Credit Europe Bank N.V.

Interim Condensed Consolidated Financial Statements June 30, 2021

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CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended June 30, 2021

In thousands of EURO

	Notes	June 30, 2021	December 31, 2020
Assets			
Cash and balances at central banks	4	967,873	666,135
Financial assets at FVTPL	5	39,800	87,762
- Trading assets		16,833	64,925
-Non-trading assets mandatorily at FVTPL		22,967	22,837
Financial investments	6	664,041	785,626
Loans and receivables - banks	7	298,738	203,973
Derivative financial instruments	8	95,491	189,239
Loans and receivables - customers	9	2,533,689	2,564,524
Current tax assets		1,334	1,435
Deferred tax assets		53,797	55,802
Other assets	11	94,270	108,565
Inventory	11	57,999	50,960
Assets held for sale		854	6,160
Investment in associates and joint ventures		5,669	6,319
Property and equipment		97,947	91,902
Investment property		2,762	2,697
Intangible assets		5,339	5,265
Total assets		**4,919,603**	**4,826,364**
Liabilities			
Due to banks	12	703,566	677,183
Derivative financial instruments	8	97,432	165,424
Due to customers	13	3,231,996	3,127,179
Current tax liabilities		3,746	3,771
Other liabilities	14	59,111	46,351
Provisions	15	10,058	10,290
Deferred tax liabilities		19,875	20,675
Sub-total liabilities (excluding subordinated liabilities)		**4,125,784**	**4,050,873**
Subordinated liabilities	16	168,686	162,916
Total liabilities		**4,294,470**	**4,213,789**
Equity			
Equity attributable to owners of the Company		623,400	610,860
Equity attributable to non-controlling interests		1,733	1,715
Total equity	17	**625,133**	**612,575**
Total equity and liabilities		**4,919,603**	**4,826,364**

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended June 30, 2021

In thousands of EURO

	Notes	January 1- June 30, 2021	January 1- June 30, 2020
Interest income from financial instruments measured at amortized cost and		59,928	71,067
Interest income from financial instruments measured at FVTPL		2,479	3,114
Interest expense from financial instruments measured at amortized cost		(18,375)	(25,704)
Net interest income	18	**44,032**	**48,477**
Fees and commissions income		17,231	15,211
Fees and commissions expense		(2,445)	(2,291)
Net fee and commission income	19	**14,786**	**12,920**
Net trading results	20	884	(2,081)
Net results on derecognition of financial assets measured at amortized cost		-	114
Net results from investment securities		3,220	5,147
Other operating income	21	30,669	11,101
Operating income		**34,773**	**14,281**
Net impairment on financial assets	10	2,342	(24,246)
Net operating income		**95,933**	**51,432**
Personnel expenses		(27,542)	(28,598)
General and administrative expenses	22	(12,147)	(13,109)
Depreciation and amortization		(6,473)	(5,751)
Other operating expenses	23	(32,310)	(12,314)
Other impairment losses	24	-	(103)
Total operating expenses		**(78,472)**	**(59,875)**
Share of profit of associate		(2,243)	(968)
Operating profit before tax		**15,218**	**(9,411)**
Income tax expense		(3,824)	2,910
Net results for the period		**11,394**	**(6,501)**
Net results for the period attributable to:			
Equity owners of the Company		11,381	(6,523)
Non-controlling interests		13	22

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2021

In thousands of EURO

	January 1- June 30, 2021	January 1- June 30, 2020
Net results for the period	**11,394**	**(6,501)**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net result on hedge of investments	1,461	(4,146)
Exchange differences on translation of foreign operations	(2,842)	(2,668)
Income tax relating to the above	1,563	752
Net change on foreign currency translation	**182**	**(6,062)**
Net change on debt instruments at FVOCI	(3,698)	(4,467)
Other comprehensive income that will not be reclassified to the income statement		
Net change on tangible revaluation reserves	18	16
Net change on equity instruments at FVOCI	4,662	(4,866)
Other comprehensive income for the period, net of tax	**1,164**	**(15,379)**
Total comprehensive income for the period, net of tax	**12,558**	**(21,880)**
Attributable to:		
Equity holders of the parent	12,540	(21,903)
Non-controlling interest	18	23

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2021

In thousands of EURO

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

CREDIT EUROPE BANK N.V.

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

For the period ended June 30, 2021

In thousands of EURO

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

CREDIT EUROPE BANK N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2021

In thousands of EURO

	Notes	January 1- June 30, 2021	January 1- June 30, 2020
Profit for the period from continuing operations		**11,394**	**(6,501)**
Adjustments for:			
Net impairment on financial assets	10	(2,342)	24,246
Depreciation and amortization		6,473	5,751
Net impairment on non financial assets	24	-	103
Income tax expense		3,824	(2,910)
Net interest income		(44,032)	(48,477)
Effect of exchange rate differences		7,758	732
Provisions		726	(337)
		(16,199)	**(27,393)**
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(6,021)	(4,543)
Net change in financial assets at fair value through profit or loss	5	50,667	80,342
Loans and receivables - banks		(94,765)	(21,583)
Loans and receivables - customers		23,103	384,546
Other assets		84,647	(35,319)
Due to banks		26,383	(779)
Due to customers		104,817	(199,016)
Other liabilities		(55,577)	40,407
		133,254	**244,055**
Interest received		75,960	73,995
Interest paid		(12,546)	(17,323)
Income taxes paid		(987)	(1,642)
Net cash used in operating activities		**179,482**	**271,692**
Cash flows from investing activities			
Acquisition of financial investments		(564,408)	(627,946)
Proceeds from sales of financial investments		699,557	636,463
Acquisition of property and equipment		(3,742)	(1,854)
Proceeds from sale of property and equipment		123	483
Acquisition of intangibles		(1,638)	(857)
Dividends received		1,236	249
Net cash used in investing activities		**131,128**	**6,538**
Cash flows from financing activities			
Interest paid	16	(6,290)	(7,007)
Payment of lease liabilities		(1,233)	(1,503)
Net cash from financing activities		**(7,523)**	**(8,510)**
Net cash from continuing operations		**303,087**	**269,720**
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		626,245	670,335
Effect of exchange rate fluctuations on cash and cash equivalents held		(2,084)	(27)
Cash and cash equivalents at June 30	4	**927,248**	**940,028**

1. Corporate information

General

Credit Europe Bank N.V., herein after 'the Bank', is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta. The Interim Condensed Consolidated Financial Statements of the Bank as of June 30, 2021, comprise the figures of the Bank, its subsidiaries and associates. Together they are referred to as the 'Bank'.

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

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

Changes to the Group

In line with the Bank's strategy, the decision has been taken to unwind of Dubai operations in 2021.
Financial results of Credit Europe Bank Dubai are not classified as discontinued operations, since the shares are not sold; instead this is a natural unwinding of a subsidiary.

2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2021 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 2020 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and accounting principles in Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended 31 December 2020. A number of new amendments are effective from 1 January 2020 but they do not have a material effect on the Bank's financial statements.

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

These condensed consolidated interim financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 17, 2021.

Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

For estimates used when measuring the fair values of financial instruments refer to Note 26.

i) Covid-19 Pandemic Outbreak

In the first half of 2021, the Bank continued to use the same macro model scenarios and factor projections that were used at 2020 year-end. That said, management overlays have been revisited and updated, where deemed necessary, in the first half of 2021. Factor projections under multiple economic outlook scenarios and management overlays will be visited in the last quarter of 2021 and will be updated based on the global developments in 2021. Although the Covid-19 situation is gradually improving through increased vaccination, uncertainty around how the pandemic will evolve remains as well as around the speed and extent of economic recovery. This also results in estimation uncertainty in the estimated expected credit losses.

The tables below show the projections for the model parameters under three scenarios and their weights as of June 30, 2021 and December 31, 2020.

June 30,2021

		2021	2022	2023	2024	2025	Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	11.15	5.88	4.35	5.56	5.26	15%
	Government budget balance (% of GDP)	-3.13	-1.71	-1.72	-1.46	-1.27	
Base Case	Exchange Rate (TRY/EUR) - change (%)	26.54	6.42	6.95	6.00	5.66	50%
	Government budget balance (% of GDP)	-3.82	-3.12	-2.61	-2.18	-1.80	
Downside	Exchange Rate (TRY/EUR) - change (%)	38.20	12.83	10.53	9.52	8.70	35%
	Government budget balance (% of GDP)	-9.70	-7.50	-6.10	-4.52	-3.47	
Balance Sheet Lending - Rest of World / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.78	8.93	8.45	8.05	7.53	15%
	Inflation (Advanced Economies) (%) - Lagged	0.78	1.20	2.79	2.27	2.06	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.57	10.47	9.75	9.13	8.55	50%
	Inflation (Advanced Economies) (%) - Lagged	0.66	0.61	2.40	1.98	1.92	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	15.70	13.68	12.20	11.46	10.79	35%
	Inflation (Advanced Economies) (%) - Lagged	0.55	-0.15	0.68	1.71	1.34	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.78	8.93	8.45	8.05	7.53	15%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	47.96	49.58	51.07	53.02	54.73	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.57	10.47	9.75	9.13	8.55	50%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	47.12	48.39	48.69	49.52	50.18	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	15.70	13.68	12.20	11.46	10.79	35%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	46.32	46.71	46.69	46.99	47.78	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	15%
Base Case	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	50%
Downside	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	35%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	49.58	51.07	53.02	54.73	55.85	15%
	GDP (world) - change (%)	6.45	4.96	4.05	3.91	4.14	
	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.39	48.69	49.52	50.18	50.60	50%
	GDP (world) - change (%)	4.17	4.01	3.91	3.42	3.39	
	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	46.71	46.69	46.99	47.78	48.55	35%
	GDP (world) - change (%)	-3.31	4.99	3.22	3.00	2.87	
	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	
Global / LGD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	64.74	67.98	68.80	70.24	72.17	15%
	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	63.34	63.52	64.18	64.63	64.81	50%
	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	
Downside	Volume of exports (Advanced Economies) (% of GDP)	61.08	61.39	61.38	61.78	62.11	35%
	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	

