

Credit Europe Bank N.V.

Interim Condensed Consolidated  
Financial Statements  
June 30, 2020

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**CREDIT EUROPE BANK N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As of June 30, 2020**

**In thousands of EURO**

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

**CREDIT EUROPE BANK N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

**For the period ended June 30, 2020**

**In thousands of EURO**

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

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

**CREDIT EUROPE BANK N.V.****INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the period ended June 30, 2020****In thousands of EURO**

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

**CREDIT EUROPE BANK N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the period ended June 30, 2020**

**In thousands of EURO**

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

**CREDIT EUROPE BANK N.V.**

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

**For the period ended June 30, 2020**

**In thousands of EURO**

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

**CREDIT EUROPE BANK N.V.**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the period ended June 30, 2020**
**In thousands of EURO**

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



## 1. Corporate information

### General

Credit Europe Bank N.V., herein after ‘the Bank’, is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises four branches in the Netherlands, Germany, Belgium and Malta. The Consolidated Financial Statements of the Bank as of June 30, 2020 comprise the figures of the Bank, its subsidiaries and other controlled entities. Together they are referred to as the ‘Bank’.

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

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

### Changes to the Group

There is no significant change to the Group within 2020

**For the period ended June 30, 2020**

## 2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's 2019 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and accounting principles in Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Bank's financial statements.

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

These condensed consolidated interim financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 7, 2020.

### **Use of estimates and judgements**

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019 with the exception of newly adopted accounting pronouncements outlined in section 'Update to Significant Accounting Policies'.

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

#### **i) Covid-19 Pandemic Outbreak**

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

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

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

(\*) "IFRS9 in the context of Coronavirus (Covid-19) pandemic" – 01.04.2020 dated ECB publication

**CREDIT EUROPE BANK N.V.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

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

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

**CREDIT EUROPE BANK N.V.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended June 30, 2020**

**December 31, 2019**

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

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### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### As of and for the period ended June 30, 2020

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

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

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

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

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

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

# CREDIT EUROPE BANK N.V.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2020

### Going concern

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

### Update to significant accounting policies

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

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

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

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

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

#### *Amendments to References to Conceptual Framework in IFRS Standards*

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

#### *Definition of a Business (Amendments to IFRS 3)*

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

## CREDIT EUROPE BANK N.V.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### As of and for the period ended June 30, 2020

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

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

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

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

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

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

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

## **CREDIT EUROPE BANK N.V.**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended June 30, 2020**

#### **New standards and interpretations not yet adopted**

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

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

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

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

The Bank is currently assessing the impact of the amendments.



## Notes to Consolidated Financial Statements

### 3. Segment information

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

The Bank has five (2019: five) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

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

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

CREDIT EUROPE BANK N.V.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2020

3. Segment information (*continued*)

June 30, 2020

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

CREDIT EUROPE BANK N.V.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2020

3. Segment information (*continued*)

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

Information about major customers

As of June 30, 2020, there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2019: none).

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****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.

|                             | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|-----------------------------|----------------------|--------------------------|
| Balances with central banks | 993,315              | 719,079                  |
| Cash on hand                | 13,818               | 18,170                   |
| <b>Total</b>                | <b>1,007,133</b>     | <b>737,249</b>           |

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

**Reconciliation of cash and cash equivalents**

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

**5. Financial assets at fair value through profit or loss**

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

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

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

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

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****6. Financial investments**

|                                | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|--------------------------------|----------------------|--------------------------|
| Financial investments at FVOCI | 516,217              | 537,482                  |
| <b>Total</b>                   | <b>516,217</b>       | <b>537,482</b>           |

As of June 30, 2020, there is no financial assets that may be sold or re-pledged under repurchase agreements (2019: EUR 48,564). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary.

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

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**7. Loans and receivables – banks**

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

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

Changes in expected credit losses are summarized as follows:

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

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

As of and for the period ended June 30, 2020

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

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

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

*-Fair value hedges in hedge accounting relationships*

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

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

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

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

  

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



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

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

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

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

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

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

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020***-Net investment hedges*

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

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

**June 30, 2020**

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

**December 31, 2019**

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

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

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

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

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

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**9. Loans and receivables – customers**

