ANNUAL REPORT | 2018

Credit Europe Bank

Our Network

Western Europe
- Corporate Banking and Trade Finance services from the Netherlands, Switzerland and Malta
- Private Banking services from Switzerland
- Strong focus on Direct Banking services
- Retail Banking services to 216,00 customers in the Netherlands, Germany and Malta
- Multilingual operations and contact centre in Frankfurt, Germany

Romania
- Active in Retail and Commercial Banking
- 54 branches in 21 cities
- Dominant market player with 185,000 active credit cards and close to 100,000 debit cards
- Strong partner merchant network with 8,800 point of sale terminals
- 112 ATMs

Ukraine
- Active in Corporate, Commercial and SME Banking

Turkey
- Representative office in Istanbul

Outside Europe
- Trade Finance services from the Dubai International Financial Centre in the United Arab Emirates
- Representative office in Shanghai, China

Credit Europe Bank
www.crediteuropebank.com

Amsterdam Bucharest Dubai Frankfurt Geneva Istanbul Kiev Shanghai Sliema

About us

Credit Europe Bank N.V. is headquartered in the Netherlands and operates 57 branches, 112 ATMs and around 8,800 point of sale terminals. The Bank has 1.234 employees in 9 countries. About 900,000 customers around the world entrust their financial affairs to Credit Europe Bank.

We offer to our corporate customers a wide range of banking products, including international trade and commodity finance, project finance and working capital loans. Represented in key trading hubs such as the Netherlands, Switzerland and the United Arab Emirates, as well as in raw material exporting and importing countries including Turkey and Ukraine, we are well positioned to finance our customers' transaction flows across the globe.

To our retail and SME customers we offer non-complex and transparent products in five Western and Eastern European countries: Germany, the Netherlands, Malta, Ukraine and Romania.

Our mission is providing financial services that create value for customers. Our vision is being the preferred bank in our core markets.

Headoffice Amsterdam, Karspeldreef 6, 1101 CJ Amsterdam

Contents

Strategy

Banking in its purest form is our business: easy-to-use loan and deposit products for retail customers and financing services that support our corporate clients in growing their businesses. Our strategy is to be close to our customers: we provide our services through a network of 57 branches, 112 ATMs, around 8,800 sales points in 7 countries and with a wealth of local knowledge.

For more than two decades, we have focused on international trade and commodity finance. We have gained thorough experience and expertise to act as a bridge for our customers in key importing and exporting countries in Western Europe, the Black Sea region, the Gulf region, China and the Americas. We will continue to offer short-term, self-liquidating commodity financing, as well as balance sheet lending and project finance.

In corporate banking, as a medium-sized bank with hands-on managers and short communication lines, we are fast to spot and react to our customers' needs and to create innovative, tailor-made solutions. Our flexible approach supported our customers during turbulent times and positioned us to take advantage of improving market conditions.

In the Western European markets, we offer retail banking products via online and telephone banking. Our services are facilitated by having a centralized, cross-border contact center applying high-quality information technology. In Romania, next to the above mentioned distribution channels, we also use our branch network to serve our retail customers and consolidate our retail position.

In all areas of the Bank, we invest in the professionalism, expertise and customer focus of our employees. In order to sustain our long-term growth ambitions, we combine prudent capital and liquidity management with sound risk management, high level of compliance and transparent corporate governance. We believe this strategy safeguards the interests of all our stakeholders.

Five-year key figures

€ millions	2018	2017	2016	2015	2014
Assets					
Cash and balances at central banks	652	829	1,041	532	375
Financial assets at fair value through profit or loss	88	53	3	8	19
Financial investments	692	751	767	1,022	1,244
Loans and receivables – banks	432	538	307	451	364
Loans and receivables – customers	2,699	4,487	5,188	5,501	5,855
Other assets	520	730	805	847	857
Total assets	**5,083**	**7,388**	**8,111**	**8,361**	**8,714**
Liabilities					
Due to banks	416	630	448	469	774
Due to customers	3,650	4,899	5,532	5,467	5,788
Issued debt securities	-	71	263	441	399
Other liabilities	259	304	473	547	453
Subordinated liabilities	174	594	531	562	514
Total liabilities	**4,499**	**6,498**	**7,247**	**7,486**	**7,928**
Total equity	**584**	**890**	**864**	**875**	**786**
Total equity and liabilities	**5,083**	**7,388**	**8,111**	**8,361**	**8,714**

€ millions	2018	2017	2016	2015	2014
Net interest income	**165**	**168**	**303**	**274**	**361**
Net fee and commission income	**29**	**32**	**56**	**68**	**75**
Operating income	**1**	**16**	**25**	**123**	**125**
Credit loss charges	(29)	(56)	(122)	(168)	(244)
Net operating income	**166**	**160**	**262**	**297**	**317**
Total operating expenses	**(140)**	**(165)**	**(222)**	**(242)**	**(256)**
Share of profit of associate	1	1	-	(1)	2
Operating profit before tax	**27**	**(4)**	**40**	**55**	**63**
Income tax expense	(6)	4	(6)	(16)	(5)
Profit for the year from continuing operations	21	0.3	34	39	58
Profit for the year from discontinued operations	(348)	14.7	-	-	-
Profit for the year	**(327)***	**15**	**34**	**39**	**58**

* As result of CEB Russia Ltd. spin-off. Reference is made to Note 37 "Discontinued Operations".

Report of the Managing Board

From the CEO

I am pleased to announce that Credit Europe Bank delivered a solid performance in 2018, from its continuing operations.

Global growth continued with the help of supportive economic data especially from the US. ECB announced the end of its 4 year asset purchase program in 2018 while Italian budget crisis dragged back EU economic confidence slightly. Turkey faced its biggest economic crisis since 2001. Further sanctions on Russia as well as political and economic instability in some other EM nations caused relatively higher volatility in EM when compared to previous years.

Credit Europe Bank has surely experienced consequences of these developments but still succeeded to reach most of its targets. We are pleased with our performance in trade finance area, where we grew our number of customers, business volumes and revenues. Towards the end of the year, we saw a similar trend in FI driven business, especially in export letters of credit received from our correspondent banks. Another positive development was about our subsidiary bank in Romania. Parallel to the recovering Romanian economy, CEB (Romania) SA posted remarkably better earnings in 2018.

In addition to dealing with volatile markets, for us 2018 will go down in history as the year where we completed the spin-off of our Russian subsidiary. It was a right decision with right timing; this spin-off led to a major reduction in our EM exposure while bringing more flexibility and competitiveness to CEB Ltd Russia in its local market.

For 2019, developments in the markets and the banking industry will impact our business and require us to focus even more. The digital transformation is rapidly surrounding us and we are going to invest in technology to reinforce our position in retail banking. This should prepare us for the next level in the payments industry triggered by PSD2. On the corporate banking side, we will further grow our Trade & Commodity Finance business with a focus on enhanced risk management and operational excellence.

To conclude, I would like to express our gratitude to our customers, business partners and employees all of whom worked together intensively last year to continue generating long-term value for all our stakeholders.

Amsterdam, March 22, 2019
E. Murat Başbay

Our Network

Western Europe

- Corporate Banking and trade finance services from the Netherlands, Switzerland, Malta
- Private banking services from Switzerland
- Strong focus on direct banking services
- Retail Banking services to almost 216,000 customers in Germany, the Netherlands and Malta, mainly through the multilingual operations and contact center in Frankfurt

Romania

- Active in Retail and Commercial Banking
- 54 branches in 21 cities
- Dominant market player with 185,000 active credit cards and close to 100,000 debit cards
- Strong partner merchant network with 8,800 point of sale terminals
- 112 ATMs

Ukraine

- Active in Corporate, Commercial and SME Banking

Turkey

- Representative office in Istanbul, Turkey

Outside Europe

- Trade finance services from DIFC, United Arab Emirates
- Representative office in Shanghai, PR China

Our Core Values

Dynamism
With our passion and energy, we are agile in responding to challenges and changes. Our "can do" attitude enables us to focus on delivering solutions and meeting the expectations of our stakeholders.

Diversity
We promote diversity as one of the main aspects of our corporate culture. Our diversified background and footprint in different regions, allow us to see things from different perspectives.

Expertise
We are experts in selected markets and selected products. With our expertise we deliver customized solutions to serve the needs of our customers.

Our Base Values

Customer Focus
The success of our customers is our own success. All of our decisions are therefore taken with the customer in focus.

Professionalism
Our professionalism embraces and stimulates the necessary skills, qualifications, knowledge and diversity. Our colleagues undertake their tasks in a competent and integer manner. Through teamwork we achieve our goals.

Integrity
Integrity defines our obligation to generate trust and confidence through ethical behaviour and by complying with laws, regulations and guidelines.

Transparency
Transparency is a key business best practice in our products and services, accounting standards and management decision-making.

Retail Banking

Transforming the business to the digital age

In 2018, Credit Europe Bank served around 570,000 retail customers in Western and Eastern Europe by offering a broad range of competitive, transparent and non-complex products.

Retail Banking offers deposits in the Netherlands and Germany; deposits, cash loans and credit cards as well as a number of insurance products via an extensive broker and partner network in Romania. In Romania, in addition to telephone and web-based banking, we serve our customers through a wide-spread network of branches and points of sale.

2018 was not free of volatility and uncertainties. Interest rates maintained at a record low level, particularly in the Eurozone. The regulatory environment continued to evolve with new capital measures. The increased commoditization of retail banking products and new digital competitors put pressure on the Retail Banking market. We faced an intensely competitive, low-growth, low-margin environment.

Western Europe

Our Western Europe retail operations are centralized in Frankfurt, Germany, where we have our multilingual customer contact center, sales & marketing and back offices. Our operations serve 216,000 customers in the Netherlands and in Germany.

In 2018, as in the years before, key drivers for the Retail Banking business in Western Europe were customer preferences and expectations on accessibility, easiness and personalization.

While investing in our core skills, we undertook a variety of initiatives to further advance the secure interaction between our customers and our online platform. We worked on automating our key processes to deliver scale, reduce costs and make it easier and more convenient to bank with us. As in the past years a high quality in our customers' data remains an important success factor.

We continued to invest in our IT with a focus on ensuring that our systems and processes are both efficient and resilient and worked on the enhancement of the features of our online platform in order to provide seamless interactions and greatest possible value for our customers.

The Eurozone deposit volume remained stable at EUR 2.6 billion while total retail deposits were around Euro 3 billion during the year and contributed to the strong funding base of the Bank. This solid basis forms the core of the future strategic deposit proposition. In 2019 and beyond we will modernize the customer experience with a strong digital proposition including all digital channels establishing a platform for future growth. Investments into digital solutions target to meet customer needs providing convenience and incremental value.

Romania

Romania achieved the largest economic growth in 2018 amongst the European countries with the estimated 4.5% increase versus the previous year. The growth was mostly driven by final consumption expenditures of households spurred by relevant advances in both public and private wages.

In 2018, Credit Europe Bank reached more than 37,000 credit cards sales in the Romanian market. With the credit card portfolio, including Card Avantaj, Optimo Card and Ferrari Card, the Bank has been offering its clients various payment instruments, suited to their needs. The total turnover of credit cards reached to EUR 251.2 million with a 7% increase. Credit Europe Bank remained one of the top players of credit card business in Romania with its over 185,000 active cards and 17.8% market share among banks. The retail deposit base in Romania also increased in 2018 and the year-end figure reached to EUR 342 million.

Corporate Banking

Corporate Banking is one of the major business lines of Credit Europe Bank. The Bank offers a wide range of standard and tailor made products and services within its international presence in Amsterdam, Geneva, Bucharest, Dubai and Kiev while aiming to further enhance the operational merit and establish long term partnership with its customers.

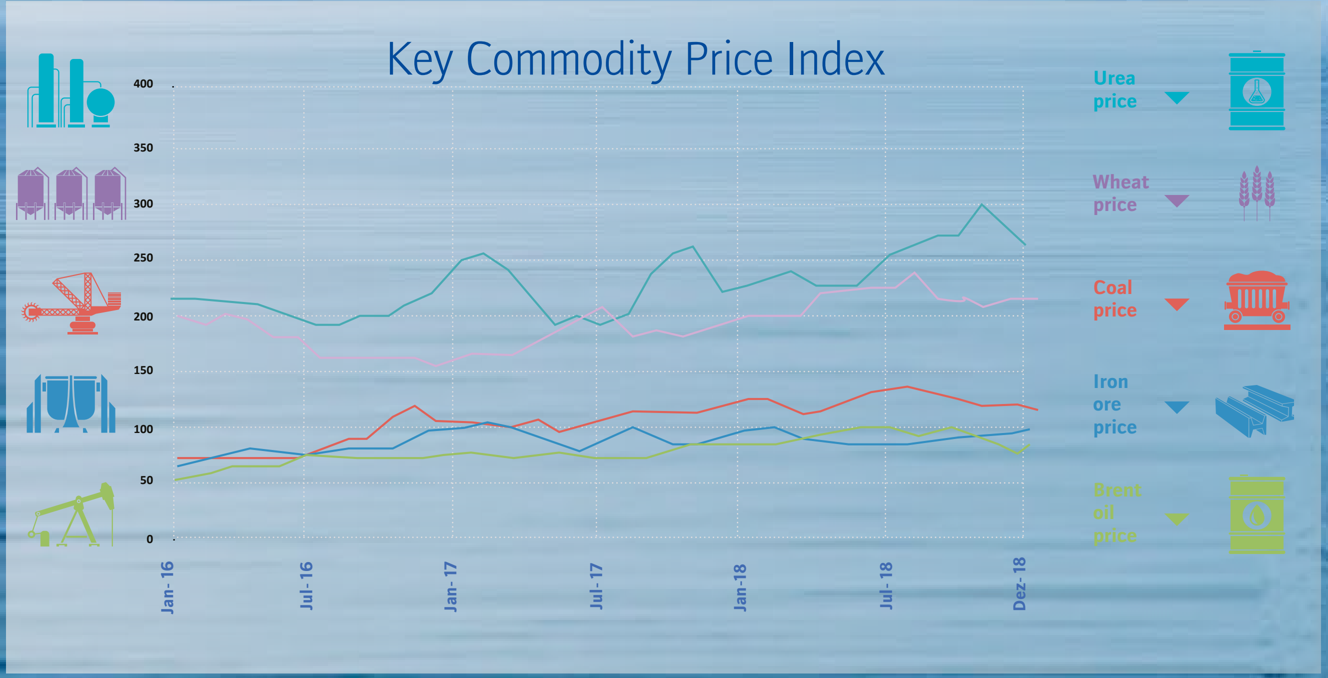
2018 was a successful year in terms of Corporate Banking activities. We managed to on-board many new customers without compromising on the credit quality which enabled the Bank to have a well-diversified credit portfolio growth in 2018. The turmoil in the emerging markets, especially in Turkey had a limited effect on the business thanks to our international and granular clientele in terms of geographies and industries.

Corporate Banking spends significant time and effort on determining the correct strategies and decisions to comply with the changing regulatory requirements. In 2018, the Bank paid its utmost attention to mitigate the integrity risks and maintained a balanced growth by acquiring new customers with solid integrity.

Our Corporate Banking services include working capital loans, acquisition financing and structured project finance investments. The Team is strongly positioned to assist and provide clients a broad range of information and strategies to cope with the rising challenges and associated risks.

CEB has always positioned itself as an institution with special focus on international trade finance. Having experienced teams in key trading hubs such as Amsterdam, Geneva and Dubai, the Bank has long-standing relationship with clients in a range of commodities financing from oil, petrochemicals, metals, and fertilizers to soft commodities, mainly grains and cocoa.

Our key target is to become a preferred trade finance bank. We managed to increase our trade finance volume from EUR 8.2 billion to EUR 9.1 billion in 2018. The bank has ambitious targets to further increase its trade finance activities and volumes in the coming years.

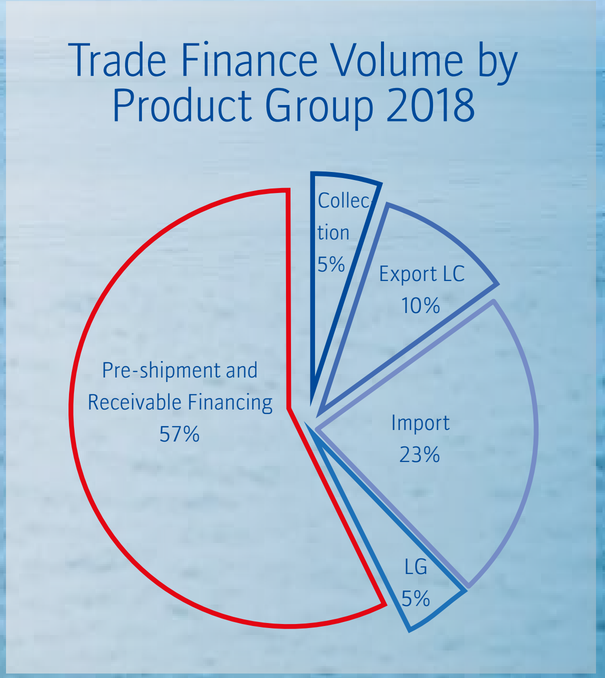


Outlook for 2019:

There is no doubt that we will continue to focus on origination of new customers, especially in EU while exploring new opportunities as new alternative markets and commodities. This is possible with developing experience amongst the Team and clarifying the strategy with undertaking a strong corporate culture. One of the ways to create such culture is innovation. Credit Europe Bank spends full time to have the right tools for the right skills. We were pleased that a group of experienced colleagues have teamed up for our Trade Finance program within the course of 2018.

Our strategy is to further grow our trade & commodity finance business with a focus on enhanced risk management and operational excellence.

Corporate Banking will continue to target productivity, efficiency and healthy growth in 2019. Emerging market exposures may size down with the upcoming maturities, redemptions and due to our low risk appetite while we will be keen to create more EU assets.



Funding

Credit Europe Bank has a stable, granular and geographically diversified deposit base, which is the core funding source of the Bank. We offer easy-to-use and transparent deposit products to our clients in all our branches and banking subsidiaries. The customer deposits size of the Bank is around EUR 3 billion during 2018 while the cost of deposits has come down further in line with the general market trend.

In January 2018, on the first call date, Credit Europe Bank NV paid back its US$ 400 million subordinated securities issued back in January 2013. The transaction was partially replaced back in November 2017 by the issuance of US$150 million, Tier2 capital qualified, new subordinated securities.

Taking into consideration the strong liquidity of the Bank, it was decided not to renew the 1 year term EUR 67.5 million club-loan facility of Credit Europe Bank (Suisse) SA and the transaction was dully repaid in December 2018.

Credit Europe Bank N.V, the Netherlands

Credit Rating	**Rate**
Fitch Long Term Issuer Default Rating	BB-/Stable Outlook, Viability Rating bb-
Moody´s Long Term Deposit rating	Ba2/Negative Outlook, BCA and Adjusted BCA b1

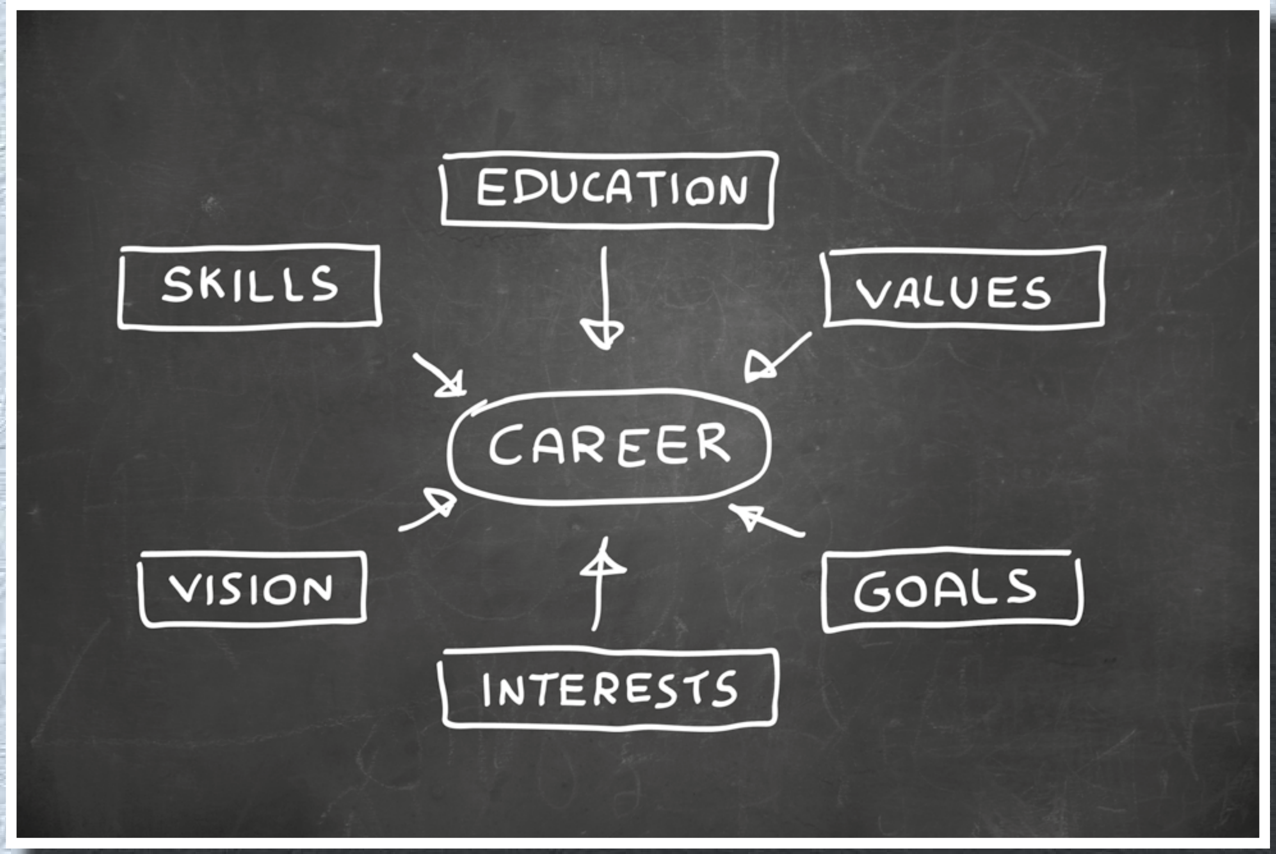
In August 2018, Moody's affirmed the ratings of CEB N.V. and changed the outlook to negative.
In October 2018, Fitch changed CEB N.V. rating outlook from positive to stable.