December 31,2020

		2021	2022	2023	2024	2025	Assigned Weighting
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	11.15	5.88	4.35	5.56	5.26	15%
	Government budget balance (% of GDP)	-3.13	-1.71	-1.72	-1.46	-1.27	
Base Case	Exchange Rate (TRY/EUR) - change (%)	26.54	6.42	6.95	6.00	5.66	50%
	Government budget balance (% of GDP)	-3.82	-3.12	-2.61	-2.18	-1.80	
Downside	Exchange Rate (TRY/EUR) - change (%)	38.20	12.83	10.53	9.52	8.70	35%
	Government budget balance (% of GDP)	-9.70	-7.50	-6.10	-4.52	-3.47	
Balance Sheet Lending - Rest of World / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.78	8.93	8.45	8.05	7.53	15%
	Inflation (Advanced Economies) (%) - Lagged	0.78	1.20	2.79	2.27	2.06	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.57	10.47	9.75	9.13	8.55	50%
	Inflation (Advanced Economies) (%) - Lagged	0.66	0.61	2.40	1.98	1.92	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	15.70	13.68	12.20	11.46	10.79	35%
	Inflation (Advanced Economies) (%) - Lagged	0.55	-0.15	0.68	1.71	1.34	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	9.78	8.93	8.45	8.05	7.53	15%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	47.96	49.58	51.07	53.02	54.73	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	11.57	10.47	9.75	9.13	8.55	50%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	47.12	48.39	48.69	49.52	50.18	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	15.70	13.68	12.20	11.46	10.79	35%
	Volume of exports (Emerging and Developing Europe) (% of GDP) - Lagged	46.32	46.71	46.69	46.99	47.78	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	15%
Base Case	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	50%
Downside	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	35%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	49.58	51.07	53.02	54.73	55.85	15%
	GDP (world) - change (%)	6.45	4.96	4.05	3.91	4.14	
	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	48.39	48.69	49.52	50.18	50.60	50%
	GDP (world) - change (%)	4.17	4.01	3.91	3.42	3.39	
	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	46.71	46.69	46.99	47.78	48.55	35%
	GDP (world) - change (%)	-3.31	4.99	3.22	3.00	2.87	
	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	
Global / LGD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	64.74	67.98	68.80	70.24	72.17	15%
	Crude oil price (US Dollars/Barrel)	57.49	66.10	71.24	75.63	80.59	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	63.34	63.52	64.18	64.63	64.81	50%
	Crude oil price (US Dollars/Barrel)	49.90	53.32	55.98	58.31	60.21	
Downside	Volume of exports (Advanced Economies) (% of GDP)	61.08	61.39	61.38	61.78	62.11	35%
	Crude oil price (US Dollars/Barrel)	40.67	44.11	42.93	41.05	41.90	

The Bank performs validation and back-testing analysis annually and reviews all internal rating models, IFRS9 ECL calculation assumptions including the point-in-time PD calibrations and macroeconomic models that are used for forward looking adjustments. Based on the half-year back-testing results, macro models related to forward-looking PD adjustments of Balance Sheet Lending and Commercial Real Estate portfolios will be updated in the last quarter of 2021. In addition, the internal rating model of Commercial Real Estate portfolio will be under review due to decreasing ranking power. Due to point-in-time (PIT) calibration philosophy, all portfolios will be recalibrated to current forward-looking PIT PD levels before year-end.

After calculation of PD and LGD metrics on portfolio basis, CEB applies management overlays at individual borrower level and sectoral and company specific differences are taken into account. These management overlays can be classified under three main topics: overriding the ratings of some clients, overriding the LGD at individual borrower level and overriding stage transition of some customers. All modelled results are closely scrutinized on case-by-case basis to determine the necessity for using management overlays in order to incorporate risk, which is not fully captured by the models. Management overlays can have either positive or negative impact on ECL amount. As of June-end, there are two positive rating overlays. In addition to rating overlays, management overlays are applied for the LGD parameters of six borrowers. Management overlays resulted in EUR 5.7 million decrease in total provision amount.

The Bank performs several sensitivity analysis semi-annually to assess the impact of a potential deviation in the underlying assumptions (PD, LGD, macroeconomic scenario weights, macroeconomic variable projections) on impairment levels. The first sensitivity analysis shows that 5% increase in the LGD forecasts across the entire portfolio results in EUR 5.6 million increase in impairment levels mainly due to higher sensitivity of Stage 2 exposures to changes in LGD level. The second scenario is designed to analyze the impairment impact of 1 notch downgrade throughout the entire corporate portfolio even though it is a very unlikely scenario. Downgrading all ratings by 1-notch results in EUR 16.9 million increase in impairment. While this extreme scenario increases the PD levels by 150%, it also causes transitions from Stage 1 to Stage 2 for the exposures with lower PDs at origination. The third and fourth scenarios analyze the impact of changing scenario weights and worsening pessimistic scenario projections of macroeconomic variables by 25%, respectively. The third scenario has an impact of EUR 3.3 million provision increase whereas the fourth scenario results in a provision increase of EUR 6.6 million.

Going concern

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

Update to significant accounting policies

a) Amendments and interpretations to standard are effective for annual periods beginning after 1 January 2021

The following amendments to standards are effective for annual periods beginning after 1 January 2021; however, they have no material impact on interim condensed consolidated financial statements of the Bank.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)

The Bank has been closely monitoring market developments, announcements from industry bodies and regulators about IBOR Benchmark transition and is taking necessary steps to be ready for the upcoming changes in this regard in a timely manner. Current interest rate benchmarks such as USD and CHF LIBOR, EURIBOR and EONIA are embedded in some of the treasury products such as IRS's, CCS's and in some of the loans such as corporate loans, mortgages loans and applied to collaterals under derivative framework agreements such as ISDA. As a result, the impact of benchmark reform and transition away from IBOR and other key benchmarks has been an important topic. In preparation to move to alternative reference rates, here are the bullet points of the actions taken by the Bank:

- The first phase of IBOR Transition IT project has been successfully deployed in Q1 2021. As result, the Bank`s core banking system is able to handle in-arrears compounding, lookback, delay, lockout, spread-inclusive or exclusive compounding for interest Rate and cross-currency swaps. The market and index data is also now complete with both overnight indices (such as SOFR, ESTR, SARON) and OIS or risk free rate curves being available.

- The know-how created in the 1st phase is being leveraged in the 2nd phase of the ongoing IT project, which deals with loan and securities modules. For the loan module, the approach was determined to apply more limited capabilities at first and tackle in-arrears compounding and lookback only, in line with loan market association guidelines and so far being the most commonly used approach in the market. For floating rate notes, the Bank is applying similar functionality as derivatives, and also developing lookback with observation shift capabilities in line with practice the Bank observes in the market. The Bank targets to finalize these changes largely by the end of 2021.

- For derivatives valuations, all cleared swaps' discount curves were transitioned to SOFR and ESTR curves in line with clearing house LCH.

- The Bank has executed and booked cleared OTC SOFR swap in April 2021. System calculations for accrued interest and valuations are in line with third party market data providers such as Bloomberg and LCH.

- On treasury side, from legal point of view as derivative transactions of the Bank are almost exclusively executed under ISDA framework, all new transactions already incorporate the new definitions that were amended by ISDA in October 2020. For legacy transactions, the Bank adhered to the ISDA 2020 IBOR Fallbacks Protocol in February 2021. The Bank also adhered to ISDA 2018 Benchmark Supplement Protocol in June 2021. The Bank is exchanging supplement protocol questionnaires with counterparties to incorporate changes for both new and legacy transactions.

- The Bank also continued its efforts to either amend its CSAs (ISDA) bilaterally with counterparties to move on to ESTR and SOFR from EONIA and Fed Funds Effective Rate where needed, or to agree with counterparties to start using ESTR once EONIA is discontinued. This is expected to be completed before December 2021.

- The Bank is also watching developments in relation to its retail mortgage portfolio linked to CHF LIBOR. These contracts currently do not have a fallback language in place. Some important system-wide developments have occurred in this area: on 12 February 2021, EU delegated regulation 2021/168 was published in the Official Journal of the European Union, amending the EU Benchmark Regulation. Among other things, the change gives the European Commission the power to mandate the use of a designated replacement rate for any critical or third-country benchmark that is to be discontinued, is no longer representative, or is no longer authorized for use in the EU. On 23 March 2021, the European Commission commenced a consultation on a relevant replacement to CHF LIBOR and to assess the suitability of designating a statutory replacement rate for CHF LIBOR in inter alia mortgages and loans concluded prior to the entry into application of the EU Benchmark Regulation in 2018 and governed by the laws of one of the EU Member States. The Bank closely follows up developments in this area and expects 3M average SARON with last-rest methodology to be determined as the statutory fallback.

- To better shape the action plan, understand the most recent developments and clarify open items affecting IBOR transition efforts on Corporate Banking and FI side, the Bank legal department engaged with Norton Rose Fulbright as an external counsel and conducted a questionnaire. Work is ongoing for updating standard loan documentation with robust fallbacks and language accommodating new RFRs; taking necessary action to amend documentation for outstanding loans that is determined to require update and preparation of the client communication.

Hedge Accounting

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

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

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

New standards and interpretations not yet adopted

The following amendments to standard is effective but has not been endorsed by the EU for annual periods beginning after 1 January 2021. For a full description of the amendments, please refer to the 2020 Consolidated Annual Financial Statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021)

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

Notes to Interim Condensed Consolidated Financial Statements

3. Segment information

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

The Bank has five (2020: five) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

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

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

3. Segment information *(continued)*

June 30, 2021	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	121	44,707	10,559	5,618	1,402	62,407
Interest income – other segments	-	2,556	-	51	9	2,616
Interest revenue	**121**	**47,263**	**10,559**	**5,669**	**1,411**	**65,023**
Interest expenses – external	-	(14,554)	(3,152)	(523)	(146)	(18,375)
Interest expense – other segments	-	(422)	-	(734)	(1,460)	(2,616)
Interest expense	-	**(14,976)**	**(3,152)**	**(1,257)**	**(1,606)**	**(20,991)**
Net interest income	**121**	**32,287**	**7,407**	**4,412**	**(195)**	**44,032**
Net commission income – external	4	12,096	2,455	101	130	14,786
Net commission income – other segments	-	(237)	320	(1)	(82)	-
Trading and other income	65	8,537	1,437	1,318	23,416	34,773
Trading and other income– other segments	-	(15)	-	-	15	-
Net impairment loss on financial assets	(40)	205	1,416	(153)	914	2,342
Depreciation and amortization expense	(50)	(2,794)	(1,571)	(923)	(1,136)	(6,473)
Other operating expenses	(571)	(37,259)	(7,656)	(4,629)	(21,883)	(71,999)
Share of profit of associate	-	1,131	-	-	(3,374)	(2,243)
Operating profit before taxes	**(471)**	**13,951**	**3,808**	**125**	**(2,195)**	**15,218**
Income tax expense	151	(2,802)	(765)	(282)	(127)	(3,824)
Profit for the period	**(320)**	**11,149**	**3,043**	**(157)**	**(2,322)**	**11,394**
Other information at 30 June 2021 - Financial position						
Total assets	103,351	3,717,483	320,827	650,162	127,781	4,919,603
Total liabilities	2,227,122	1,365,485	286,343	358,118	57,403	4,294,470
Investment in associates and joint ventures	-	-	-	-	5,669	5,669
Assets held for sale	-	-	-	-	854	854
Other information at 30 June 2021 - Income statement						
Reversal of impairment allowances no longer required	73	7,970	1,206	724	-	9,973

