless otherwise indicated

32. 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, 2017	December 31, 2016
Balance sheet items		
Balances with central banks	538,612	978,059
Financial assets designated at fair value through profit or loss	40,146	2,712
Financial investments	661,981	767,109
Loans and receivables - banks	443,984	307,591
Loans and receivables - customers	5,155,231	5,374,398
Derivative financial instruments	330,530	344,393
Subtotal	**7,170,484**	**7,774,262**
Off- balance sheet items		
Issued letters of guarantee	137,259	148,709
Issued irrevocable letters of credit	206,441	274,444
Undrawn credit-card limits	376,361	387,199
Other commitments and contingent liabilities	624	44
Total off-balance sheet*	**720,685**	**810,396**
Maximum credit risk exposure	**7,891,169**	**8,584,658**

*Excluding revocable credit line commitments

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

Concentration of credit exposure

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

In thousands of EURO unless otherwise indicated

32.b. Sector concentration

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

				June 30, 2017		December 31, 2016
	On-balance sheet	Off-balance sheet	Total exposure(*)	% of total exposure	Total exposure(*)	% of total exposure
Exposure to central governments and financial institutions						
Exposure to central governments and central banks	538,612	-	538,612	49.06%	978,059	73.38%
Exposure to financial institutions	443,984	115,203	559,187	50.94%	354,862	26.62%
Total exposure to central governments and financial institutions	**982,596**	**115,203**	**1,097,799**	**100.00%**	**1,332,921**	**100.00%**
Corporate exposure						
Construction & installation	590,294	27,615	617,909	15.13%	565,748	13.08%
Leisure & tourism	528,534	4,977	533,511	13.06%	521,461	12.06%
Real estate	421,790	2	421,792	10.32%	575,557	13.32%
Public loans	399,903	49	399,952	9.79%	397,964	9.20%
Financial services & investments	281,316	120	281,436	6.89%	206,661	4.78%
Oil & derivatives	125,451	82,430	207,881	5.09%	290,727	6.72%
Transportation, logistics & warehousing	203,688	2,752	206,440	5.05%	158,261	3.66%
Iron & steel	136,183	48,221	184,404	4.51%	155,549	3.60%
Shipping & shipyards	178,996	400	179,396	4.39%	253,126	5.85%
Energy & coal	127,310	795	128,105	3.14%	151,343	3.50%
Textile, clothing & leather	109,318	5,852	115,170	2.82%	147,432	3.41%
Food, beverage & tobacco	114,024	238	114,262	2.80%	141,891	3.28%
Petrochemical, plasticizers & derivatives	54,739	27,063	81,802	2.00%	99,888	2.31%
Soft commodities & agricultural products	72,214	2,966	75,180	1.84%	55,561	1.28%
Retail	69,604	2,690	72,294	1.77%	106,472	2.46%
Fertilizers	43,843	-	43,843	1.07%	26,955	0.62%
Telecommunications	28,440	-	28,440	0.70%	33,485	0.77%
Building materials	6,826	-	6,826	0.17%	11,702	0.27%
Other	365,654	20,892	386,546	9.46%	424,890	9.82%
Total exposure to corporate clients and private banking	**3,858,127**	**227,062**	**4,085,189**	**100.00%**	**4,324,673**	**100.00%**
Exposure to retail customers and SMEs						
Exposure to retail customers	809,613	376,361	1,185,974	70.78%	1,284,587	70.86%
Exposure secured by residential real estate	401,877	-	401,877	24.00%	426,778	23.54%
Exposure to SME	85,614	2,059	87,673	5.23%	101,485	5.60%
Total exposure to retail customers and SMEs	**1,297,104**	**378,420**	**1,675,524**	**100.00%**	**1,812,850**	**100.00%**
Total credit risk exposure*	**6,137,827**	**720,685**	**6,858,512**	**100.00%**	**7,470,444**	**100.00%**

*Excluding financial assets and derivatives.

The top five industries account for 50.50% (2016: 51.02%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

In thousands of EURO unless otherwise indicated

32.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2017:

							June 30, 2017
	Russia	**Turkey**	**Romania**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Balance sheet items							
Demand deposits with central banks	46,913	-	159,468	1,953	-	330,278	**538,612**
Financial assets designated at fair value through profit or loss	-	9,625	1,167	-	26,253	3,101	**40,146**
Financial investments	6,569	88,365	145,579	-	939	420,529	**661,981**
Loans and receivables - banks	29,530	15,258	23,921	67	4,215	370,993	**443,984**
Loans and receivables - customers	1,475,770	1,128,810	850,585	42,128	122,356	1,535,582	**5,155,231**
Derivative financial instruments	2,191	132,095	106	16	57	196,065	**330,530**
Total balance sheet	**1,560,973**	**1,374,153**	**1,180,826**	**44,164**	**153,820**	**2,856,548**	**7,170,484**
Off-balance sheet items	237,862	58,994	160,146	3,168	96,853	163,662	**720,685**
Total credit-risk exposure	**1,798,835**	**1,433,147**	**1,340,972**	**47,332**	**250,673**	**3,020,210**	**7,891,169**

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2016:

							December 31, 2016
	Russia	**Turkey**	**Romania**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Balance sheet items							
Demand deposits with central banks	10,899	-	124,191	897	-	842,072	**978,059**
Financial assets designated at fair value through profit or loss	-	-	1,082	-	-	1,630	**2,712**
Financial investments	12,073	170,207	188,361	9,104	12,787	374,577	**767,109**
Loans and receivables - banks	29,150	16,813	12,780	5,359	6,830	236,659	**307,591**
Loans and receivables - customers	1,577,216	1,112,904	866,983	52,830	151,384	1,613,081	**5,374,398**
Derivative financial instruments	90	152,898	959	-	-	190,446	**344,393**
Total balance sheet	**1,629,428**	**1,452,822**	**1,194,356**	**68,190**	**171,001**	**3,258,465**	**7,774,262**
Off-balance sheet items	258,891	98,092	151,593	2,760	51,834	247,226	**810,396**
Total credit-risk exposure	**1,888,319**	**1,550,914**	**1,345,949**	**70,950**	**222,835**	**3,505,691**	**8,584,658**

In thousands of EURO unless otherwise indicated

32.d. Collaterals and other credit enhancements obtained

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

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

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

Breakdown of collateralized exposure by collateral type					**June 30, 2017**
	Total exposure, net	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total net exposure**
Balance sheet					
Demand deposits with central banks	538,612	-	-	-	-
Financial assets designated at fair value through profit or loss	40,146	-	-	-	-
Financial investments	661,981	-	-	-	-
Loans and receivables - banks	443,984	4,099	-	4,099	1%
Loans and receivables - customers	5,155,231	135,850	2,107,108	2,242,958	44%
Derivative financial instruments	330,530	35,264	-	35,264	11%
Total balance sheet	**7,170,484**	**175,213**	**2,107,108**	**2,282,321**	**32%**
Off-balance sheet	720,685	15,496	17,512	33,008	5%
Total credit risk exposure	**7,891,169**	**190,709**	**2,124,620**	**2,315,329**	**29%**

Breakdown of collateralized exposure by collateral type					**December 31, 2016**
	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	978,059	-	-	-	-
Financial assets designated at fair value through profit or loss	2,712	-	-	-	-
Financial investments	767,109	-	-	-	-
Loans and receivables - banks	307,591	48	-	48	0%
Loans and receivables - customers	5,374,398	310,177	2,084,763	2,394,940	45%
Derivative financial instruments	344,393	41,604	-	41,604	12%
Total balance sheet	**7,774,262**	**351,829**	**2,084,763**	**2,436,592**	**31%**
Off-balance sheet	810,396	51,075	15,079	66,154	8%
Total credit risk exposure	**8,584,658**	**402,904**	**2,099,842**	**2,502,746**	**29%**

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

In thousands of EURO unless otherwise indicated

32.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of June 30, 2017 and December 31, 2016. In assessing the credit quality of its financial assets, the Bank obtains ratings from eligible credit assessment institutions, namely Fitch, Standard & Poor's (S&P) and Moody's. In order to compare assets, the ratings below were mapped to Fitch's rating scale.

							June 30, 2017
	External rating class						
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	329,987	292	159,467	46,913	1,953	-	**538,612**
Financial assets designated at fair value through profit or loss	3,100	-	8,866	27,012	-	1,168	**40,146**
Financial investments	81,748	118,897	313,552	116,599	-	31,185	**661,981**
Loans and receivables - banks	83,586	189,629	22,624	64,745	9	83,391	**443,984**
Loans and receivables - customers	175,952	-	57,584	38,328	182,020	4,701,347	**5,155,231**
Derivative financial instruments	1,626	150,377	5,144	1,950	-	171,433	**330,530**
Off-balance sheet	735	209	73,475	37,992	6,968	224,945	**344,324**
Total	**676,734**	**459,404**	**640,712**	**333,539**	**190,950**	**5,213,469**	**7,514,808**

							December 31, 2016
	External rating class						
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	841,809	263	124,191	10,899	897	-	**978,059**
Financial assets designated at fair value through profit or loss	1,631	-	-	-	-	1,081	**2,712**
Financial investments	41,847	108,249	341,112	231,456	9,104	35,341	**767,109**
Loans and receivables - banks	38,728	180,919	37,211	22,075	1	28,657	**307,591**
Loans and receivables - customers	397,964	-	-	42,743	6,799	4,926,892	**5,374,398**
Derivative financial instruments	3,366	137,492	22,152	1,300	-	180,083	**344,393**
Off-balance sheet	-	6,366	5,604	30,842	7,442	760,142	**810,396**
Total	**1,325,345**	**433,289**	**530,270**	**339,315**	**24,243**	**5,932,196**	**8,584,658**

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

The total amount of impaired assets included in the tables above is EUR 392,362 (2016: EUR 378,386). The total amount of provisions allocated for these assets is EUR 129,266 (2016: EUR 125,203), while EUR 925 is allocated for loans to banks.

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio. CEB's current Loan Assessment and Impairment Policy is aligned with the industry practices and regulatory requirements. Our loan classification approach is based on the respective recovery capabilities and debtors' creditworthiness levels, providing the management and the external stakeholders a detailed and a transparent overview of the portfolio's credit quality. In 2015, the Bank revised its Loan Assessment and Impairment Policy according to the EBA's technical standards on non-performing and forbearance exposures.

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

- "Performing loans" cover corporate, retail, SME loans on which payments are made according to the contractual terms, repayment problems are not expected in the future and which are totally recoverable (collectable).
- "Sub-standard" term has different implications for corporate and retail & SME clients. From corporate banking perspective it includes performing forborne loans and customers with positive 'warning signals'. For retail & SME customers the term means loans with a delay in contractual payment of no more than 90 days.
- Non-Performing Loans (NPL) includes loans and receivables with limited (doubtful) recovery prospects. These clients:
    - have limited means for total recovery because their repayment capacity is inadequate to cover payments on respective terms; they are likely to lead to losses if these problems are not solved; or,
    - are in a situation where full or partial recovery prospects are fully dependent on the outcome of the liquidation of the underlying assets or recourse to the guarantor; or,
    - have suffered significant credit quality deterioration; or,
    - have delayed the capital and/or interest payments for more than 90 days as of the day of their payment date.