Human Resources

An engaged and strong performing workforce is crucial when it comes to delivering on the strategy. The challenging (external) developments as mentioned before are forcing our employees to stay on top of their expertise and be flexible and open to the changing environment.

Because Human Resources plays an instrumental role in achieving the strategy, CEB has decided in 2018 to strengthen its HR function. The HR division has been mandated to improve the HR service delivery in the coming years and will focus on the following three areas:

1. Building a strategic partnership to ensure Human Resources are represented in decision making
2. ncrease employee engagement to maximize performance and reduce regretted losses
3. Standardize and automate where possible



Build Strategic Partnership
The strategy outlined above will require decisions regarding changing skills, competencies and mindset because 'What got us here won't get us there'. It is key to identify those requirements and translate this into consequences for both the existing workforce and the new recruits. This can only take place when HR is acting as a credible business partner.

Increase employee engagement
Engaged employees perform better and are less likely to pursue other opportunities. CEB performed an engagement survey in Q4 2018 to measure current engagement and identify where the improvement areas are. Employees will be involved in follow up actions for their respective division.
Since managers will have an impact on the engagement of the employees, there will be an increased focus on managing people in the coming years, supported by a Management Development program.

To ensure we hire candidates with the right set of expertise and competences for our strategy, our recruitment policy and process will be refined.

In addition, the Performance Management methodology and process will be further aligned with the strategic direction. It aims to support improving transparency about individual performance and the link between performance and reward.

Standardize and automate
HR policies and processes will be standardized where possible and applicable. The demand for data generation and reports is increasing and requires automation where possible. This will allow the HR function to focus more on activities that are adding value to the business.

Corporate Social Responsibility

Corporate Social Responsible Entrepreneurship plays an important role in today's society. Also in the banking industry sustainable business conduct is part of the daily business practices. In the past years different initiatives in the field of sustainability have been established through joint efforts of Dutch financial institutions. CEB recognizes the social and environmental responsibility as an integral part of its business strategy, corporate decision-making and day-to-day practices. Our social and environmental management framework is based on Ethical Business Practice, Environmental Commitment and Transparency and Communication. The details of CEB's policy on corporate sustainability and corporate social responsibility are set out in its Social and Environmental Responsibility Policy. This policy supplements other internal policies and procedures such as the Bank's Code of Conduct and its Whistle-blower system.

Ethical Business Practice
The Bank is diligent in ensuring compliance with applicable laws and regulations and observing related local and international best practices. Its business activities are conducted in an ethical manner, setting priority to observation of basic ethical norms (such as values of human life, the right to work, fair working conditions and equal opportunities). To enhance a sustainable culture and ethical business practice in 2017 the Bank's senior management attended a training program on culture and core values. As part of the training program new core values have been developed being dynamism, diversity and expertise (the Bank's previous core values being customer focus, integrity, professionalism and transparency will be maintained as base values). These core values have been rolled-out in 2018 and will be further implemented in the Bank's organization in 2019. The Bank's board members and employees are being trained on the core values and these values are included in the different internal policies and guidelines of the Bank (such as the Bank's Code of Conduct). All board members and employees of CEB have taken the Banker's Oath/Affirmation. Within the Bank great attention has been paid to the introduction of the Banker's Oath in 2015. The management team of the Bank took the Banker's Oath during a quarterly staff event of the Bank in order to further increase the awareness of the (introduction of the) Banker's Oath. CEB offers its customers non-complex, transparent and competitive bank products and services. The Bank's products and services are geared to the needs and profile of the customers.

Environmental Commitment
CEB is conscious of its responsibility to conserve resources and continuously aims at more efficient use of the resources required for its business practice. . Several opportunities/ideas are being explored to further contribute to a better environment. CEB is preparing a carbon policy outlining its strategy on carbon-related businesses, it is working on an internal reporting template to monitor our risk sensitivity to carbon intensive sectors and it will train staff on the impact on climate risk.

Transparency and Communication
The social and environmental performance of the Bank is monitored through a system of established processes such as the customer due diligence process, credit application process and transaction due diligence process. Any issues identified are escalated to the appropriate stakeholders and addressed through regular Management Information Systems (e.g. risk dashboards). CEB is transparent about the products and services it offers and the costs and risks involved.

The Bank actively participates in Corporate Social Responsibility initiatives and encourages its employees in doing volunteer work for local community projects.

Anti-Corruption and Anti-Bribery
The Bank strives to foster a culture in which bribery and any other form of corruption is never acceptable. Therefore, the attitude of CEB is to not only to comply with all applicable laws and regulations, but to also act in an ethical and socially responsible manner in accordance with its core values, principles and standards. These values, principles and standards are designed in order to invoke transparency and integrity in all of the Bank's business dealings, wherever it operates.

The Bank's code of conduct provides strict rules to migrate risks related to corruption. Employees are prohibited to enter into any activity that involves the abuse of the employee's position or power for an improper personal or business advantage, whether in the public or private sectors. The code of conduct also provides strict rules towards offering and receiving gifts, favours and entertainment. In general, employees are forbidden to accept or offer gifts, favours and entertainment of any significance from consultants, suppliers or customers doing business with the Bank. In addition, the Bank's code of conduct encourages staff to report immediately any activity, even if apparently insignificant, that might resemble corruption or is an actual act of corruption, to management, the compliance function or through the Bank's whistleblowing system. To ensure that all staff members have a minimum level of knowledge and awareness about compliance related topics, such as corruption, staff receive compliance training on a regular basis.

The Bank does not tolerate tax evasion. Though, it recognizes that the legal establishment and business formation of some legal entities can be motivated by tax incentives, exemptions, or other tax benefits legally offered by specific (offshore) jurisdictions. Credit Europe Bank therefore specifically assesses the risks of tax avoidance to ascertain that tax reasons are not the only reason for the customer being legally established in an offshore jurisdiction. Under no circumstances the Bank will accept or condone activities or behaviour that will or might in any way conflict with any of its core values and standards.

Furthermore, the Bank maintains a fraud and corruption prevention culture. Its core values and standards, governance and risk management frameworks, and controls work together to prevent, detect and respond to potential or actual fraudulent or corrupt conduct. To ensure Credit Europe Bank understand at all times the integrity risks also referred to as compliance risks- it is facing, integrity risk assessments are undertaken periodically to determine how these risks are mitigated by the controls that have been implemented and to establish whether the residual risk level is within CEB's integrity risk appetite. Credit Europe Bank staff are provided with training and communication in ethics and compliance, including fraud and corruption prevention, to understand their responsibilities and obligations in observing and maintaining high standards of integrity in all Credit Europe Bank's business dealings.

The Bank also implemented a global AML Policy (as part of the Bank's AML Program) and a Sanctions Compliance Program.

Diversity
In order to promote diversity and inclusion in the workplace as drivers for innovation, growth and better balanced decision, the Bank has drafted a diversity and inclusion policy. Reference is made to the chapter on Corporate Governance for further details on the policy.

For 2018, major non-financial key performance indicators of the CEB's Managing Board were as follows:

- Smooth execution of CEB Ltd, Russia's spin-off
- Roll out and the Implementation of AML Improvement Program to improve CEB's AML framework and its oversights to banking subsidiaries
- Revisiting retail banking strategies by taking into account most recent developments in the market, e.g. more digitalization and fin-tech companies
- Roll out and Implementation of CEB's new Core Values (i.e. dynamism, diversity and expertise). Increase the awareness of the redefined Core Values and embed them within the organization.
- Further strengthen the role of the HR Department within CEB and to re-define it in order to fit the needs of today's modern, fast-changing organizations.

Risk Management & Business Control

Risk management and business control is anchored directly to the Bank's strategy and embedded in Credit Europe Bank's organisation. A risk management and internal control framework has been implemented in line with the Bank's business activities and geographical organisation. The purpose of such framework is to set the minimum requirements for risk management and business control in respect of major risks and successful achievement of Credit Europe Bank's strategic goals.

The Managing Board sets Credit Europe Bank's risk appetite and the Supervisory Board conducts oversight on overall risk management and business control, in light of applicable local and international legal and regulatory requirements, to respond to the various financial and non-financial risks the Bank is exposed to. The Managing Board is responsible for implementing and maintaining the risk management policies within the organisation, and monitoring the risk exposure to ensure that Credit Europe Bank's activities and portfolios are not exposed to unacceptable potential losses or reputational damage.

Credit Europe Bank based its governance framework on a "three lines of defence" model. The business units form the first line of defence. The second line consists of the risk management, compliance and other control functions. Within head office and each banking subsidiary local risk management and compliance functions are operating; such functions in the banking subsidiaries report both to local management and head office management. The Managing Board ensures that risk management, compliance and other control issues are addressed and discussed with sufficient authority. The third line of defence is the internal audit function, which assesses the functioning and effectiveness of business units, financial risk management and non-financial risk management activities.

Credit Europe Bank's risk management and internal control framework enables the Managing Board to control the financial and non-financial risks of business activities. This framework is governed by a system of policies, procedures, committees, as well as support and control functions. Limits and controls have been put in place to mitigate financial and non-financial risks to an acceptable level in line with Credit Europe Bank's risk appetite. The risk appetite has been approved by the Supervisory Board and is designed to i) set the maximum level of risk the Bank is willing to accept in order to achieve its business objectives and ii) protect the Bank's activities, not only in terms of profitability, sound capital adequacy and liquidity ratios, but also in terms of reputation and integrity risks. To maintain the quality of financial reports and to increase the effectiveness of reporting, the Bank has implemented internal financial reporting controls.

Note 36 to the Financial Statements elaborate in more detail on the risk management and internal control framework, the risks incurred, and the main risk factors attached to the strategy of the Bank. Our corporate website also provides information on risk management and compliance.

Key developments in 2018
In 2018, the following events required specific attention of the Managing Board:

Credit Europe Bank conducted a major overhaul of its existing regulatory (Basel) credit risk models for its Specialized Lending portfolios and aligned them all with Basel regulations on Supervisory Slotting Criteria (SSC). IFRS9 transition can also be considered as a key development in 2018.

CEG successfully accomplished the transition to IFRS9 as of January 1st 2018. In 2018, IFRS 9 models that are utilized for impairment calculations of corporates are validated and back-tested by external and internal parties. The annual reviews and updates of the macro-economic models that are used for forward-looking adjustments for IFRS9 purposes are completed and implemented in 2018.

Another significant development in 2018 was the macro-economic volatility experienced in Turkey in August. Due to the observed macro-economic volatility, Turkey is de-coupled from the rest of the portfolio in terms of credit risk perception. In response, CEB has built and implemented IFRS9 forward-looking models that are specifically designed for Turkish portfolio.

In 2018, Finance and Risk management departments of CEBNV has jointly started a project to improve CEB's financial budgeting and planning cycle in 2019 by setting up an integrated view across all relevant financial resources that are part of the Group's budget figures, particularly the dynamic integration of the financial and liquidity planning of the CFO function with the capital and risk planning of the CRO function. Furthermore, the project enables the integration of comprehensive stress-testing functionalities into its budgeting and planning tool set-up in order to be able to assess the sensitivity of its businesses towards changes in overarching macro-economic conditions.

Credit Europe Bank also revised its liquidity risk management methodologies in 2018 and implemented new a liquidity stress-test framework that aligns with the EBA guidelines. In addition, based on the guidance provided by the existing EBA standards, CEB has prepared a stress-testing policy explaining the responsibilities and procedures around CEB's stress testing program. Following the automation of the Bank's asset & liability management activities - which provides real time view over the Bank's consolidated cash flow structure - Credit Europe Bank implemented a similar module for credit risk reporting. The full integration of all banking subsidiaries will be completed in the first quarter of 2019. Both tools are parameterised in line with Credit Risk Regulation (CRR) requirements as well as European Banking Authority (EBA) guidelines.

Credit Europe Bank's continued strengthening of its cyber security and resilience in order to cope with the emerging and sophisticated cyber threats in the financial sector. Furthermore, enhancements have been made in the areas of operational risk management, information security, data protection and business continuity.

Since financial and economic crime prevention requires undiminished attention, management of our key integrity risks has remained a priority throughout 2018. In particular, the Bank has focused on further enhancing its integrity risk management framework and further embedding such framework in the business lines. Specific activities in this respect have also been undertaken across the group, which have resulted in a more comprehensive compliance oversight.

Areas of improvement for 2019

The Bank continues to make all necessary preparations to comply with changing regulatory requirements including new EBA technical standards and guidelines, such as 'supervisory review and evolution process, 'stress testing', 'interest rate risk on the banking book', 'fundamental review of the trading book, revised standard approaches in Basel 3 framework and the new EU privacy regulations - General Data Protection Regulation (GDPR), among others. Further work will be undertaken on improving the financial and economic crime detection systems. With the help of such improved systems and the specialised units that undertake the systematic monitoring of transactions that are improper, suspicious, or otherwise potentially problematic, the Bank is continuously positioning the implementation of measures for anti–money laundering, counter–terrorist financing, and preventing other kinds of crimes as a top management priority. Risk & Control Matrices for business processes will be evaluated again and updated as necessary. Credit Europe Bank conducts regulatory self-assessments and takes necessary measures by revising its internal policies and processes and updating its IT systems.

In control report

The responsibilities of the Managing Board include compliance with the principles of the Dutch Financial Supervision Act and other regulations. These responsibilities include the implementation of effective risk management and control systems. Credit Europe Bank's internal control framework is based on the framework developed by Committee of Sponsoring Organisations of the Treadway Commission (COSO). The risk management and internal control framework aims to ensure reliable financial reporting and to control operational risks and the strategic goals of Credit Europe Bank.

Effectiveness of risk management and internal controls

The Managing Board relies on the risk management and internal control framework and is supported by country management. The country management provide an annual In Control Statement to the Managing Board, based on a risk control self-assessment.

The management annually reviews the effectiveness of the risk management and internal control framework. The internal audit function reviews the self-assessment of the effectiveness of the risk management and internal control framework, taking into account their knowledge on policies and procedures and related audit findings. The Audit & Risk Committee monitors the risk management and internal control framework, reviews the results of the self-assessment and findings of the internal audit function. In addition, regular reports are presented to the Audit & Risk Committee by the Management, internal audit, risk management and financial control. Regular risk reports are distributed covering credit risk, market risk, liquidity risk, operational risk, etc. Compliance reports focusing on the management of integrity risks (i.e. conflicts of interest, money laundering, financial sanctions, improper conduct etc.) are regularly presented to the Compliance Oversight Committee. The risk management and internal control processes provide reasonable assurance that the financial reporting does not contain errors of material importance. This includes its going concern basis and that the risk management and internal control framework regarding financial reporting risks worked properly in the year under review.

In view of the above, the Managing Board of Credit Europe Bank believes it is in compliance with the requirements 1.4.2 and 1.4.3 of the Dutch Corporate Governance Code 2017.

Responsibility statement

Pursuant to article 5:25c section 2 part c of the Dutch Financial Supervision Act, the members of the Managing Board state that, to the best of their knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Credit Europe Bank and the companies included in the consolidation;
- the annual report gives a true and fair view of the state of affairs on the balance sheet date and the course of affairs during the financial year 2017 of Credit Europe Bank and its affiliated entities whose information is included in its financial statements;
- the annual report describes the material risks which Credit Europe Bank faces.

A member of the Managing Board has been given compliance risk management as a focus area, ensuring that an effective compliance function is established and managed under his responsibility within the Bank and under responsibility of local management in each banking subsidiary. This member of the Managing Board is also responsible for i) the compliance of the Bank and relevant subsidiaries with or pursuant to the Wwft.

Outlook 2019

After a volatile year, the global economy is facing risks that are skewed towards the downside given the numerous geopolitical threats, Chinese economy slowing down, trade wars and Central Bank balance sheet contraction.

However, despite all volatility in the markets, 2018 has delivered a second straight above potential global GDP gains along with higher inflation and interest rates during the past year, and the market's outlook for 2019 revolves around the economic expansions resiliency against the mentioned risks and general anticipation of global GDP growth is just below 3%.

The United States

After showing a robust performance around 3.2% in 2018, US economy is expected to slow down to 2.5% in 2019 in line with the slowdown of the global economy. Fading out of fiscal stimulus, highly leveraged corporate balance sheets and decreasing capital expenditures are the main factors behind the expected economic underperformance in US. The current political climate after the midterm elections is also not helping the economy with a divided US Congress.

As the market expectations for 2019 started to shift quite rapidly, there is a growing divergence between market expectations and FED projections on the path of interest rates. FED foresees two interest rate hikes in 2019 according to FED members' projections, whereas market anticipation has come down to no hikes in the same period. Fed has communicated that they can adjust their stance according to the economic data and their target terminal rate is around 3% (currently 2.5%).

The most crucial topics to weigh on the US economy are the trade conflict with China and the current government shutdown. As the business cycle is expected to reach its downturn and job market is almost at its full utilization, the economic slowdown will be closely watched by FED.

EU & Swiss Economic Outlook

Expansion of the Eurozone economy has lost the pace over the course of 2018 which is likely to print 2% annual rate as all economic indicators are signaling a slowdown. In 2019, annual GDP is expected to come down to 1.6% levels. The main reasons behind the slowdown in the economy are the high energy prices, drag of forecasted currency appreciation, weakening impulse from monetary policy and slowdown in global trade.

Euro area inflation projections are around 1.6% level and this allows ECB to bide its time on the policy rate as wage pressures are slowly rising. Markets expect ECB to announce new long term financing operations (TLTRO) after ending its asset purchase program in December 2018. The first expected change on interest rate levels is deposit rate to be increased by 25bps to negative 0.15% (currently negative 0.40%) by 3Q2019. Draghi's term will end in October 2019 but there is no expectation of any impact to the continuity of current ECB policy.

Swiss economic growth is likely to come down to 1.7% in 2019 after reaching its peak at 2.8% as the Swiss economy, being small and open, is very sensitive to global macro developments. Inflation will stay low at 1% level as Swiss franc is anticipated to appreciate.

Romanian economic performance has been particularly good over the past years and now showing signs of coming off the top at the end of 2018. Projection for 2019 growth is around 3.5% mainly fueled by domestic consumption. Tighter fiscal policies –as promised by the government to EU - will be the challenging to implement for the government. NBR kept its policy rate unchanged at 2.5% at their first meeting in 2019, as inflation is expected to come down to 3.4% level (expected 2018 level is 4.3%).

The Netherlands

Dutch economic growth is set to continue in 2019 though coming off from 2.6% in 2018 to around 2% in 2019. Exports and strong domestic spending will be the biggest contributors to the growth although trade conflicts with US and Brexit impact on macro developments are the potential pitfalls. Government spending is likely to gather pace in 2019 where substantial portion of unspent funds will be used up. Inflation is expected to climb during 2019 from 1.7% to 2.7% due to the higher VAT and energy taxes which is expected to have a temporary impact.

Emerging Markets

As all advanced economies are hit by cyclical slowdown and tightening monetary conditions in US, EM economic growth is also likely to decelerate below potential in 2019. At the same time, trade tensions are slowly which also feeds into this negative sentiment. However with respect to capital flows, after suffering significant outflows during 2018, Emerging markets are likely to face a better year in 2019 due to the weaker dollar and fewer Fed hikes expectations.

After an extremely difficult year, Turkey's economy is expected to fall into recession on the first half of this year as tighter fiscal and monetary policies became inevitable for the government to manage the currency crisis. Turkish economy is expected to grow less than 1% in 2019 as the economic data already signals the beginning of contraction in the economy. Unless the Turkish government seeks external financial support, liquidity constraints and high risk premia are likely to dominate the headlines.

High inflation along with large stock of external debt continue to be the main concerns in the economy while local elections at the end of March 2019 is putting pressure on government for increased spending. Inflation ended the year around 20% levels which is expected to come down to 17% levels as economy is facing a sharp slowdown in 2019.

Chinese economic growth is expected to decelerate from 6.6% to 6.2% in 2019 as all economic indicators are indicating moderation in growth. Government is trying to rebalance the economy with reduction in state-led investment growth, downsizing of shadow banking sector and contraction of steel & coal capacities. This transformation is aimed to expand the economy with a high quality model. On the monetary policy side Central Bank is providing more liquidity to the system by further reduction in reserve ratios and provides different lending facilities to the banking system. There is no expectation of any change on the current policy rate of 4.35%.

Russian economy is expected to continue its trend with low income growth of 1.7% as commodity prices are under pressure with global slowdown and lower oil price expectations in 2019. The uncertainty on the likelihood of new sanctions and the volatility of energy prices are pushing Russia to continue its budget discipline with limited scope to increase its spending. Although current economic sentiment is quite negative, Central Bank is expected to tighten its monetary policy from the current rate of 7.75% in case of higher than expected increase in the inflation rate.

Profile of the Managing Board

Profile of the Managing Board as per February 2019

E. Murat Başbay (1968, male)
Chief Executive Officer

Enver Murat Başbay holds a BSc degree in business administration from Bosphorus University, Istanbul. He began his career in 1992 at Arthur Andersen Worldwide and worked in the Istanbul and Dubai offices. In 1997 he joined the founding team of Credit Europe Bank in Russia. In 1999 he joined the management team of Credit Europe Bank in the Netherlands and he played an active role in the expansion of the Bank as CFO and member of the Managing Board. Mr. Başbay returned to Russia in 2005 as CEO. Under his leadership the (former) Russian subsidiary of Credit Europe Bank N.V. grew substantially. Since June 2010, Mr. Başbay, who has Turkish nationality, has been CEO of Credit Europe Group, currently responsible for treasury, credits, internal audit and corporate governance.

Şenol Aloğlu (1965, male)
Deputy Chief Executive Officer

A graduate of Bosphorus University, Istanbul, in business administration, Şenol Aloğlu started his banking career at Interbank in 1987, joining the Fiba Group in 1991. He held various positions at Finansbank AS and Finans Leasing AS in Istanbul. In November 2000, he was appointed Executive Vice President for Financial Institutions and also Country Manager for the Netherlands. In November 2005, he was appointed Managing Board member at Credit Europe Bank. Mr. Aloğlu, who is a Turkish national, is responsible for retail banking, bank relations, FI credits, information technology, operations and corporate communications.

Umut Bayoğlu (1973, male)
Chief Financial Officer

Holds a BSc in economics from METU in Ankara. He began his career in 1996 as a management trainee with Finansbank AS. In 2001 he was appointed Head of Financial Control in Germany. In 2006 he became CFO of Credit Europe Bank and in 2008 he joined the Managing Board. He is responsible for financial control, human resources, accounting and central bank reporting. Mr. Bayoglu holds the Dutch nationality.