3. Segment information *(continued)*

	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	June 30, 2020 Total
Interest income – external	1,424	49,007	11,617	7,858	4,275	74,181
Interest income – other segments	-	2,243	-	160	216	2,619
Interest revenue	**1,424**	**51,250**	**11,617**	**8,018**	**4,491**	**76,800**
Interest expenses – external	-	(19,829)	(3,938)	(970)	(967)	(25,704)
Interest expense – other segments	-	(781)	-	(754)	(1,084)	(2,619)
Interest expense	-	**(20,610)**	**(3,938)**	**(1,724)**	**(2,051)**	**(28,323)**
Net interest income	**1,424**	**30,640**	**7,679**	**6,294**	**2,440**	**48,477**
Net commission income – external	22	9,210	2,880	96	712	12,920
Net commission income – other segments	-	179	317	(1)	(495)	-
Trading and other income	359	2,951	387	2,107	8,477	14,281
Trading and other income– other segments	-	(288)	-	14	274	-
Net impairment loss on financial assets	(114)	(18,676)	821	(1,647)	(4,630)	(24,246)
Depreciation and amortization expense	(113)	(1,949)	(1,602)	(896)	(1,191)	(5,751)
Other operating expenses	(629)	(30,727)	(7,177)	(5,376)	(10,215)	(54,124)
Share of profit of associate	-	-	-	-	(968)	(968)
Operating profit before taxes	**949**	**(8,660)**	**3,305**	**591**	**(5,596)**	**(9,411)**
Income tax expense	-	3,710	(409)	(278)	(113)	2,910
Profit for the period	**949**	**(4,950)**	**2,896**	**313**	**(5,709)**	**(6,501)**
Other information at 31 December 2020 - Financial position						
Total assets	140,493	3,571,070	331,356	683,039	100,406	4,826,364
Total liabilities	2,257,485	1,242,161	291,214	384,197	38,732	4,213,789
Investment in associates and joint ventures	-	-	-	-	6,319	6,319
Assets held for sale	-	5,275	-	-	885	6,160
Other information at 30 June 2020 - Income statement						
Reversal of impairment allowances no longer required	28	884	1,121	343	1,340	3,716

Information about major customers

As of June 30, 2021, there is no single customer revenues from which individually exceeded 10% of total revenue (June 30, 2020: none).

4. Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the Bank has a presence.

	June 30, 2021	December 31, 2020
Balances with central banks	952,649	649,057
Cash on hand	15,224	17,078
Total	**967,873**	**666,135**

Deposits at central banks include reserve deposits amounting to EUR 40,625 (2020: EUR 39,890), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents

	June 30, 2021	December 31, 2020
Cash and balances at central banks	967,873	666,135
Less: reserve deposits at central banks	(40,625)	(39,890)
Cash and cash equivalents in the statement of cash flows	**927,248**	**626,245**

5. Financial assets at fair value through profit or loss

	June 30, 2021	December 31, 2020
Financial assets held for trading		
Trading loans	15,073	64,678
Equity instruments	1,760	-
Bank bonds	-	247
Total financial assets held for trading	**16,833**	**64,925**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	19,820	22,837
Equity instruments	3,147	-
Total non-trading financial assets mandatorily at FVTPL	**22,967**	**22,837**
Total financial assets at fair value through profit or loss	**39,800**	**87,762**

As of June 30, 2021, EUR 8,011 (2020: EUR 2,647) are listed financial instruments and EUR 31,789 (2020: EUR 85,115) are non-listed financial instruments.

As of June 30, 2021, there is no any financial asset may have been sold or re-pledged under repurchase agreements (2020: None).

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

6. Financial investments

	June 30, 2021	December 31, 2020
Financial investments at FVOCI	651,703	785,626
Financial investments at amortized cost	12,338	-
Total	**664,041**	**785,626**

As of June 30, 2021, EUR 74,467 financial assets may have been sold or re-pledged under repurchase agreements (2020: EUR 51,351). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchange markets where the Bank acts as an intermediary.

	June 30, 2021	December 31, 2020
Government bonds	458,596	480,983
Loans and advances	128,349	115,868
Equities	40,138	42,240
Bank bonds	20,018	12,521
Corporate bonds	16,940	134,014
Total	**664,041**	**785,626**

As of June 30, 2021, EUR 517,634 (2020: EUR 653,383) of the total are listed financial instruments and EUR 146,407 (2020: EUR 132,244) are non-listed financial instruments.

The Bank elected to apply FVOCI option to the equities, which are considered as strategic investments, source of stable dividend income and interest retained in former subsidiary.

The Bank's equity investments as of June 30, 2021 and December 31, 2020 are listed as below:

			June 30, 2021
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
CEB Russia - minority share*	17,217	937	-
Rabo49 - CET 1 perpetual bond	16,212	66	Based on quoted market prices
Other	6,709	233	Based on quoted market prices
Total	**40,138**	**1,236**	

			December 31, 2020
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	18,780	-	Based on quoted market prices
CEB Russia - minority share	16,376	-	-
Other	7,084	296	Based on quoted market prices
Total	**42,240**	**296**	

(*) Please refer to Note 26 'Fair value hierarchy' for valuation technique and significant unobservable inputs.

7. Loans and receivables – banks

	June 30, 2021	December 31, 2020
Placements with other banks	249,853	148,017
Loans and advances	49,158	56,297
Subtotal	**299,011**	**204,314**
Allowances for expected credit losses	(273)	(341)
Total	**298,738**	**203,973**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 19,392 (2020: EUR 17,347).

Changes in loans, impairment charges and allowances are summarized as follows:

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

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2020	**188,308**	**(360)**	**-**	**-**	**925**	**(925)**	**189,233**	**(1,285)**
Originated or purchased	190,861	(373)	-	-	-	-	190,861	(373)
Matured or sold	(162,562)	372	-	-	-	-	(162,562)	372
Re-measurement	(8,384)	2	-	-	-	-	(8,384)	2
Exchange differences	1,672	(14)	-	-	-	-	1,672	(14)
At June 30, 2020	**209,895**	**(373)**	**-**	**-**	**925**	**(925)**	**210,820**	**(1,298)**

8. Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments depend on movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures, credit default swaps, commodity swaps and options.

The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index, and is the basis on which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market nor the credit risk.

		June 30, 2021			December 31, 2020	
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	-	-	-	60,000	27,064	26,630
Foreign currency swaps	216,716	65,973	69,009	537,249	110,140	113,753
Foreign currency forwards	33,490	2,534	2,513	47,129	514	1,718
Foreign currency options (purchased)	9,780	4,136	-	68,087	2,937	-
Foreign currency options (sold)	9,780	-	4,205	65,587	-	3,085
Total	**269,766**	**72,643**	**75,727**	**778,052**	**140,655**	**145,186**
Derivatives in economic hedge relationship						
Interest rate swaps	7,007	-	-	7,032	-	-
Foreign currency swaps	1,109,026	18,084	15,984	1,706,509	38,319	7,859
Forwards	123,538	174	1,408	96,790	62	867
Total	**1,239,571**	**18,258**	**17,392**	**1,810,331**	**38,381**	**8,726**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	552,612	3,152	2,717	582,133	9,282	8,824
Foreign currency swaps	39,761	88	-	24,689	188	-
Total	**592,373**	**3,240**	**2,717**	**606,822**	**9,470**	**8,824**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	321,033	1,350	1,596	316,495	733	2,688
Total	**321,033**	**1,350**	**1,596**	**316,495**	**733**	**2,688**
Total Derivatives	**2,422,743**	**95,491**	**97,432**	**3,511,700**	**189,239**	**165,424**

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

Derivatives in economic hedge relationships: Most of the Bank's derivatives in economic hedge relationships relate to asset and liability management of the Bank and deals with customers who are normally laid off with counterparties. Included in this classification are any derivatives entered into by the Bank in order to hedge economically its exposures for risk management purposes that are not designated in hedge relationships, as they do not meet the hedge accounting criteria.

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

-Fair value hedges in hedge accounting relationships

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

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

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

June 30, 2021	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate corporate loans	34,248	-	-	7,459
Fixed rate FVOCI debt instruments	139,411	-	-	2,080
Fixed rate subordinated liabilities	-	152,399	-	4,871
Subtotal	**173,659**	**152,399**	**-**	**14,410**
Portfolio fair value hedges				
Fixed rate customer deposits	-	159,722	-	668
Subtotal	**-**	**159,722**	**-**	**668**
Total	**173,659**	**312,121**	**-**	**15,078**

December 31, 2020	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate corporate loans	29,237	-	-	4,343
Fixed rate FVOCI debt instruments	169,113	-	2,294	-
Fixed rate subordinated liabilities	-	147,407	-	6,433
Subtotal	**198,350**	**147,407**	**2,294**	**10,776**
Portfolio fair value hedges				
Fixed rate customer deposits	-	160,769	-	1,026
Subtotal	**-**	**160,769**	**-**	**1,026**
Total	**198,350**	**308,176**	**2,294**	**11,802**

The following table sets out the outcome of the Bank's hedging strategy, in particular to changes in the fair value of the hedged items and hedging instruments used as the basis for recognising ineffectiveness:

June 30, 2021		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Interest rate swaps	(28)	30	2
Fixed rate corporate loans	Foreign currency contracts	(3,087)	2,987	(100)
Fixed rate FVOCI debt instruments	Interest rate swaps	(4,374)	4,543	169
Subtotal		**(7,489)**	**7,560**	**71**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	1,340	(1,758)	(418)
Subtotal		**1,340**	**(1,758)**	**(418)**
Total micro fair value relationships		**(6,149)**	**5,802**	**(347)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	357	(427)	(70)
Subtotal		**357**	**(428)**	**(70)**
Total portfolio fair value hedge relationships		**357**	**(428)**	**(70)**
Total		**(5,792)**	**5,374**	**(417)**

December 31, 2020		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Interest rate swaps	(76)	80	4
Fixed rate corporate loans	Foreign currency contracts	(2,725)	2,274	(451)
Fixed rate FVOCI debt instruments	Interest rate swaps	1,455	(2,239)	(784)
Subtotal		**(1,346)**	**115**	**(1,231)**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	(2,726)	2,383	(343)
Subtotal		**(2,726)**	**2,383**	**(343)**
Total micro fair value relationships		**(4,072)**	**2,498**	**(1,574)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	(242)	227	(15)
Subtotal		**(242)**	**227**	**(15)**
Total portfolio fair value hedge relationships		**(242)**	**227**	**(15)**
Total		**(4,314)**	**2,725**	**(1,589)**