To be able to monitor delinquent corporate loans in a more structured way the Bank developed NPL & forbearance screens on solo level and strive to spread the system across subsidiaries.

Impairment allowances

The Bank aims to maintain sufficient reserves to cover its incurred losses. According to its policy, the Bank differentiates between:

- Provisions for individually assessed assets
- Provisions for collectively assessed assets

Individual Assessment

All Sub-standard and NPL customers are analysed individually, regardless of size. Performing loans are subject to individual assessment only if they are deemed 'significant'. The 'significance criterion' is established at global level, and amounts to EUR 1 million. In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral and the timing of all asset realizations.

Collective Assessment

The Bank identifies loans to be evaluated for impairment on an individual basis and segments the remainder of the portfolio into groups of loans with similar credit characteristics. The Bank classifies its corporate portfolio either on an obligor or a transactional rating scale, where corresponding probability of default "PD" or expected loss "EL" figures are readily available.

In thousands of EURO unless otherwise indicated

The Bank calculates collective impairment allowances for retail portfolios using the dynamic statistical model, based on analysis of the portfolio's default and recovery rates according to historical data. The same approach is implemented across the Bank's entities, with adjustment for specific local conditions. The methodology remained unchanged in 2017.

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

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

June 30, 2017

	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**3,858,127**	**(26,878)**	**(29,188)**	**3,802,061**	**134,549**	**1,632,810**	**1,767,359**	**46%**
Performing loans	3,438,287	-	(21,746)	3,416,541	127,118	1,267,808	1,394,926	41%
Sub-Standard loans	241,894	-	(7,396)	234,498	-	231,919	231,919	99%
NPL	177,946	(26,878)	(46)	151,022	7,431	133,083	140,514	93%
Retail loans (incl. mortgages)	**1,211,490**	**-**	**(116,326)**	**1,095,164**	**694**	**399,604**	**400,298**	**37%**
Performing loans	1,008,404	-	(19,669)	988,735	694	327,291	327,985	33%
Sub-Standard loans	19,578	-	(3,922)	15,656	-	7,586	7,586	48%
NPL	183,508	-	(92,735)	90,773	-	64,727	64,727	71%
SME loans	**85,614**	**(2,240)**	**(12,779)**	**70,595**	**607**	**74,694**	**75,301**	**107%**
Performing loans	52,506	-	(5,167)	47,339	611	48,484	49,095	104%
Sub-Standard loans	2,200	-	(245)	1,955	-	2,155	2,155	110%
NPL	30,908	(2,240)	(7,367)	21,301	(4)	24,055	24,051	113%
Total exposure	**5,155,231**	**(29,118)**	**(158,293)**	**4,967,820**	**135,850**	**2,107,108**	**2,242,958**	**45%**
Total NPL	392,362	(29,118)	(100,148)	263,096	7,427	221,865	229,292	87%

December 31, 2016

	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**3,950,733**	**(22,563)**	**(30,296)**	**3,897,874**	**291,057**	**1,568,422**	**1,859,479**	**48%**
Performing loans	3,634,516	-	(27,104)	3,607,412	287,163	1,347,056	1,634,219	45%
Sub-Standard loans	157,022	-	(3,174)	153,848	3,714	127,449	131,163	85%
NPL	159,195	(22,563)	(18)	136,614	180	93,917	94,097	69%
Retail loans (incl. mortgages)	**1,324,166**	**-**	**(121,934)**	**1,202,232**	**17,129**	**431,217**	**448,346**	**37%**
Performing loans	1,069,169	-	(20,230)	1,048,939	9,589	334,038	343,627	33%
Sub-Standard loans	60,136	-	(6,827)	53,309	-	30,238	30,238	57%
NPL	194,861	-	(94,877)	99,984	7,540	66,941	74,481	74%
SME loans	**99,499**	**(751)**	**(10,850)**	**87,898**	**1,991**	**85,124**	**87,115**	**99%**
Performing loans	72,945	-	(3,809)	69,136	1,991	64,878	66,869	97%
Sub-Standard loans	2,224	-	(47)	2,177	-	2,173	2,173	100%
NPL	24,330	(751)	(6,994)	16,585	-	18,073	18,073	109%
Total exposure	**5,374,398**	**(23,314)**	**(163,080)**	**5,188,004**	**310,177**	**2,084,763**	**2,394,940**	**46%**
Total NPL	378,386	(23,314)	(101,889)	253,183	7,720	178,931	186,651	74%

In thousands of EURO unless otherwise indicated

Further credit quality breakdown of retail loans are as below:

June 30, 2017	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	**332,585**	**(16,030)**	**316,555**	**-**	**-**
Performing loans	318,328	(4,959)	313,369	-	-
Sub-Standard loans	-	-	-	-	-
NPL	14,257	(11,071)	3,186	-	-
Car loans	**186,460**	**(13,225)**	**173,235**	**186,317**	**108%**
Performing loans	170,130	(3,650)	166,480	170,130	102%
Sub-Standard loans	850	(630)	220	850	386%
NPL	15,480	(8,945)	6,535	15,337	235%
Mortgage	**401,877**	**(60,064)**	**341,813**	**213,013**	**62%**
Performing loans	256,323	(6,480)	249,843	156,953	63%
Sub-Standard loans	14,767	(461)	14,306	6,735	47%
NPL	130,787	(53,123)	77,664	49,325	64%
Other retail	**290,568**	**(27,007)**	**263,561**	**968**	**-**
Performing loans	263,624	(4,581)	259,043	903	-
Sub-Standard loans	3,960	(2,830)	1,130	-	-
NPL	22,984	(19,596)	3,388	65	2%
Total retail exposure	**1,211,490**	**(116,326)**	**1,095,164**	**400,298**	**37%**
Total NPL	183,508	(92,735)	90,773	64,727	71%