Batuhan Yalniz (1973, male)
Chief Risk Officer

Batuhan Yalnız holds a Post Graduate Diploma in Trade, Transport and Finance from City University Business School (Sir John Cass Business School) in London. He joined Credit Europe Bank in January 2008 as Division Director Risk Management, and has been working in risk management related functions within the banking industry for almost 19 years. Through many projects that have been executed under his responsibility, Batuhan Yalnız has proven his in-depth knowledge of the different aspects of risk management as well as his management skills. Since October 10, 2016, Mr. Yalnız, who has the Turkish nationality, is a member of the Managing Board responsible for financial and non-financial risk management (including compliance).

Levent Karaca (1970, male)[1]
Member

Holds an MBA degree in Finance and Economics from Marmara University in Istanbul. He began his career in Istanbul with Finansbank AS, worked for Banque du Bosphore in Paris, France and joined Credit Europe Bank in 2000. He worked at the Belgian branch of the Bank, and was responsible for setting up the corporate and retail divisions of this branch before moving to Russia in 2006, where he was head of the Corporate Banking division and a member of the management team. He returned to Amsterdam in 2010 to become Division Director Corporate Banking responsible for the corporate banking activities of the Bank on a consolidated level. Mr. Karaca, who has the Belgian and Turkish nationality, was appointed to the Managing Board of the Bank in 2012. As a Board Member he is chiefly responsible for corporate banking and legal affairs.

[1] With effect from 1 March 2019 Levent Karaca has been appointed as CEO of Credit Europe Bank (Suisse) S.A. He has resigned from the Managing Board as of the same date.

Corporate Governance

A. General
Credit Europe Bank N.V. (CEB) is a public limited company (naamloze vennootschap) established in Amsterdam on February 24, 1994. The company has registered shares and is not listed on any stock exchange.

Share capital
As at December 31, 2018, the total issued and fully paid-up share capital of the Bank amounted to € 563.000.000. The shares of CEB are fully owned by Credit Europe Group N.V. (CEG), a holding company established in the Netherlands. CEB makes up around 99% of CEG's assets.

CEG's shares are ultimately owned, through -inter alia- the investment company FIBA Holding AS in Turkey, by Mr. Hüsnü M. Özyeğin.

Dividend Distribution
Article 31 of the Bank's articles of association contains provisions on dividend and dividend distributions. Article 33, paragraph 2 under (c) states that the meeting agenda of the annual shareholders meeting includes the appropriation of the dividend.

Regulatory framework
CEB has had a full banking license in the Netherlands since 1994. The Dutch Central Bank (De Nederlandsche Bank or DNB) is the consolidated prudential supervisor: its supervision extends to CEB's banking activities in the Netherlands as well as to the banking activities of its subsidiaries.

Not only is the Dutch Central Bank the supervisor of CEB, it is also our regulator. The provisions of Supervisory Regulations and Policy Rules issued by DNB apply to CEB to the fullest extent. Furthermore, the international standards and guidelines from European and other relevant authorities are used by CEB as tool to substantiate its due compliance to these regulations.
In addition, the Bank is registered as financial services provider with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM).

Although CEB is not listed, it supports and applies, to a large extent, the best practices of the Dutch Corporate Governance Code, mindful of its role as a financial institution in the Netherlands. This is also in line with DNB's recommendations to apply the best practices of the Dutch Corporate Governance Code. For more information on the Bank's application of the principles and best practices of the Dutch Corporate Governance Code, see page 30.

Further CEB is subject to the provisions of the Banking Code (Code Banken) – insofar its principles are not 'overruled' in the meantime by legislation or other DNB rules. The sector-wide principles of the Banking Code were announced by the Dutch Bankers' Association (Nederlandse Vereniging van Banken) with effect from January 1, 2010 and have been updated as of 1 January 2015. The new Banking Code forms part of the set of documents titled 'Future Oriented Banking'. This package comprises a Social Charter, (an updated) Banking Code and a Bankers' Oath (with associated Rules of Conduct and a disciplinary system). All CEB's current employees working in the Netherlands have taken the Bankers' Oath/Affirmation. Each quarter a Bankers' Oath session is scheduled for new employees of CEB. As the members of the Supervisory Board and Managing Board already took their Oath/Affirmation in June 2013, in 2015 the board members signed a declaration through which they acknowledged the disciplinary regulations attached to the Bankers' Oath. For more information on our application of the principles of the Banking Code, please see a summary report in page 33, section D and a full report on www.crediteuropebank.com.

The statutory corporate rules in the Netherlands are laid down in the Bank's articles of association (statuten). The Managing Board, Supervisory Board and each subcommittee have their own charters (reglementen). The charters of the Managing Board, the Supervisory Board and its subcommittees are published on our corporate website.

For employees and others working with CEB, a Code of Conduct has been established to set standards for professional conduct. Furthermore, an extensive set of internal governance-related policies and procedures apply to our employees, ranging from 'whistle-blower' procedures to policies relating to expenses.

Credit Europe Bank N.V. as a parent bank
Per the end of 2018 CEB directly owns four banking subsidiaries in Switzerland, Romania, Ukraine and the

United Arab Emirates, and two leasing companies in Romania and Ukraine (N.B. in 2018 CEB completed the spin-off of its Russian subsidiary).

To underpin the central position of the head office in Amsterdam, the Netherlands, the Bank applies a functional reporting structure: local managers in the subsidiaries maintain a direct reporting line to the functional head of the respective division in Amsterdam. This structure applies to divisions such as Internal Audit, Compliance, Treasury (asset-liability management), Corporate and FI Credits, Financial Risk Management, Financial Control and Corporate Banking. Moreover, the general managers of all subsidiaries report directly to the CEO of CEB. In addition general manager's meetings are organized which are attended by the general managers of the Bank's subsidiaries and the members of the Managing Board. The main purpose of these meetings is to share knowledge and experience, to align group policies, and to consider the Bank's strategy and budgets. Throughout 2018 the Managing Board members and the general managers met on different occasions.

Finally, in order to ensure that CEB's business policies are applied consistently and for CEB to exercise control over its subsidiaries, the CEO of CEB and (in most entities) one other Managing Board member sit on the Supervisory Board or Board of Directors of the subsidiaries of CEB. In addition to each of these local boards, one or two independent CEB Supervisory Board members have been appointed as board member.

B. Boards

CEB has a two-tier board structure, with a Managing Board and a Supervisory Board.

Managing Board

Composition

The Managing Board consists of 5 board members (N.B. the appointment term of Mr. Wei Man Cheung expired on 1 December 2018 and it was decided not to reappoint him mainly due to spin-off of the Bank's Russian subsidiary and related decrease of the Bank's balance sheet). It is composed in such a way that it is able to perform its tasks properly. The individual resumes of each of the members of the Managing Board can be found on page 28.

Tasks

The Managing Board is responsible for the management of CEB, which includes realizing the Bank's goals and strategy, setting policies and achieving results. The Managing Board is also responsible for compliance with all relevant laws and regulations, management of the risks attached to our banking activities and the Bank's funding. The members of the Managing Board take the social role of the Bank and the interests of the Bank's various stakeholders into account in the performance of their management function.
Without affecting this collective and joint responsibility, the members of the Managing Board have agreed to allocate their tasks as follows:

Murat Başbay, CEO	Treasury, Corporate Governance, Corporate and Trade Finance Credits and Internal Audit
Şenol Aloğlu, Deputy CEO	Retail Banking, Bank Relations, FI credits, IT, Operations and Corporate Communications
Umut Bayoğlu, CFO	Financial Control, Accounting & Central Bank Reporting and Human Resources
Batuhan Yalniz, CRO	Financial and Non-Financial Risk Management (including Compliance[3])
Levent Karaca, Member[4]	Corporate Banking and Legal

Supervisory Board

For a full description of the Supervisory Board: its composition, tasks, subcommittees and 2018 report, see page 41.

Retirement Schedule of the Supervisory Board

Name	Member since	End of current term	Mandatory End of Membership[(1)]
Hector de Beaufort	February 2011	February 2021	February 2023
Murat Özyeğin	January 2006	January 2021	January 2021
Mehmet Guleşci	January 2006	January 2022	January 2022
Korkmaz Ilkorur	August 2012	August 2020	August 2024
Frits Deiters	May 2012	May 2020	May 2020

[1] On the basis of the possibility of appointment for a maximum period of 8 years and extension of 2 times two years for specific reasons to be included in the report of the Supervisory Board (provision 2.2.2 of the Corporate Governance Code dated 8 December 2016).

[2] With effect from 1 March 2019 Levent Karaca has been appointed as CEO of Credit Europe Bank (Suisse) S.A. He has resigned from the Managing Board as of the same date.
[3] Subject to DNB approval.
[4] Following his appointment as CEO of Credit Europe Bank (Suisse) S.A., Mr. Karaca resigned from the Managing Board with effect from 1 March 2019.

C. Dutch Corporate Governance Code

This section contains a brief overview of CEB's compliance with the best practice rules of the Dutch Corporate Governance Code (in this section known as the Code). On 8 December 2016 the Corporate Governance Code Monitoring Committee has published the revised Dutch Corporate Governance Code. This year CEB reports on its compliance with the new Corporate Governance Code for the first time. It should be noted that due to our private ownership structure, the Code's provisions on shareholders/general meeting (rights, meetings, obligations, protective measures – see Chapter IV of the Code) are, to a large extent, not applicable to CEB. As CEB has adopted a two-tier structure, chapter 5 of the Corporate Governance Code (one-tier governance structure) does not apply.

In 2018 CEB reports on its compliance with the Corporate Governance Code as follows:

Long-Term Value Creation

The Bank's focus on long-term value creation (as opposed to achieving short-term gains) is inherent to its private ownership structure. The (long-term value creation) business strategy of the Bank for the period until 2021 is included in a strategy document (for more details on the contents of the Strategy Document reference is made to section D). This document has been prepared by the Managing Board and is extensively discussed with and approved by the Supervisory Board. Long term sustainability is given a prominent role in determining the Bank's strategy and in the decision-making process. All stakeholders' interests are carefully considered in this process. On an annual basis the strategy is being reviewed and where necessary updated (as a result of the most recent strategic discussions, the Bank will particularly focus on digital banking and trade finance activities). Inter alia through the regular updates that are given on the implementation of the Bank's strategy, the Supervisory Board monitors the implementation thereof. It is of great importance for the Bank to be continuously informed about the latest (technology) developments in this rapidly changing society. In order to adequately anticipate to this internal trainings are being organized, external seminars/courses are attended and the Bank became a member of TRAFEC (a web-based Trade and Finance Exchange Console).

CEB has established an Internal Audit department in accordance with the principles and best practice provisions of the Corporate Governance Code. CEB's risk management framework is comprehensive and managed by an independent risk management function under direct responsibility of the Chief Risk Officer. Risk management plays a central role in the Bank's decision making process. More information on CEB's Risk Management can be found in note [36] of the Consolidated Financial Statements. The Supervisory Board –inter alia– oversees the effectiveness of the design and the operation of the internal risk management and control systems. Within the Supervisory Board an Audit & Risk Committee ("ARC") has been established. Ernst & Young Accountants LLP has been appointed by the Bank's general meeting of shareholders (at the nomination of the Supervisory Board) as the Bank's external auditor. At least annually the ARC discusses the Bank's audit plan and any findings of the external auditor. Exchange of information between the Managing Board/Supervisory Board and the external auditor takes places in meetings of the ARC, in meetings between the Managing Board and the external auditor, but also outside meetings there is regular contact with the Bank's external auditor to share information and discuss specific topics in more detail.

Effective Management and Supervision

The current composition of the Supervisory Board and Managing Board is very well balanced inter alia taking into account the specific knowledge and experience of each of the members. Currently, both the Supervisory Board and Managing Board have five members (N.B. the appointment procedure of a new Supervisory Board member is in progress following the departure of Mr. Umut from the Supervisory Board). Considering the size and nature of the Bank such number is deemed sufficient to properly perform their tasks. The independence of the Supervisory Board is not fully compliant with best practice provision 2.1.8 as upon the appointment of Mr. Umut's successor half of the members will be independent. However, the current composition of the Supervisory Board is in line with DNB's requirements in respect of independence. At this moment all members of the Supervisory Board and Managing Board are male. The Bank has adopted a diversity and inclusion policy. The main goal of the policy is to promote diversity and inclusion in the workplace as drivers for innovation, growth and better balanced decisions. The policy covers amongst others diversity/inclusion in the following areas: educational and professional background, gender composition, nationality composition and geographical provenance and age and seniority. The policy is being implemented by adjusting the Bank's recruitment policy, education of the Bank's staff and keeping board members (and staff) informed on diversity and inclusion trends, practices and achievements. The main item for improvement reflected in the diversity and inclusion policy is having a more balanced gender split amongst CEB's staff. In the past period gender diversity has increased (including senior management level).

The composition of the Bank's Supervisory Board and Managing Board diverges from the statutory target for the male/female ratio. In the past years the Bank maintained, as much as possible, the current composition of its Supervisory Board and Managing Board in order to keep up with the rapidly changing environment and subsequent effect thereof on the Bank's business plans (reference is also made to the paragraph on structure and composition of the Supervisory Board as included in the Report of the Supervisory Board). In order to be, by 2022, more in line with the statutory targets for male and female members of the Managing Board and Supervisory Board, the aim is to appoint female members in case of new appointments to these boards or replacement of current members (N.B. the proposed new member of the Supervisory Board who is envisaged to succeed Mr. Umut is a female candidate). In addition the Bank adopted a diversity policy to have a more balanced gender split amongst CEB's staff and its boards.

The rules to be observed and procedures to be followed in case of appointment and reappointment of Supervisory Board and Managing Board members are set out in the Bank's internal policies/charters. A succession planning document for the Bank's senior management is almost finalized. This policy will take the rationale of the diversity policy into account. Annually the functioning of the Managing Board and Supervisory Board and its individual members is being evaluated.

For the organisation of the Supervisory Board reference is made to relevant paragraphs of the Supervisory Board Report.

The diverse composition of the Supervisory Board and Managing Board in terms of age, background and expertise enables balanced decision-making by these bodies corporate. The high level of transparency between the Supervisory Board and Managing Board also contributes to effective and balanced decision-making. The Supervisory Board's sub-committees also support the balanced decision-making. The respective interests of the Bank's main stakeholders (being CEB's clients, employees and business partners, the shareholders as well as society) are taken into consideration in the decision-making process. The Supervisory Board and Managing Board members annually discuss other (board) positions held by the board members.

In order to promote and create the desired culture aimed at long term value creation, upon employment the Bank's employees participate in an induction program during which they are trained on the Bank's core values, its main policies/regulations (including the Bank's code of conduct and the staff handbook) and the Bank's culture. For all employees CEB organizes regular thematic awareness trainings and during quarterly staff events the (desired) culture within the Bank is highlighted and discussed. In 2017 the Bank's senior management attended a training program on culture and core values. As part of the training program new core values have been developed (these are dynamism, diversity and expertise). The initial roll-out of the new core values has taken place in 2018. In 2019 these core values will be further embedded in the Bank's organization. Another way to promote a culture aimed at long term value creation is the Bank's remuneration policy (see herein below and section F).

To enable the Bank's employees to report and to deal with reporting of misconduct or actual or suspected irregularities within the Bank an internal alert system (whistle blower policy) has been established. This policy describes amongst others the purpose of the internal alert system, usage of the internal alert system, anonymous reporting, confidentiality and external whistleblowing procedures. In case of (material) misconduct or irregularities the Supervisory Board is informed. Through the Compliance Oversight Committee, the Supervisory Board monitors the operation of the internal alert system, how is dealt with signs of misconduct or irregularities and in case of misconduct or irregularities how adequate follow-up of any recommendations for remedial actions is performed.

The Bank has established different policies and procedures to manage and prevent conflicts of interests (these include a conflicts of interests handling policy and a related party transactions policy). For more information on the handling of potential conflicts of interests reference is made to section E.

Remuneration

CEB's Group Remuneration Policy is in line with national and international regulations. The policy applies to CEB and its subsidiaries. It also covers the remuneration of Managing Board members of CEB and its subsidiaries. Through its conservative remuneration policy CEB promotes a sound remuneration culture with a long term focus. The Group Remuneration Policy is reviewed and approved by amongst others the Supervisory Board. The Supervisory Board monitors the proper implementation of the policy by the Managing Board. Annually the compliance to the rules and procedures under the policy is reviewed in line with the Control Functions Remuneration Monitoring Procedure. The HR & Remuneration Committee meets at least each quarter and prepares the decision-making process for the Supervisory Board, taking into account the long-term interests of all stakeholders of CEB.

The Supervisory Board determines the level of remuneration for the members of the Managing Board in line with the principles of the Group Remuneration Policy.

The remuneration received by the members of the Supervisory Board is not dependent on the (financial) results of the Bank. Each Supervisory Board member receives an appropriate amount of compensation taking into account the total number of hours spent for the tasks and the compensation paid to Supervisory Board members of companies of comparable size and business.

The Bank's Remuneration Report is included in section F and is also made available on the Bank's website. The main elements of the agreement of a Managing Board member with the Bank are not published on the Bank's website as CEB holds the view that sufficient information is disclosed in the Bank's Remuneration Report.

D. Banking Code

This section summarizes how CEB applies the principles of the Banking Code and where we deviate from these. A full report on implementation of the Banking Code can be found on our website, www.crediteuropebank.com

Please find below a summary of our application of the principles of the Banking Code in 2018. The overview follows the sequence of the chapters of the Banking Code.

1. Sound and ethical operation

The Bank's strategy for the period to 2021 is set out in a Strategy Document. This document has been approved by the Supervisory Board. The Bank's strategy is based on and reflects its vision, mission, core values and strategic objectives. It outlines the defined business strategy and the set of key objectives appropriate for the current landscape for the period until 2021. The strategy includes both financial and non-financial measures; it defines the implementation process and timeline. Inter alia the following topics are included in the Strategy Document: guiding principles (including the Bank's vision, mission and its core values), strategic objectives, HR, IT, (financial, non-financial and integrity) Risk Management and Internal Control, Financial targets, Corporate Social Responsibility etc. The Bank's strategy is embedded in the daily business of the different departments of the Bank.

CEB recognizes the social and environmental responsibility as an integral part of its business strategy, corporate decision-making and day-to-day practice and gives importance to the impact of its activities on its stakeholders as well as on society and the environment at large. In this respect the Bank has established a social and environmental management framework, which is built on the basis of the Bank's core values. We believe that it is essential to respect elementary ethical norms, such as values of human life, the right to work, fair working conditions, civil responsibility, equal opportunities and occupational health and safety.

When setting its strategy CEB has carefully considered its role in society. This appears amongst others from CEB's mission (i.e. providing financial services that create value for its customers), its (new) core values ('dynamism', 'diversity' and 'expertise') and its (internal) base values ('customer focus', 'integrity', 'professionalism' and 'transparency').

In order to ensure a proper governance structure CEB has instituted several committees in addition to the Supervisory Board and the Managing Board, such as the Asset & Liability committee, IT Steering committee, Risk committees and Credit committees. These committees meet on a regular basis. Further weekly management meetings are organized and regular General Managers' meetings are held. The committees/meetings support the Managing Board in its daily management of the Bank. The Supervisory Board monitors whether the Bank's governance structure functions properly. This is inter alia done through the quarterly Supervisory Board meetings and the meetings of the sub-committees of the Supervisory Board (such as the Corporate Governance & Nomination committee).

To enable the members of the Supervisory Board and the Managing Board to be a role model for the Bank's employees an introduction program for new board members has been developed. As a part of this program the members are trained on the Bank's core values, its main policies (e.g. code of conduct) and the Bank's culture. For the current Supervisory and Managing Board members regular awareness sessions are held during the board meetings and also trainings on this topic are organized. In connection with the annual evaluation of the members of the Managing Board the way in which they fulfil their exemplary role is assessed. The fulfilment of the exemplary role by the Supervisory board is reviewed in connection with their annual self-evaluation/suitability matrix and the external assessment.

The standards on integrity, morals and leadership are included in the Bank's base values, different internal policies/guidelines and in the Charters of the Supervisory Board and the Managing Board. Further these standards are communicated through intranet, internal trainings (/e-learnings), staff mailings and staff events. The monitoring of the duly application of these standards is embedded in the daily practice of the Bank's departments. In addition monitoring takes place by the HR and the Compliance division, Managing Board, Supervisory Board (and its sub-committees including the Compliance Oversight committee) and the Internal Audit division. To further embed the core values in the Bank's culture in 2017 a senior management training program was organized. Following this training program new core values have been developed. In 2018 these new values have been rolled-out in the Bank's organization.

The Supervisory Board and Managing Board ensure proper that proper check & balances are in place. Within the Bank the division director Compliance is a member of the management team. The division director Compliance has a direct reporting line to a Managing Board member and the (chairman of the) Compliance Oversight Committee of the Supervisory Board. CEB acknowledges that a solid IT-infrastructure is vital for the functioning of the Bank. Its system architecture is composed of industry proven technologies and payment systems supporting automated workflows. Transactions are secured with the latest encryption standards, while at the same time software vulnerabilities are continuously monitored, investigated and mitigated. This all enables CEB to process transactions and orders of customers fast, safe and accurate. Due to the use of technologies that are widely adopted within the financial industry and the service oriented basis of the application structure, CEB can quickly adapt to changing demands of its customers. The IT Steering Committee and the Supervisory Board supervise, discuss and decide on IT related matters. Within the Supervisory Board 'IT Management' is a recurring agenda-item. In the past years there is an increasing focus on security related activities (such as vulnerability management, data leakage prevention etc.). Additionally, modernization of infrastructure components and mobile device management are continuous focus areas. Regular IT related trainings are organized in connection with the continuing education program.

Within CEB a healthy culture and responsible behaviour is promoted through different means. Upon employment the Bank's employees participate in an introduction program during which they are trained on the Bank's core values, its main policies/regulations (including the code of conduct and the staff handbook) and the Bank's culture. The new employees will also attend a Bankers' Oath session and take the Oath/Affirmation. For all employees CEB organizes regular thematic awareness trainings and during the quarterly staff events the (desired) culture within the Bank is highlighted/discussed. To further promote a healthy culture within the Bank CEB has adopted 3 (new) core values. These values are: dynamism, diversity and expertise. In 2018 these new values have been rolled-out within the Bank. In 2019 further implementation of the core values will

[5] Following the resignation of Mr. Umut from the Bank's Supervisory Board with effect from 1 January 2019, the Supervisory Board temporarily consists of five members. The application for appointment of Mr. Umut's successor has been filed with the Dutch Central Bank (De Nederlandsche Bank N.V.) early February 2019.

take place. Another way to promote a healthy culture is CEB's remuneration policy. Please refer to section F herein below.