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

June 30, 2021	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Interest rate swaps	4,500	-	-	4,500
Foreign currency contracts	11,226	28,535	-	39,761
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	4,400	224,105	228,505
Fixed rate subordinated liabilities				
Interest rate swaps	-	151,490	-	151,490
Fixed rate customer deposits				
Interest rate swaps	-	168,117	-	168,117
Total	**15,726**	**352,542**	**224,105**	**592,373**

December 31, 2020	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Interest rate swaps	9,000	-	-	9,000
Foreign currency contracts	9,568	15,121	-	24,689
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	11,590	246,888	258,478
Fixed rate subordinated liabilities				
Interest rate swaps	-	146,538	-	146,538
Fixed rate customer deposits				
Interest rate swaps	-	168,117	-	168,117
Total	**18,568**	**341,366**	**246,888**	**606,822**

-Net investment hedges

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

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

		June 30, 2021
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	702	573
RON	(75)	(2,259)
CHF	(2,113)	(1,958)
UAH	-	724
TRY	-	(219)
Total	**(1,486)**	**(3,139)**

		December 31, 2020
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	(7,947)	(4,391)
RON	3,000	(3,202)
CHF	2,473	585
UAH	2,459	(3,008)
TRY	(770)	(842)
Total	**(785)**	**(10,858)**

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

June 30, 2021	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	18,865	374	167	(701)	-	(702)
RON swaps	178,042	(3)	297	75	-	75
CHF swaps	124,127	979	1,132	2,113	-	2,113
Total	**321,034**	**1,350**	**1,596**	**1,486**	**-**	**1,486**

December 31, 2020	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	22,539	298	14	7,947	-	7,947
RON swaps	168,566	475	2,824	(3,000)	-	(3,000)
CHF swaps	125,390	(40)	(150)	(2,473)	-	(2,473)
UAH swaps	0	0	0	(2,459)	-	(2,459)
TRY swaps	-	-	-	898	(128)	770
Total	**316,495**	**733**	**2,688**	**913**	**(128)**	**785**

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

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
RON swaps	33,032	37,593	107,417	178,042
CHF swaps	67,754	-	56,373	124,127
USD swaps	18,865	-	-	18,865
Total at June 30, 2021	**119,651**	**37,593**	**163,790**	**321,034**

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
RON swaps	25,757	67,598	75,211	168,566
CHF swaps	50,366	37,909	37,115	125,390
USD swaps	-	-	22,539	22,539
Total at December 31, 2020	**76,123**	**105,507**	**134,865**	**316,495**

9. Loans and receivables – customers

	June 30, 2021	December 31, 2020
Commercial loans	2,284,033	2,304,940
Consumer loans	238,465	243,466
Credit card loans	82,384	86,344
Finance lease receivables, net	5,731	6,139
Private banking loans	95	72
Public sector loans	-	3,182
Subtotal	**2,610,708**	**2,644,143**
Individually assessed allowances for expected credit losses	(31,131)	(32,690)
Collectively assessed allowances for expected credit losses	(45,888)	(46,929)
Total	**2,533,689**	**2,564,524**

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, 2021	December 31, 2020
Not later than 1 year	1,199	1,232
Later than 1 year and not later than 5 years	3,926	4,020
Later than 5 years	1,146	1,659
Gross lease receivables	**6,271**	**6,911**
Not later than 1 year	(156)	(200)
Later than 1 year and not later than 5 years	(363)	(508)
Later than 5 years	(21)	(64)
Unearned interest income	**(540)**	**(772)**
Finance lease receivables, net	**5,731**	**6,139**

10. Loans, impairment charges and allowances

June 30, 2021

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

June 30, 2020

	Stage 1		Stage 2		Stage 3		Total	
	Gross loans	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
Balance at 1 January	**2,190,75**	**(14,753)**	**359,805**	**(14,950)**	**258,059**	**(36,647)**	**2,808,620**	**(66,350)**
Originated or purchased	647,670	(2,537)	93	(1,352)	829	(1,109)	**648,592**	**(4,998)**
Matured or sold	(910,37	772	(13,311)	307	(20,132)	89	**(943,814)**	**1,168**
Transfers to Stage 1	16,750	(867)	(16,750)	867	-	-	-	-
Transfers to Stage 2	(272,64	5,315	274,606	(5,404)	(1,958)	89	-	-
Transfers to Stage 3	(18,055)	7	(40,112)	2,262	58,167	(2,269)	-	-
Re-measurement	(81,119)	(2,076)	(20,913)	(7,974)	609	(14,317)	**(101,423)**	**(24,367)**
Amounts written off	-	-	-	-	(18,900)	18,900	**(18,900)**	**18,900**
Recoveries	-	-	-	-	-	1,809	**-**	**1,809**
Exchange differences	17,732	117	(3,703)	(48)	874	(72)	**14,903**	**(3)**
Balance at period end	**1,590,71**	**(14,022)**	**539,715**	**(26,292)**	**277,548**	**(33,527)**	**2,407,978**	**(73,841)**

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

	Stage 1	Stage 2	Stage 3	June 30, 2021 Total	June 30, 2020 Total
Loans to customers at amortized cost	(968)	6,157	(3,995)	1,194	**(24,363)**
Credit related commitments (non-cash loans)	1,062	18	-	1,080	**106**
Loans to banks at amortized cost	70	-	-	70	**22**
Debt securities measured at FVOCI	(2)	-	-	(2)	**(11)**
Net impairment loss on financial instruments	**162**	**6,175**	**(3,995)**	**2,342**	**(24,246)**

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

There is not any loan and receivable written off during the period (2020: EUR 8,166) that is still subject to enforcement activity.

11. Other assets and inventories

	June 30, 2021	December 31, 2020
Repossessed assets classified as inventories	57,999	50,960
Contract assets	36,496	19,633
Receivables from DSB	19,441	18,548
Insurance receivables	11,907	11,704
Materials and supplies	5,764	7,530
Prepayments to suppliers	5,653	8,162
POS, plastic cards and ATM related receivables	3,781	3,722
Amounts held as guarantee	3,015	2,246
Accounts receivable	2,799	33,485
Tax related receivables	1,238	910
Items in the course of settlement	723	333
Other assets	3,453	2,292
Total	**152,269**	**159,525**

12. Due to banks

	June 30, 2021	December 31, 2020
Time deposits	525,999	499,603
Targeted longer term refinancing operations (TLTRO)	145,470	132,006
Current accounts	32,097	45,574
Total	**703,566**	**677,183**

The amount of repo transactions in time deposits is EUR 74,467 (2020: EUR 51,351).

The funding obtained under the targeted longer-term refinancing operations III (TLTRO III) is presented separately in disclosure. With the TLTROs, the ECB offers banks long-term funding at attractive conditions, with the aim to further incentivize bank lending to the real economy. The legal maturity date of the current TLTRO-loans lies between December 2022, June 2023, and March 2024 with a quarterly early repayment option as of September 2021. Interest will be settled in arrears. The interest rate to be applied is linked to the issuance of new loans to non-financial corporations and households in the Eurozone. For the period of 24 June 2020 to 24 June 2022, a discount of 50bps is granted, irrespective of lending performance. Additional discount of 50bps, which is based on the Bank’s lending performance, has been recognized as it’s reasonably certain that the Bank will meet the targets.

13. Due to customers

	June 30, 2021	December 31, 2020
Retail time deposits	1,342,057	1,328,669
Retail saving and demand deposits	1,216,932	1,216,506
Corporate demand deposits	504,518	431,889
Corporate time deposits	168,489	150,115
Total	**3,231,996**	**3,127,179**

As of June 30, 2021, the Bank maintained customer deposit balances of EUR 38,402 (2020: EUR 42,949), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2021, EUR 1,252,405 (2020: EUR 1,282,018) of deposits from customers are expected to be settled in more than 12 months after the balance sheet date.

14. Other liabilities

	June 30, 2021	December 31, 2020
Advances from customers	32,970	24,271
Lease liabilities	8,845	5,891
Accrued expenses	4,337	4,202
Payables to suppliers	3,513	2,645
Credit card payables	2,492	2,495
Non-current tax related payable	2,112	2,080
Deferred income	693	662
Items in the course of settlement	422	1,796
Staff related liabilities	367	219
Other liabilities	3,360	2,090
Total	**59,111**	**46,351**

15. Provisions

	June 30, 2021	December 31, 2020
Litigation(*)	4,769	3,830
Staff related	3,680	3,772
Credit related commitments	1,581	2,660
Other	28	28
Total	**10,058**	**10,290**

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Bank’s and the Bank’s subsidiary, Credit Europe Bank (Romania) SA, are involved as of June 30, 2021. Further details are provided in Note 27: Commitments and Contingencies.

The table below presents movement in total provisions:

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

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

16. Subordinated liabilities

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

	Maturity Date	**First possible call date**	**June 30, 2021**	**December 31, 2020**
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	November 2027	November 2022	126,476	122,076
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	Perpetual	December 2022	42,210	40,840
Total			**168,686**	**162,916**

Changes in liabilities arising from financial activities

Subordinated loans	**June 30, 2021**	**December 31, 2020**
Balance at the beginning of the period	162,916	177,659
Interest accrued	6,391	13,523
Interest paid	(6,290)	(13,330)
Foreign exchange movement	5,669	(14,936)
Balance at period end	**168,686**	**162,916**

17. Equity

	June 30, 2021	December 31, 2020
Share capital	563,000	563,000
Share premium	163,748	163,748
Retained earnings	65,748	51,027
Fair value reserve	2,325	4,692
Tangible revaluation reserve	179	161
Foreign currency translation reserve	(75,269)	(72,413)
Net investment hedge reserve	(96,331)	(99,355)
Equity attributable to owners of the Parent Company	**623,400**	**610,860**
Equity attributable to non-controlling interests	1,733	1,715
Total equity	**625,133**	**612,575**

As of June 30, 2021, the authorized share capital is EUR 1,000 million (2020: EUR 1,000 million) and consists of EUR 1,000 million (2020: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 563 million (2020: 563 million) ordinary shares with a face value of EUR 1.

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

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

Fair value reserves
The fair value reserve includes the cumulative net change in the fair value of debt and equity investments measured at fair value through other comprehensive income including expected credit losses for debt securities.