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

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

**10. Loan impairment charges and allowances**

|                                | <b>June 30, 2020</b> |                 |                    |                 |                    |                 |                    |                 |
|--------------------------------|----------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|                                | <b>Stage 1</b>       |                 | <b>Stage 2</b>     |                 | <b>Stage 3</b>     |                 | <b>Total</b>       |                 |
|                                | <b>Gross loans</b>   | <b>ECL</b>      | <b>Gross loans</b> | <b>ECL</b>      | <b>Gross loans</b> | <b>ECL</b>      | <b>Gross loans</b> | <b>ECL</b>      |
| <b>Balance at 1 January</b>    | <b>2,190,756</b>     | <b>(14,753)</b> | <b>359,805</b>     | <b>(14,950)</b> | <b>258,059</b>     | <b>(36,647)</b> | <b>2,808,620</b>   | <b>(66,350)</b> |
| Originated or purchased        | 647,670              | (2,537)         | 93                 | (1,352)         | 829                | (1,109)         | <b>648,592</b>     | <b>(4,998)</b>  |
| Matured or sold                | (910,371)            | 772             | (13,311)           | 307             | (20,132)           | 89              | <b>(943,814)</b>   | <b>1,168</b>    |
| Transfers to Stage 1           | 16,750               | (867)           | (16,750)           | 867             | -                  | -               | -                  | -               |
| Transfers to Stage 2           | (272,648)            | 5,315           | 274,606            | (5,404)         | (1,958)            | 89              | -                  | -               |
| Transfers to Stage 3           | (18,055)             | 7               | (40,112)           | 2,262           | 58,167             | (2,269)         | -                  | -               |
| Re-measurement                 | (81,119)             | (2,076)         | (20,913)           | (7,974)         | 609                | (14,317)        | <b>(101,423)</b>   | <b>(24,367)</b> |
| Amounts written off            | -                    | -               | -                  | -               | (18,900)           | 18,900          | <b>(18,900)</b>    | <b>18,900</b>   |
| Recoveries                     | -                    | -               | -                  | -               | -                  | 1,809           | -                  | <b>1,809</b>    |
| Exchange differences           | 17,732               | 117             | (3,703)            | (48)            | 874                | (72)            | <b>14,903</b>      | <b>(3)</b>      |
| <b>Balance at period end</b>   | <b>1,590,715</b>     | <b>(14,022)</b> | <b>539,715</b>     | <b>(26,292)</b> | <b>277,548</b>     | <b>(33,527)</b> | <b>2,407,978</b>   | <b>(73,841)</b> |
| Commercial loans               | 1,439,027            | (12,307)        | 399,419            | (21,815)        | 218,063            | (24,636)        | <b>2,056,509</b>   | <b>(58,758)</b> |
| Consumer loans                 | 90,393               | (344)           | 105,854            | (3,818)         | 56,590             | (6,282)         | <b>252,837</b>     | <b>(10,444)</b> |
| Credit cards                   | 57,159               | (1,371)         | 27,093             | (644)           | 2,775              | (2,489)         | <b>87,027</b>      | <b>(4,504)</b>  |
| Private banking                | 330                  | -               | -                  | -               | -                  | -               | <b>330</b>         | -               |
| Finance lease receivables, net | -                    | -               | 7,349              | (15)            | 120                | (120)           | <b>7,469</b>       | <b>(135)</b>    |
| Public Loans                   | 3,806                | -               | -                  | -               | -                  | -               | <b>3,806</b>       | -               |
| <b>Total</b>                   | <b>1,590,715</b>     | <b>(14,022)</b> | <b>539,715</b>     | <b>(26,292)</b> | <b>277,548</b>     | <b>(33,527)</b> | <b>2,407,978</b>   | <b>(73,841)</b> |

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2020

December 31,  
2019

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

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

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

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 immovable property to the lender. On the other hand, The Romanian Constitutional Court declared DIP law as a “hardship” law and reduced its scope to exceptional cases. The Constitutional Court’s decision brought clarity to which extent DIP law is applicable for the Bank. The bank considers the impairment impact of DIP law for mortgage loans in Romania.

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

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****11. Other assets and inventories**

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

**12. Due to banks**

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

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

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

**13. Due to customers**

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

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

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

**CREDIT EUROPE BANK N.V.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**14. Other liabilities**

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

**15. Provisions**

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

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

The table below presents movement in total provisions:

|                                  | <b>June 30, 2020</b> |                      |                       |              |
|----------------------------------|----------------------|----------------------|-----------------------|--------------|
|                                  | <b>Litigation</b>    | <b>Staff related</b> | <b>Credit related</b> | <b>Other</b> |
| <b>At January 1, 2020</b>        | <b>4,627</b>         | <b>4,568</b>         | <b>1,889</b>          | <b>31</b>    |
| 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           |
| <b>At June 30, 2020</b>          | <b>4,221</b>         | <b>3,223</b>         | <b>1,782</b>          | <b>575</b>   |

  

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



**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****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.

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

**Changes in liabilities arising from financial activities****Subordinated loans**

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

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****17. Equity**

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

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

*Foreign currency translation reserve*

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

*Net Investment hedge reserve*

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

*Fair value reserves*

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

*Tangible revaluation reserve*

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**18. Net interest income**

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**19. Net fee and commission income**

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

**20. Net trading results**

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

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****21. Other operating income**

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

**22. General and administrative expenses**

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

As of and for the period ended June 30, 2020

## 23. Other operating expenses

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

## 24. Other impairment losses

|                         | January 1- June<br>30, 2020 | January 1- June<br>30, 2019 |
|-------------------------|-----------------------------|-----------------------------|
| Property and equipment* | -                           | 8,583                       |
| Other                   | 103                         | 1,027                       |
| <b>Total</b>            | <b>103</b>                  | <b>9,610</b>                |

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

## 25. Taxation

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

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

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

## 26. Fair value information

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

The estimated fair values of trading financial assets (excluding loans) at fair value through profit or loss, financial investments and debt securities issued are based on quoted market prices at the reporting date.

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

**CREDIT EUROPE BANK N.V.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**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.

|                                    |                |                          |                                   |                          |                              | <b>June 30, 2020</b>         |
|------------------------------------|----------------|--------------------------|-----------------------------------|--------------------------|------------------------------|------------------------------|
|                                    | <b>Trading</b> | <b>Measured at FVTPL</b> | <b>Measured at amortized cost</b> | <b>Measured at FVOCI</b> | <b>Other amortized costs</b> | <b>Total carrying amount</b> |
| Cash and balances at central banks | -              | -                        | 1,007,133                         | -                        | -                            | 1,007,133                    |
| Financial assets at FVTPL          | -              | 150,007                  | -                                 | -                        | -                            | 150,007                      |
| Financial investments              | -              | -                        | -                                 | 516,217                  | -                            | 516,217                      |
| Loans and receivables - banks      | -              | -                        | 209,531                           | -                        | -                            | 209,531                      |
| Loans and receivables - customers  | -              | -                        | 2,334,137                         | -                        | -                            | 2,334,137                    |
| Derivative financial instruments   | 214,408        | -                        | -                                 | -                        | -                            | 214,408                      |
| <b>Total assets</b>                | <b>214,408</b> | <b>150,007</b>           | <b>3,550,801</b>                  | <b>516,217</b>           | <b>-</b>                     | <b>4,431,433</b>             |
| Due to banks                       | -              | -                        | -                                 | -                        | 482,025                      | 482,025                      |
| Due to customers                   | -              | -                        | -                                 | -                        | 3,202,707                    | 3,202,707                    |
| Derivative financial instruments   | 204,073        | -                        | -                                 | -                        | -                            | 204,073                      |
| Subordinated liabilities           | -              | -                        | -                                 | -                        | 178,342                      | 178,342                      |
| <b>Total liabilities</b>           | <b>204,073</b> | <b>-</b>                 | <b>-</b>                          | <b>-</b>                 | <b>3,863,074</b>             | <b>4,067,147</b>             |