The guidelines of the Social Charter are covered by CEB's base and core values and its strategy and as such embedded in the Bank's culture.

2. Supervisory Board

Since the beginning of January 2013, CEB's Supervisory Board has consisted of six members . Taking into account the Bank's size and nature, but also the composition of the Supervisory Board, such a number is deemed sufficient to perform its tasks properly. The members of the Supervisory Board are prepared and able to make sufficient time available for their duties and exhibit effort and commitment. It is standard practice within the Supervisory Board that each member is physically present at all board- and subcommittee meetings. Only in exceptional circumstances a member of the Supervisory Board may be absent during a meeting. The number of independent members and dependent members is equal at 3.

All members of the Supervisory Board have banking, investment or legal background and the majority of them are still active in the financial and/or legal services business on a day-to-day basis. As such they are duly aware of the social role of a bank and of the interests of the various stakeholders of a bank.

The Supervisory Board is supported by four committees: Audit and Risk, Corporate Governance & Nomination, HR & Remuneration and Compliance Oversight.

Each committee is composed as follows:

Commitee	**Members**
Audit & Risk	Frits Deiters (Chaiman) Mehmet Guleşci (Vice Chairman) Korkmaz Ilkorur
Corporate Governance & Nomination*	Hector de Beaufort (Chairman), Mehmet Guleşci, Murat Özyeğin
HR & Remuneration*	Onur Umut (Chairman), Hector de Beaufort, Murat Özyeğin
Compliance Oversight	Korkmaz Ilkorur (Chairman), Frits Deiters, Onur Umut

*Mr. Umut's successor will replace him as member of the Compliance Oversight Committee and the HR & Remuneration Committee.

The members of the Audit & Risk committee meet the specific competence and experience requirements as set out in the Banking Code.

CEB has a continuing education program in place with the aim to maintain (and to the extent necessary expand) the expertise of the members of the Supervisory Board at the required level. As part of this program in 2018 e.g. trainings were organized on General Data Protection Regulation, blockchain technology, stress testing methodology and 'climate change, financial risks and opportunities'. All members of the Supervisory Board participate in the continuing education program and attended the required number of trainings. The trainings for 2019 are currently being organized.

Also in 2018 the Supervisory Board performed an annual self-evaluation. Furthermore an external assessment took place in 2018 (i.e. an evaluation of the Supervisory Board under independent supervision (by an external assessor)). The self-evaluations and the external evaluations focus on topics like the cooperation amongst board members, the culture within the Supervisory Board, the internal and external functioning of the Supervisory Board and the cooperation with the Managing Board. The assessment of the effectiveness of the education program is part of the annual self-evaluation of the Supervisory Board.

In terms of compensation, each Supervisory Board member receives an appropriate amount of compensation (fixed; no variable pay) taking into account the amount of time that is spent on the Supervisory Board tasks. The compensation does not depend on the results of the Bank.

Upon expiration of the appointment term of Mr. Wei Man Cheung as of 1 December 2018, it was decided not to reappoint him mainly due to spin-off of the Bank's Russian subsidiary and related decrease of the Bank's balance sheet. Furthermore, with effect from 1 March 2019 Levent Karaca has been appointed as CEO of Credit Europe Bank (Suisse) S.A. He resigned from the Managing Board as of the same date.

Following the departure of Mr. Wei Man Cheung from the Managing Board, it is envisaged that Mr. Yalniz will take over Mr. Cheung's responsibility for the compliance area. This is subject to DNB approval.

3. Managing Board

With effect from 1 December 2018, the Managing Board of CEB consists of five members . All members have gained thorough expertise and knowledge of banking, of our company, and of the locations in the various countries where the Bank is active.

In order to ensure/enhance due balancing of the interests of the Bank's stakeholders several subcommittees and weekly (management) meetings have been formed (such as the Asset & Liability Committee, IT Steering Committee, Risk Committee and Compliance Management Committee). These committees meet on a weekly/monthly basis).

Without detriment to the collective responsibility of the Managing Board as a whole, the CRO, Mr. Yalniz, is responsible for financial and non-financial risk matters (including Compliance) within the Bank and for preparing the decision-making with regard to risk management. The CRO does not bear any individual commercial responsibility for and operates independently from commercial areas. CEB's risk management also includes a focus on the impact that systematic risk might have on the Bank's risk profile.

The CEO ensures that a continuing education program is in place with the aim to maintain (and to the extent necessary expand) the expertise of the members of the Managing Board at the required level. All members of the Managing Board participate in the continuing education program and attended the required number of trainings. The trainings for 2019 are currently being organized.

4. Risk Management

Risk management plays a central role in CEB's management decision making process, and is strongly supported at both the Managing Board and Supervisory Board level. The Supervisory Board (inter alia through its Audit & Risk committee) oversees the risk policy pursued by the Managing Board, while the Audit & Risk committee reviews and discusses the Bank's risk profile, capital management and funding policies as well as country risks, credit risks, market risks and operational risks in view of the pre-defined risk appetite. The CRO and the Risk Management division are the main sponsors of the Bank's consolidated-level Risk Appetite, ICAAP, ILAAP, Recovery Plan and other internal guidance documents. CEB's risk appetite statement is discussed and reviewed/approved annually in the relevant Supervisory Board meeting (and also any material interim changes to the risk appetite are subject to the approval of the Supervisory Board). More information on CEB's Risk Management can be found in note [36] of the Consolidated Financial Statements.

5. Audit

The Internal Audit Department (IAD) within CEB plays an important role in ensuring ever better governance. It represents an independent and objective assurance and consulting function as a third line of defence. Through the application of a risk-based methodology, IAD evaluates and examines whether proper measures are taken to ensure 'control' in the organization and its activities.

CEB's Head of Internal Audit has a direct reporting line to the Chairman of the Audit & Risk committee (and administratively reports to the Chief Executive Officer).

Exchange of information between IAD, the Audit & Risk committee and the external auditor inter alia takes place in the meetings of the Audit & Risk committee during which e.g. the risk analysis, audit plan and findings are presented and discussed. Also outside these meetings IAD, the members of the Audit & Risk committee and the external auditor have regular contact to share information and discuss and consult on specific topics.

At least once a year a so-called tripartite meeting between representatives of DNB, CEB's external auditor and IAD is organized in which the risk analysis, findings and each other's audit plan are discussed. The last tripartite meeting was held in November 2018.

External Auditor

CEB safeguards independency of the external auditor by monitoring and overseeing the external auditor activities. The Audit & Risk Committee half-yearly reviews the reports, audit fees and independence statements of the external auditor. Ernst & Young Accountants LLP has been appointed as CEB's external auditor from the financial year 2017.

6. Remuneration

CEB's Group Remuneration Policy is in line with national and international regulations (such as the Banking Code, DNB's regulation on sound remuneration, the Financial Supervision Act and the relevant provisions included in CRDIV). The total income of a member of the Managing Board is -at the time it is set- below the median for comparable positions within and outside the financial industry. Any variable remuneration paid to the Managing Board members is set in accordance with the applicable national and international regulations. For a summary of the remuneration policy in CEB, please revert to section F below.

E. Handling potential conflicts of interests

Credit Europe Bank has affected a group of procedures suitable for managing potential conflicts of interests. Such arrangements have to be complied with for professional integrity - and transparency reasons. The generic arrangements aim at setting criteria and controls that identify and govern potential conflicts of interest arising from amongst others private investment transactions by employees, senior management or members of the Managing and Supervisory Board.
In 2018 no actual conflicts of interest were identified.

A special category of potentially conflicting situations forms the Bank entering into a transaction with a related party. Parties related to Credit Europe Bank include all Fiba and Fina Group associated companies, any member of the Managing- orSupervisory Board as well as their close family members and any entities owned and/or controlled by them.

Related party transactions are settled in the normal course of business and on an arm's length basis, i.e. under the same commercial and market terms that apply to non-related parties. The kind of transactions that fall under related party transactions are various: loans, deposits or foreign exchange transactions. he Bank has specific arrangements in place to ensure a proper management of potential conflicts of interests in related party transactions. These arrangements include procedures to identify, authorize and report related party transactions to the Managing Board and the Compliance Oversight Committee.

In every Compliance Oversight Committee meeting, an overview with the exposures outstanding to related parties and information on whether the Bank acted in conformity with its established procedures is presented.

F. Remuneration Report

(i) Decision-making process to determine the remuneration

By virtue of CEB's Group Remuneration Policy, the key elements of the governance structure for the fixing, execution and evaluation of the remuneration management are as follows: CEB's Supervisory Board is responsible for the establishment, execution and evaluation of the Group Remuneration Policy and the Supervisory Board monitors the proper implementation of this by the Managing Board. The HR & Remuneration Committee (a subcommittee of the Supervisory Board – described in more detail below) meets at least each quarter and prepares the decision-making process for the Supervisory Board, taking into account the long-term interests of all stakeholders of CEB.

Remuneration of Identified Staff (defined in the Group Remuneration Policy and determined as described in the Assessment of Identified Staff procedure) is determined by the Supervisory Board. The remuneration of the other employees is determined and implemented by the Managing Board and supervised by the HR & Remuneration Committee. For senior managers in control functions, remuneration is directly supervised by the HR & Remuneration Committee.

As a general principle, CEB's Group Remuneration Policy authorizes the Supervisory Board to adjust the variable remuneration of (a group of) Employees – as defined in such Policy, if continuation on the same level would have an unfair and unintended effect. Moreover, the Supervisory Board has the right to reclaim the variable component of remuneration granted to Employees, if it turns out that such a variable was based on inaccurate data. Such reclaim is allowed until two years after the award of the variable pay.

(ii) Link between performance and pay

One of the key elements of CEB's Group Remuneration Policy is the description of the appraisal process. In this paragraph, a summary is given of this process:
On the basis of pre-determined and assessable objectives, comprising financial and non-financial

elements, and also on the basis of competences and general indicators, an Employee's overall performance assessment is determined, at least once per year. The non-financial objectives form a substantialortion (with a minimum of 50%) of the total set of objectives for an employee.

Objective-setting

Each year, the Managing Board formulates its own objectives (financial and non-financial) and presents them for approval to the Supervisory Board. The approved objectives are then assigned (partially) to the relevant Identified Staff and Employees. Pursuant to the Group Remuneration Policy, financial objective setting for Employees in control functions may not be based on the commercial objectives of CEB, i.e. the objectives of these Employees are set independent from the financial targets and/or results of the business they control.

Performance assessment

Financial performance of an employee is assessed in the context of CEB's financial stability and own fund requirements as well as the long-term interests of the shareholders and other stakeholders.

Financial performance shall be evaluated on the basis of (a) divisional/ departmental profitability, calculated on financial criteria such as Net Income and (b) the department's attribution/claim to the risk profile of CEB.

Via a web-based performance management system, an overall 'performance score' is generated. The three performance categories are competences, general indicators and objectives. For the overall score, the following weighting percentages apply per category: competences 40%, general indicators 20% and objectives 40%. The end score is a figure between 1 and 5 – whereby 5 is excellent.

Performance evaluation of Identified Staff takes into account performance over several years and appraisals for Employees in control functions take into account the 'countervailing function' of these staff members.

ii) Most important characteristics of remuneration system

Apart from the governance structure and appraisal process, the CEB Group Remuneration Policy also incorporates rules and guidelines for the setting and determination of fixed and variable remuneration for Employees.

As a rule in CEB, fixed salary levels are conservatively aligned in comparison to similar functions in banking and the industry, nationally and internationally.

One of the basic principles for granting variable pay (if any at all)
is that variable pay may never exceed 100% of the fixed salary, and that guaranteed variable remuneration to Identified Staff is not allowed.

Phantom Share plan

In CEB's Phantom Share Plan the terms and conditions for the granting of Phantom Shares to Identified Staff are laid down. The Plan entails that variable remuneration awarded to an Identified Staff member will be for 60% unconditional and for 40% deferred. If an Identified Staff member is awarded a total of more than € 300.000 gross (or equivalent), 40% will be unconditional and for 60% deferred. At least 50% of the variable remuneration (deferred or unconditional) is in the form of financial instruments whose value is determined by/ derived from the value of CEB shares: Phantom Shares. These financial instruments are rights – not shares.

The deferred part of the variable remuneration vests over a period of 3 years. Furthermore, vested Phantom Shares (whether deferred or unconditional) are subject to a retention period of 1 year. Vesting and exercise of the Phantom Shares is subject to the fulfilment of certain conditions. For example, the holder's performance score (see paragraph (ii) above) must exceed a certain limit.

(iv) Most important parameters & motivation for variable remuneration

Pursuant to the Group Remuneration Policy, the granting of variable remuneration 'at all' depends on CEB's performance in a year. Additionally, the requirement applies that the granting of variable remuneration may not restrict CEB's possibilities to reinforce its regulatory capital, its solvency ratio or its own funds. CEB has no other non-cash benefits/ non-cash variable remuneration elements.

(v) Aggregate quantitative information on remuneration per business segment

In 2018, CEB paid out EUR 46,707,399 to employees working in the Wholesale Banking segment and EUR 12,383,782 to employees in the Retail Banking segment.

(vi) Aggregate quantitative information on remuneration for Identified Staff and senior managers

CEB has identified 64 Identified Staff members and 21 senior managers.

In 2018, the total amount of remuneration paid out to Identified Staff and senior managers amounted to €14'269'336, split into €11'362'560 for Identified Staff and €2'906'776 for senior managers. Such total remuneration was split into €13'150'741 fixed salary (for Identified Staff € 10'601'072 and senior managers €2'549'669) and €1'118'594 variable remuneration (for Identified Staff €761'487 and senior managers €357'107). Please note that the variable remuneration for Identified Staff was split in a deferred and unconditional part (respectively 40% and 60%, or respectively 60% and 40% if awarded a total ofmore than €300'000 gross) and awarded in cash or Phantom Shares (50/50). A retention period of 1 year applies to the vested Phantom Shares.
The total amount of awarded & outstanding (vested and unvested) deferred remuneration in 2018 (for the variable remunerations over the performance year 2017) amounts to €1'843'317.

As part of CEB's Group Remuneration Policy, variable remuneration packages of all employees are granted based on the (financial and non-financial) performance over the respective reporting year and paid out in the form of cash and/or Phantom Share (both unconditional and conditional) in the preceding years. This Remuneration Report refers to the performance year of 2017, with the related bonus payment executed in 2018.

By virtue of the rules in the Group Remuneration Policy, in 2018 there will be no 'less than awarded' deferred pay- out due to unsatisfactory performance adjustment.

(vii) Severance payment

In the reporting year 2018, CEB on a consolidated basis paid severance payments to a total of 11 employees – of which 2 were Identified Staff. For none of the Identified Staff members did the severance payment exceed one year's fixed salary. In total, CEB paid € 368'330 in severance in 2018, of which €122'059 to Identified Staff members

CEB did not pay sign-on or entry awards to any Identified Staff member in 2018.

Profile of the Supervisory Board

Profile of the Supervisory Board as per February 2019

Hector de Beaufort (1956, male)
Chairman
Holds a Master's degree in Law from Utrecht University, the Netherlands and from the University of Pennsylvania. He has been senior corporate partner at the leading international law firm Clifford Chance in the Netherlands since 2000. Prior to this, he was partner at Stibbe in the Netherlands and worked as a lawyer at Hughes Hubbard Reed in the USA. He has broad international experience in business law and corporate governance and has specific knowledge of corporate finance and capital market transactions. Mr. De Beaufort is chief legal officer at Pon Holdings B.V. and holds several board memberships in various companies (amongst which Optiver Holding B.V.). Mr. De Beaufort, who is a Dutch national, has been an independent member of the Supervisory Board since February 2011 and Chairman since January 2012 (current term expires in 2021).

Murat Özyeğin (1976, male)
Vice Chairman
Holds a BS in Industrial Management and Economics from Carnegie Mellon University and completed his MBA at Harvard Business School. Currently he is the Head of Strategic Planning and Business Development of Fiba Group, Executive Board Member of Fina and Fiba Holding and Chairman of all of Fiba Group's non-banking businesses. Mr. Özyeğin began his career in 1998 at Bear Stearns & Co. Inc. in New York City as a Financial Analyst within the Mergers & Acquisition Group. In 2000, he was appointed a Senior Analyst position at the London office of the same company. After his return to Turkey in 2003, he established the Strategy and Business Development Departments of Finansbank and Fiba Holding. Next to his Fiba and Fina positions, Mr. Ozyegin is member of the Board of Endeavor, Executive Board Member of Hüsnü M. Özyeğin Foundation, Vice President and Treasurer of the Turkish Industry and Business Association (TÜSİAD), Member of the Board of Trustees of Ozyegin University and World Wildlife Fund, Board Member of Global Relations Forum, Member of Global Advisory Council of Harvard University and Honorary Consul-General of the Republic of Singapore. Mr. Özyeğin, who has Turkish nationality, was appointed to the Supervisory Board of Credit Europe Bank in 2006 (current term expires in 2021).

Frits Deiters (1940, male)
Holds a graduate degree in Economics from the University of Amsterdam. He has had a successful 35-year career with ABN Amro Bank (and its predecessors) in corporate- and private banking, and lastly as Country Manager for Luxembourg. Until late 2012, he was non-executive board member and chairman of the Audit, Risk and Compliance Committee of Lombard International Assurance, Luxembourg - a subsidiary of Friends Life in London. Mr. Deiters is a Dutch national and was appointed to the Supervisory Board as independent member in May 2012 (current term expires in 2020).

Mehmet Güleşci (1962, male)
Holds a BA and an MBA from Bosphorus University in Istanbul. He is executive board member and CFO of the Fiba Group companies and serves as a board member of a number of Credit Europe Bank subsidiaries. Before joining Fiba Group in 1997, he was an Audit Partner at EY in Turkey, responsible for the financial sector. He was CFO and subsequently executive board member of Finansbank AS until 2009. Mr. Güleşci, who is a Turkish national, was appointed to the Supervisory Board in 2006 (current term expires in 2022).

Korkmaz Ilkorur (1944, male)
Has an MA in Economics from the University of Pittsburgh, USA. He built up managerial experience as a professional in the financial world with several banks and insurance companies like The Industrial Development Bank of Turkey, Chemical Mitsui Bank AS, Yapi Kredi Bankasi AS and SBN Insurance. He has also served on the Board of Directors of several non- financial companies. Mr. Ilkorur was a member of the Board of Directors of The Turkish Industrialists and Businessmen Association in 1999-2001 and acted as the Chairman of its Governance Committee between 2001 and 2010. He also served as the Chairman of the Regulatory Governance Committee of the Business and Industry Advisory Committee (BIAC) to the OECD in the same period. Further Mr. Ilkorur was Senior Advisor of Oliver Wyman in Turkey between 1998 and 2014 and a member of its Senior Advisory Board for EMEA since 2004. Presently, Mr. Ilkorur serves as the Vice Chairman of the Finance Task Force of BIAC. He is also (emeritus) trustee of the Robert College in Istanbul. Mr. Ilkorur is a Turkish national and was appointed to the Supervisory Board in August 2012(current term expires in 2020). He qualifies as independent board member according to Dutch regulatory standards.

Report of the Supervisory Board

2018 has been another year of continuing volatile market conditions in the financial services industry. Different geopolitical events such as Brexit, US-China trade war, Italian budget crisis and Turkish Lira crisis made that the (global) economic growth slowed down. However, the Bank is managing to continue its operations in a solid way due to its ability to rapidly adapt to changing market conditions.

In 2018 CEB realized a stable performance on its continuing operations. One of the main events for CEB in the past year was the successful spin-off of its Russian subsidiary. With this transaction CEB took a major step in decreasing its emerging market exposure and prepare the bank for the future. To make CEB further future proof it will invest in digitalization of its retail business and extend the growth in the Bank's Trade & Commodity Finance business. At the same time the rapidly changing regulatory environment and increasing (AML) regulations continue to require utmost attention of the Supervisory Board, Managing Board and the Bank's staff in order for CEB to remain fully compliant with the rules and regulations in all countries that it operates in.

The Supervisory Board wishes to extend its appreciation to the management and all employees working in the CEB group of companies for their dedication and energy expended in supporting the strength of the group. We are also grateful to our customers and correspondents for their support and cooperation which had a significant impact on the result of the Bank. As a special note, we would like thank Onur Umut – whose final term of appointment expired as of January 1, 2019 - for his valuable contribution to the Supervisory Board.

Net income allocation
The Supervisory Board has reviewed the Report of the Managing Board and the financial statements for 2018, comprising the balance sheet and profit and loss accounts. The financial statements further include explanatory notes and other information, including the report of the external auditors, Ernst & Young Accountants LLP, for the year ending December 31, 2018.

We propose and advise that the General Meeting of Shareholders adopts these financial statements. Furthermore, we propose to add the full amount of net result for the year to the retained earnings (i.e. to pay no dividend to shareholders), thereby discharging the members of the Managing Board from their liability with respect to their management responsibilities and the members of the Supervisory Board with respect to their supervisory responsibilities.

Supervisory Board structure and composition
As at February 2018, the Supervisory Board of CEB consists of five members : Hector de Beaufort (Chairman), Murat Özyeğin (Vice Chairman), Mehmet Güleşci, Frits Deiters and Korkmaz Ilkorur. All members of the Supervisory Board have a background and experience in banking, legal or investment. For more detailed information on the members of the Supervisory Board reference is made to the Profile of the Supervisory Board included in pages 39-40 (which profile is deemed to be incorporated herein by reference). The current term for which each Supervisory Board member has been appointed can be found in chapter D under 2 of the Corporate Governance chapter.

Mehmet Güleşci qualifies as financial expert in the meaning of Section 2 paragraph 3 of the 26 July 2008 Ruling on establishment of an audit committee. Hector de Beaufort, chairman of the Supervisory Board, is senior partner with Clifford Chance in Amsterdam (specialized in boardroom counselling and strategic advice and furthermore he focuses on (the legal side of) M&A transactions and corporate finance) and chief legal officer at Pon Holdings B.V.

Upon the appointment of Mr. Umut's successor to the Supervisory Board, the following statement applies to the Supervisory Board: 'half of the members are independent' (Messrs. Özyeğin, and Güleşci as well as Mr. Umut's envisaged successor are not considered independent in the meaning of best practice provision 2.1.8). As such the independence of the Supervisory Board is not fully compliant with best practice provision 2.1.7 of the Corporate Governance Code. However, the current composition of the Supervisory Board is in line with DNB's requirements in respect of independence. Mr. De Beaufort, chairman of the Supervisory Board, meets the independence requirements set out in best practice provision 2.1.9 of the Corporate Governance Code.