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

18. Net interest income

	January 1- June 30, 2021	January 1- June 30, 2020
Interest income from financial instruments measured at amortized cost and FVOCI	**59,928**	**71,067**
Loans and receivables – customers	55,008	65,035
Financial investments	2,829	3,823
Loans and receivables – banks	1,305	2,002
Cash and balances at central banks	699	94
Interest on financial lease	87	113
Interest income from financial instruments measured at FVTPL	**2,479**	**3,114**
Financial assets held for trading	2,351	2,659
Non-trading financial assets mandatorily at FVTPL	128	455
Subtotal	**62,407**	**74,181**
Interest expense from financial instruments measured at amortized cost	**18,375**	**25,704**
Due to customers	9,979	14,537
Subordinated liabilities	4,513	6,090
Due to banks	2,244	3,402
Cash and balances at central banks	1,612	1,601
Lease liabilities	27	74
Subtotal	**18,375**	**25,704**
Total	**44,032**	**48,477**

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

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

19. Net fee and commission income

	January 1- June 30, 2021	January 1- June 30, 2020
Fee and commission income		
Letter of credit commissions	5,527	3,514
Cash loan fees	4,864	3,914
Credit card fees	3,259	2,823
Payment and transaction services fees	888	1,038
Commission on account maintenance	736	866
Letter of guarantee commissions	383	348
Portfolio and other management fees	358	871
Commissions on fund transfers	285	251
Commissions on fiduciary transactions	178	214
Insurance related fees	54	380
Other fees and commissions	699	992
Subtotal	**17,231**	**15,211**
Fee and commission expense		
Credit card fees	1,286	890
Payment and transaction services expense	594	534
Account maintenance fees	275	251
Commission paid to intermediaries/retailers	163	110
Other fee and commission expenses	127	506
Subtotal	**2,445**	**2,291**
Total	**14,786**	**12,920**

20. Net trading results

	January 1- June 30, 2021	January 1- June 30, 2020
Foreign exchange	16,292	(139)
Trading loans	3,266	4,101
Non-trading financial assets measured mandatorily at FVTPL	1,320	(2,134)
Dividend on FVTPL investments	91	-
Debt securities	(65)	495
Derivative financial instruments - hedge accounting	(417)	(909)
Subtotal	**20,487**	**1,414**
Derivative financial instruments - not qualifying for hedge accounting	(19,603)	(3,495)
of which interest component	*(6,343)*	*(4,178)*
of which MTM component	*1,576*	*(14)*
of which FX component	*(14,836)*	*697*
Total	**884**	**(2,081)**

21. Other operating income

	January 1- June 30, 2021	January 1- June 30, 2020
Revenue from shipbuilding activities	22,355	7,972
Shipping charter and freight income	3,517	778
Dividend income	1,236	249
Income from DSB receivables	894	600
Rent income	307	363
Other income	2,360	1,139
Total	**30,669**	**11,101**

22. General and administrative expenses

	January 1- June 30, 2021	January 1- June 30, 2020
Professional fees and consultancy	1,899	2,012
Rent and maintenance expenses	1,670	1,802
Membership fees	1,644	1,368
Communication and information expenses	1,531	1,585
Information technology expenses	1,432	1,557
Taxes other than income	892	1,096
Legal services expenses	664	676
Stationary, office supplies and printing expense	465	570
Security expenses	340	422
Insurance premiums	246	240
Advertising and marketing expenses	239	242
Cleaning expenses	184	251
Travel and transport expenses	76	324
Other expenses	865	964
Total	**12,147**	**13,109**

23. Other operating expenses

	January 1- June 30, 2021	January 1- June 30, 2020
Cost of sale from shipbuilding activities	20,159	6,996
Vessels running costs	8,987	2,634
Provision addition / (reversal)	1,288	(104)
Fines and penalties	685	568
Other	1,191	2,220
Total	**32,310**	**12,314**

24. Other impairment losses

	January 1- June 30, 2021	January 1- June 30, 2020
Other	-	103
Total	**-**	**103**

In 2021, there is no (2020: none) impairment recognised for assets classified as 'Property, Plant and Equipment'.

25. Taxation

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

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

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period that the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

26. Fair value information

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

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

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

Classification of financial assets and liabilities

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

						June 30, 2021
	Trading	**Measured at FVTPL**	**Measured at amortized cost**	**Measured at FVOCI**	**Other amortized costs**	**Total carrying amount**
Cash and balances at central banks	-	-	967,873	-	-	967,873
Financial assets at FVTPL	-	39,800	-	-	-	39,800
Financial investments	-	-	-	664,041	-	664,041
Loans and receivables - banks	-	-	298,738	-	-	298,738
Loans and receivables - customers	-	-	2,533,689	-	-	2,533,689
Derivative financial instruments	95,491	-	-	-	-	95,491
Total assets	**95,491**	**39,800**	**3,800,300**	**664,041**	**-**	**4,599,632**
Due to banks	-	-	-	-	703,566	703,566
Due to customers	-	-	-	-	3,231,996	3,231,996
Derivative financial instruments	97,432	-	-	-	-	97,432
Subordinated liabilities	-	-	-	-	168,686	168,686
Total liabilities	**97,432**	**-**	**-**	**-**	**4,104,248**	**4,201,680**

						December 31, 2020
	Trading	**Measured at FVTPL**	**Measured at amortized cost**	**Measured at FVOCI**	**Other amortized costs**	**Total carrying amount**
Cash and balances at central banks	-	-	666,135	-	-	666,135
Financial assets at FVTPL	-	87,762	-	-	-	87,762
Financial investments	-	-	-	785,626	-	785,626
Loans and receivables - banks	-	-	203,973	-	-	203,973
Loans and receivables - customers	-	-	2,564,524	-	-	2,564,524
Derivative financial instruments	189,239	-	-	-	-	189,239
Total assets	**189,239**	**87,762**	**3,434,632**	**785,626**	**-**	**4,497,259**
Due to banks	-	-	-	-	677,183	677,183
Due to customers	-	-	-	-	3,127,179	3,127,179
Derivative financial instruments	165,424	-	-	-	-	165,424
Subordinated liabilities	-	-	-	-	162,916	162,916
Total liabilities	**165,424**	**-**	**-**	**-**	**3,967,278**	**4,132,702**

Fair value hierarchy

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

Valuation Models

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

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

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

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

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

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

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

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

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

In 2021, there has been no change in valuation techniques and models.

Valuation framework

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

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

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

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

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

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

June 30, 2021	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	5	1,760	-	15,073	16,833
Derivative financial assets	8	-	95,491	-	95,491
Equity instruments measured at FVOCI	6	22,079	-	18,059	40,138
Non-trading assets mandatorily at FVTPL	5	6,250	-	16,717	22,967
Other financial investments	6	483,217	-	128,348	611,565
Total		**513,306**	**95,491**	**178,197**	**786,994**
Financial liabilities					
Derivative financial liabilities	8	-	97,432	-	97,432
Total		**-**	**97,432**	**-**	**97,432**

December 31, 2020	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	5	247	-	64,678	64,925
Derivative financial assets	8	-	189,239	-	189,239
Equity instruments measured at FVOCI	6	25,864	-	16,376	42,240
Non-trading assets mandatorily at FVTPL	5	2,400	-	20,437	22,837
Other financial investments	6	627,518	-	115,868	743,386
Total		**656,029**	**189,239**	**217,359**	**1,062,627**
Financial liabilities					
Derivative financial liabilities	8	-	165,424	-	165,424
Total		**-**	**165,424**	**-**	**165,424**

No financial instruments were transferred from Level 1 to Level 2 in 2021. (2020: None)
No financial instruments were transferred from Level 1 and Level 2 to Level 3 in 2021. (2020: None)

Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or an illiquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of June 30, 2021, EUR 18,059 (2020: EUR 16,376) securities were classified as Level 3.

During 2021, there were no financial instruments transferred out of Level 3 to Level 2 due to change in inputs used in measuring the fair value of the assets. (2020: None)

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

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

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

Fair value measurement of non-financial assets and liabilities

Non-financial assets for which fair value is taken into account as measurement basis comprise of investment properties, land and buildings. Assets held for sale is measured at lower of the carrying amount or fair value less cost to sell.

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

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

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

For the amounts recognized in the statement of income, reference is made to Note 24: Other impairment loss.

In 2021, there has been no change in valuation techniques.

As at June 30, 2021 the Bank has no non-financial liabilities measured at fair value (2020: none).

Significant unobservable inputs used in determination of Level 3 fair values

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

Category	Carrying amount/fair value(in Eur)	Valuation Technique	Input	Range
Financial assets				
Romania- residential and commercial properties Level-3	3,958	Market comparison approach	Price per square meter	730-980 Eur/sqm
		Income capitalization	Unit rental price p.m	9-9.5 Eur/sqm
			Vacancy rate	5%-15%
			Operating expenses p.m	3,000-14,000
			Capitalization rate	9%-10%
Romania- commercial properties Level-3	12,174	Market comparison approach	Price per square meter	600 Eur/sqm
		Income capitalization	Unit rental price p.m	7.5 Eur/sqm
			Vacancy rate	10%-20%
			Operating expenses p.m	5,000-34,000
			Capitalization rate	8%-12%
Vessels Level-3	585	Third party pricing	Broker price	n.a
Loans mandatorily at FVTPL	**16,717**			
Trading loans at FVTPL	**15,073**	Discounted cash flow	Projections of future cash flows	n.a
Trading loans at FVOCI	**128,348**	Discounted cash flow	Projections of future cash flows	n.a
Equity instruments measured at FVOCI			Projections of future cash flows	
- Minority shares	**17,217**	Discounted cash flow	Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium)	1.58% 3.61% 2.03% 4.72%
- Investment fund	**842**	Net asset value	n.a	n.a
Total- Level 3 financial assets	**178,197**			
Non-financial assets				
Western Europe- land/buildings	15,263	Market comparison approach Income capitalization	Price per square meter IRR/Yield	15-16 Eur/sqm/month 5.75%-5.9%
Romania- land/ buildings	8,093	Market comparison approach Income capitalization	Price per square meter	600-2,800 Eur/sqm/month
Turkey- shipyard	21,259	Income approach Market comparison approach Cost approach	n.a	n.a
Sub-total land/buildings	**44.615**			
Turkey- commercial properties	2,762	Market comparison approach	Price per square meter	1.505 – 3.429 Eur/sqm
Sub-total investment properties	**2,762**			
Ukraine- commercial and residential properties	854	Market comparison approach	n.a	n.a
Sub-total assets held for sale	**854**			
Total Level 3 non-financial assets	**48,231**			

Reconciliation of Level 3 financial assets

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

				June 30, 2021				**December 31, 2020**
	Financial Assets-FVOCI	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**	**Financial Assets-FVOCI**	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**
Balance at January 1	**132,244**	**20,437**	**64,678**	**217,359**	**25,280**	**21,606**	**192,779**	**239,665**
Total gains and losses								
- in net trading results	1,351	-	2,852	4,203	(50)	(1,848)	6,045	4,147
- in net interest income	-	128	-	128	-	511	-	511
- in OCI	(43)	-	-	(43)	(3,309)	-	-	(3,309)
Purchases/additions	184,333	-	451,436	635,769	115,843	-	951,545	1,067,388
Settlements/Collections/Sales	(171,426)	(3,613)	(503,929)	(678,968)	-	-	(1,085,214)	(1,085,214)
Exchange differences	(52)	(235)	36	(251)	(5,520)	168	(477)	(5,829)
Balance at the period end	**146,407**	**16,717**	**15,073**	**178,197**	**132,244**	**20,437**	**64,678**	**217,359**

EUR 1 loss included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2020: EUR 9 loss).