  

|                                    |                |                          |                                   |                          |                              | <b>December 31, 2019</b>     |
|------------------------------------|----------------|--------------------------|-----------------------------------|--------------------------|------------------------------|------------------------------|
|                                    | <b>Trading</b> | <b>Measured at FVTPL</b> | <b>Measured at amortized cost</b> | <b>Measured at FVOCI</b> | <b>Other amortized costs</b> | <b>Total carrying amount</b> |
| Cash and balances at central banks | -              | -                        | 737,249                           | -                        | -                            | 737,249                      |
| Financial assets at FVTPL          | -              | 227,913                  | -                                 | -                        | -                            | 227,913                      |
| Financial investments              | -              | -                        | -                                 | 537,482                  | -                            | 537,482                      |
| Loans and receivables - banks      | -              | -                        | 187,948                           | -                        | -                            | 187,948                      |
| Loans and receivables - customers  | -              | -                        | 2,742,270                         | -                        | -                            | 2,742,270                    |
| Derivative financial instruments   | 164,517        | -                        | -                                 | -                        | -                            | 164,517                      |
| <b>Total assets</b>                | <b>164,517</b> | <b>227,913</b>           | <b>3,667,467</b>                  | <b>537,482</b>           | <b>-</b>                     | <b>4,597,379</b>             |
| Due to banks                       | -              | -                        | -                                 | -                        | 482,804                      | 482,804                      |
| Due to customers                   | -              | -                        | -                                 | -                        | 3,401,723                    | 3,401,723                    |
| Derivative financial instruments   | 164,517        | -                        | -                                 | -                        | -                            | 164,517                      |
| Subordinated liabilities           | -              | -                        | -                                 | -                        | 177,659                      | 177,659                      |
| <b>Total liabilities</b>           | <b>164,517</b> | <b>-</b>                 | <b>-</b>                          | <b>-</b>                 | <b>4,062,186</b>             | <b>4,226,703</b>             |

### Fair value hierarchy

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

### Valuation Models

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

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

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

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

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

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

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

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



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### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### As of and for the period ended June 30, 2020

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

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

#### **Valuation framework**

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

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

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

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

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.

| <b>June 30, 2020</b>                    | <b>Note</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|---|-------------|----------------|----------------|----------------|----------------|
| <b>Financial assets</b>                 |             |                |                |                |                |
| Trading assets                          | 5           | 50             | -              | 128,170        | 128,220        |
| Derivative financial assets             | 8           | -              | 214,409        | -              | 214,409        |
| Equity instruments measured at FVOCI    | 6           | 22,221         | -              | 18,825         | 41,046         |
| Non-trading assets mandatorily at FVTPL | 5           | -              | -              | 21,787         | 21,787         |
| Other financial investments             | 6           | 460,104        | 15,066         | -              | 475,170        |
| <b>Total</b>                            |             | <b>482,375</b> | <b>229,475</b> | <b>168,782</b> | <b>880,632</b> |

|                                  |   |          |                |          |                |
|----------------------------------|---|----------|----------------|----------|----------------|
| <b>Financial liabilities</b>     |   |          |                |          |                |
| Derivative financial liabilities | 9 | -        | 204,073        | -        | 204,073        |
| <b>Total</b>                     |   | <b>-</b> | <b>204,073</b> | <b>-</b> | <b>204,073</b> |

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

|                                  |   |          |                |          |                |
|----------------------------------|---|----------|----------------|----------|----------------|
| <b>Financial liabilities</b>     |   |          |                |          |                |
| Derivative financial liabilities | 8 | -        | 164,517        | -        | 164,517        |
| <b>Total</b>                     |   | <b>-</b> | <b>164,517</b> | <b>-</b> | <b>164,517</b> |

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

No financial instruments were transferred between Level 1 and Level 2 to Level 3 in 2020. (2019: None)

## **CREDIT EUROPE BANK N.V.**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **As of and for the period ended June 30, 2020**

##### **Level 3 Financial assets and liabilities**

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

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

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

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

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

##### **Fair value measurement of non-financial assets and liabilities**

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

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

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

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

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

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

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**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.