In line with corporate rules in the Netherlands, and

[8] In accordance with the Supervisory Board's retirement schedule, Mr. Onur Umut resigned from the Supervisory Board with effect from 1 January 2019. The application for appointment of Mr. Umut's successor has been filed with Dutch Central Bank (De Nederlandsche Bank N.V.) early February 2019.

as set out in CEB's Articles of Association and in the Charter of the Supervisory Board, the Supervisory Board's task is to supervise the policy of the Managing Board and the general affairs of the Bank, and to support the Managing Board with advice. Overall the Supervisory Board is very much involved in the general affairs of the Bank and its strategy. In annual strategy sessions, the strategy for the coming year(s)/period are/is presented to and reviewed and approved by the Supervisory Board. Any interim (material) changes thereto are submitted for approval to the Supervisory Board as well. The execution of CEB's strategy is amongst others discussed in the quarterly Supervisory Board meetings.

Mr. De Beaufort has been reappointed to CEB's Supervisory Board with effect from 15 February 2019 for a term of 2 years (best practice provision 2.2.2). Although Mr. De Beaufort was appointed to the Supervisory Board of CEB for the first time in 2011, reappointment was made, amongst others, for the following reasons: in the past years the business and regulatory environment of the banking industry and the markets in which CEB operates have changed rapidly which had also impact on the Bank's business plans. In order to immediately adapt itself to the changing environment while ensuring full compliance with applicable rules and regulations, CEB has decided to initiate medium term improvement programs and executed the spin-off of its Russian subsidiary. In view of the personal competences and experience of Mr. De Beaufort his involvement in the execution and implementation of the initiatives in the coming years is of the essence. Moreover, the current composition of the Supervisory Board is, also taking into account the specific knowledge and experience of each of its members, very well balanced. Also the cooperation within the Supervisory Board –and between the Supervisory Board and the Managing Board- is excellent. In addition, in view of the recent departure of Mr. Umut from the Supervisory Board and the upcoming expiration of the appointment terms of other members of the Supervisory Board, the reappointment of Mr. De Beaufort is desired to maintain the continuity within the Supervisory Board.

The Remuneration Report can be found on page 37.

Committees
The Supervisory Board is supported by four committees: Audit & Risk, Corporate Governance & Nomination, HR & Remuneration and Compliance Oversight. All Supervisory Board members have a standing invitation to attend the sub-committee meetings of which they are not a member (and in practice the sub-committee meetings are also attended by Supervisory Board members that are not a member of the respective sub-committee).
The main objective of each committee is as follows:

Audit & Risk: advises the Supervisory Board on, and supervises the status of and developments in the Bank's risk management system, internal control systems, including the internal audit function and internal control related issues. The committee monitors the financial reporting process, oversees the accounting policies and practices and ensures that CEB maintains an adequate internal control system and processes. This includes the activities of the risk management function and internal audit function. The Committee also performs a review of CEB's financial statements and the reports of the external auditor. Moreover, it discusses the relationship with the external auditor, including his independence, remuneration and other permitted services executed for the Bank.
In 2018 the following Supervisory Board members were members of this subcommittee: Frits Deiters (Chairman), Mehmet Güleşci (Vice Chairman) and Korkmaz Ilkorur. The committee meetings were attended by all committee members.

Corporate Governance & Nomination: advises the Supervisory Board on corporate governance developments, reviews the implementation of corporate governance principles and practices within CEB and advises on adjustments. It is also responsible for nominations, which involves establishing and advising on the selection criteria, profile and nomination process for new Supervisory and Managing Board members.

The following Supervisory Board members formed the Corporate Governance & Nomination Committee in 2018: Hector de Beaufort (Chairman), Murat Özyeğin and Mehmet Güleşci. The committee meetings were attended by all committee members.

HR & Remuneration: acts as advisor of the Supervisory Board in all areas of HR and Remuneration in general and pertaining to the Managing Board/Identified Staff. Further it proposes a policy and a structure relating to performance evaluation and target-setting for a certain level of senior employees of CEB and its subsidiaries, and oversees the implementation of relevant policies for the Supervisory Board. Also the committee is engaged in succession planning.

Members of the HR & Remuneration Committee in 2018 were: Onur Umut (Chairman), Murat Özyeğin and Hector de Beaufort. The committee meetings were attended by all committee members.

Compliance Oversight: assists the Supervisory Board in overseeing the Bank's overall compliance framework that is designed, in light of applicable local and international legal and regulatory requirements, to respond to the various compliance and regulatory risks the Bank is exposed to. It keeps the Supervisory Board informed and updated on developments and/or best practices in compliance and reviews these developments and/or best practices for applicability to CEB. It further gives guidance to the Managing Board on how to (further) develop and improve CEB's overall compliance framework.

In 2018, this committee consisted of the following Supervisory Board members: Korkmaz Ilkorur (Chairman), Frits Deiters and Onur Umut.

Supervisory Board meetings
In 2018 the Supervisory Board had four meetings in accordance with pre-determined schedules. In addition several other meetings were held on specific times when certain matters were to be discussed. The meeting in December 2018 coincided with a global budget meeting.

In 2018 the meetings were attended by all Supervisory Board members. As a rule, the Managing Board is always present at Supervisory Board meetings, with the exception of the 'executive session', in which the Supervisory Board discusses its own functioning as a whole, its culture and its relationship with the Managing Board.

Recurring topics in all Supervisory Board meetings are risk management and risk monitoring, capital adequacy, compliance, IT management, developments in the retail and corporate banking business, in treasury and in liquidity management and updates on (regulatory) corporate governance guidelines. Not only in collective meetings are these topics (and other relevant topics) discussed; also in various informal contacts between and with Supervisory Board members and (individual) members of the Managing Board and/or their direct reports, the developments in these areas are discussed or further explored. These contacts contribute to the Supervisory Board's engaging role and to the enhancing of the quality of the Board's supervisory responsibility.

In 2018 the Supervisory Board performed an annual self-evaluation and the functioning of the Supervisory Board was also evaluated under independent supervision (i.e. by an external assessor; so-called external assessment). In connection with the self-evaluation and the external assessment inter alia the functioning of the Supervisory Board, its committees, the cooperation amongst the board members and the cooperation with the Managing Board has been evaluated. The outcome of the evaluation/assessment is discussed in separate meetings/sessions of the Supervisory Board. In addition the Supervisory Board has evaluated the functioning of the Managing Board and its individual members in a 'closed' session of the Supervisory Board. The outcome thereof is communicated to/discussed with the (individual members of the) Managing Board.

Audit & Risk Committee
This committee met four times in 2018 (and also had two preparatory meetings in March and September). Representatives of the Bank's external auditor, the Managing Board, Risk Management Department and the Internal Audit Department joined the quarterly meetings. In addition the meetings were also regularly attended by other Supervisory Board members who have a standing invitation to join the meeting. Key topics were financial performance, risk management developments and the risk profile of the Bank, internal audit activities and reports of the external auditor. This includes the review of the Bank's (interim) financial statements, Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), CEB's risk appetite policy and periodical reporting on Information Security and Operational Risks. Each

Report of the Supervisory Board

Credit Europe Bank NV Annual Report 2018

Report of the Supervisory Board

meeting the risk management function and internal audit function reported about the functioning of the internal control system and processes. The Committee took notice of the key audit reports, findings and recommendations and related follow-up activities. The Committee made sure that there is an open communication between the Audit & Risk Committee, management, risk management function, internal audit function and external auditor. Furthermore, a closed meeting has been held with the external auditor. In its December meeting the Committee performed a self-evaluation of its functioning.

Corporate Governance & Nomination Committee

This committee met four times in 2018. In addition to the recurring agenda-items (such as a review of the key decisions of CEB's subsidiaries and the key correspondence between CEB's subsidiaries and their local supervisors) several (other) key topics have been dealt with. These include amongst others external assessment Supervisory Board, succession Mr. Onur Umut and reappointment Mr. Basbay (CEO), new EBA Guidelines on Internal Governance and Suitability requirements and analysis of duties and obligations of the Corporate Governance and Nomination Committee. The CEO and the Managing Board member responsible for compliance and corporate communications were present at all committee meetings.

HR & Remuneration Committee

In 2018, this committee met four times. Focus during the meetings was on group consolidated HR Report, performance evaluation 2017 (CEB's fixed and variable remuneration packages), regulation directors' loans, hiring of a new HR director, CEB's community service day, further implementation of the Bank's new core values and HR People Plan 2019. The CEO and CFO participated in all meetings. The Bank's new HR director attended the meetings of the HR & Remuneration Committee in September and December 2018.

Compliance Oversight Committee

This committee met four times in 2018 and was joined during these meetings by members of the Managing Board, including the Chief Executive Officer, and the Division Director Compliance. During the meetings, the key focus was on the status of compliance topics at group level – in particular, the areas of anti-money laundering and sanctions compliance – presented through the Compliance Dashboard, regulatory issues affecting the Bank and the reporting on related party transactions. In addition, the committee members received regular updates on the work done in relation to the further strengthening of the Bank's anti-money laundering controls.

* The Corporate Governance chapter (pages 29 et sqq.) and the Remuneration Report (pages 37 et sqq.) are deemed to be incorporated herein by reference.

Amsterdam, March 22, 2019

Hector de Beaufort, Chairman
Murat Özyeğin
Frits Deiters
Mehmet Güleşci
Korkmaz Ilkorur

The Netherlands (Headquarters)
Credit Europe Bank N.V.
Karspeldreef 6-A, 1101 CJ
Amsterdam-Zuidoost
The Netherlands

Germany (Branch)
Credit Europe Bank N.V.
Untermainkai 27,
60329 Frankfurt am Main
Germany

Malta (Branch)
Credit Europe Bank N.V.
Tower Road, Sliema
Malta

Turkey (Liaison Office)
Credit Europe Bank N.V.
Balmumcu Mahallesi Itri Sokak No: 10 A / 1
Balmumcu, Besiktas, Istanbul
Turkey

China (Liaison Office)
Credit Europe Bank N.V.
Unit 4609, Plaza 66,
1266 Nanjing West Road
Shanghai 200040
China

Consolidated Statement of Financial Position

As of and for the year ended

December 31, 2018

In thousands of EURO unless otherwise indicated

	Notes	December 31, 2018	December 31, 2017*
Assets			
Cash and balances at central banks	5	651,773	829,224
Financial assets at fair value through profit or loss	6	87,728	53,184
- Trading assets		59,856	53,184
-Non-trading assets mandatorily at fair value through PL		27,872	-
Financial investments	7	692,049	750,799
Loans and receivables - banks	8	431,978	538,062
Derivative financial instruments	9	189,861	236,391
Loans and receivables - customers	10	2,699,156	4,487,379
Current tax assets		4,435	6,803
Deferred tax assets	31	47,537	37,036
Other assets	12	50,909	182,350
Inventory	12	68,941	56,738
Investment in associates and joint ventures	13	7,129	6,311
Property, equipment and investment property	14	144,155	190,721
Intangible assets	15	7,502	12,340
Total assets		**5,083,153**	**7,387,338**
Liabilities			
Due to banks	16	416,497	629,762
Derivative financial instruments	9	182,696	203,635
Due to customers	17	3,649,762	4,899,025
Issued debt securities	18	-	70,843
Current tax liabilities		3,633	16,577
Other liabilities	19	47,879	60,229
Deferred tax liabilities	31	24,674	23,735
Sub-total liabilities (excluding subordinated liabilities)		**4,325,141**	**5,903,806**
Subordinated liabilities	20	173,927	593,934
Total liabilities		**4,499,068**	**6,497,740**
Equity			
Equity attributable to owners of the Company		580,907	887,704
Equity attributable to non-controlling interests		3,178	1,894
Total equity	**21**	**584,085**	**889,598**
Total equity and liabilities		**5,083,153**	**7,387,338**

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

Consolidated Statement of Income

	Notes	January 1- December 31, 2018	January 1- December 31, 2017
Interest income from financial instruments measured at amortized cost and FVOCI		237,367	260,525
Interest income from financial instruments measured at FVTPL		24,553	24,238
Interest expense from financial instruments measured at amortized cost		(65,796)	(87,437)
Interest expense from financial instruments measured at FVTPL		(30,832)	(29,712)
Net interest income	**22**	**165,292**	**167,614**
Fees and commissions income		34,441	39,101
Fees and commissions expense		(5,437)	(7,422)
Net fee and commission income	**23**	**29,004**	**31,679**
Net trading results	24	(44,461)	(41,364)
Net results from investment securities	25	12,587	25,504
Other operating income	26	32,473	31,586
Operating income		**599**	**15,726**
Net impairment loss on financial assets	11	(28,904)	(55,478)
Net operating income		**165,991**	**159,541**
Personnel expenses	27	(59,091)	(56,607)
General and administrative expenses	28	(32,973)	(32,853)
Depreciation and amortization	14,15	(11,024)	(13,999)
Other operating expenses	29	(25,020)	(38,206)
Other impairment losses	30	(12,205)	(22,887)
Total operating expenses		**(140,313)**	**(164,552)**
Share of profit of associate	13	1,022	759
Operating profit before tax		**26,700**	**(4,252)**
Income tax expense	31	(5,318)	4,571
Profit for the year from continuing operations		**21,382**	**319**
Discontinued operations			
Net results before tax from discontinued operations		(330,548)	21,321
Income tax expense from discontinued operations	37	(17,329)	(6,564)
Net results for the year from discontinued operations		**(347,877)**	**14,757**
Net results for the year		(326,495)	15,076
Net results for the year attributable to:			
Equity owners of the Company		(326,495)	14,994
Non-controlling interests		(209)	82

Consolidated Statement of Comprehensive Income

	January 1- December 31, 2018	January 1- December 31, 2017
Net results for the year	**(326,495)**	**15,076**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net gain on hedge of net investments	6,487	19,867
Exchange differences on translations of foreign operations	(41,981)	(46,273)
Income tax relating to the above	2,782	-
Reclassification adjustment for (gain) loss realized in discontinued operations	279,168	-
Net change on foreign currency translation	246,456	(26,406)
Cash flow hedges:		
Net gain arising during the year	-	259
Less: Reclassification adjustments to the income statement	112	1,139
Income tax relating to the above	-	(280)
Reclassification adjustment for (gain) loss realized, in discontinued operations	-	-
Net change on cash flow hedges	**112**	**1,118**
Debt instruments at fair value through other comprehensive income		
Net change in fair value during the year	5,308	-
Changes in allowances for expected credit losses	(211)	-
Reclassification adjustments to the income statement	(13,247)	-
Income tax relating to the above	1,617	-
Reclassification adjustment for (gain) loss realized, in discontinued operations	1,301	-
Net change on debt instruments at FVOCI	**(5,232)**	-
Available for sale financial assets:		
Net change in fair value during the year	-	41,640
Reclassification adjustments to the income statement	-	(30,056)
Income tax relating to the above	-	(4,967)
Net gain/(loss) on available for sale financial assets	-	**6,617**
Other comprehensive income that will not be reclassified to the income statement		
Other assets:		
Other reserve	91	677
Income tax relating to the above	22	(71)
Net change on other assets reserve	113	606
Equity instruments at FVOCI		
Net change in fair value during the year	(885)	-
Income tax relating to the above	177	-
Net change on equity instruments at FVOCI	**(708)**	-
Other comprehensive income for the year, net of tax	**240,741**	**(18,065)**
Total comprehensive income for the year, net of tax	**(85,754)**	**(2,989)**
Attributable to:		
Equity holders of the parent	(85,638)	(3,030)
Non-controlling interest	(116)	41

Consolidated Statement of Changes in Equity

	Issued capital	Share premium	Retained earnings	Fair value reserve	Hedge accounting reserve	Cash flow hedge reserve	Foreign Currency Translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At December 31, 2017 (IAS 39)*	**653,658**	**163,748**	**476,055**	**(2,462)**	**(91,066)**	**(112)**	**(312,117)**	**887,704**	**1,894**	**889,598**
Impact of adopting IFRS 9**	-	-	(52,173)	-	-	-	-	(52,173)	(73)	(52,246)
At January 01, 2018 (IFRS 9)	653,658	163,748	423,882	(2,462)	(91,066)	(112)	(312,117)	835,531	1,821	837,352
Total comprehensive income										
Change in fair value reserve	-	-	-	(6,547)	-	-	-	(6,547)	14	(6,533)
Change in foreign currency translation reserve	-	-	-	-	-	-	(42,059)	(42,059)	78	(41,981)
Change in hedge accounting reserve	-	-	-	-	9,269	-	-	9,269	-	9,269
Change in fair value of equity instruments at FVTOCI	-	-	167	(875)	-	-	-	(708)	-	(708)
Change in other reserve	-	-	112	-	-	-	-	112	1	113
Profit for the year	-	-	(326,286)	-	-	-	-	(326,286)	(209)	(326,495)
Total comprehensive income	-	-	**(326,007)**	**(7,422)**	**9,269**	-	**(42,059)**	**(366,219)**	**(116)**	**(366,335)**
Decrease in share capital (note 21)	(90,658)	-	-	-	-	-	-	(90,658)	-	(90,658)
Disposal of subsidiary without loss of control	-	-	-	-	-	-	-	-	1,473	1,473
Dividends declared and paid	-	-	(78,328)	-	-	-	-	(78,328)	-	(78,328)
Change in equity resulting from disposal of subsidiaries	-	-	-	1,301	(12,485)	112	291,653	**280,581**	-	**280,581**
At December 31, 2018	**563,000**	**163,748**	**19,547**	**(8,583)**	**(94,282)**	-	**(62,523)**	**580,907**	**3,178**	**584,085**

	Issued capital	Share premium	Retained earnings	Fair value reserve	Hedge accounting reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2017	**632,464**	**163,748**	**460,461**	**(9,071)**	**(118,581)**	**(1,230)**	**(265,899)**	**861,892**	**1,866**	**863,758**
Impact of correction*	-	-	-	-	**7,648**	-	-	**7,648**	-	**7,648**
Restated opening balance	**632,464**	**163,748**	**460,461**	**(9,071)**	**(110,933)**	**(1,230)**	**(265,899)**	**869,540**	**1,866**	**871,406**
Total comprehensive income										
Change in fair value reserve	-	-	-	6,609	-	-	-	6,609	8	6,617
Change in foreign currency translation reserve	-	-	-	-	-	-	(46,218)	(46,218)	(55)	(46,273)
Change in hedge accounting reserve*	-	-	-	-	19,867	-	-	19,867	-	19,867
Change in cash flow hedge reserve	-	-	-	-	-	1,118	-	1,118	-	1,118
Change in other reserve	-	-	600	-	-	-	-	600	6	606
Profit for the year	-	-	14,994	-	-	-	-	14,994	82	15,076
Total comprehensive income	-	-	**15,594**	**6,609**	**19,867**	**1,118**	**(46,218)**	**(3,030)**	**41**	**(2,989)**
Transactions with owners of the Bank										
Increase in share capital (note 21)	21,194	-	-	-	-	-	-	21,194	(13)	21,181
At December 31, 2017	**653,658**	**163,748**	**476,055**	**(2,462)**	**(91,066)**	**(112)**	**(312,117)**	**887,704**	**1,894**	**889,598**

* As restated. Reference is made to Note 2 'Basis of Preparation'. ** Reference is made to IFRS 9 Transition Impact Analysis.

Consolidated Statement of Cash Flows

	Notes	January 1- December 31, 2018	January 1- December 31, 2017
Profit for the year from continuing operations		21,382	319
(Loss) /profit for the year from discontinued operations		(347,877)	14,757
Adjustments for:			
Net impairment loss on financial assets	11	28,904	55,478
Depreciation and amortization	14, 15	11,024	13,999
Impairment loss	30	12,205	22,887
Income tax expense	31	5,318	(4,571)
Net interest income		(165,292)	(167,614)
Effect of exchange rate differences		11,403	(42,865)
Loss on disposal of discontinued operations		354,755	-
		(68,178)	**(107,610)**
Changes in:			
Financial assets at fair value through profit or loss		(1,635)	-
Loans and receivables - banks		(54,650)	(120,450)
Loans and receivables - customers		565,212	594,615
Other assets		42,651	53,512
Due to banks		(188,636)	193,535
Due to customers		(220,512)	(870,114)
Other liabilities		(6,767)	(192,384)
		135,663	**(341,286)**
Financial assets at fair value through PL	6	(774,167)	(1,213,088)
Proceeds from sales of financial assets at fair value through PL	6	769,130	1,165,402
Interest received		265,895	290,092
Interest paid		(74,244)	(75,524)
Income taxes paid		(3,208)	(7,281)
Net cash used in operating activities		**250,891**	**(289,294)**
Cash flows from investing activities			
Acquisition of financial investments	7	(2,285,666)	(2,379,236)
Proceeds from sales of financial investments	7	2,361,741	2,395,430
Acquisition of property and equipment	14	(1,944)	(62,450)
Proceeds from sale of property and equipment	14	626	217
Acquisition of intangibles	15	(2,726)	(2,370)
Acquisition / disposal of subsidiaries		564	-
Disposal of discontinued operations	37	166,888	-
Net cash used in investing activities		**239,483**	**(48,409)**
Cash flows from financing activities			
Proceeds from long-term funding		-	170,000
Repayment of long-term funding	20	(336,428)	(48,131)
Interest paid	20	(31,439)	(39,074)
(Repayment of) / proceeds from the issue of ordinary shares		(90,658)	21,194
Dividends paid to shareholders		(78,328)	-
Net cash from financing activities		**(536,853)**	**103,989**
Net cash from continuing operations		**(46,479)**	**(233,715)**
Net cash from discontinued operations		**(111,646)**	**52,617**
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at January 1		742,651	944,468
Effect of exchange rate fluctuations on cash and cash equivalents held		(11,403)	(10,411)
Cash and cash equivalents at December 31	**5**	**573,123**	**742,651**

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 December 31, 2018, 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
The Bank has completed disposal of 90% of shares of its wholly owned subsidiary CEB Russia Ltd on September 12, 2018. The transaction has been executed between the Bank and its shareholders, Fiba Holding A.S and Fina Holding A.S, in the form of a spin-off.

There is no other significant change to the Group within 2018.