Reconciliation of Level 3 non-financial assets

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

	Land&Buildings	**Investment properties**	**Assets held for sale**
Balance at the beginning of the period	**44,496**	**2,697**	**6,160**
Disposals	-	-	(5,275)
Depreciation	(243)	-	-
Exchange differences	362	65	(31)
Balance at the period end	**44,615**	**2,762**	**854**

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, 2021	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	967,873	-	967,873	967,873
Loans and receivables - banks	7	-	298,500	-	298,500	298,738
Loans and receivables - customers	9	-	-	2,557,848	2,557,848	2,533,689
Total		**-**	**1,266,373**	**2,557,848**	**3,824,221**	**3,800,300**
Financial liabilities						
Due to banks	12	-	703,813	-	703,813	703,566
Due to customers	13	-	3,246,144	-	3,246,144	3,239,837
Subordinated liabilities	16	-	168,307	-	168,307	168,686
Total		**-**	**4,118,264**	**-**	**4,118,264**	**4,112,089**

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	4	-	666,135	-	666,135	666,135
Loans and receivables - banks	7	-	203,951	-	203,951	203,973
Loans and receivables - customers	9	-	-	2,580,919	2,580,919	2,564,524
Total		**-**	**870,086**	**2,580,919**	**3,451,005**	**3,434,632**
Financial liabilities						
Due to banks	12	-	677,281	-	677,281	677,183
Due to customers	13	-	3,144,255	-	3,144,255	3,127,179
Subordinated liabilities	16	-	160,671	-	160,671	162,916
Total		**-**	**3,982,207**	**-**	**3,982,207**	**3,967,278**

27. Commitments and contingencies

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank. In many instances, the amount recognized on the statement of financial position for incurred obligations does not represent the loss potential of the arrangement in full.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers, contingent on the failure of the customer to perform under the terms of the contract. Guarantees carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange, irrevocable letters of credit, advance payment guarantees, or endorsement liabilities from bills rediscounted.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. With respect to credit risk on commitments to extend the credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	June 30, 2021	**December 31, 2020**
Contingent liabilities with respect to irrevocable letters of credit - import	414,479	315,387
Contingent liabilities with respect to irrevocable letters of credit - export	301,290	174,418
Contingent liabilities with respect to letters of guarantee granted - corporates	56,625	52,265
Contingent liabilities with respect other guarantees	6,552	3,438
Contingent liabilities with respect to letters of guarantee granted - banks	4,387	12,345
Total non-cash loans	**783,333**	**557,853**
Credit-card limits	181,714	179,412
Credit-line commitments	59,519	42,611
Other commitments	2,389	-
Total	**1,026,955**	**779,876**

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, 2021, the Bank and the Bank’s subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 3,664 (2020: EUR 2,712) is already provided for in the consolidated statement of financial position. Additionally, Credit Europe Bank (Romania) S.A. performed a comprehensive assessment for the entire retail loan portfolio in order to determine potential additional contributions in respect of potential litigations to be initiated by customers. As result, as at June 30, 2021 the Bank estimated a contingent liability at amount of EUR 5,889 (2020: EUR 5,913).

As of June 30, 2021, there is a legal claim against the Bank in respect of a case where repayment of the insurance proceeds of USD 22 million is claimed from the Bank. The Bank’s legal advisor’s opinion is that it is not probable, that the court ruling may be in favour of the claimant. Accordingly, no provision for the claim has been made in these financial statements.

28. Related parties

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

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

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

				June 30, 2021				December 31, 2020
	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	-	-	-	2,896	-	-	-	3,621
Loans and receivables – customers	30,202	-	-	151,548	28,773	-	-	141,031
Derivative financial instruments	8	-	-	19,809	97	-	-	46,606
Liabilities								
Due to banks	-	-	-	15,396	-	-	-	23,413
Due to customers	1,218	6,736	56	124,779	861	6,622	87	121,087
Derivative financial instruments	73	-	-	15,819	8	-	-	43,766
Subordinated liabilities	42,210	-	-	-	40,840	-	-	-
Commitment and contingencies	-	-	-	679	-	-	-	91

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of June 30, 2021, the Bank does not have any stage 3 provisions regarding related party balances (2020: None).

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

				January 1- June 30, 2021				January 1- June 30, 2020
	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	448	-	-	1,947	706	-	-	717
Interest expense	(1,847)	-	-	(368)	(2,021)	-	-	(219)
Commission income	3	12	-	448	14	42	-	489
Commission expense	-	-	-	(225)	-	-	-	(224)
Net trading results	(36)	-	-	(2,752)	(205)	1,796	-	(737)
Other operating income	-	-	-	983	-	-	-	41
Operating expenses	-	-	-	(333)	-	-	-	(343)
Share of profit of associate	-	-	(2,243)	-	-	-	(968)	-

In the course of 2021, there is no loan sold to related parties (2020: EUR 9,775), and no gain recognized (2020: none) in the interim condensed consolidated statement of income. Pricing of the loans have been determined in accordance with arm's length principle.

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 10 (2020: 10). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	June 30, 2021	December 31, 2020
Loans and receivables - customers	15	6

As of June 30, 2021, the Bank does not have any provision regarding the balances with key management personnel (2020: None). Key management costs, including remuneration and fees for the period ended June 30, 2021 amounted to EUR 2,075 (2020: EUR 2,048). Pension plan contribution amounted to EUR 91 (2020: EUR 87).

29. Risk management

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

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

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

QUANTITATIVE

Credit risk concentration

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

Liquidity

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

Trading and ALM

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

Risk Appetite and Risk Governance

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

Main pillars of the risk appetite are illustrated below:

QUALITATIVE

Governance

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

Reputation

- Ensure high financial reporting transparency and efficient external communications

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

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

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

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

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

Regulatory Capital

Starting from January 1, 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, 2021	December 31, 2020
Total Equity	**625,133**	**612,575**
- Current year profit (1)	(11,381)	(4,678)
- Non-eligible minority interest (2)	(1,350)	(1,305)
Prudential filters		
- Cash flow hedge reserve	-	-
- Prudent valuation	(770)	(998)
- Intangible asset (2)	(5,339)	(5,265)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(25,250)	(22,294)
- CIU Investment deductions	(842)	-
- transitional adjustments to IFRS 9 provisions (85%) (3)	18,213	25,499
Core Tier I	**598,414**	**603,534**
Perpetual Tier I capital	42,235	40,855
Additional Tier I	**42,235**	**40,855**
Total Tier I capital	**640,649**	**644,389**
Tier II capital		
Subordinated capital	125,576	121,228
Total Tier II capital	**125,576**	**121,228**
Total own funds	**766,225**	**765,617**

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

(3) Transitional adjustment is permitted to apply the calculation by adding 50% IFRS 9 Provisions back to total own funds

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

Solvency ratio	**June 30, 2021**	**December 31, 2020**
Capital ratio	21.01%	20.32%
Tier I ratio	17.57%	17.10%
Core Tier I	16.41%	16.02%
RWA	**3,646,461**	**3,767,359**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

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

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

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

Stress testing

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

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

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

29. a. Credit exposure

Maximum credit-risk exposure

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

Maximum credit-risk exposure, net of impairment allowances

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

The off-balance credit risk exposure comprises:

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

	June 30, 2021	**December 31, 2020**
Balance sheet items		
Balances with central banks	952,649	649,057
Financial assets measured at fair value through profit or loss	39,800	87,762
Financial investments	664,041	785,626
Loans and receivables - banks	299,011	204,314
Loans and receivables - customers	2,610,708	2,644,143
Derivative financial instruments	95,491	189,239
Subtotal	**4,661,700**	**4,560,141**
Off- balance sheet items*		
Issued letters of guarantee	67,563	68,048
Issued irrevocable letters of credit	610,223	441,370
Undrawn credit-card limits	181,714	179,412
Other commitments and contingent liabilities	61,908	42,611
Total off-balance sheet	**921,408**	**731,441**
Maximum credit risk exposure	**5,583,108**	**5,291,582**

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

Concentration of credit exposure

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

29.b. Sector concentration

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

				June 30, 2021		December 31, 2020
	On-balance sheet	**Off-balance sheet**	**Total exposure**	**% of total exposure**	**Total exposure**	**% of total exposure**
Balances with central banks	952,649	25,000	977,649	17.51%	674,057	12.74%
Financial assets measured at fair value through profit or loss	39,800	-	39,800	0.71%	87,762	1.66%
Financial investments	664,041	-	664,041	11.89%	785,626	14.85%
Loans and receivables - banks	299,011	310,351	609,362	10.91%	395,624	7.48%
Loans and receivables - customers	2,610,708	586,057	3,196,765	57.26%	3,159,274	59.70%
Loans and receivables - corporate	*2,275,453*	*401,502*	*2,676,955*	*47.95%*	*2,633,513*	*49.77%*
Oil & Derivatives	*656,778*	*228,569*	*885,347*	*15.86%*	*714,765*	*13.51%*
Real Estate	*306,470*	*10,911*	*317,381*	*5.68%*	*365,136*	*6.90%*
Leisure & Tourism	*315,013*	*193*	*315,206*	*5.65%*	*316,314*	*5.98%*
Iron-Steel-Metals & Alloys	*160,484*	*79,163*	*239,647*	*4.29%*	*213,787*	*4.04%*
Shipping & Shipyard	*209,322*	*11,103*	*220,425*	*3.95%*	*187,060*	*3.54%*
Energy & Coal	*105,698*	*17,678*	*123,376*	*2.21%*	*97,058*	*1.83%*
Financial service and investment	*86,673*	*5,289*	*91,962*	*1.65%*	*235,877*	*4.46%*
Soft Commodities & Agricultural Products	*80,718*	*9,147*	*89,865*	*1.61%*	*122,180*	*2.31%*
Petrochemical, Plasticizers & Derivatives	*53,732*	*18,141*	*71,873*	*1.29%*	*49,907*	*0.94%*
Fertilizers	*61,942*	*1*	*61,943*	*1.11%*	*56,106*	*1.06%*
Construction & Installation	*54,576*	*3,168*	*57,744*	*1.03%*	*63,874*	*1.21%*
Transportation, Logistics & Warehousing	*39,832*	*2,812*	*42,644*	*0.76%*	*43,025*	*0.81%*
Holding	*30,202*	*-*	*30,202*	*0.54%*	*17,473*	*0.33%*
Retail	*22,605*	*3,498*	*26,103*	*0.47%*	*28,132*	*0.53%*
Media & Publishing	*23,511*	*-*	*23,511*	*0.42%*	*25,107*	*0.47%*
Telecommunications	*19,921*	*-*	*19,921*	*0.36%*	*19,706*	*0.37%*
Food, Beverage & Tobacco	*13,305*	*119*	*13,424*	*0.24%*	*15,532*	*0.29%*
Automotives & derivatives	*9,770*	*2,515*	*12,285*	*0.22%*	*18,129*	*0.34%*
Public loans	*-*	*-*	*-*	*-*	*3,182*	*0.06%*
Other	*24,901*	*9,195*	*34,096*	*0.61%*	*41,163*	*0.78%*
Loans and receivables - retail customers and SMEs	*335,255*	*184,555*	*519,810*	*9.31%*	*525,761*	*9.94%*
Exposure to retail customers	*88,505*	*181,714*	*271,818*	*4.87%*	*273,882*	*5.18%*
Exposure secured by residential real estate	*232,344*	*-*	*232,344*	*4.16%*	*235,340*	*4.45%*
Exposure to SME	*14,406*	*2,841*	*15,648*	*0.28%*	*16,539*	*0.31%*
Derivative financial instruments	*95,491*	-	*95,491*	*1.71%*	*189,239*	*3.58%*
Total credit risk exposure	**4,661,700**	**921,408**	**5,583,108**	**100.00%**	**5,291,582**	**100.00%**