| <b>Category</b>  | <b>Carrying amount/fair value(in Eur)</b> | <b>Valuation Technique</b>                                     | <b>Input</b>   | <b>Range</b>  |
|--|---|--|--|---|
| <b>Financial assets</b>                                |   |  |  |   |
| Romania- residential and commercial properties Level-3 | 3,958                                     | Market comparison approach<br>Income capitalization            | Price per square meter<br>Unit rental price p.m<br>Vacancy rate<br>Operating expenses p.m<br>Capitalization rate                         | 730-980<br>Eur/sqm<br>9-9.5 Eur/sqm<br>5%-15%<br>3,000-14,000<br>9%-10% |
| Romania- commercial properties Level-3                 | 13,686                                    | Market comparison approach<br>Income capitalization            | Price per square meter<br>Unit rental price p.m<br>Vacancy rate<br>Operating expenses p.m<br>Capitalization rate                         | 600 Eur/sqm<br>7.5 Eur/sqm<br>10%-20%<br>5,000-34,000<br>8%-12%         |
| Vessels Level-3  | 1,759                                     | Third party pricing  | Broker price   | n.a   |
| <b>Loans mandatorily at FVTPL</b>                      | <b>21,787</b>                             |  |  |   |
| <b>Trading loans at FVTPL</b>                          | <b>128,170</b>                            | Discounted cash flow   | Projections of future cash flows   | n.a   |
| <b>Equity instruments measured at FVOCI</b>            | <b>18,825</b>                             | Discounted cash flow   | Projections of future cash flows<br>Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium) | 3.39%<br>6.54%<br>1.24%<br>5.95%  |
| <b>Total- Level 3 financial assets</b>                 | <b>167,135</b>                            |  |  |   |
| <b>Non-financial assets</b>                            |   |  |  |   |
| Western Europe- land/buildings                         | 43,048                                    | Market comparison approach<br>Income capitalization            | Price per square meter<br>IRR/Yield<br>Multiplier  | 15-24<br>Eur/sqm/month<br>5%-6%<br>24-28                                |
| Romania- land/ buildings                               | 8,435                                     | Market comparison approach<br>Income capitalization            | Price per square meter   | 600-2,800<br>Eur/sqm/month  |
| Turkey- shipyard                                       | 20,603                                    | Income approach<br>Market comparison approach<br>Cost approach | n.a  | n.a   |
| <b>Sub-total land/buildings</b>                        | <b>72,086</b>                             |  |  |   |
| Turkey- commercial properties                          | 2,882                                     | Discounted cash flow   | Unit rental price<br>Rent increase rate  | 2.10 -9.50<br>Eur/sqm/month<br>- 47 Eur/room<br>2.5%-4%                 |
| <b>Sub-total investment properties</b>                 | <b>2,882</b>                              |  |  |   |
| Vessels  | 8,029                                     | Sales price  | n.a  | n.a   |
| Spain- villa/land                                      | 9,000                                     | Sales price  | n.a  | n.a   |
| Turkey- leasehold right                                | 5,950                                     | Sales price  | n.a  | n.a   |
| Ukraine- commercial and residential properties         | 1,061                                     | Market comparison approach                                     | n.a  | n.a   |
| <b>Sub-total assets held for sale</b>                  | <b>24,040</b>                             |  |  |   |
| <b>Total Level 3 non-financial assets</b>              | <b>99,008</b>                             |  |  |   |

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

**Reconciliation of Level 3 financial assets**

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

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

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

**Reconciliation of Level 3 non-financial assets**

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

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

**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.

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

| <b>June 30, 2020</b>               | <b>Note</b> | <b>Level 1</b> | <b>Level 2</b>   | <b>Level 3</b>   | <b>Total fair Values</b> | <b>Total carrying amount</b> |
|------------------------------------|-------------|----------------|------------------|------------------|--------------------------|------------------------------|
| <b>Financial assets</b>            |             |                |                  |                  |                          |                              |
| Cash and balances at central banks | 4           | -              | 1,007,133        | -                | 1,007,133                | 1,007,133                    |
| Loans and receivables - banks      | 7           | -              | 208,892          | -                | 208,892                  | 209,531                      |
| Loans and receivables - customers  | 9           | -              | -                | 2,352,174        | 2,352,174                | 2,334,137                    |
| <b>Total</b>                       |             | <b>-</b>       | <b>1,216,025</b> | <b>2,352,174</b> | <b>3,568,199</b>         | <b>3,550,801</b>             |
| <b>Financial liabilities</b>       |             |                |                  |                  |                          |                              |
| Due to banks                       | 12          | -              | 482,109          | -                | 482,109                  | 482,025                      |
| Due to customers                   | 13          | -              | 3,225,381        | -                | 3,225,381                | 3,202,707                    |
| Subordinated liabilities           | 16          | -              | 176,097          | -                | 176,097                  | 178,342                      |
| <b>Total</b>                       |             | <b>-</b>       | <b>3,883,587</b> | <b>-</b>         | <b>3,883,587</b>         | <b>3,863,074</b>             |

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

As of and for the period ended June 30, 2020

## 27. Commitments and contingencies

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

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

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

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

|  | June 30, 2020  | December 31, 2019 |
|--|----------------|-------------------|
| Contingent liabilities with respect to irrevocable letters of credit - import    | 109,672        | 285,327           |
| Contingent liabilities with respect to irrevocable letters of credit - export    | 61,934         | 113,706           |
| Contingent liabilities with respect to letters of guarantee granted - corporates | 59,714         | 72,241            |
| Contingent liabilities with respect to letters of guarantee granted - banks      | 3,800          | 14,170            |
| Contingent liabilities with respect other guarantees                             | 2,005          | 2,173             |
| <b>Total non-cash loans</b>  | <b>237,125</b> | <b>487,617</b>    |
| Credit-card limits   | 184,566        | 178,833           |
| Credit-line commitments  | 40,410         | 18,601            |
| <b>Total</b>   | <b>462,101</b> | <b>685,051</b>    |

## **CREDIT EUROPE BANK N.V.**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **As of and for the period ended June 30, 2020**

#### **Litigation claims**

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

As at June 30, 2020, the Bank and the Bank's subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 3,073 (2019: EUR 3,364) is already provided for in the consolidated statement of financial position. Additionally, Credit Europe Bank (Romania) S.A. performed a comprehensive assessment for the entire retail loan portfolio in order to determine potential additional contributions in respect of potential litigations to be initiated by customers. As result, as at June 30, 2020, the Bank estimated a contingent liability at amount of EUR 6,650 (2019: EUR 8,007).