2. Basis of preparation

a) Statement of compliance
The Consolidated Financial Statements of Credit Europe Bank N.V. and all its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and have been approved by the Managing Board and the Supervisory Board on March 22, 2019.

b) Basis of measurement
The Consolidated Financial Statements have been prepared on the historical-cost basis, except for 'financial investments', 'derivative financial instruments', 'investment properties' and 'financial assets (and liabilities) measured at fair value through profit or loss', which are measured at fair value and 'assets held for sale' which are measured at lower of the carrying amount or fair value. The amortized costs of financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

c) Functional and presentation currency
These Consolidated Financial Statements are presented in Euros, which is the Bank's functional currency. Amounts in the notes to consolidated financial statements are in thousands of Euros unless otherwise indicated. Financial information presented in Euros has been rounded to the nearest thousands, except where indicated.

d) Use of estimates and judgments
The preparation of Consolidated Financial Statements in conformity with IFRS requires the Bank's management to make judgments, estimates and assumptions that affect the application of policies, and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant use of judgments and estimates are as follows:

(a) Judgments, assumptions and estimation uncertainties
i. Determination of control over investee
Management applies its judgment to determine whether the control indicators set out in 'Significant Accounting Policies' indicate that the Bank controls an entity.

ii. Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The chosen valuation technique makes maximum use of observable market input and relies as little as possible on estimates specific to the Bank.

iii. Impairment losses on loans and receivables
Collective impairment - 2018
The calculation of expected credit losses requires management to apply judgment and make estimates and assumptions. These judgments, estimates and assumptions are an inherent part of the calculation, which includes probability of default (PD), loss given default (LGD) and exposure at default (EAD) models, the determination of a significant increase in credit risk, the selection of appropriate scenarios and macroeconomic factors and the expected credit loss measurement period. These inputs are based on the best available information and are subject to frequent reassessment.

Collective impairment – 2017
In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Individual impairment
The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial position and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Corporate Credit Committee.

iv. Deferred tax assets
Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax-planning strategies.

v. Valuation of repossessed assets
The repossessed assets are initially measured at fair value and classified as non-current assets held for sale, property, plant and equipment, investment property or inventory depending on the nature and use of the asset and other pertinent facts and circumstances. The repossessed assets are measured subsequently at lower of the carrying amount and fair value less costs to sell, at cost less any accumulated depreciation and any accumulated impairment losses, at fair value or at the lower of cost and net realizable value, respectively. For the initial valuation, subsequent measurement or impairment assessment of the repossessed vessels, a valuation methodology based on a discounted cash flows (DCF) model was used as there is a lack of comparable market data because of the nature of the vessels. Significant unobservable valuation inputs used in the calculation are forecasted charter rates, operating expenses, expected operational days, weighted average cost of capital, growth rate and scrap value as the terminal value of the vessels. Significant increases (decreases) in those inputs would result in a significantly lower (higher) fair value. For the repossessed assets other than the vessels, an independent valuation specialist is engaged by the Bank and the valuation has been performed using the most appropriate technique within income approach, cost approach or benchmarking approach.

e) Going concern
The Bank adopted going concern assumption in preparation of the consolidated financial statements.

f) Correction of Error
According to Dutch Corporate Income Tax Act, the results of a hedging activity that has been performed with the intention of hedging currency exchange risk on an investment are exempt under the 'participation exemption rule' provided that procedural arrangements are met. The interest component of net investment hedge contract remains part of the taxable result of the company and does not fall under participation exemption. However, since Credit Europe Bank N.V. (the Parent Company) has left out such interest expenses corporate income tax returns for respective years were filed incorrectly. The Bank has reassessed its methodology starting from 2016 and corrected the error by restating the affected financial statement line items for prior period as follows:

	Before restatement	Restatement 2016 effect	Restatement 2017 effect	After restatement
Deferred tax assets	22,175	7,648	7,213	37,036
Total assets	**7,372,477**	**7,648**	**7,213**	**7,387,338**
Hedge accounting reserve	(106,039)	7,648	7,213	(91,178)
Total equity	**874,737**	**7,648**	**7,213**	**889,598**

3. Significant accounting policies

In these Consolidated Financial Statements, the Bank has applied IFRS 9 and amended IFRS 7, effective for annual periods beginning on or after 1 January 2018, for the first time. The accounting policies set out below have been applied consistently throughout the Bank.

The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Basis of consolidation
Business combinations
Business combinations are accounted for using the acquisition method when control is transferred to the Bank. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.
Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree`s employees (acquiree`s awards) and relate to past services, then all or a portion of the amount of the acquirer`s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree`s awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests
NCI are measured at their proportionate share of the acquiree`s identifiable net assets at the date of acquisition. Changes in the Bank`s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries
Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Bank having power over an investee.

The financial statements of subsidiaries are included into the consolidated financial statements from the date on which control commences until the date when control ceases.

Loss of control
When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates and jointly controlled entities (equity-accounted investments)
Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Bank has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operational decisions. Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investments) and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Bank, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Bank's share of losses exceeds its interest in an equity-accounted investment, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.
Transactions eliminated on consolidation

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

b) Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of the Bank entities at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.
Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- equity investments measured at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

Translation differences in the income statement accounts are included in 'net trading results'. Translation differences related to the disposal of debt securities at fair value through other comprehensive income are considered an inherent part of the capital gains or losses recognized in 'net results from investment securities'.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at average exchange rates of the year.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal.

When the Bank disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Bank disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency differences arising from such item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the currency translation reserve in equity.

Hedge of a net investment in a foreign operation
Reference is made to note k.

c) Financial assets and liabilities

Recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognizes due to customer balances when funds reach to the Bank. Forward purchases and sales other than those requiring delivery within the timeframe established by regulation or market convention are recognized as forward transactions until settlement.

A financial asset or financial liability is measured initially at fair value, for an item not classified at 'fair value through profit or loss', transaction costs that are directly attributable to its acquisition or issue.

Classifications
Financial assets
From 1 January 2018, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 3c)
- FVOCI, as explained in Notes 3f)
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL.

The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in Note 3c).

Financial liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit and loss.

Derecognition
Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.
When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification of terms and conditions
Financial assets
The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) when:

- the contractual rights to the cash flows from the financial asset expire;
- the Bank retains the contractual rights to receive cash flows of the financial asset, but assumes a contractual obligation ('pass-through' arrangement) to pay the cash flows in full without material delay to a third party; or
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the income statement.
The Bank enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or

substantially all of the risks and rewards of the transferred asset, or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Bank could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Offsetting and collateral
The Bank enters into master netting arrangements with counterparties wherever possible, and when appropriate, obtains collateral. The Bank receives and gives collateral in the form of cash and marketable securities in respect of derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending and securities borrowing transactions.
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Due to differences in the timing of actual cash flows, derivatives with positive and negative fair values are not netted, even if they are held with the same counterparty. Also current accounts with positive and negative balances held with the same counterparties are not netted.

Amortised cost measurement
The 'amortised cost' of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principle repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The amortization is recognized in the income statement under interest income.

Fair value measurement
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option-pricing models. The chosen valuation technique makes maximum use of relevant observable inputs, relies as little as possible on unobservable inputs specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instrument. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Assets and long positions are measured at a bid price, liabilities and short positions are measured at an ask price. 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. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables only include data from observable markets, then the difference is recognized in the income statement (net trading results) on initial recognition of the instrument. In other cases the difference is not recognized in the income statement immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

The principal methods and assumptions used by the Bank in determining the fair value of financial instruments are:

- Fair values for trading and financial investments are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash-flow models. Discount factors are derived from the swap curve (observable in the market), plus a spread reflecting the characteristics of the instrument.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash-flow models. Discount factors are derived from the swap curve (observable in the market).
- Fair values for loans and deposits are determined using discounted cash-flow models based on the Bank's current incremental lending rates for similar types of loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are approximated by the carrying amount.
- The fair value of loans that are quoted in active markets is determined using the quoted prices. The Bank uses valuation method to establish the fair value of instruments where prices quoted in active markets are not available. Parameter inputs to the valuation method are based on observable data derived from prices of relevant instruments traded in an active market. These valuation methods involve discounting future cash flows of loan with related yield curve plus spread on similar transactions and using recent offers if available.
- The carrying amounts are considered to approximate fair values for other financial assets and liabilities such as cash and balances at central bank and accounts receivable/ payables.

Identification and measurement of impairment (Policy applicable from 1 January 2018)
i. Loans and receivables from customer and banks
Reference is made to "Adoption of IFRS 9-Financial Instruments" section of this annual report for details of identification and measurement of impairment of loans and receivables from customers and banks.

ii. Financial assets at fair value through other comprehensive income
Reference is made to "Adoption of IFRS 9-Financial Instruments" section of this annual report for further details.

iii. Loan commitments an financial guarantees
Reference is made to "Adoption of IFRS 9-Financial Instruments" section of this annual report for further details.

Identification and measurement of impairment (Policy applicable before 1 January 2018)
At each balance sheet date, the Bank assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, restructuring of loans or advances by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

i. Loans and receivables from customer and banks
For loans and receivables from customers and banks carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for significant financial assets or collectively for non-significant financial assets. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit-risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through an allowance account and the loss is recognized in the income statement. The Bank suspends the accrual of interest on loans when it is determined to be a loss. Previously accrued but uncollected interest is not reversed at the time the loan ceases to accrue interest. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank.

If, in a subsequent year, the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. When any part of a claim is deemed uncollectible or forgiven, a write-off is charged to the allowance account. If a future write-off is later recovered, the recovery is credited to the 'other operating income'.
The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

A collective component of the total allowance is established for groups of homogenous loans that are not considered individually significant.

The collective allowance for groups of homogenous loans is established using statistical methods such as roll rate methodology. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

By definition, these are losses that cannot yet be attributed to particular transactions. Therefore, this provision is derived from the portfolio analysis, which is based on the homogenous exposure structures of the financial assets being analysed. Financial assets are grouped on the basis of their credit-risk characteristics, such as type, geographical location, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experiences for assets with credit-risk characteristics similar to those in the group. Historical loss experiences are adjusted on the basis of current and observable data to reflect the effects of current conditions that did not affect the year on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimate future cash flows are reviewed periodically by means of back testing to reduce any differences between loss estimates and actual loss experience.
Where possible, the Bank seeks to restructure loans rather than take possession of collateral. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower then an assessment is made whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. A substantial difference is defined, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounting using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the financial asset. In this case the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss is measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, the estimated cash flows arising from the modified financial assets are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

Impairment losses are recognized in the income statement (under net impairment loss on financial assets) and reflected in an allowance account against loans and advances. Contractual interest receipts are taken into account when the entity estimates the future cash flows of the instrument and are thus recognized upon receipt. If no contractual interest payments will be collected, the only interest income recognized is the unwinding of the discount on those cash flows expected to be received. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

ii. Held-to-maturity financial investments
For held-to-maturity investments, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent year, the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are reversed through 'net impairment loss on financial assets'.

iii. Available-for-sale financial assets
For available-for-sale financial assets, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost. 'Significant' or 'prolonged' are interpreted on a case-by-case. Generally the Bank considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. Where there is evidence of impairment, impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss directly in equity to income statement. The cumulative loss that is removed from equity and recognized in income statement is the difference between the acquisition costs, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement.

In the case of unquoted debt instruments classified as available-for-sale, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets. Whether an impairment event has occurred is assessed for each debt instrument individually based on the impairment indicators relevant for that instrument.
Interest based on market rates is accrued at the effective interest rate on the reduced carrying amount of the asset, and is recorded as part of 'interest and similar income'.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity.

d) Cash and cash equivalents
'Cash and cash equivalents', as referred to in the cash flows statement, comprises cash on hand and non-restricted balances with central banks with an insignificant risk of a change in value. Cash and cash equivalents are carried at

amortized cost in the statement of financial position.

The cash flows statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year, and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking, investment and financing activities. Movements in loans and receivables and inter-bank deposits are included in cash flows from operating activities. Investment activities comprise sales and redemptions in respect of financial investments, and property and equipment.

The issuing of shares, and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences and the effects of the consolidation of business acquisitions, where of material significance, are eliminated from the cash flows figures.

e) Trading assets and liabilities (excluding derivatives held for trading) (Policy applicable before 1 January 2018)
For financial assets that are debt instruments, held for trading is a business model objective, which results in measurement at FVTPL.
The criteria for classification and measurement for classifying financial assets and liabilities as trading are similar to those under IAS 39.

Included in this classification are debt securities, equities and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.
Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to income statement. Interest income or expense is recorded in 'net interest income' according to the terms of the contract. All changes in fair value, except for the interest accruals, net trading results in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

f) Financial assets measured at fair value through other comprehensive income (Policy applicable from 1 January 2018)
i. Debt securities
'Debt securities' are classified as at FVOCI when both of the following conditions are met;

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test.

These instruments are initially recognized and subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income as 'fair value reserve'. Interest earned while holding the instruments are reported as interest income using the effective interest rate. The expected credit losses for debt securities do not reduce the carrying amount of these assets in the statement of financial position, which remains at fair value. Instead, the loss allowance is recognized in other comprehensive income with a corresponding charge to profit or loss within 'net impairment loss on financial assets'.

ii. Equity instruments
Equity instruments at FVOCI comprise the investments which the Bank elects to classify irrevocably as such, on an instrument-by-instrument basis. Gains and losses are recorded in other comprehensive income as part of 'fair value reserves' without reclassification to profit or loss upon derecognition. Dividends are recognized as 'other operating income'.
Equity instruments at FVOCI are not subject to impairment assessment.

g) Available-for-sale financial assets (Policy applicable before 1 January 2018)
'Available-for-sale financial assets' are instruments that are designated as such or do not qualify to be classified as 'fair value through profit or loss' or 'held-to-maturity'. They may be sold in response to liquidity needs or changes in market conditions. After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'fair value reserve'. When the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'net results from investment securities'. Interest earned while holding available-for-sale investments reported as interest income using the effective interest rate. The losses arising from impairment of such investments are recognized in the income statement as 'net impairment loss on financial assets'.

h) (Policy applicable before 1 January 2018)
'Loans and receivables' (excluding forfeiting loans) are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. Loans and receivables are initially measured at fair value plus incremental direct costs and subsequently measured at amortised cost using the effective interest method. When the Bank chooses to designate the loans and receivables as measured at fair value through profit or loss, they are measured at fair value with face value changes recognized immediately in the income statement.

Loans and receivables also include finance lease receivables in which the Bank is the lessor.

i) Loans and receivables (Policy applicable from 1 January 2018)
From 1 January 2018, the Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and receivables also include finance lease receivables in which the Bank is the lessor.

j) Derivatives held for trading (Policy applicable after 1 January 2018)
A derivative financial instrument is a financial contract between two parties where payments are dependent on movements in price of one or more underlying financial instruments, references, rates or indices. Derivatives include currency and cross-currency swaps, forward foreign-exchange contracts, interest-rate swaps, currency options, equity options, bonds options, commodity options, futures, commodity swaps and credit-default swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value. Changes in the fair value of derivatives are included in 'net trading results'.
Derivatives embedded in financials assets and liabilities are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the income statement under 'net trading result'.

j) Derivatives held for trading (Policy applicable after 1 January 2018)
From 1 January 2018, with the introduction of IFRS 9, the Bank applies separation only for derivatives embedded in financial liabilities. The financial assets are classified based on the business model and SPPI assessments as outlined in Note 3i) above.

k) Derivatives held as economic hedge and hedge accounting
Derivatives held as economic hedges (i.e. asset-liability management) include transactions that are entered into in accordance with the Bank's hedging objectives but do not qualify for hedge accounting. Derivatives held for economic hedge purposes are measured at fair value in the statement of financial position. All gains and losses arising on derivatives held as economic hedge but not designated in a hedge accounting relationship are presented under net trading results.

The Bank designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedge accounting relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk-management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

These hedging relationships are discussed below.

Fair value hedges
When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised

immediately in the statement of income under net trading results together with changes in the fair value of the hedged item that are attributable to the hedged risk.
If the hedging derivative expires or sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to the statement of income as part of the recalculated effective interest rate of the item over its remaining life.

The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in the benchmark rates. Within its risk management and hedging strategies, the Bank differentiates between micro and macro fair value hedging strategies, as set out under the relevant subheadings below.

In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Bank uses pay fixed/receive floating interest rate or cross-currency swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

-Micro fair value hedges
A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate loans, fixed rate debt instruments at FVOCI (or available-for-sale debt securities in 2017) and fixed rate issued subordinated loans. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis.
If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

-Portfolio (macro) fair value hedges
The Bank applies macro fair value hedging to its fixed rate customer deposits. The Bank determines hedged items by identifying portfolios of homogenous deposits based on their contractual interest rates, maturity and other risk characteristics. Deposits within the identified portfolios are allocated to contractual maturity date time buckets. The hedging instruments (pay fix/receive floating rate interest rate swaps) are designated appropriately to those repricing time buckets. Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed deposits due to the hedged risk, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range.

Net investment hedges
When a derivative is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized directly in equity, in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in income statement under net trading results. The amount recognized in equity is removed and included in income statement on disposal of the foreign operations.

l) Repurchase transactions and reverse repo transactions
Transactions where financial instruments, such as loans and securities, are sold under a commitment to repurchase (repos) at a predetermined price or are purchased under a commitment to resell (reverse repo) are treated as collateralized borrowing and lending transactions. The legal title of the financial instrument subject to resale or repurchase commitments is transferred to the lender. Financial instruments transferred under a repurchase commitment are henceforth included in the relevant items of the Bank's statement of financial position, such as 'loans and receivables - customers' and financial investments,

loss, changes in the fair value of the derivative are recognised immediately in the statement of income under net trading results together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to the statement of income as part of the recalculated effective interest rate of the item over its remaining life.

Net investment hedges
When a derivative or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized directly in equity, in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in income statement under net trading results. The amount recognized in equity is removed and included in income statement on disposal of the foreign operations.

Cash-flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement under net trading results. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged cash flows affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the other comprehensive income and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of income. The amount recognised in the other comprehensive income is reclassified to the statement of income as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of income and other comprehensive income.

If the hedging derivative expires or sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

k) Repurchase transactions and reverse repo transactions
Transactions where financial instruments, such as loans and securities, are sold under a commitment to repurchase (repos) at a predetermined price or are purchased under a commitment to resell (reverse repo) are treated as collateralized borrowing and lending transactions. The legal title of the financial instrument subject to resale or repurchase commitments is transferred to the lender. Financial instruments transferred under a repurchase commitment are henceforth included in the relevant items of the Bank's statement of financial position, such as 'loans and receivables - customers' and financial investments, while the borrowing is recorded in 'due to banks'. Financial instruments received under a resale commitment are recorded in the off-balance sheet accounts, unless sold.

Income and expenses arising from repurchase and resale commitments, being the difference between the selling and the purchase price, are accrued over the period of the transaction and recorded in the income statement as 'interest and similar income' or 'interest expense and similar charges'.

l) Leasing
Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement depends on using a specific asset or assets and the arrangement conveys a right to use the asset.

while the borrowing is recorded in 'due to banks'. Financial instruments received under a resale commitment are recorded in the off-balance sheet accounts, unless sold. Income and expenses arising from repurchase and resale commitments, being the difference between the selling and the purchase price, are accrued over the period of the transaction and recorded in the income statement as 'interest income and expense from financial instruments measured at amortized cost".

m) Leasing

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement depends on using a specific asset or assets and the arrangement conveys a right to use the asset.

i. Bank as a lessee

Finance leases, which substantially transfer all the risks and benefits incidental to ownership of the leased item to the Bank, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, and are included in 'property and equipment' with the corresponding liability to the lessor included in 'other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement as 'interest and similar expenses'.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.
Operating lease payments are not recognized on the statement of financial position. Any rentals payable are accounted for on a straight-line basis over the lease term and included in 'general and administrative expenses'.

ii. Bank as a lessor

Finance leases, where the Bank substantially transfers all the risks and benefits incidental to ownership of the leased item to the lessee, are included on the statement of financial position as 'loans and receivables - customers'. A receivable is recognized over the leasing period at an amount equal to the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included under 'interest and similar income' in the income statement.

The Bank acts as lessor in the context of operating leases where the shipping subsidiaries enter into bareboat or time charter agreements. The respective leasing object is still recorded and depreciated in the consolidated financial statements. Lease income from operating leases is recognized in other operating income using the straight-line method over the term of the respective contracts.

n) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment. Borrowing costs, if any, are included in the cost of property and equipment in case they are directly attributable to the acquisition, construction or production of the asset. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on property and equipment using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	40-60 years
Furniture and fixtures	3-20 years
IT equipment	2-6 years
Vehicles	4-9 years
Vessels	15-25 years
Leasehold improvements	Over the term of respective leases or 3-5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'other operating income' in the income statement.

o) Investment Property

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within either "other operating income" or "other impairment losses" as 'change in fair value of investment property'.

p) Intangible assets

i. Software

Intangible assets mainly include the value of computer software. Software acquired by the Bank is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. The amortization expense on intangible assets is recognized in the income statement in 'depreciation and amortization'.

Expenditure on internally developed software is recognized as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete development. The capitalized costs of internally developed software include all costs directly attributable to developing the software, and are amortized over its useful life. Internally developed software is stated at capitalized cost, less accumulated amortization and any accumulated impairment losses.

Amortization is calculated using the straight-line method over their estimated useful life of software, from the date it is available to use. The estimated useful life of software is three to ten years.

ii. Goodwill

Goodwill arises on the acquisition of subsidiaries. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

q) Assets held for sale and discontinued operations

Collaterals repossessed are classified as held for sale if the Bank determines that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Assets classified as held for sale are initially measured at fair value less costs to sell. After initial measurement, they are measured at lower of their carrying amount and fair value less costs to sell. Changes in the fair value of the assets are recognized under 'other impairment losses' in income statement.

These assets have not been disclosed separately in the statement of financial position, but are presented as a component of 'other assets'. Property, plant and equipment and intangible assets once reclassified as held for sale are not depreciated or amortized.

Discontinued operations comprise a component that has been disposed (or classified as held for sale) during the reporting period and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes.

The results of discontinued operations are presented separately from continuing operations in the consolidated statement of income. Intra-group transactions remain fully eliminated in consolidated financial statements. Consolidated cash flow statement includes cash flows of both continuing and discontinuing operations. Amounts related to discontinued operations are disclosed in the notes.

The comparative statement of income and cash flow information are re-presented on the basis of classification of operations as discontinued or continuing operations at the reporting date.

r) Inventories

Inventories include repossessed assets which are measured at the lower of cost and net realizable value.

s) Impairment of non-financial assets

At each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, the Bank assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The 'recoverable amount' of an asset is the greater of its value in use and its fair value, less cost to sell. In assessing 'value in use', the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment

losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses for goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

t) Deposits, issued debt securities and subordinated liabilities

Deposits, which include due to banks and due to customers, issued debt securities and subordinated liabilities are the Bank's sources of debt funding.