December 31, 2016	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	**364,897**	**(18,394)**	**346,503**	**-**	**-**
Performing loans	348,800	(5,811)	342,989	-	-
Sub-Standard loans	-	-	-	-	-
NPL	16,097	(12,583)	3,514	-	-
Car loans	**201,898**	**(18,017)**	**183,881**	**201,755**	**110%**
Performing loans	177,393	(3,317)	174,076	177,393	102%
Sub-Standard loans	4,290	(2,028)	2,262	4,290	165%
NPL	20,215	(12,672)	7,543	20,072	254%
Mortgage	**426,779**	**(54,445)**	**372,334**	**229,124**	**62%**
Performing loans	249,250	(5,791)	243,459	156,375	67%
Sub-Standard loans	46,227	(1,555)	44,672	25,948	55%
NPL	131,302	(47,099)	84,203	46,801	74%
Other retail	**330,592**	**(31,078)**	**299,514**	**17,467**	**6%**
Performing loans	293,726	(5,467)	288,259	9,859	5%
Sub-Standard loans	9,619	(3,088)	6,531	-	39%
NPL	27,247	(22,523)	4,724	7,608	80%
Total retail exposure	**1,324,166**	**(121,934)**	**1,202,232**	**448,346**	**37%**
Total NPL	194,861	(94,877)	99,984	74,481	74%

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

The total amount of NPL as of June 30, 2017 is EUR 392,362 (2016: EUR 378,386). The total NPL ratio as of June 30, 2017, is 7.61% (2016: 7.04%). 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, 2017 is 106% (2016: 99%).

In thousands of EURO unless otherwise indicated

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

	June 30, 2017	December 31, 2016
Loans to customers (Gross)	5,155,231	5,374,398
NPLs (Gross)	392,362	378,386
Provisions	(187,411)	(186,394)
NPLs (Net)	**204,951**	**191,992**
Net NPL ratio	**4.1%**	**3.7%**

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

As of June 30, 2017, the performing forbearance measure of the total loan portfolio is EUR 261,621 (2016: 214,424).

32.g. Aging of loans and advances to customers

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

						June 30, 2017
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	3,623,816	45,434	13,030	1,830	174,017	**3,858,127**
Retail loans and residential mortgage loans	913,271	65,077	29,826	19,809	183,507	**1,211,490**
SME loans	50,662	1,967	666	1,411	30,908	**85,614**
Total loans and advances to customers	**4,587,749**	**112,478**	**43,522**	**23,050**	**388,432**	**5,155,231**

						December 31, 2016
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	3,795,035	14,466	3,957	24,509	112,766	**3,950,733**
Retail loans and residential mortgage loans	997,949	73,321	29,090	29,492	194,314	**1,324,166**
SME loans	66,786	5,147	2,336	901	24,329	**99,499**
Total loans and advances to customers	**4,859,770**	**92,934**	**35,383**	**54,902**	**331,409**	**5,374,398**

In thousands of EURO unless otherwise indicated

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

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

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure June 30, 2017
Corporate loans	**745,311**	**350,867**	**1,128,810**	**40,465**	**122,356**	**1,470,318**	**3,858,127**
Performing loans	595,697	269,519	1,059,657	2,972	122,356	1,388,087	3,438,288
Sub-Standard loans	96,300	31,577	45,137	14,435	-	54,444	241,893
NPL	53,314	49,771	24,016	23,058	-	27,787	177,946
Retail loans (incl. mortgages)	**677,954**	**466,609**	**-**	**1,663**	**-**	**65,264**	**1,211,490**
Performing loans	633,535	310,515	-	556	-	63,799	1,008,405
Sub-Standard loans	4,821	14,752	-	4	-	-	19,577
NPL	39,598	141,342	-	1,103	-	1,465	183,508
SME loans	**52,505**	**33,109**	**-**	**-**	**-**	**-**	**85,614**
Performing loans	32,233	20,273	-	-	-	-	52,506
Sub-Standard loans	-	2,200	-	-	-	-	2,200
NPL	20,272	10,636	-	-	-	-	30,908
Total exposure	**1,475,770**	**850,585**	**1,128,810**	**42,128**	**122,356**	**1,535,582**	**5,155,231**

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure December 31, 2016
Corporate loans	**776,896**	**336,468**	**1,112,904**	**50,777**	**151,384**	**1,522,304**	**3,950,733**
Performing loans	710,838	269,401	1,073,279	11,632	136,017	1,433,349	3,634,516
Sub-Standard loans	20,531	20,929	4,991	31,066	-	79,505	157,022
NPL	45,527	46,138	34,634	8,079	15,367	9,450	159,195
Retail loans (incl. mortgages)	**740,649**	**490,687**	**-**	**2,053**	**-**	**90,777**	**1,324,166**
Performing loans	678,990	304,470	-	712	-	84,997	1,069,169
Sub-Standard loans	10,397	45,931	-	3	-	3,805	60,136
NPL	51,262	140,286	-	1,338	-	1,975	194,861
SME loans	**59,671**	**39,828**	**-**	**-**	**-**	**-**	**99,499**
Performing loans	46,850	26,095	-	-	-	-	72,945
Sub-Standard loans	-	2,224	-	-	-	-	2,224
NPL	12,821	11,509	-	-	-	-	24,330
Total exposure	**1,577,216**	**866,983**	**1,112,904**	**52,830**	**151,384**	**1,613,081**	**5,374,398**

32.i. Liquidity risk

The Bank defines liquidity risk as the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they come due. CEB considers funding and liquidity as a major source of risk. CEB's minor and very limited tolerance towards liquidity risk is explicitly reflected its stress-testing and funding plan framework.