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



## CREDIT EUROPE BANK N.V.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2020

## 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,<br>2020  |                               |                                     |                             | December<br>31, 2019 |                               |                                     |                             |
|-----------------------------------|-------------------|-------------------------------|-------------------------------------|-----------------------------|----------------------|-------------------------------|-------------------------------------|-----------------------------|
|                                   | Parent<br>Company | Ultimate<br>Parent<br>Company | Associates<br>and joint<br>ventures | Other<br>Related<br>Parties | Parent<br>Company    | Ultimate<br>Parent<br>Company | Associates<br>and joint<br>ventures | Other<br>Related<br>Parties |
| <b>Assets</b>                     |                   |                               |                                     |                             |                      |                               |                                     |                             |
| Loans and receivables – banks     | -                 | -                             | -                                   | 1,003                       | -                    | -                             | -                                   | 2,155                       |
| Loans and receivables – customers | 25,551            | -                             | -                                   | 132,405                     | 25,554               | -                             | -                                   | 97,530                      |
| Derivative financial instruments  | -                 | 2,464                         | -                                   | 23,039                      | 482                  | 150                           | -                                   | 11,871                      |
| <b>Liabilities</b>                |                   |                               |                                     |                             |                      |                               |                                     |                             |
| Due to banks                      | -                 | -                             | -                                   | -                           | -                    | -                             | -                                   | 319                         |
| Due to customers                  | 288               | 17,865                        | 51                                  | 81,324                      | 484                  | 6,741                         | 4,738                               | 133,905                     |
| Derivative financial instruments  | 117               | 670                           | -                                   | 19,365                      | 22                   | 82                            | -                                   | 6,940                       |
| Subordinated liabilities          | 44,739            | -                             | -                                   | -                           | 44,638               | -                             | -                                   | -                           |
| Commitment and contingencies      | -                 | -                             | -                                   | 973                         | -                    | -                             | -                                   | 89                          |

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

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

|                        | January 1-<br>June 30, |                               |                                     |                             | January 1-<br>June 30, |                               |                                     |                             |
|------------------------|------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------|-------------------------------|-------------------------------------|-----------------------------|
|                        | Parent<br>Company      | Ultimate<br>Parent<br>Company | Associates<br>and joint<br>ventures | Other<br>Related<br>Parties | Parent<br>Company      | Ultimate<br>Parent<br>Company | Associates<br>and joint<br>ventures | Other<br>Related<br>Parties |
| Interest income        | 706                    | -                             | -                                   | 717                         | 908                    | -                             | -                                   | 749                         |
| Interest expense       | (2,021)                | -                             | -                                   | (219)                       | (1,963)                | (45)                          | -                                   | (172)                       |
| Commission income      | 14                     | 42                            | -                                   | 489                         | 8                      | 32                            | -                                   | 238                         |
| Commission expense     | -                      | -                             | -                                   | (224)                       | -                      | -                             | -                                   | (167)                       |
| Net trading results    | (205)                  | 1,796                         | -                                   | (737)                       | (682)                  | 150                           | -                                   | 1,473                       |
| Other operating income | -                      | -                             | -                                   | 41                          | -                      | -                             | -                                   | 937                         |
| Operating expenses     | -                      | -                             | (968)                               | (343)                       | -                      | -                             | (193)                               | (494)                       |

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

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the period ended June 30, 2020**

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 10 (2019: 11). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

|                                   | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|-----------------------------------|----------------------|--------------------------|
| Loans and receivables - customers | 6                    | 21                       |

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

**29. Risk management**

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

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

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

**Risk Appetite and Risk Governance**

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

Main pillars of the risk appetite are illustrated below:

| <b>QUALITATIVE</b>   | <b>QUANTITATIVE</b>   |
|--|---|
| <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>· Standardized policies, guidelines and limits</li> <li>· Risk tolerance is proposed and executed by the Managing Board upon the approval of the</li> <li>· Risk appetite in certain geographies and segments is determined in accordance with local presence and expertise</li> <li>· Risk management is centralized and functions independently from the business lines</li> </ul> <p><b>Reputation</b></p> <ul style="list-style-type: none"> <li>· Ensure high financial reporting transparency and efficient external communications</li> </ul> | <p><b>Credit risk concentration</b></p> <ul style="list-style-type: none"> <li>· Diversified exposure within different geographies through retail, SME and corporate clients</li> <li>· Low sovereign exposure</li> </ul> <p><b>Liquidity</b></p> <ul style="list-style-type: none"> <li>· No risk tolerance for liquidity risk, restrictions on short-term funding and credit-sensitive liabilities</li> <li>· Insignificant liability concentration</li> </ul> <p><b>Trading and ALM</b></p> <ul style="list-style-type: none"> <li>· Minor sensitivity to trading risk and limited interest rate mismatches in the banking book</li> <li>· No exposure to securitized/re-securitized assets or CDOs</li> </ul> |

## CREDIT EUROPE BANK N.V.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### As of and for the period ended June 30, 2020

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

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

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

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

#### Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

# CREDIT EUROPE BANK N.V.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### As of and for the period ended June 30, 2020

#### Regulatory Capital

Starting from January 1<sup>st</sup> 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:

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

(1) Current year profit is excluded from total own funds based on article 26, point 2 of CRR IV

(2) Under CRD IV frame, additional items listed below shall be deducted fully to enhance own funds quality:

- Non-eligible minority interest
- Other intangible asset (Non-solvency deductible under Basel II framework)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

(3) Transitional adjustment is permitted to apply the calculation by adding 85% IFRS 9 Provisions back to total own funds

## CREDIT EUROPE BANK N.V.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### As of and for the period ended June 30, 2020

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.

| <b>Solvency ratio</b> | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|-----------------------|----------------------|--------------------------|
| Capital ratio         | 23.29%               | 20.35%                   |
| Tier I ratio          | 19.28%               | 16.93%                   |
| Core Tier I           | 17.93%               | 15.77%                   |
| <b>RWA</b>            | <b>3,315,732</b>     | <b>3,862,027</b>         |

#### **Credit risk**

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

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

#### **Concentration limits**

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

Credit risk is managed by following tools and principles:

#### **Risk mitigation**

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

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

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

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

**As of and for the period ended June 30, 2020**

**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.

## CREDIT EUROPE BANK N.V.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2020

#### 29. a. Credit exposure

##### Maximum credit-risk exposure

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

##### Maximum credit-risk exposure, net of impairment allowances

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

The off-balance credit risk exposure comprises:

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

|  | June 30, 2020    | December 31, 2019 |
|--|------------------|-------------------|
| <b>Balance sheet items</b>                                     |                  |                   |
| Balances with central banks                                    | 993,315          | 719,079           |
| Financial assets measured at fair value through profit or loss | 150,007          | 227,913           |
| Financial investments  | 516,217          | 537,482           |
| Loans and receivables - banks                                  | 210,820          | 189,233           |
| Loans and receivables - customers                              | 2,407,978        | 2,808,620         |
| Derivative financial instruments                               | 214,408          | 169,794           |
| <b>Subtotal</b>  | <b>4,492,745</b> | <b>4,652,121</b>  |
| <b>Off- balance sheet items</b>                                |                  |                   |
| Other commitments and contingent liabilities                   | 224,976          | 18,601            |
| Issued irrevocable letters of credit                           | 171,606          | 399,033           |
| Issued letters of guarantee                                    | 65,519           | 88,584            |
| Undrawn credit-card limits                                     | -                | 178,833           |
| <b>Total off-balance sheet</b>                                 | <b>462,101</b>   | <b>685,051</b>    |
| <b>Maximum credit risk exposure</b>                            | <b>4,954,846</b> | <b>5,337,172</b>  |

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

##### Concentration of credit exposure

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



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29.b. Sector concentration

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

|   |                  |                          | June 30,<br>2020  |                           | December<br>31, 2019 |                        |
|---|------------------|--------------------------|-------------------|---------------------------|----------------------|------------------------|
|   | On-balance sheet | Off-<br>balance<br>sheet | Total<br>exposure | % of<br>total<br>exposure | Total<br>exposure    | % of total<br>exposure |
| <b>Balances with central banks</b>                                    | 993,315          | 25,000                   | 1,018,315         | 20.55%                    | 719,079              | 13.47%                 |
| <b>Financial assets measured at fair value through profit or loss</b> | 150,007          | -                        | 150,007           | 3.03%                     | 227,913              | 4.27%                  |
| <b>Financial investments</b>  | 516,217          | -                        | 516,217           | 10.42%                    | 537,482              | 10.07%                 |
| <b>Loans and receivables - banks</b>                                  | 210,820          | 68,057                   | 278,877           | 5.63%                     | 316,762              | 5.94%                  |
| <b>Loans and receivables - customers</b>                              | 2,407,978        | 369,044                  | 2,777,022         | 56.05%                    | 3,366,142            | 63.07%                 |
| <i><u>Loans and receivables - corporate</u></i>                       | <u>2,048,954</u> | <u>183,557</u>           | <u>2,232,511</u>  | <u>45.06%</u>             | <u>2,806,814</u>     | <u>52.59%</u>          |
| <i>Real Estate</i>  | 343,606          | 4,404                    | 348,010           | 7.02%                     | 320,573              | 6.01%                  |
| <i>Oil &amp; Derivatives</i>  | 268,860          | 75,175                   | 344,035           | 6.94%                     | 690,154              | 12.93%                 |
| <i>Leisure &amp; Tourism</i>  | 326,453          | 133                      | 326,586           | 6.59%                     | 298,921              | 5.60%                  |
| <i>Financial service and investment</i>                               | 265,558          | 104                      | 265,662           | 5.36%                     | 240,303              | 4.50%                  |
| <i>Shipping &amp; Shipyard</i>  | 214,956          | 2,551                    | 217,507           | 4.39%                     | 182,941              | 3.43%                  |
| <i>Iron-Steel-Metals &amp; Alloys</i>                                 | 108,974          | 36,267                   | 145,241           | 2.93%                     | 156,285              | 2.93%                  |
| <i>Energy &amp; Coal</i>  | 120,298          | 3,946                    | 124,244           | 2.51%                     | 211,291              | 3.96%                  |
| <i>Construction &amp; Installation</i>                                | 89,699           | 9,440                    | 99,139            | 2.00%                     | 148,679              | 2.79%                  |
| <i>Petrochemical, Plasticizers &amp; Derivatives</i>                  | 42,760           | 5,864                    | 48,624            | 0.98%                     | 83,375               | 1.56%                  |
| <i>Transportation, Logistics &amp; Warehousing</i>                    | 47,856           | 352                      | 48,208            | 0.97%                     | 36,476               | 0.68%                  |
| <i>Paper and Pulp &amp; Forestry</i>                                  | 37,929           | 3                        | 37,932            | 0.77%                     | 37,651               | 0.71%                  |
| <i>Fertilizers</i>  | 31,055           | 5,888                    | 36,943            | 0.75%                     | 79,817               | 1.50%                  |
| <i>Retail</i>   | 29,986           | 6,573                    | 36,559            | 0.74%                     | 35,128               | 0.66%                  |
| <i>Soft Commodities &amp; Agricultural Products</i>                   | 32,255           | 2,027                    | 34,282            | 0.69%                     | 88,351               | 1.66%                  |
| <i>Holding</i>  | 25,551           | -                        | 25,551            | 0.52%                     | 25,554               | 0.48%                  |
| <i>Media &amp; Publishing</i>   | -                | 25,000                   | 25,000            | 0.50%                     | -                    | 0.00%                  |
| <i>Food, Beverage &amp; Tobacco</i>                                   | 13,938           | 437                      | 14,375            | 0.29%                     | 19,267               | 0.36%                  |
| <i>Automotive &amp; derivatives</i>                                   | 10,579           | 2,847                    | 13,426            | 0.27%                     | 23,529               | 0.44%                  |
| <i>Public loans</i>   | 3,818            | -                        | 3,818             | 0.08%                     | 53,126               | 1.00%                  |
| <i>Other</i>  | 34,823           | 2,546                    | 37,369            | 0.75%                     | 75,393               | 1.41%                  |
| <i><u>Loans and receivables - retail customers and SMEs</u></i>       | <u>359,024</u>   | <u>185,487</u>           | <u>544,511</u>    | <u>10.99%</u>             | <u>559,328</u>       | <u>10.48%</u>          |
| <i>Exposure to retail customers</i>                                   | 98,254           | 184,136                  | 282,390           | 5.70%                     | 293,348              | 5.50%                  |
| <i>Exposure secured by residential real estate</i>                    | 242,433          | -                        | 242,433           | 4.89%                     | 241,697              | 4.53%                  |
| <i>Exposure to SME</i>  | 18,337           | 1,351                    | 19,688            | 0.40%                     | 24,283               | 0.45%                  |
| <b>Derivative financial instruments</b>                               | 214,408          | -                        | 214,408           | 4.33%                     | 169,794              | 3.18%                  |
| <b>Total credit risk exposure</b>                                     | <b>4,492,745</b> | <b>462,101</b>           | <b>4,954,846</b>  | <b>100.00%</b>            | <b>5,337,172</b>     | <b>100.00%</b>         |