The top five industries account for 73.89% (2020: 70.09%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

29.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2021 and December 31, 2020:

June 30, 2021	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	187,820	652	-	764,177	952,649
Financial assets measured at FVTPL	-	-	16,297	-	15,324	8,179	39,800
Financial investments	17,217	2,545	179,413	21,716	125,803	317,347	664,041
Loans and receivables - banks	1,373	47,913	241	-	24,994	224,490	299,011
Loans and receivables - customers	48,197	555,334	596,778	8,453	423,767	978,179	2,610,708
Derivative financial instruments	-	10,886	-	-	-	84,605	95,491
Total balance sheet	**66,787**	**616,678**	**980,549**	**30,821**	**589,888**	**2,376,977**	**4,661,700**
Off-balance sheet items	3,673	108,316	213,376	208	232,547	363,288	921,408
Total credit-risk exposure	**70,460**	**724,994**	**1,193,925**	**31,029**	**822,435**	**2,740,265**	**5,583,108**

December 31, 2020	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	184,777	115	-	464,165	649,057
Financial assets measured at FVTPL	-	1,207	17,869	-	64,678	4,008	87,762
Financial investments	16,376	-	180,376	13,992	112,297	462,585	785,626
Loans and receivables - banks	759	43,790	415	-	55,893	103,457	204,314
Loans and receivables - customers	67,577	601,761	620,701	58,963	421,888	873,253	2,644,143
Derivative financial instruments	-	14,492	2	-	679	174,066	189,239
Total balance sheet	**84,712**	**661,250**	**1,004,140**	**73,070**	**655,435**	**2,081,534**	**4,560,141**
Off-balance sheet items	3,084	87,817	196,142	2,737	208,368	233,293	731,441
Total credit-risk exposure	**87,796**	**749,067**	**1,200,282**	**75,807**	**863,803**	**2,314,827**	**5,291,582**

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

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

LIABILITY

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets*	Total exposure
June 30, 2021	217	71,312	654,836	19,550	328,395	2,958,684	4,032,994
December 31, 2020	21,015	47,499	682,831	9,852	196,932	3,011,657	3,969,786

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

29.d. Collaterals and other credit enhancements obtained

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

- Financial collaterals, which includes any kind of documentary collateral, such as bills of exchange or trade-related promissory notes. Cash collaterals, credit derivatives and other guarantees are also part of this group.
- Physical collaterals mainly comprised of commercial and residential mortgages.

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

Breakdown of collateralized exposure by collateral type					**June 30, 2021**
	Total exposure	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total exposure**
Balance sheet					
Demand deposits with central banks	952,649	-	-	-	-
Financial assets measured at fair value through profit or loss	39,800	4,059	30,736	34,795	87%
Financial investments	664,041	-	-	-	-
Loans and receivables - banks	299,011	1,303	-	1,303	0%
Loans and receivables - customers	2,610,708	298,515	1,098,436	1,396,951	54%
Derivative financial instruments	95,491	-	-	-	-
Total balance sheet	**4,661,700**	**303,877**	**1,129,172**	**1,433,049**	**31%**
Off-balance sheet	921,408	9,959	-	9,959	1%
Total credit risk exposure	**5,583,108**	**313,836**	**1,129,172**	**1,443,008**	**26%**

Breakdown of collateralized exposure by collateral type					**December 31, 2020**
	Total exposure	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total exposure**
Balance sheet					
Demand deposits with central banks	649,057	-	-	-	-
Financial assets measured at fair value through profit or loss	87,762	41,861	12,770	54,631	62%
Financial investments	785,626	-	-	-	-
Loans and receivables - banks	204,314	1,084	-	1,084	1%
Loans and receivables - customers	2,644,143	317,737	1,146,848	1,464,585	55%
Derivative financial instruments	189,239	-	-	-	-
Total balance sheet	**4,560,141**	**360,682**	**1,159,618**	**1,520,300**	**33%**
Off-balance sheet	731,441	3,199	-	3,199	0.4%
Total credit risk exposure	**5,291,582**	**363,881**	**1,159,618**	**1,523,499**	**29%**

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

29.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets per external rating obtained from eligible credit rating agencies, as of June 30, 2021 and December 31, 2020.

	External rating class						June 30, 2021
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	690,790	439	187,820	652	-	72,948	952,649
Financial assets measured at fair value through profit or loss	994	468	266	15,071	-	23,001	39,800
Financial investments	251,066	21,047	252,038	76,602	-	63,288	664,041
Loans and receivables - banks	32,440	91,213	20,813	103,942	258	50,345	299,011
Loans and receivables - customers	-	-	-	137,143	-	2,473,565	2,610,708
Derivative financial instruments	12,427	11,139	67	-	-	71,858	95,491
Off-balance sheet	70,706	60,061	76,175	108,289	1,386	604,791	921,408
Total	**1,058,423**	**184,367**	**537,179**	**441,699**	**1,644**	**3,359,796**	**5,583,108**

	External rating class						December 31, 2020
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	435,849	537	184,777	115	-	27,779	649,057
Financial assets measured at fair value through profit or loss	-	3,223	-	51,440	-	33,099	87,762
Financial investments	167,314	14,687	318,467	96,010	-	189,148	785,626
Loans and receivables - banks	49,093	19,943	38,116	69,959	2	27,201	204,314
Loans and receivables - customers	59,712	-	-	104,582	-	2,479,849	2,644,143
Derivative financial instruments	16,641	36,560	1,236	-	-	134,802	189,239
Off-balance sheet	2,835	86,535	39,247	87,005	293	515,526	731,441
Total	**731,444**	**161,485**	**581,843**	**409,111**	**295**	**3,407,404**	**5,291,582**

Credit risk rating process

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

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

The following tables present the credit quality of the Bank's "loans to customers" exposures (including off-balance sheet exposure) by credit risk rating grade, as of June 30, 2021 and December 31, 2020.

June 30, 2021	**Stage 1**		**Stage 2**		**Stage 3**		**TOTAL**	
Loans and receivables - customers	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
Investment grade	655,495	(185)	23,511	(210)	-	-	679,006	(395)
Non-investment grade	1,686,767	(10,696)	432,724	(21,382)	-	-	2,119,491	(32,078)
Sub-standard	86,972	(3,121)	89,843	(9,386)	-	-	176,815	(12,507)
Non-performing	-	-	-	-	218,210	(31,131)	218,210	(31,131)
Non rated	3,243	(908)	-	-	-	-	3,243	(908)
Total	**2,432,477**	**(14,910)**	**546,078**	**(30,978)**	**218,210**	**(31,131)**	**3,196,765**	**(77,019)**

December 31, 2020	**Stage 1**		**Stage 2**		**Stage 3**		**TOTAL**	
Loans and receivables - customers	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
Investment grade	610,289	(89)	25,107	(245)	-	-	635,396	(334)
Non-investment grade	1,536,398	(9,539)	418,223	(20,740)	-	-	1,954,621	(30,279)
Sub-standard	162,826	(4,045)	103,043	(11,545)	-	-	265,870	(15,590)
Non-performing	-	-	-	-	237,325	(32,690)	237,325	(32,690)
Non rated	66,062	(726)	-	-	-	-	66,062	(726)
Total	**2,375,575**	**(14,399)**	**546,373**	**(32,530)**	**237,325**	**(32,690)**	**3,159,274**	**(79,619)**

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

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2021, the Bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

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

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

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

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

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

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

							June 30, 2021
	Gross loans	**ECL**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**2,275,453**	**(62,919)**	**2,212,534**	**294,064**	**885,525**	**1,179,589**	**53%**
Stage 1	1,691,858	(13,895)	1,677,963	167,256	518,033	685,289	41%
Stage 2	423,517	(27,651)	395,866	40,965	316,348	357,313	90%
Stage 3	160,078	(21,373)	138,705	85,843	51,144	136,987	99%
Retail loans (incl. mortgages)	**320,849**	**(13,963)**	**306,886**	**3,916**	**199,120**	**203,036**	**66%**
Stage 1	154,526	(1,003)	153,523	-	94,960	94,960	62%
Stage 2	110,859	(3,322)	107,537	3,864	57,108	60,972	57%
Stage 3	55,464	(9,638)	45,826	52	47,052	47,104	103%
SME loans	**14,406**	**(137)**	**14,269**	**535**	**13,791**	**14,326**	**100%**
Stage 1	7,606	(12)	7,594	-	7,583	7,583	100%
Stage 2	4,132	(5)	4,127	535	3,581	4,116	100%
Stage 3	2,668	(120)	2,548	-	2,627	2,627	103%
Total exposure	**2,610,708**	**(77,019)**	**2,533,689**	**298,515**	**1,098,436**	**1,396,951**	**55%**
Total Stage 3 (NPLs)	218,210	(31,131)	187,079	85,895	100,823	186,718	100%

							December 31, 2020
	Gross loans	**ECL**	**Net loans**	**Financial collateral**	**Physical collateral**	**Total collateral**	**Collateral to net loans**
Corporate loans	**2,298,679**	**(67,270)**	**2,231,409**	**312,901**	**914,896**	**1,227,797**	**55%**
Stage 1	1,712,319	(13,564)	1,698,755	218,834	516,706	735,540	43%
Stage 2	404,846	(28,865)	375,981	27,751	300,912	328,663	87%
Stage 3	181,514	(24,841)	156,673	66,316	97,278	163,594	104%
Retail loans (incl. mortgages)	**329,810**	**(12,209)**	**317,601**	**4,233**	**217,079**	**221,312**	**70%**
Stage 1	146,139	(818)	145,321	3,783	69,676	73,459	51%
Stage 2	130,708	(3,653)	127,055	381	98,046	98,427	77%
Stage 3	52,963	(7,738)	45,225	69	49,357	49,426	109%
SME loans	**15,654**	**(140)**	**15,514**	**603**	**14,873**	**15,476**	**100%**
Stage 1	8,535	(17)	8,518	-	8,379	8,379	98%
Stage 2	4,271	(12)	4,259	603	3,651	4,254	100%
Stage 3	2,848	(111)	2,737	-	2,843	2,843	104%
Total exposure	**2,644,143**	**(79,619)**	**2,564,524**	**317,737**	**1,146,848**	**1,464,585**	**57%**
Total Stage 3 (NPLs)	237,325	(32,690)	204,635	66,385	149,478	215,863	105%

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, 2021 is 121% (2020:125%).