Stress-Test Scenarios

The Bank uses stress testing to verify that its liquidity buffer is adequate to withstand severe but plausible funding conditions. The outcome the stress testing shows the Bank the level of required liquidity across different time horizons. In this respect, the design and frequency of the stress test scenarios reveal the Bank's risk appetite and preparedness to withstand a liquidity crisis. The main components of the required liquidity are as follows:

- The duration of the stress-tests.
- Run-off rates on retail and wholesale funding.
- Erosion in the value of liquid assets.
- The liquidity-related consequences of market risks.
- Additional margin calls / collaterals required.
- Restrictions in respect of the availability of assets.

The Bank maintains a buffer of 'readily available liquid assets' to prevent mismatches between the inflow and outflow of the Bank as a consequence of both foreseen and unforeseen circumstances. The definition of this liquidity cushion and the principles regarding its size and composition are directly linked to the Bank's 'minor risk appetite':

- The list of eligible liquid assets.
- Liquidity value of liquid assets (i.e. haircuts) and the time-to-liquidity period.
- The treatment of non-marketable assets.
- The assumptions made in respect of the possibilities for rolling over the various funding lines such as wholesale and retail funding.
- The assumptions made in respect of the possibilities for rolling over the maturing assets.
- The use of secured / unsecured central bank facilities.

The Bank ensures that its available liquidity is larger than the required amount implied by its stress scenarios at all times.

Funding Plan & Strategy

The Bank's key funding principles also form an essential part of its liquidity risk appetite:

- Alignment with the asset profile and asset strategy
- Alignment with the liquidity risk appetite
- Minimizing any funding deficit risk by ensuring granular and stable funding
- Support the Bank's overall objective of achieving an investment grade rating
- Satisfy any minimum requirements from regulatory authorities
- Management of asset encumbrance

In thousands of EURO unless otherwise indicated

Based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	June 30, 2017 Total
Assets							
Cash and balances at central banks	595,134	-	-	-	-	-	**595,134**
Financial assets designated at FVPL	4,715	8,772	17,541	7,950	-	1,168	**40,146**
Financial investments	74,590	73,190	82,876	125,889	276,458	28,978	**661,981**
Loans and receivables – banks	417,004	10,468	12,579	3,008	-	-	**443,059**
Loans and receivables – customers	752,627	668,913	761,197	1,646,051	875,936	263,096	**4,967,820**
Tangible and intangible assets	-	-	-	-	-	304,654	**304,654**
Other assets	65,641	68,473	145,210	108,839	29,396	70,980	**488,539**
Total assets	**1,909,711**	**829,816**	**1,019,403**	**1,891,737**	**1,181,790**	**668,876**	**7,501,333**
Liabilities							
Due to banks	231,917	16,885	106,433	185,187	-	-	**540,422**
Due to customers	1,227,225	387,777	1,383,174	1,480,731	643,700	-	**5,122,607**
Issued debt securities	87,069	77	1,203	29,929	-	-	**118,278**
Other liabilities	76,823	65,367	118,777	90,366	29,344	22,410	**403,087**
Subordinated liabilities	-	-	-	85,115	360,766	-	**445,881**
Total liabilities	**1,623,034**	**470,106**	**1,609,587**	**1,871,328**	**1,033,810**	**22,410**	**6,630,275**
Cumulative liquidity gap	**286,677**	**646,387**	**56,203**	**76,612**	**224,592**	**871,058**	**871,058**

Based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	December 31, 2016 Total
Assets							
Cash and balances at central banks	1,041,371	-	-	-	-	-	**1,041,371**
Financial assets designated at FVPL	1,630	-	-	-	-	1,082	**2,712**
Financial investments	39,329	20,951	82,600	281,071	315,074	28,084	**767,109**
Loans and receivables – banks	294,141	10,179	2,346	-	-	-	**306,666**
Loans and receivables – customers	727,207	546,926	821,577	1,912,460	926,651	253,183	**5,188,004**
Tangible and intangible assets	-	-	-	-	-	265,347	**265,347**
Other assets	56,171	43,305	194,974	122,457	-	122,389	**539,296**
Total assets	**2,159,849**	**621,361**	**1,101,497**	**2,315,988**	**1,241,725**	**670,085**	**8,110,505**
Liabilities							
Due to banks	151,897	25,302	92,590	178,528	-	-	**448,317**
Due to customers	1,368,509	456,573	1,447,042	1,555,848	703,559	-	**5,531,531**
Issued debt securities	9,217	48,480	205,121	159	-	-	**262,977**
Other liabilities	106,227	47,748	173,532	113,389	473	31,227	**472,596**
Subordinated liabilities	-	-	-	92,798	438,528	-	**531,326**
Total liabilities	**1,635,850**	**578,103**	**1,918,285**	**1,940,722**	**1,142,560**	**31,227**	**7,246,747**
Cumulative liquidity gap	**523,999**	**567,257**	**(249,531)**	**125,735**	**224,900**	**863,758**	**863,758**

In thousands of EURO unless otherwise indicated

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

Current accounts and demand deposits from customers are distributed in accordance with the average monthly withdrawal behaviour of customers over the last 7 years on the basis of management`s belief that despite of these funds from customers being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicates that these deposits provide a stable source of funding.