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

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**29.c. Geographical concentration**

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

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

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

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

\* 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:

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

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

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**29.d. Collaterals and other credit enhancements obtained**

The Bank's credit policy requires that the loan extension process is conducted with strong evidence of the customer's ability to repay the loan. Collaterals are also actively used for the purposes of credit risk mitigation.

In the tables below, collaterals are aggregated into two groups:

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

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

| <b>Breakdown of collateralized exposure by collateral type</b> |                            |  |   |                                   | <b>June 30, 2020</b>                     |
|--|----------------------------|--|---|-----------------------------------|--|
|  | <b>Total exposure, net</b> | <b>Fair value of financial collaterals</b> | <b>Fair value of physical collaterals</b> | <b>Total collaterals obtained</b> | <b>Collaterals to total net exposure</b> |
| <b>Balance sheet</b>   |                            |  |   |                                   |  |
| Demand deposits with central banks                             | 993,315                    | -  | -   | -                                 | -  |
| Financial assets measured at fair value through profit or loss | 150,007                    | 10,926                                     | 12,720                                    | 23,646                            | 16%                                      |
| Financial investments  | 516,217                    | -  | -   | -                                 | -  |
| Loans and receivables - banks                                  | 210,820                    | 767  | -   | 767                               | 0.4%                                     |
| Loans and receivables - customers                              | 2,407,978                  | 262,103                                    | 1,110,196                                 | 1,372,299                         | 57%                                      |
| Derivative financial instruments                               | 214,408                    | -  | -   | -                                 | -  |
| <b>Total balance sheet</b>                                     | <b>4,492,745</b>           | <b>273,796</b>                             | <b>1,122,916</b>                          | <b>1,396,712</b>                  | <b>31%</b>                               |
| Off-balance sheet  | 462,101                    | 2,617                                      | -   | 2,617                             | 1%                                       |
| <b>Total credit risk exposure</b>                              | <b>4,954,846</b>           | <b>276,413</b>                             | <b>1,122,916</b>                          | <b>1,399,329</b>                  | <b>28%</b>                               |

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

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

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#### 29.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of June 30, 2019 and December 31, 2019. In assessing the credit quality of its financial assets, the Bank obtains ratings from eligible credit assessment institutions, namely Fitch, Standard & Poor's (S&P) and Moody's. In order to compare assets, the ratings below were mapped to Fitch's rating scale.

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

  

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

#### 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)

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#### As of and for the period ended June 30, 2020

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

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

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

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

##### Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.

In 2019, the bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

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

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

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origination of the exposure (measured by CEB's internal PD Master Scale). Underperforming exposures correspond to the IFRS 9 Stage 2 classification.

- Non-performing: Non-performing exposures (NPE) are defined as exposures that satisfy either or both of the following criteria:
  1. exposures which are more than 90 days past-due;
  2. the obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of past-due days.

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

A non-performing exposure corresponds to the IFRS 9 Stage 3 classification.

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

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

**June 30, 2020**

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

**December 31, 2019**

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

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Further credit quality breakdown of retail loans are as below:

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

  

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

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



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**As of and for the period ended June 30, 2020**

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

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

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

(\*) Terms and conditions

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**As of and for the period ended June 30, 2020**

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.