Deposits, issued debt securities and subordinated liabilities are initially measured at fair value, plus directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that is an integral part of the effective interest rate.

u) Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.
Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and, an ECL provision under IFRS 9 – as set out in Note 19 (before 1 January 2018, the best estimate of expenditure required to settle any financial obligation arising as a result of guarantee).

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.
The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position except for the following cases:

- if the Bank designates the loan commitments as financial liabilities at fair value through profit or loss,
- if the Bank has a practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments,
- if the loan commitments can be settled net in cash or by delivering or issuing another financial instrument,
- if the commitments are to provide a loan at a below-market interest rate

v) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

w) Employee benefits

Defined contribution plan
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognized as 'personnel expenses' in the statement of income.

x) Income taxes

i. Current tax
Current tax assets and liabilities for current and prior years are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.

ii. Deferred income tax
Deferred corporate income tax is recorded, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences not deductible for tax purposes and initial recognition of assets and liabilities that affect neither accounting nor taxable profit.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when 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. Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

y) Recognition of income and expenses

The Bank recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services.
Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Bank measures disaggregated revenue categories in note 23 'Net fee and commission income' and revenues from shipbuilding activities in note 26 'Other operating income' according to IFRS 15 "Revenue from Contracts with Customers". Relevant items in note 22 "Net interest income" and note 24 'Net trading results" are measured in accordance with IFRS 9 "Financial Instruments".

i. Interest income and expenses
Interest income and expenses are recognized in the statement of income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.
The Bank holds investments in assets of countries with negative interest rates. Interest paid on these assets is disclosed as interest expense.

ii. Fees and commissions income
The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions for the provision of services over a period of time are generally recognized on an accrual basis. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs), and are recognized as an adjustment to the effective interest rate of the loan.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Management and service fees are recognized based on the applicable service contracts. Fees for bank transfers and other banking transaction services are recorded as income when collected.

iii. Net trading results
'Net trading results' comprises gains and losses arising from changes in the fair value and disposal of financial assets and liabilities held for trading, changes in the fair value of loans to customers that are reclassified as financial assets mandatorily at fair value through profit and loss, and dividends received from trading instruments.

Realized and unrealized gains and losses on derivative financial instruments not designated in a hedge accounting relationship are recognized under net trading results as well as any ineffectiveness recorded on hedging transactions.

iv. Net results from investment securities
Net results from investment securities include gains and losses on the sale of financial instruments classified as measured at fair value through other comprehensive income. Dividend income from financial investments is recognized when entitlement is established.

v. Revenue from contracts with customers (Policy applicable from 1 January 2018)
Revenue from construction contracts, sale of goods and chartering activities earned by non-banking subsidiaries of the Bank are presented as part of 'other operating income' in the statement of profit and loss.

Revenue construction contracts is recognised over time and the output method currently used to measure the progress towards complete satisfaction of performance obligations is continued to be appropriate under IFRS 15.

Revenue from the sale of goods is recognized when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Charter income is recognized over time during the period of the contract.

Further details are provided in Note: "Adoption of IFRS 15 "Revenue from Contracts with Customers"

z) Fiduciary activities
Assets held in fiduciary capacity, if any, are not reported in the financial statements, as they are not the assets of the Bank.

aa) Dividends on ordinary shares
Dividends on ordinary shares of the Bank are recognized as a liability and they are deducted from equity when they are declared by the Bank's shareholders. Interim dividends are deducted from equity when they are declared.

Dividends for the year that are approved after the balance sheet date are dealt with in the 'subsequent events' note.

ab) Equity components
Foreign currency translation reserve
The currency translation account comprises all currency differences arising from translating the financial statements of foreign operations, net of the translation impact on foreign currency liabilities. These currency differences are included in the income statement on disposal or partial disposal of the operation.

Net investment hedge reserve
The Bank uses mixture of forward foreign-exchange contracts to hedge the foreign currency translation risk on its net investments in foreign subsidiaries.

When a financial instrument is designated as the hedging instrument to hedge a carrying value of net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized directly in equity, in the `net investment hedge reserve'. The hedge reserve includes interest elements of the forward contract, which for hedge effectiveness is excluded from the hedge effectiveness test. Any ineffective portion of changes in the fair value of the derivative as determined by hedge effectiveness testing is recognized immediately in income statement. The amount recognized in equity is removed and included in the income statement on disposal of the foreign operation.

Cash flow hedge reserve
The Bank uses derivative financial instruments such as foreign exchange swaps to hedge the exposure to variability in the future cash flows. The cumulative effective gain or loss recognized in equity of the derivative used in a cash flow hedge is transferred to income statement in the same period that the hedge cash flows affect income statement.

Fair value reserve
In this component, gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income are recognized, net of taxes. Expected credit loss allowances for debt securities are also recorded to fair value reserves. When the relevant assets are sold, impaired or disposed of the related cumulative gain or loss recognized in equity is transferred to the income statement except for the equity instruments. Cumulative gain or loss recognized for equity instruments are not recycled to income statement upon derecognition.

ac) Segment reporting
Segment information is presented in respect of the Bank's operating segments, where the Bank assesses performance and accordingly makes resource allocations.

Changes in IFRS effective in 2018
a) Adoption of IFRS 9 "Financial Instruments"
On January 1, 2018, the Bank adopted IFRS 9 "Financial Instruments" which replaces IAS 39 "Financial Instruments: Recognition and Measurement" and substantially changes accounting and financial reporting in three key areas: classification and measurement of financial assets, impairment and hedge accounting. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures and retained hedge accounting under IAS 39, including the application of the EU carve-out.

Below "IFRS 9 Transition Impact Analysis" section provides the detailed effects of the adoption of IFRS 9.

IFRS 9 Transition Impact Analysis
The Bank has applied the classification, measurement, and impairment requirements retrospectively by adjusting the opening balance and equity as at 1 January 2018 without restating the comparative information for the period beginning 1 January 2017.
The adoption of IFRS 9 effective 1 January 2018 has resulted in a reduction in consolidated equity as of 1 January 2018 by EUR 52,246 (Pre-tax EUR 71,255).

This new standard leads to higher loan loss allowances as from 1 January 2018. Regarding the regulatory capital calculation, the Bank mitigates the impact on own funds requirements by benefiting from the five year transitional arrangement in accordance with Regulation (EU) 2017/2395 of the European Parliament and of the Council.

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	December 31, 2017	January 1, 2018 Transitional (95%)	January 1, 2018 Fully loaded
Core Tier I	843,507	840,934	792,060
Total Tier I capital	883,808	881,235	832,361
Total Tier II capital	125,073	125,073	125,073
Total own funds	**1,008,881**	**1,006,308**	**957,434**
Solvency Ratio			
Capital ratio	17.04%	17.04%	16.35%
Tier I ratio	14.93%	14.92%	14.21%
Core Tier I	14.25%	14.24%	13.52%
RWA	**5,918,937**	**5,904,815**	**5,856,634**

Classification and measurement of financial assets and liabilities

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVTPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVTPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and sell" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, are measured at FVTPL.

Equity financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVTPL. Embedded derivatives are no longer separated from a host financial asset.

The most significant classification and measurement changes on transition to IFRS 9 are as follows:

- Loans and receivables to customers that no longer qualify for amortized cost under IFRS 9 have been classified at FVTPL (mandatory) because their cash flow characteristics do not satisfy SPPI criteria.
- As of January 1, 2018, given its intention to dispose CEB Russia, the Bank has reassessed its business model in relation to CEB Russia assets. As result, business model has been changed from "held to collect" to "other". Accordingly, financial investments at AFS that were measured at fair value and loans and receivables that were measured at amortized cost have been classified at FVTPL.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. IFRS 9 includes a policy choice that would allow to continue to apply the existing hedge accounting rules. The Bank has decided to continue applying IAS 39 for hedge accounting.

Impairment Allowances

In IFRS 9 the incurred loss impairment model is replaced with a forward looking expected loss model.
Expected credit loss (ECL) amount is calculated on a probability-weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive. The new standard outlines a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is

calculated on the net carrying amount (that is, net of credit allowance).

The Bank recognizes a loss allowance for expected credit losses on amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees in accordance with IFRS 9.
Equity instruments are not subject to impairment under IFRS 9.

The Bank's corporate ECL model leverages the data, systems and processes of the probability of default (PD) models that are developed for Internal Rating-Based Approach (IRB) purposes. Internally developed PD models produce the likelihood of default in the upcoming 12 months period. For ECL calculation Loss Given Default (LGD) is also an important metric. LGD is the expected loss of the Bank as a percentage of Exposure at Default (EAD) arising in case a borrower defaults on a loan in the upcoming 12 months period. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Bank utilizes regulatory figures for LGD parameter. Appropriate adjustments are made to regulatory LGD and internally developed PD parameters to meet IFRS 9 requirements, including the conversion of through-the-cycle and downturn parameters that are required for IRB purposes to point-in-time parameters used under IFRS 9 that considers forward-looking information based on multiple scenarios.

For retail and credit card portfolios new PD and LGD models dedicated to IFRS9 are developed and implemented. Newly developed models are customized based on country breakdown and product specifics to obtain homogeneous risk differentiation. Both PD and LGD models are calibrated to be point-in-time and forward looking.

IFRS 9 requires the consideration of past events, current market conditions and reasonable forward-looking supportable information about future economic conditions in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected losses. In assessing information about possible future economic conditions, the Bank utilized multiple economic scenarios representing the base case, benign and adverse forecasts. Key economic variables used in the determination of the allowance for credit losses include GDP, the inflation rate, the exchange rate, commodity price, export volume and housing prices, among others. The Bank uses regional economic variables in its models to reflect the geographic diversity of its portfolios, where appropriate. Utilizing the macroeconomic models, forward looking retail and corporate ECL components are forecasted for the upcoming 3 and 5 years, respectively.

In the second half of 2018, CEB has updated its PIT calibrations and macro-economic models that are used for forward looking adjustments. Due to the macro-economic volatility observed in Turkey in 2018, the PIT calibration and the macro-economic model outputs that are applied to Turkish corporate exposures are distinguished from the ones that are applied to the exposures in other geographies. The Turkish portfolio specific model and calibration updates resulted in additional EUR 1.1 mio provision for performing Turkish exposures. Having said that, the updated models and calibrations for the rest of the world (ROW) portfolio had resulted in lower provisioning levels. Since Turkish loan book size has been significantly reduced within 2018 due to lower risk appetite in Turkey, at 2018 year-end, the lower provision levels of ROW portfolio has outweighed the higher provision level Turkish portfolio and the total impact of the model and calibration changes on consolidated level was approximately EUR 3 mio reduction in total provision level.

The staging assessment especially for longer dated portfolios has a significant impact on impairment calculation. The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition. Assets can move in both directions through the stages of the impairment model. Certain probation periods apply for forborne and credit-impaired exposures to move between stages. Probation periods that are required for forborne and defaulted exposures to be able to move to Stage 1 and Stage 2, are designed to be compatible with the European Banking Authority (EBA) guidelines on definition of default." with "If an exposure is classified as performing forborne, which is considered as Stage 2, then the probation period to be considered as performing and transferring to Stage 1 is two years. The grace period for a non-performing forborne , which is classified as Stage 3, to become performing forborne and transfer to Stage 2 is one year. The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1
Stage 1 corresponds to fully performing exposures. 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 material amount of principal, interest or fee has not been paid at the date it was due.

Stage 2
There are three main reasons that cause classifying a loan from stage 1 to stage 2:

- Credit Quality Deterioration
  a. Warning Signals
  b. Significant Change in Probability of Default
- Performing Forborne
- Past-due 31 up to 90 days

Stage 3
Stage 3 corresponds to credit impaired exposures, where there is objective evidence of such impairment as a result of one or more events that occurred after the initial recognition of the exposure (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the exposure that can be reliably estimated. The Bank classifies all non-performing exposures (NPE) as credit impaired. For Stage 3 assets, lifetime ECL which incorporates forward looking information is realized. For corporate exposures, the stage 3 allowance is calculated on an individual basis whereas for retail exposures it is calculated on collective basis.

Stage 3 exposures are defined as exposures that satisfy either or both of the following criteria:

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

The "unlikeliness to pay" definition at the Bank includes non-accrued status, a specific loan loss provision or a charge-off, sale of credit obligation, distressed restructuring of credit obligation, bankruptcy, specific treatments in specialized lending (SL) portfolios and other criterias which indicate deterioration of the counterparty's creditworthiness and may require a status change into a default immediately and/or in the nearest future.

New IFRS 9 impairment rules, driven by the expected credit losses rather than IAS 39's incurred loss approach, lead to higher loan loss allowances starting from 1 January 2018. The main impairment impact results from the lifetime expected losses of the Stage 2 portfolio, removal of the loss identification period attribute from the formula of loss calculation and treatment of unused retail credit lines under the scope of revolving credit facility under IFRS9.

Write-offs
CEB NV writes off the NPEs that are recognized as unrecoverable. When there are no reasonable expectations of recovery, than CEB NV ensures that impaired exposure or part of it is written-off. The exposure could be written off when;
a) It is not legally enforceable to recover funds (or part of it) via sale or appropriate of collateral and from the borrower or from any third party;
b) It is legally enforceable to recover funds from the borrower or any third party, but there is very low probability of happening so.

A partial write-off can be done when there is evidence that the borrower is unable to repay the amount of the exposure in full, meaning that there is reasonable expectation of recovering a part of exposure. The accrued interest can also be written off partially with reasonable interest rate reduction if it is agreed with the borrower and/or guarantor for the repayment with interest rate reduction.

The following tables provide an overview of the impact of the changes to total assets and total liabilities under classification, measurement and impairment for on- and off-balance sheet positions, affected by IFRS 9.

	IAS 39 Measurement		IFRS 9 Measurement		
	Classification	Carrying Amount as at 31/12/2017	Re-classification	Re-measurement	Carrying Amount as at 01/01/2018
Assets					
Cash and balances at central banks	**Amortized cost**	**829,224**	-	-	**829,224**
Financial assets at FVTPL	**FVTPL**	**53,184**	**(1,276)**	-	**51,908**
Closing balance	FVTPL	53,184	-	-	53,184
To equity instruments-FVOCI	FVTPL	-	(1,276)	-	(1,276)
Financial assets at FVTPL (mandatory)	-	-	**1,387,324**	**(18,482)**	**1,368,841**
From loans and receivables at amortized cost[1]	-	-	1,383,377	(18,482)	1,364,895
From financial investments-AFS	-	-	3,946	-	3,946
Financial investments-AFS	**Available for Sale**	**750,799**	**(750,799)**	-	-
Closing balance	Available for Sale	750,799	-	-	750,799
To FVOCI-debt instruments (-)	Available for Sale	-	(737,838)	-	(737,838)
To FVOCI-equity instruments (-)	Available for Sale	-	(9,015)	-	(9,015)
To financial assets at FVTPL (-)	Available for Sale	-	(3,946)	-	(3,946)
Financial investments measured at FVOCI	-	-	**748,129**	-	**748,129**
From financial investments-AFS (debt instruments)[2]	-	-	737,838	-	737,838
From financial investments-AFS (equity instruments)	-	-	9,015	-	9,015
From financial assets at FVTPL	-	-	1,276	-	1,276
Loans and receivables – banks	**Amortized cost**	**538,062**	**(160,734)**	**(788)**	**376,541**
Closing balance	Amortized cost	538,062	-	-	538,062
To financial assets at FVTPL (-)1	Amortized cost	-	(160,734)	-	(160,734)
Increase in credit losses (-)	Amortized cost	-	-	(788)	(788)
Loans and receivables – customers	**Amortized cost**	**4,487,379**	**(1,222,643)**	**(51,314)**	**3,213,422**
Closing balance	Amortized cost	4,487,379	-	-	4,487,379
To financial assets at FVTPL (-)1	Amortized cost	-	(1,222,643)	-	(1,222,643)
Increase in credit losses (-)	Amortized cost	-	-	(51,314)	(51,314)
Derivative financial instruments	**FVTPL**	**236,391**	-	-	**236,391**
Closing balance	FVTPL	236,391	-	-	236,391
Deferred Tax Assets		**37,036**	-	**19,009**	**56,044**
Closing balance		37,036	-	-	37,036
Remeasurement in expected credit losses		-	-	16,352	16,352
Remeasurement arising from reclassifications		-	-	2,657	2,657
Current tax assets		6,803	-	-	6,803
Other assets		239,088	-	-	239,088
Investment in associates and joint ventures		6,311	-	-	6,311
Property, equipment and investment property		190,721	-	-	190,721
Intangible assets		12,340	-	-	12,340
Total Assets		**7,387,338**	-	**(51,575)**	**7,335,763**

1 EUR 1,336,752 has been reclassified at FVTPL (mandatory) due to the Bank's business model change in relation to discontinued CEB Russia activities. Reference is made to Note 37 for further information.

2 Represents financial investments reclassified due to the Bank's business model change in relation to CEB Russia activities. Reference is made to Note 37 for further information.

	IAS 39 Measurement		IFRS 9 Measurement		
	Classification	Carrying Amount as at 31/12/2017	Re-classification	Re-measurement	Carrying Amount as at 01/01/2018
Liabilities					
Due to banks	Amortized cost	629,762	-	-	629,762
Due to customers	Amortized cost	4,899,025	-	-	4,899,025
Derivative financial instruments	FVTPL	203,635	-	-	203,635
Issued debt securities	Amortized cost	70,843	-	-	70,843
Subordinated liabilities	Amortized cost	593,934	-	-	593,934
Current tax liabilities		16,577	-	-	16,577
Deferred tax liabilities		23,735	-	-	23,735
Other liabilities		46,427	-	-	46,427
Provisions		13,802	-	671	14,473
Closing balance		13,802	-	-	13,802
Remeasurement in expected credit losses on financial guarantee contracts and loan commitments		-	-	671	671
Total Liabilities		**6,497,740**	**-**	**671**	**6,498,411**

Impact (net of tax) of adopting IFRS 9 on reserves and retained earnings is as follows:

	IAS 39 Measurement		IFRS 9 Measurement	
	Carrying Amount as at 31/12/2017	Reclassification	Remeasurement	Carrying Amount as at 01/01/2018
Fair value reserve-AFS	(2,462)	2,462	-	-
Closing balance	(2,462)	-	-	(2,462)
To FVOCI (debt securities) reserve (-)	-	6,606	-	6,606
To FVOCI (equity instruments) reserve (-)	-	(2,055)	-	(2,055)
Deferred tax in relation to above	-	(2,089)	-	(2,089)
Fair value reserve-Financial investments at FVOCI	-	(2,462)	-	(2,462)
From AFS reserve (debt securities)	-	(6,606)	-	(6,606)
From AFS reserve (equity instruments)	-	2,055	-	2,055
Deferred tax in relation to above	-	2,089	-	2,089
Retained Earnings	476,055	-	(52,246)	423,809
Closing balance	476,055	-	-	476,055
Remeasurement impact of reclassifications	-	-	(18,482)	(18,482)
Recognition of expected credit losses under IFRS 9	-	-	(52,773)	(52,773)
Deferred tax in relation to above	-	-	19,009	19,009
Total change in retained earnings	-	-	(52,246)	(52,246)
Total change in equity due to adoption of IFRS 9	-	-	(52,246)	(52,246)
Total Equity	889,598	-	(52,246)	837,352
Total Equity and Liabilities	**7,387,338**	**-**	**(51,575)**	**7,335,763**

Reclassification of allowances and provisions on adoption of IFRS 9

The table below provides reconciliation from the IAS 39 allowances / IAS 37 provisions to the IFRS 9 ECL allowances / provisions recognized as of 1 January 2018 upon adoption of IFRS 9.

	December 31, 2017		January 1,2018	
	Loss allowances and provisions (IAS 39 / IAS 37)	Reclassification	Remeasurement	Allowances for ECL / Provisions for ECL (IFRS 9)
On-balance sheet				
Loans and advances to banks	925	-	788	1,713
Loans and advances to customers	208,541	(69,720)	51,314	190,135
Total on-balance sheet	**209,466**	**(69,720)**	**52,102**	**191,848**
Off-balance sheet				
Financial guarantees	-	-	671	671
Total off-balance sheet	-	-	671	671
Total	**209,466**	**(69,720)**	**52,773**	**192,519**

b) Adoption of IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which is effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for obligations as they are satisfied.

IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. It supersedes revenue recognition guidance of IAS 18 Revenue and IAS 11 Construction Contracts. While interest and fee income integral to financial instruments, insurance contracts and leases continue to fall outside the scope of IFRS 15 and are regulated by the other applicable standards, the application of IFRS 15 have an impact on the Bank's consolidated financial statements in respect of revenue from shipbuilding contracts.

Management has assessed that rendering of services in relation to shipbuilding contracts represents single performance obligations. The transaction price allocation to the performance obligation is made on an individual contract basis. Revenue from these construction contracts is recognised over time and the output method is used to measure the progress towards completion of these performance obligations. Management has assessed that impact arising from significant financing component, variable consideration and contract modifications on the Bank's consolidated financial statements is not significant.

New standards and interpretations not yet adopted

A new standard and amendments to standard are effective for annual periods beginning after 1 January 2019; however, the Bank has not applied the following standard in preparing these consolidated financial statements.

IFRS 16: Leases

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between operating and financing lease for lessees. The requirements for lessor accounting remain largely unchanged. The Bank finalized the operating procedures and systems in order to implement the new requirements of the standard. The Bank has assessed that application of IFRS 16 has limited effect on its consolidated financial statements.

IFRS 17: Insurance Contracts

The new standard on insurance contracts was issued by the IASB in May 2017 to replace IFRS 4 and to establish a comprehensive standard for inceptors of insurance policies. The effective date is 1 January 2021, subject to IASB's approval of a deferral until 1 January 2022. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

Amendments

The IASB issued amendments to IFRS 9, Prepayment Features with Negative Compensation, which became effective on 1 January 2019. These amendments allow instruments with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income.

In October 2017, the IASB issued amendments to IAS 28 that will become effective on 1 January 2019. The amendments state that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. The impact of the amendments on the financial statements is expected to be insignificant.

In February 2018 the IASB amended IAS 19 'Employee Benefits' to clarify the need to update assumptions whenever there is a plan amendment, curtailment or settlement. The Bank is currently assessing the impact of the amendments.

In October 2018 the IASB issued amendments to IFRS 3 Business Combinations. The amendments resolve difficulties in determining whether an entity has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after 1 January 2020. The Bank is currently assessing the impact of the amendments.