As at June 30, 2017 and December 31, 2016 , the contractual maturities of customer deposits are as follows:

	June 30, 2017	December 31, 2016
Up to 1 month	2,496,466	2,611,600
1-3 months	241,433	404,541
3-12 months	1,187,029	1,307,770
1-5 years	1,052,461	1,028,512
Over 5 year	145,218	179,108
Total	**5,122,607**	**5,531,531**

32.j. Market risks

Market risk is defined as the current or prospective threat to the Bank's earnings and capital as a result of adverse market movements in market prices (security and derivative prices, as well as interest rates and foreign exchange rates) or in parameters such as volatility and correlations. The trading portfolio includes financial instruments, such as securities, derivatives and loans to financial institutions, which are exposed to short-term price/interest-rate fluctuations. Eligible positions should be in line with the guidelines and principles set out in the market-risk policy. No eligible positions and financial instruments approved by ALCO are monitored within the scope of the banking book. In line with its business plan, the Bank has a 'minor' risk appetite in market risk. The Bank aims to regularly measure and monitor its market risk associated with adverse market movements affecting the trading components of its Treasury and FI portfolio. It measures its market risk using different approaches - standard and internal models.

Bank risk tolerance in the form of limits is determined to manage market risk efficiently and keep it within these limits. Risk limits, such as the Value-at-Risk (VaR) limit, notional limits and sensitivity limits, are set by considering the primary risk factors. In case of a limit breach, ALCO is convened to determine strategy and take necessary actions to restore the outstanding exposure within limits in a certain period of time.

The Bank measures the market risk of its trading book and the foreign-exchange risk of its banking book by using an internal historical simulation method, based on VaR methodology. VaR defines the maximum loss not exceeded with a given probability over a given period of time under normal market conditions. However, this approach fails to capture exceptional losses under extreme market conditions; that is why market risk measurement is complemented by periodic stress-testing analysis.

The internal historical simulation method of VaR model is used for risk-monitoring purposes and whereas regulatory capital for market risk is calculated and reported quarterly according to the Standard Approach, as specified in the DNB's market-risk regulations.

The internal historical simulation method is used starting from January 2013. The last 250 historical daily returns of market risk factors are used to stress the current trading positions to estimate possible fluctuations caused by market movements while keeping the portfolio fixed.

The internal limit for the 10-day trading portfolio, with VaR at 99% - confidence interval, is EUR 8 million (2016: EUR 8 million). This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

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

In thousands of EURO unless otherwise indicated

Value-at-risk figures - Trading Book (2017)	**Total**	**Diversification effect**	**Interest-rate risk**	**Foreign-exchange risk**
Average	709	78%	623	204
Maximum	2,134	97%	2,188	260
Minimum	194	54%	8	59
Period-end	325	74%	223	214

Value-at-risk figures - Trading Book (2016)	**Total**	**Diversification effect**	**Interest-rate risk**	**Foreign-exchange risk**
Average	461	89%	353	144
Maximum	1,831	100%	1,829	792
Minimum	12	35%	-	6
Period-end	211	94%	207	17

32.k. Interest-rate risk in the banking book

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

The Bank's interest-rate risk is monitored for the banking book by means of static re-pricing gap and interest rate sensitivity analyses once a month at all levels and for each major currency in use. Interest-rate sensitivity in the banking book is calculated according to the economic-value approach. All future cash flows, arising solely from on- and off- balance sheet assets and liabilities are discounted back to their present values with zero-coupon yield curves to see the impact of interest-rate changes on the economic value of the Bank. The impact of the curve with the maximum net gain or loss compared to a benchmark curve is analysed.

Interest-rate sensitivity in the banking book is measured by means of PV01 method. The PV01 method is based on flat upward shifts of each currency's yield curve in magnitudes of one basis point. The economic value impact of these shifts on the banking book is then analysed. PV01 analysis is complemented with 200 basis-points (bps) scenarios, which consist of the parallel shifts of the yield curves by shifting short-term rates and long-term rates for each individual currency. The interest rate risk on the banking book, excluding the trading book has been calculated as EUR 20.3 million for 2017 with 200 basis point upward parallel rate shock (2016: EUR 38.7 million).

The impact of the curve with the maximal net gain or loss compared to a benchmark curve is then analyzed.

Determination of economic internal capital to be set aside to cover potential interest-rate risk in the banking book is based on a Historical Simulation method. Historical economic values of the current banking book are calculated by discounting the re-pricing gaps in each of the major currencies with historical month-end zero-coupon swap curves in pre-defined maturity buckets. Once historical economic values are obtained, an economic value change distribution is created using a rolling window of one year.

The interest rate repricing gap table below is prepared to determine the Bank's exposure to interest rate risk as a result of maturity mismatches in its balance sheet. Repricing is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments.