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

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

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**29.g. Aging of loans and advances to customers**

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

|  |                                   |   |  |  |   | June 30, 2020               |
|--|-----------------------------------|---|--|--|---|-----------------------------|
| Gross Exposure                               | Loans that<br>are not past<br>due | Loans less<br>than 30<br>days past<br>due | Loans 30 or<br>more but less<br>than 60 days<br>past due | Loans 60 or<br>more but less<br>than 90 days<br>past due | Loans 90<br>days or<br>more<br>past due | Total loans to<br>customers |
| Corporate loans                              | 1,795,231                         | 3,991                                     | -  | 140,326  | 109,405                                 | 2,048,953                   |
| Retail loans and residential mortgage loans  | 249,174                           | 24,388                                    | 9,698  | 23,285   | 34,142                                  | 340,687                     |
| SME loans                                    | 14,334                            | 158                                       | 22   | 3,824  | -                                       | 18,338                      |
| <b>Total loans and advances to customers</b> | <b>2,058,739</b>                  | <b>28,537</b>                             | <b>9,720</b>   | <b>167,435</b>   | <b>143,547</b>                          | <b>2,407,978</b>            |

  

|  |                                   |   |  |  |   | December 31,<br>2019        |
|--|-----------------------------------|---|--|--|---|-----------------------------|
| Gross Exposure                               | Loans that<br>are not past<br>due | Loans less<br>than 30<br>days past<br>due | Loans 30 or<br>more but less<br>than 60 days<br>past due | Loans 60 or<br>more but less<br>than 90 days<br>past due | Loans 90<br>days or<br>more<br>past due | Total loans to<br>customers |
| Corporate loans                              | 2,242,414                         | 14,857                                    | 139  | 17,734   | 157,374                                 | 2,432,518                   |
| Retail loans and residential mortgage loans  | 258,780                           | 25,528                                    | 13,635   | 26,488   | 31,781                                  | 356,212                     |
| SME loans                                    | 15,792                            | 63  | 295  | 3,740  | -                                       | 19,890                      |
| <b>Total loans and advances to customers</b> | <b>2,516,986</b>                  | <b>40,448</b>                             | <b>14,069</b>  | <b>47,962</b>  | <b>189,155</b>                          | <b>2,808,620</b>            |

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

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**As of and for the period ended June 30, 2020**

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

  

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

**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.

**CREDIT EUROPE BANK N.V.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2020****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.

| <b>Name</b>                                | <b>Place</b> | <b>Country</b>       | <b>Interest<br/>June 30,<br/>2020</b> | <b>Interest<br/>December<br/>31, 2019</b> |
|--|--------------|----------------------|---------------------------------------|---|
| Credit Europe Bank (Dubai) Ltd             | Dubai        | United Arab Emirates | 100.00%                               | 100.00%                                   |
| Credit Europe Bank (Suisse) S.A.           | Geneva       | Switzerland          | 100.00%                               | 100.00%                                   |
| Credit Europe Leasing (Ukraine) LLC        | Kiev         | Ukraine              | 100.00%                               | 100.00%                                   |
| Credit Europe Asset Management S.A.        | Bucharest    | Romania              | 100.00%                               | 100.00%                                   |
| Yenikoy Enterprises B.V.                   | Amsterdam    | The Netherlands      | 100.00%                               | 100.00%                                   |
| Nomadmed XXI S.L.                          | Barcelona    | Spain                | 100.00%                               | 100.00%                                   |
| Medipride Maritime Ltd                     | Msida        | Malta                | 100.00%                               | 100.00%                                   |
| Medibeauty Maritime Ltd                    | Msida        | Malta                | 100.00%                               | 100.00%                                   |
| Hitit Shipping Ltd                         | Msida        | Malta                | 100.00%                               | 100.00%                                   |
| Cappadocia Shipping Ltd                    | Msida        | Malta                | 100.00%                               | 100.00%                                   |
| Ziyaret Gayrimenkul Yatirim A.S.           | Istanbul     | Turkey               | 100.00%                               | 100.00%                                   |
| Feniks Gayrimenkul Yatirim A.S.            | Istanbul     | Turkey               | 100.00%                               | 100.00%                                   |
| FMT Holding B.V.                           | Amsterdam    | The Netherlands      | 100.00%                               | 100.00%                                   |
| JSC Credit Europe Bank (Ukraine)           | Kiev         | Ukraine              | 100.00%                               | 100.00%                                   |
| Credit Europe Bank (Romania) SA            | Bucharest    | Romania              | 99.99%                                | 99.99%                                    |
| Seyir Gayrimenkul Yatirim A.S.             | Istanbul     | Turkey               | 53.00%                                | 53.00%                                    |
| Stichting Credit Europe Custodian Services | Amsterdam    | The Netherlands      | 100.00%                               | 100.00%                                   |
| Cirus Holding B.V.                         | Amsterdam    | The Netherlands      | 50.00%                                | 50.00%                                    |
| Ikano Finance Holding B.V.                 | Amsterdam    | The Netherlands      | 50.00%                                | 50.00%                                    |
| Hunter Navigation Ltd.                     | Msida        | Malta                | -                                     | 100.00%                                   |
| Mysia Shipping Ltd                         | Msida        | Malta                | -                                     | 100.00%                                   |

Amsterdam, September 7, 2020

## Independent auditor's review report

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

### Our conclusion

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

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

The condensed consolidated interim financial information comprises:

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

### Basis for our conclusion

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

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

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

### Emphasis of matter relating to uncertainty about Corona

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

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

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

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

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

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

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

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

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

Our review included among others:

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

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

Amsterdam, 7 September 2020

Ernst & Young Accountants LLP

René Koekkoek