Further credit quality breakdown of retail loans are as below:

					June 30, 2021
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**82,170**	**(2,058)**	**80,112**	**-**	**-**
Stage 1	53,385	(716)	52,669	-	-
Stage 2	27,402	(414)	26,988	-	-
Stage 3	1,383	(928)	455	-	-
Mortgage	**232,344**	**(11,350)**	**220,994**	**199,152**	**90%**
Stage 1	96,668	(276)	96,392	94,959	99%
Stage 2	82,426	(2,858)	79,568	57,141	72%
Stage 3	53,250	(8,216)	45,034	47,052	104%
Other retail	**6,335**	**(555)**	**5,780**	**3,884**	**67%**
Stage 1	4,473	(11)	4,462	1	0%
Stage 2	1,031	(50)	981	3,831	391%
Stage 3	831	(494)	337	52	15%
Total retail exposure	**320,849**	**(13,963)**	**306,886**	**203,036**	**66%**
Total Stage 3 (NPLs)	55,464	(9,638)	45,826	47,104	103%

					December 31, 2020
	Gross loans	**ECL**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**86,207**	**(1,548)**	**84,659**	**-**	**-**
Stage 1	55,449	(583)	54,866	-	-
Stage 2	30,012	(468)	29,544	-	-
Stage 3	746	(497)	249	-	-
Mortgage	**235,339**	**(10,043)**	**225,296**	**217,113**	**96%**
Stage 1	84,648	(209)	84,439	69,677	83%
Stage 2	99,375	(3,119)	96,256	98,079	102%
Stage 3	51,316	(6,715)	44,601	49,357	111%
Other retail	**8,145**	**(499)**	**7,646**	**4,199**	**55%**
Stage 1	6,043	(26)	6,017	3,783	63%
Stage 2	1,321	(66)	1,255	347	28%
Stage 3	781	(407)	374	69	18%
Total retail exposure	**329,810**	**(12,209)**	**317,601**	**221,312**	**70%**
Total Stage 3 (NPLs)	52,962	(7,738)	45,224	49,426	109%

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

The following tables provide a summary of the Bank's forborne assets as of June 30, 2021 and December 31, 2020.

							June 30, 2021
	Stage 1		Stage 2		Stage 3		
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Total Forbearance**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**74,241**	**66,733**	**305,765**	**1,159**	**54,371**	**81,825**	**584,094**
Corporate loans	74,241	66,733	300,954	-	42,202	81,468	565,598
Retail loans (incl. mortgage)	-	-	4,673	1,159	10,713	316	16,861
SME	-	-	138	-	1,456	41	1,635
Total exposure	**74,241**	**66,733**	**305,765**	**1,159**	**54,371**	**81,825**	**584,094**

							December 31, 2020
	Stage 1		Stage 2		Stage 3		
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Total Forbearance**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**106,168**	**8,857**	**301,088**	**1,589**	**76,683**	**90,448**	**584,833**
Corporate loans	106,168	8,857	281,657	-	60,592	90,263	547,537
Retail loans (incl. mortgage)	-	-	19,291	1,589	14,495	125	35,500
SME	-	-	140	-	1,596	60	1,796
Total exposure	**106,168**	**8,857**	**301,088**	**1,589**	**76,683**	**90,448**	**584,833**

(*) Terms and conditions

NPL ratio

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

June 30, 2021	Demand deposits with central banks	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	952,649	20,706	299,011	2,610,708	**3,883,074**
NPLs (Gross)	-	20,706	-	218,210	**238,916**
Gross NPL ratio					**6.2%**
ECL	-	-	-	(77,019)	**(77,019)**
NPLs (Net)	-	20,706	-	141,191	**161,897**
Net NPL ratio					**4.2%**

December 31, 2020	Demand deposits with central banks	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	649,057	20,706	204,314	2,644,143	**3,518,220**
NPLs (Gross)	-	20,706	-	237,325	**258,031**
Gross NPL ratio					**7.4 %**
ECL	-	(1,628)	-	(79,619)	**(81,247)**
NPLs (Net)	-	19,078	-	157,706	**176,784**
Net NPL ratio					**5.1 %**

29.g. Aging of loans and advances to customers

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

June 30, 2021

Gross Exposure	Loans that are not past due	Loans less than 30 days past due	Loans 30 or more but less than 60 days past due	Loans 60 or more but less than 90 days past due	Loans 90 days or more past due	Total loans to customers
Corporate loans	2,153,895	81,049	-	13,038	27,471	2,275,453
Retail loans and residential mortgage loans	237,192	23,589	7,926	18,217	33,925	320,849
SME loans	11,497	707	66	2,136	-	14,406
Total loans and advances to customers	**2,402,584**	**105,345**	**7,992**	**33,391**	**61,396**	**2,610,708**

December 31, 2020

Gross Exposure	Loans that are not past due	Loans less than 30 days past due	Loans 30 or more but less than 60 days past due	Loans 60 or more but less than 90 days past due	Loans 90 days or more past due	Total loans to customers
Corporate loans	2,223,165	1,873	-	14,520	59,121	2,298,679
Retail loans and residential mortgage loans	249,899	19,907	8,469	19,120	32,415	329,810
SME loans	12,493	161	152	2,848	-	15,654
Total loans and advances to customers	**2,485,557**	**21,941**	**8,621**	**36,488**	**91,536**	**2,644,143**

As of June 30, 2021, EUR 2,279,319 (2020: EUR 2,373,566) of total exposure is neither past due nor impaired, EUR 112,998 (2020: EUR 33,251) of total exposure is past due but not impaired.

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

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

							June 30, 2021
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**48,197**	**265,134**	**555,167**	**8,397**	**423,767**	**974,791**	**2,275,453**
Stage 1	27,344	185,352	242,157	6,257	323,797	906,951	**1,691,858**
Stage 2	-	65,120	213,116	897	76,544	67,840	**423,517**
Stage 3	20,853	14,662	99,894	1,243	23,426	-	**160,078**
Retail loans (incl. mortgages)	**-**	**317,238**	**167**	**56**	**-**	**3,388**	**320,849**
Stage 1	-	151,711	162	-	-	2,653	**154,526**
Stage 2	-	110,203	5	56	-	595	**110,859**
Stage 3	-	55,324	-	-	-	140	**55,464**
SME loans	**-**	**14,406**	**-**	**-**	**-**	**-**	**14,406**
Stage 1	-	7,606	-	-	-	-	**7,606**
Stage 2	-	4,132	-	-	-	-	**4,132**
Stage 3	-	2,668	-	-	-	-	**2,668**
Total exposure	**48,197**	**596,778**	**555,334**	**8,453**	**423,767**	**978,179**	**2,610,708**

							December 31, 2020
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**67,577**	**280,711**	**601,669**	**58,892**	**421,887**	**867,943**	**2,298,679**
Stage 1	46,970	216,166	266,723	45,589	363,737	773,134	**1,712,319**
Stage 2	-	48,904	225,579	1,016	44,689	84,658	**404,846**
Stage 3	20,607	15,641	109,367	12,287	13,461	10,151	**181,514**
Retail loans (incl. mortgages)	**-**	**324,336**	**92**	**71**	**1**	**5,310**	**329,810**
Stage 1	-	141,858	84	-	1	4,196	**146,139**
Stage 2	-	129,631	8	71	-	998	**130,708**
Stage 3	-	52,847	-	-	-	116	**52,963**
SME loans	**-**	**15,654**	**-**	**-**	**-**	**-**	**15,654**
Stage 1	-	8,535	-	-	-	-	**8,535**
Stage 2	-	4,271	-	-	-	-	**4,271**
Stage 3	-	2,848	-	-	-	-	**2,848**
Total exposure	**67,577**	**620,701**	**601,761**	**58,963**	**421,888**	**873,253**	**2,644,143**

30. Subsequent events

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts, which would be reported by the Bank.

31. List of participations

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

Name	Place	Country	Interest June 30, 2021	Interest December 31, 2020
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%
Credit Europe Asset Management S.A.	Bucharest	Romania	100.00%	100.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Hitit Shipping Ltd	Msida	Malta	100.00%	100.00%
Cappadocia Shipping Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	100.00%
Hunter Navigation Ltd	Msida	Malta	100.00%	100.00%
Angora 1 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 2 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 3 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 4 Shipping Ltd	Msida	Malta	100.00%	100.00%
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
Etkin Deger Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	100.00%
FMT Holding B.V.	Amsterdam	The Netherlands	100.00%	100.00%
JSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Bank (Romania) SA	Bucharest	Romania	99.34%	99.34%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	53.00%	53.00%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%

Amsterdam, September 17, 2021

Independent auditor's review report

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

Our conclusion

We have reviewed the accompanying interim condensed consolidated financial statements of Credit Europe Bank N.V.(or hereafter: the "Company") based in Amsterdam. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial statements comprise:

1 the interim condensed consolidated statement of financial position as at 30 June 2021;

2 the following statements for the six-month period ended 30 June 2021: the interim condensed consolidated statement of income, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our conclusion

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

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

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

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

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

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

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

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

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

— Considering whether the interim condensed consolidated financial statements and the related disclosures represent the underlying transactions and events in a manner that gives a true and fair view.

Amstelveen, 17 September 2021

KPMG Accountants N.V.

N.C. Paping RA