In thousands of EURO unless otherwise indicated

	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Non-interest-bearing items(*)	June 30, 2017 Total
Assets							
Cash and balances at central banks	454,183	-	-	-	-	140,951	**595,134**
Financial assets designated at FVPL	536	17,575	16,748	-	-	5,287	**40,146**
Financial investments	48,935	205,467	82,880	94,158	181,576	48,965	**661,981**
Loans and receivables - banks	329,107	10,459	12,570	3,008	-	87,915	**443,059**
Loans and receivables - customers	1,369,952	1,199,211	1,346,200	743,671	125,220	183,566	**4,967,820**
Tangible and intangible assets	-	-	-	-	-	304,654	**304,654**
Other assets	-	-	-	-	-	488,539	**488,539**
Total assets	**2,202,713**	**1,432,712**	**1,458,398**	**840,837**	**306,796**	**1,259,877**	**7,501,333**
Liabilities							
Due to banks	141,652	112,925	102,639	180,085	-	3,121	**540,422**
Due to customers	2,026,481	301,189	1,093,610	925,422	138,943	636,962	**5,122,607**
Issued debt securities	87,069	22,179	9,030	-	-	-	**118,278**
Other liabilities	-	-	-	-	-	403,087	**403,087**
Subordinated liabilities	-	-	361,816	84,065	-	-	**445,881**
Total liabilities	**2,255,202**	**436,293**	**1,567,095**	**1,189,572**	**138,943**	**1,043,170**	**6,630,275**
Off-balance interest-sensitivity gap	219,940	133,434	(90,777)	(171,113)	(67,758)	-	**23,726**
Net gap	**167,451**	**1,129,853**	**(199,474)**	**(519,848)**	**100,095**	**216,707**	**678,077**

(*) Non-interest-bearing items are not taken into account in the net gap.

	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Non-interest-bearing items(*)	December 31, 2016 Total
Assets							
Cash and balances at central banks	923,629	-	-	-	-	117,742	1,041,371
Financial assets designated at FVPL	-	-	-	-	-	2,712	2,712
Financial investments	114,463	46,204	90,760	207,021	271,567	37,094	767,109
Loans and receivables - banks	167,804	19,630	2,271	-	-	116,961	306,666
Loans and receivables - customers	1,438,955	1,018,539	1,149,021	1,149,029	175,809	256,651	5,188,004
Tangible and intangible assets	-	-	-	-	-	265,347	265,347
Other assets	-	-	-	-	-	539,296	539,296
Total assets	**2,644,851**	**1,084,373**	**1,242,052**	**1,356,050**	**447,376**	**1,335,803**	**8,110,505**
Liabilities							
Due to banks	119,995	68,102	88,906	169,451	-	1,863	448,317
Due to customers	2,195,111	373,186	1,120,349	992,708	174,458	675,719	5,531,531
Issued debt securities	9,218	48,479	205,121	159	-	-	262,977
Other liabilities	-	-	-	-	-	472,596	472,596
Subordinated liabilities	-	47,434	1,132	482,760	-	-	531,326
Total liabilities	**2,324,324**	**537,201**	**1,415,508**	**1,645,078**	**174,458**	**1,150,178**	**7,246,747**
Off-balance interest-sensitivity gap	203,323	107,815	(160,745)	(184,620)	(18,000)	-	(52,227)
Net gap	**523,850**	**654,987**	**(334,201)**	**(473,648)**	**254,918**	**185,625**	**625,906**

(*) Non-interest-bearing items are not taken into account in the net gap.

32.l. Currency risk

The Bank has limits and controls on its open currency positions determined by the Bank's internal risk appetite statement as well as any regulatory restrictions. The Bank uses derivative financial instruments to hedge its on-balance sheet currency positions. The credit risk arising from these instruments is managed together with the risks resulting from market fluctuations. The Bank monitors the risks of forward transactions, options and other similar agreements, reviews open positions with the ALCO and takes appropriate action where deemed necessary.

The Bank also differentiates between its trading and structural currency positions. The result of structural currency positions –which arises due to the Bank's net investments in foreign subsidiaries and branches, together with any related net investment hedges (see note 8), is recognized in equity.

Trading-related currency positions are quantified with VaR methodology and reported daily for the Bank level and monthly on a consolidated level. The VaR limits and other market risks related issues are monitored by the Risk Management Department and discussed in ALCO meetings on a regular basis. The VaR limit (see note 32.j.) is inclusive of the foreign-exchange risk.

In thousands of EURO unless otherwise indicated

Currency analysis for the year ended June 30, 2017:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	322,904	5,360	52,570	128,763	83,048	2,017	-	472	**595,134**
Financial assets designated at FVPL	17,203	21,775	-	1,168	-	-	-	-	**40,146**
Financial investments	421,143	83,645	9,825	143,517	3,851	-	-	-	**661,981**
Loans and receivables – banks	297,173	93,252	2,518	13,220	28,742	-	4,924	3,230	**443,059**
Loans and receivables – customers	2,169,887	1,319,362	133,279	186,873	770,965	10,519	370,853	6,082	**4,967,820**
Derivative financial instruments	272,107	33,344	924	431	821	16	17,707	5,180	**330,530**
Equity-accounted investments	5,836	-	-	-	-	-	-	-	**5,836**
Property and equipment	52,934	192,543	655	15,405	30,187	42	-	-	**291,766**
Goodwill and other intangible assets	2,986	2,426	-	1,664	5,809	3	-	-	**12,888**
Other assets	31,258	7,196	1,309	58,993	46,266	1,746	4,780	625	**152,173**
Total assets	**3,593,431**	**1,758,903**	**201,080**	**550,034**	**969,689**	**14,343**	**398,264**	**15,589**	**7,501,333**
Due to banks	372,570	76,486	125	68,069	6,098	693	1,521	14,860	**540,422**
Due to customers	3,383,339	569,606	6,074	393,837	721,349	8,911	6,167	33,324	**5,122,607**
Derivative financial instruments	226,558	37,299	919	223	4,735	-	23,219	5,170	**298,123**
Issued debt securities	-	534	-	-	117,744	-	-	-	**118,278**
Other liabilities	38,123	7,278	31,842	8,696	14,146	1,205	3,672	2	**104,964**
Subordinated liabilities	-	445,881	-	-	-	-	-	-	**445,881**
Total liabilities	**4,020,590**	**1,137,084**	**38,960**	**470,825**	**864,072**	**10,809**	**34,579**	**53,356**	**6,630,275**
Net on-balance sheet position	**-**	**621,819**	**162,120**	**79,209**	**105,617**	**3,534**	**363,685**	**(37,767)**	**1,298,217**
Off-balance sheet net position	-	(589,651)	(164,013)	(85,988)	(8,728)	(6,251)	(359,943)	36,608	(1,177,966)
Net open position	**-**	**32,168**	**(1,893)**	**(6,779)**	**96,889**	**(2,717)**	**3,742**	**(1,159)**	**120,251**

(*) Euros are not included in the total net position, since it is the functional currency of the parent.

Currency analysis for the year ended December 31, 2016:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	794,659	7,693	56,258	127,812	53,789	914	-	246	**1,041,371**
Financial assets designated at FVPL	-	1,630	-	1,082	-	-	-	-	**2,712**
Financial investments	418,567	133,924	10,225	186,217	9,072	9,104	-	-	**767,109**
Loans and receivables – banks	142,562	128,227	1,358	499	28,043	-	949	5,028	**306,666**
Loans and receivables – customers	2,210,993	1,566,629	149,449	201,984	841,061	13,428	201,370	3,090	**5,188,004**
Derivative financial instruments	269,162	49,271	1,289	14	490	-	12,562	11,605	**344,393**
Equity-accounted investments	5,803	-	-	-	-	-	-	-	**5,803**
Property and equipment	53,506	149,489	628	15,669	32,984	57	-	-	**252,333**
Goodwill and other intangible assets	3,196	2,625	-	1,469	5,717	4	3	-	**13,014**
Other assets	39,764	13,830	460	66,993	65,232	1,727	639	455	**189,100**
Total assets	**3,938,212**	**2,053,318**	**219,667**	**601,739**	**1,036,388**	**25,234**	**215,523**	**20,424**	**8,110,505**
Due to banks	276,517	105,944	127	37,640	10,168	-	245	17,676	**448,317**
Due to customers	3,704,843	667,331	5,422	455,845	640,269	9,337	30,666	17,818	**5,531,531**
Derivative financial instruments	284,788	53,065	1,327	1,512	2,653	36	19,729	11,596	**374,706**
Issued debt securities	-	9,058	-	-	253,919	-	-	-	**262,977**
Other liabilities	27,692	8,520	32,145	8,592	19,214	1,344	376	7	**97,890**
Subordinated liabilities	-	531,326	-	-	-	-	-	-	**531,326**
Total liabilities	**4,293,840**	**1,375,244**	**39,021**	**503,589**	**926,223**	**10,717**	**51,016**	**47,097**	**7,246,747**
Net on-balance sheet position	**-**	**678,074**	**180,646**	**98,150**	**110,165**	**14,517**	**164,507**	**(26,673)**	**1,219,386**
Off-balance sheet net position	-	(693,938)	(182,480)	(107,132)	(7,177)	(13,008)	(159,380)	27,588	(1,135,527)
Net open position	**-**	**(15,864)**	**(1,834)**	**(8,982)**	**102,988**	**1,509**	**5,127**	**915**	**83,859**

(*) Euros are not included in the total net position, since it is the functional currency of the parent.

32.m Operational risk

The Bank has an Operational Risk Management (ORM) function, the goal of which is to enhance the operational risk culture of the Bank by promoting awareness of the Bank's operational risk management framework and providing oversight of its execution in line with the three lines of defence model.

ORM act as the second line of defense, providing the business line, and other functions across the Bank, with support related to the implementation of the identification, assessment, measurement, mitigation, monitoring and reporting of operational risks, which together form a framework for managing the Bank's exposure to operational risk losses.

Operational risk events and significant control incidents are reported and analysed through the Operational Risk Incident Management framework. The effectiveness of the Bank's controls are assessed through the annual Internal Control Framework evaluations and the execution of Risk Control Self-Assessments. New products, or changes to existing products, are subject to the Product Approval and Review. Key Risk Indicators are established and regularly monitored.

The Bank also has an established operational risk appetite, broken down by both business- and subsidiary-specific thresholds, which is monitored in the quarterly Non-Financial Risk Committee meetings.

Regular training and awareness sessions are provided to employees to ensure that operational risk management continues to be embedded in the Bank's day-to-day operations.

33. 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.

In thousands of EURO unless otherwise indicated

34. List of subsidiaries

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

Name	Place	Country	June 30, 2017 Interest	December 31, 2016 Interest
Credit Europe Bank (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%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%
Hunter Navigation Ltd	Msida	Malta	100.00%	100.00%
Maritime Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Credit Europe Bank (Russia) Ltd	Moscow	Russia	100.00%	100.00%
PJSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Leasing (Romania)	Bucharest	Romania	100.00%	100.00%
Credit Europe Bank (Romania) SA	Bucharest	Romania	98.94%	98.94%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Nomadmed XXI S.L.	Barcelona	Spain	100.00%	100.00%
Mediqueen Maritime Ltd	Msida	Malta	100.00%	100.00%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Lodestar Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime Ltd	Msida	Malta	100.00%	100.00%
Lycia Shipping Ltd	Msida	Malta	100.00%	100.00%
Cilicia Shipping Ltd	Msida	Malta	100.00%	100.00%
Phrygia Shipping Ltd	Msida	Malta	100.00%	100.00%
Thrace Shipping Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	-
Hitit Shipping Ltd	Msida	Malta	100.00%	-
Cappadocia Shipping Ltd	Msida	Malta	100.00%	-
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-

Amsterdam, September 15, 2017