In October 2018 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments revise the definition of material and align the definition across other IFRS publications. The Bank is currently assessing the impact of the amendme

Notes to Consolidated Financial Statements

4. 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 (2017: seven) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

- Western Europe retail: includes retail loans and funds entrusted by retail customers in Western Europe, including Germany, the Netherlands and Belgium.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany, Belgium, Malta and Switzerland.
- 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.

	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
December 31, 2018						
Interest income – external	4,290	203,602	23,956	17,100	12,972	261,920
Interest income – other segments	-	5,807	-	324	277	6,408
Interest revenue	4,290	209,409	23,956	17,424	13,249	268,328
Interest expenses – external	-	(80,771)	(4,323)	(7,006)	(4,528)	(96,628)
Interest expense – other segments	-	(2,720)	-	(1,697)	(1,991)	(6,408)
Interest expense	-	**(83,491)**	**(4,323)**	**(8,703)**	**(6,519)**	**(103,036)**
Net interest income	**4,290**	**125,918**	**19,633**	**8,721**	**6,730**	**165,292**
Net commission income – external	426	19,891	6,409	654	1,624	29,004
Net commission income – other segments	-	(1,453)	2,701	11	(1,259)	-
Trading and other income	693	(19,328)	530	3,315	15,389	599
Trading and other income– other segments	-	(1,184)	-	33	1,151	-
Net impairment loss on financial assets	(52)	(33,126)	7,452	931	(4,109)	(28,904)
Depreciation and amortization expense	(220)	(5,668)	(1,867)	(1,157)	(2,112)	(11,024)
Other operating expenses	(2,311)	(74,536)	(19,781)	(14,335)	(18,326)	(129,289)
Share of profit of associate	-	-	-	-	1,022	1,022
Operating profit before taxes	**2,826**	**10,514**	**15,077**	**(1,827)**	**110**	**26,700**
Income tax expense	(628)	(2,140)	(2,650)	244	(144)	(5,318)
Profit for the year	**2,198**	**8,374**	**12,427**	**(1,583)**	**(34)**	**21,382**
Other information at 31 December 2018 - Financial position						
Total assets	68,266	3,703,210	368,000	701,243	242,434	5,083,153
Total liabilities	2,648,592	957,924	344,941	414,029	133,582	4,499,068
Investment in associates and joint ventures	-	-	-	-	7,129	7,129
Assets held for sale	-	-	-	-	1,415	1,415
Other information at 31 December 2018 - Income statement						
Reversal of impairment allowances no longer required	2,964	3,846	5,596	3,895	1,185	17,486

	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
December 31, 2017*						
Interest income – external	6,027	224,807	23,528	16,869	13,532	284,763
Interest income – other segments	-	13,828	-	423	430	14,681
Interest revenue	**6,027**	**238,635**	**23,528**	**17,292**	**13,962**	**299,444**
Interest expenses – external	-	(103,576)	(8,199)	(3,294)	(2,080)	(117,149)
Interest expense – other segments	-	(10,554)	-	(2,062)	(2,065)	(14,681)
Interest expense	**-**	**(114,130)**	**(8,199)**	**(5,356)**	**(4,145)**	**(131,830)**
Net interest income	**6,027**	**124,505**	**15,329**	**11,936**	**9,817**	**167,614**
Net commission income – external	97	22,047	7,248	1,081	1,206	31,679
Net commission income – other segments	-	(3,230)	3,225	11	(6)	-
Trading and other income	349	3,494	4,371	3,157	4,355	15,726
Net impairment loss on financial assets	(1,166)	(30,780)	(14,725)	(2,034)	(6,773)	(55,478)
Depreciation and amortization expense	(210)	(8,787)	(1,719)	(1,101)	(2,182)	(13,999)
Other operating expenses	(2,660)	(101,317)	(19,968)	(15,088)	(11,520)	(150,553)
Share of profit of associate	-	-	-	-	759	759
Operating profit before taxes	**2,437**	**5,932**	**(6,239)**	**(2,038)**	**(4,344)**	**(4,252)**
Income tax expense	(679)	2,145	3,611	(324)	(182)	4,571
Profit for the year	**1,758**	**8,077**	**(2,628)**	**(2,362)**	**(4,526)**	**319**
Other information at 31 December 2017 - Financial position						
Total assets - continuing operations	93,598	4,304,222	356,063	827,261	242,262	5,823,406
Total liabilities - continuing operations	2,869,539	1,420,538	327,654	518,494	130,359	5,266,584
Investment in associates and joint ventures	-	-	-	-	6,311	6,311
Assets held for sale	-	72,906	-	-	1,312	74,218
Other information at 31 December 2017 - Income statement						
Reversal of impairment allowances no longer required	419	702	481	157	413	2,172

* 'Russia wholesale' and 'Russia retail' segments have been removed in the table since CEB Russia has been classified as discontinued operations within 2018.

Information about major customers

As of December 31, 2018, there is no single customer revenues from which individually exceeded 10% of total revenue (31 December 2017: none).

5. 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.

	December 31, 2018	December 31, 2017
Balances with central banks	633,208	767,478
Cash on hand	18,565	61,746
Total	**651,773**	**829,224**

Deposits at central banks include reserve deposits amounting to EUR 78,650 (2017: EUR 86,573), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash and balances at central banks	651,773	829,224
Less: reserve deposits at central banks	(78,650)	(86,573)
Cash and cash equivalents in the statement of cash flows	**573,123**	**742,651**

6. Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets held for trading		
Trading loans	56,557	45,185
Bank bonds	3,299	2,683
Government bonds	-	1,268
Equity instruments	-	2,466
Corporate bonds	-	1,582
Total financial assets held for trading	**59,856**	**53,184**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	27,872	-
Total non-trading financial assets mandatorily at FVTPL	**27,872**	**-**
Total financial assets at fair value through profit or loss	**87,728**	**53,184**

As of December 31, 2018, EUR 3,299 (2017: EUR 7,999) of the total are listed financial instruments and EUR 84,429 are non-listed financial instruments.

As of December 31, 2018, EUR 116,640 financial asset have been sold or re-pledged under repurchase agreements (2017: None).

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

The movement in financial assets at fair value through profit loss may be summarized as follows:

December 31, 2018	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	**53,184**	**46,625**	**99,809**
Additions	774,167	-	774,167
Disposals (sale, collection and redemption)	(769,130)	(12,173)	(781,303)
Net changes in fair value	2,811	2,056	4,867
Exchange differences	98	822	920
Transfers into (from) other financial asset classes	(1,274)	(9,458)	(10,732)
Balance at the end of the year	**59,856**	**27,872**	**87,728**

December 31, 2017	Financial assets held for trading	Total
Balance at the beginning of the year	**2,712**	**2,712**
Additions	1,213,088	1,213,088
Disposals (sale, collection and redemption)	(1,165,402)	(1,165,402)
Net changes in fair value	3,012	3,012
Exchange differences	(226)	(226)
Balance at the end of the year	**53,184**	**53,184**

7. Financial investments

	December 31, 2018	December 31, 2017
Available-for-sale financial investments	-	750,799
Financial investments at FVOCI	692,049	-
Total	**692,049**	**750,799**

As of December 31, 2018, EUR 43,482 financial assets have been sold or re-pledged under repurchase agreements (2017: EUR 166,610). 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.

	Financial investments at FVOCI December 31, 2018	Available for sale financial investments December 31, 2017
Government bonds	292,506	638,814
Bank bonds	203,863	97,301
Corporate bonds	169,938	5,669
Equities	25,742	9,015
Total	**692,049**	**750,799**

As of December 31, 2018, EUR 672,936 (2017: EUR 750,680) of the total are listed financial instruments and EUR 19,114 (2017: EUR 119) 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 (EUR 18,995).

The movement in investment securities may be summarized as follows:

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	**750,799**	**767,109**
Effect of discontinued operations	(3,946)	-
Additions	2,305,273	2,417,303
Disposals (sale and redemption)	(2,361,741)	(2,437,917)
Net changes in fair value	(7,069)	22,924
Amortization	(2,339)	-
Transfers into other financial asset classes	1,276	-
Exchange differences	9,796	(18,620)
Balance at the end of the year	**692,049**	**750,799**

8. Loans and receivables - banks

	December 31, 2018	December 31, 2017
Placements with other banks	391,511	511,105
Loans and advances	41,825	27,882
Subtotal	**433,336**	**538,987**
Allowances for expected credit losses	(1,358)	(925)
Total	**431,978**	**538,062**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 26,757 (2017: EUR 54,162).

Changes in expected credit losses are summarized as follows:

	Stage 1	Stage 2	Stage 3	Total
At December 31 2017 (IAS 39)	-	-	**(925)**	**(925)**
Impact of adopting IFRS 9*	(788)	-	-	(788)
At January 01, 2018 (IFRS 9)	(788)	-	**(925)**	**(1,713)**
New impairment	(284)	-	-	(284)
Assets derecognised or matured (excluding write offs)	307	-	-	307
Amounts written off	342	-	-	342
Disposal of a subsidiary	(10)	-	-	(10)
At December 31, 2018	**(433)**	-	**(925)**	**(1,358)**

* Reference is made to IFRS 9 Transition Impact Analysis.

9. 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.

	December 31, 2018			December 31, 2017		
	Notional amount	Carrying value assets	Carrying value liabilities	Notional amount	Carrying value assets	Carrying value liabilities
Derivatives held for trading						
Interest rate swaps	125,500	31,298	32,218	247,000	156	1,277
Interest rate futures	3,100	-	8	-	-	-
Interest rate options (purchased)	62,030	1,097	-	62,536	651	-
Interest rate options (sold)	(62,030)	-	1,151	(89,126)	-	651
Foreign currency swaps	656,357	85,244	81,725	2,738,539	140,203	110,965
Foreign currency forwards	22,140	113	190	255,025	7,953	8,325
Foreign currency options (purchased)	168,323	19,142	-	895,962	38,748	-
Foreign currency options (sold)	(163,954)	-	20,861	(886,070)	-	42,437
Equity options (purchased)	2,428	684	-	49,744	1,904	-
Equity options (sold)	(2,428)	-	683	(49,744)	-	1,904
Commodity options (purchased)	-	-	-	6,879	4	-
Commodity options (sold)	-	-	-	(6,879)	-	4
Total	**811,466**	**137,578**	**136,836**	**3,223,866**	**189,619**	**165,563**
Derivatives in economic hedge relationship						
Interest rate swaps	11,898	2,794	2,970	200	-	-
Foreign currency swaps	1,495,122	45,924	39329	1,562,668	28,945	22,942
Forwards	107,305	484	523	-	-	-
Total	**1,614,325**	**49,202**	**42,822**	**1,562,868**	**28,945**	**22,942**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	351,760	807	1,265	369,995	1,017	-
Foreign currency swaps	89,211	1,697	24	134,204	565	57
Total	**440,971**	**2,504**	**1,289**	**504,199**	**1,582**	**57**
Derivatives in cash flow hedge accounting relationship						
Foreign currency swaps	-	-	-	16,974	1,694	72
Total	-	-	-	**16,974**	**1,694**	**72**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	319,421	577	1,749	944,453	14,551	15,001
Total	**319,421**	**577**	**1,749**	**944,453**	**14,551**	**15,001**
Total Derivatives	**3,186,183**	**189,861**	**182,696**	**6,252,360**	**236,391**	**203,635**

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

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

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

Fair value hedges in hedge accounting relationships:
Market risk in the banking book is the risk that unfavourable market movements cause the Bank's value or income to fluctuate. The Bank uses a combination of portfolio (macro) hedges (portion of fixed rate customer deposits) and specific asset or liability (micro) hedges (portion of fixed income portfolio, subordinated loans) to swap fixed interest rates for floating interest rate positions. The resulting interest rate positions, after application of interest rate hedges, are in line with the bank's strategy and risk appetite. In addition, for specific loans, the Bank hedges the changes in the fair value of the foreign currency denominated loans relating to changes in foreign currency exchange rates.
The following table sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
December 31, 2018	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate corporate loans	94,573	-	-	1,527
Fixed rate FVOCI debt instruments	95,006	-	1,084	-
Fixed rate subordinated liabilities	-	158,118	1,453	-
Equity instruments FVOCI	18,880	-	79	-
Subtotal	**208,459**	**158,118**	**2,616**	**1,527**
Portfolio fair value hedges				
Fixed rate customer deposits	-	69,432	-	504
Subtotal	**-**	**69,432**	**-**	**504**
Total	**208,459**	**227,550**	**2,616**	**2,031**

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:

Hedged Items	Hedging Instruments	Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
		Hedged Items	**Hedging Instruments**	
Micro fair value hedge relationships				
Fixed rate corporate loans	Interest rate swaps	123	(198)	(75)
Fixed rate corporate loans	Foreign currency contracts	(1,650)	1,895	245
Fixed rate FVOCI debt instruments	Interest rate swaps	1,084	(1,265)	(181)
Equity instruments FVOCI	Foreign currency contracts	79	(79)	-
Subtotal		**(364)**	**353**	**(11)**
Micro fair value hedge relationships *hedging liablities*				
Fixed rate subordinated liabilities*	Interest rate swaps	1,453	298	1,750
Subtotal		**1,453**	**298**	**1,750**
Total micro fair value relationships		**1,089**	**651**	**1,739**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	(504)	564	60
Subtotal		**(504)**	**564**	**60**
Total portfolio fair value hedge relationships		**(504)**	**564**	**60**
Total		**585**	**1,215**	**1,799**

(*) As of December 31, 2018, the hedging gain on fixed rate subordinated liabilities amount to EUR 1,774.

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

December 31, 2018	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans					
Interest rate swaps	-	-	27,000	-	27,000
Foreign currency contracts	3,267	57,101	10,411	-	70,779
Fixed rate FVOCI debt instruments					
Interest rate swaps	-	-	-	97,295	97,295
Fixed rate subordinated liabilities					
Interest rate swaps	-	-	157,260	-	157,260
Fixed rate customer deposits					
Interest rate swaps	-	-	70,205	-	70,205
Fixed rate equity instruments FVOCI					
Foreign currency contracts	-	18,432	-	-	18,432
Total	**3,267**	**75,533**	**264,876**	**97,295**	**440,971**

-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:

December 31, 2018 Investments in subsidiaries functional currency of which is:	Change in fair value of hedged item for ineffectiveness assessment	Translation reserve
USD	3,656	604
RON	4,646	(132)
CHF	2,986	4,140
UAH	2,249	770
TRY	(724)	(2,380)
Total	**12,813**	**3,002**

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

	Carrying amount of hedging instruments			Changes in fair value of hedging instruments used for hedging ineffectiveness		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	44,616	397	101	(3,656)	-	(3,656)
RON swaps	155,724	323	988	(4,303)	(343)	(4,646)
CHF swaps	112,185	(141)	498	(2,986)	-	(2,986)
UAH swaps	-	-	-	(2,249)	-	(2,249)
TRY swaps	6,896	(2)	162	1,142	(418)	724
Total	**319,421**	**577**	**1,749**	**(12,052)**	**(761)**	**(12,813)**

Net investment hedges	Less than 1 month	1 to 3 months	3 to 12 months	Total
USD swaps	19,874	24,742	-	44,616
RON swaps	62,019	83,269	10,436	155,724
CHF swaps	49,790	62,395	-	112,185
TRY swaps	10	6,886	-	6,896
Total	**131,693**	**177,292**	**10,436**	**319,421**

-Cash flow hedges

The Bank used in previous year fx swaps to hedge part of its foreign currency risk related with USD denominated assets.

10. Loans and receivables - customers

	December 31, 2018	December 31, 2017
Commercial loans	2,322,574	3,249,085
Consumer loans	342,366	875,240
Credit card loans	100,631	322,849
Public sector loans	74,982	152,470
Private banking loans	14,068	43,826
Finance lease receivables, net	8,807	52,450
Subtotal	**2,863,428**	**4,695,920**
Individually assessed allowances for expected credit losses	(113,356)	(58,056)
Collectively assessed allowances for expected credit losses	(50,916)	(150,485)
Total	**2,699,156**	**4,487,379**

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

Details of finance lease receivables are summarized below:

	December 31, 2018	December 31, 2017
Not later than 1 year	1,374	28,148
Later than 1 year and not later than 5 years	4,497	30,295
Later than 5 years	4,124	5,353
Gross lease receivables	**9,995**	**63,796**
Not later than 1 year	(248)	(5,370)
Later than 1 year and not later than 5 years	(714)	(5,612)
Later than 5 years	(226)	(364)
Unearned interest income	**(1,188)**	**(11,346)**
Finance lease receivables, net	**8,807**	**52,450**

11. Loan impairment charges and allowances

	December 31, 2018				December 31, 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at 1 January (*)	**(20,487)**	**(42,737)**	**(115,741)**	**(178,965)**	**(186,394)**
New impairment	(6,654)	(6,353)	(43,573)	(56,580)	(123,691)
Assets derecognised or matured (excluding write offs)	5,217	857	414	6,488	-
Transfers to Stage 1	(1,064)	624	440	-	-
Transfers to Stage 2	2,010	(3,756)	1,746	-	-
Transfers to Stage 3	589	11,494	(12,083)	-	-
Reversal of impairment allowances no longer required	4,174	5,391	7,581	17,146	12,280
Amounts written off	-	-	44,840	44,840	74,472
Recoveries	-	-	3,148	3,148	-
Exchange differences	(239)	18	(128)	(349)	14,792
Balance at year end	**(16,454)**	**(34,462)**	**(113,356)**	**(164,272)**	**(208,541)**
Commercial loans	(13,448)	(29,566)	(42,809)	(85,823)	(95,127)
Consumer loans	(950)	(4,654)	(64,682)	(70,286)	(93,061)
Credit cards	(2,054)	(202)	(5,740)	(7,996)	(13,264)
Private banking	(2)	-	-	(2)	(349)
Finance lease receivables, net	-	(40)	(125)	(165)	(6,740)
Total	**(16,454)**	**(34,462)**	**(113,356)**	**(164,272)**	**(208,541)**

*As restated. Reference is made to IFRS 9 Transition Impact Analysis

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

	December 31, 2018				December 31, 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	4,017	24	(33,441)	(29,400)	(55,478)
Loans to banks at amortized cost	367	-	-	367	-
Debt securities measured at FVTOCI	199	-	-	199	-
Credit related commitments (non-cash loans)	(147)	77	-	(70)	-
Net impairment loss on financial instruments	**4,436**	**101**	**(33,441)**	**(28,904)**	**(55,478)**

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

Loans and receivables written off during the period amounting to EUR 19,363 are still subject to enforcement activity.

12. Other assets and inventories

	December 31, 2018	December 31, 2017
Repossessed assets classified as inventories	68,941	56,738
Receivables from DNB	15,970	15,970
Contract assets	13,436	3,328
Prepayments to suppliers	4,629	8,634
Materials and supplies	3,108	2,375
Amounts held as guarantee	2,272	2,932
POS, plastic cards and ATM related receivables	2,237	19,943
Tax related receivables	1,947	2,382
Accounts receivable	1,564	24,813
Assets held for sale	1,415	74,218
Items in the course of settlement	163	18,932
Deferred acquisition costs	-	5,117
Other assets	4,168	3,706
Total	**119,850**	**239,088**

Assets held for sale and repossessed assets classified as inventories represent collaterals repossessed after clients were not able to meet their payment obligations.

The sale of four dry-bulk vessels classified previously as "assets held for sale" was not completed within one year from the date of classification as the Bank continues to assess various alternatives in terms of financing of the transaction and expected return. As result in the course of 2018, four vessels with carrying amount of EUR 16,905 have been reclassified from "assets held for sale" to "inventories".

13. Investment in associates and joint ventures

For 2018 and 2017, the movements of the Bank's interest in associates and joint ventures are as follows:

	Balance at January 01, 2018	Result for the year	Foreign currency translation reserve	Balance at December 31, 2018
Cirus Holding B.V.	3,980	1,026	(174)	4,832
Ikano Finance Holding B.V.	2,206	(4)	(30)	2,172
Stichting Credit Europe Custodian Service	125	-	-	125
	6,311	**1,022**	**(204)**	**7,129**

	Balance at January 01, 2017	Result for the year	Foreign currency translation reserve	Balance at December 31, 2017
Cirus Holding B.V.	3,475	736	(231)	3,980
Ikano Finance Holding B.V.	2,203	23	(20)	2,206
Stichting Credit Europe Custodian Service	125	-	-	125
	5,803	**759**	**(251)**	**6,311**

Cirus Holding B.V. is a joint venture entity, in which both the Bank and Ikano SA holds 50% of the shares. The company is established as parent company of a separate bank in Russia.

Ikano Finance Holding B.V. is a holding company which through its wholly owned Russian based subsidiary cooperates with Credit Europe Bank (Russia) Ltd in providing financial services and co-branded cards to the retail customers of IKEA and MEGA in Russia.
Stichting Credit Europe Custodian Services is an entity that holds securities with custodian companies on behalf of clients of the Bank.

14. Property, equipment and investment property

A. Property and equipment

The movement of property and equipment summarized as follows:

	Land and Buildings	Furniture and fixtures	Vehicles and Vessels*	Leasehold improvements	Plant and Machinery	Total
Balance at January 1, 2018	65,680	19,339	81,169	1,769	7,055	175,012
Effect of discontinued operations	-	(6,332)	(24,229)	(933)	-	(31,494)
Additions	138	1,418	58	172	158	1,944
Disposals	-	(69)	6	(595)	-	(658)
Depreciation	(2,021)	(1,583)	(3,241)	(372)	(1,334)	(8,551)
Impairment	-	-	(10,888)	-	-	(10,888)
Currency translation differences	1,150	90	2,616	-	296	4,152
Balance at December 31, 2018	**64,947**	**12,863**	**45,491**	**41**	**6,175**	**129,517**
Cost	96,997	56,941	55,272	2,753	14,532	226,495
Cumulative depreciation and impairment	(32,050)	(44,078)	(9,781)	(2,712)	(8,357)	(96,978)
Balance at December 31, 2018	**64,947**	**12,863**	**45,491**	**41**	**6,175**	**129,517**

	Land and Buildings	Furniture and fixtures	Vehicles and Vessels*	Leasehold improvements	Plant and Machinery	Total
Balance at January 1, 2017	70,766	20,065	136,130	2,527	9,372	238,860
Additions	858	4,385	66,827	197	175	72,442
Disposals	(124)	(24)	(5,656)	(73)	-	(5,877)
Transfer to assets held for sale	-	-	(74,504)	-	-	(74,504)
Depreciation	(2,193)	(4,573)	(9,291)	(777)	(1,443)	(18,277)
Impairment	-	-	(18,696)	-	-	(18,696)
Currency translation differences	(3,627)	(514)	(13,641)	(105)	(1,049)	(18,936)
Balance at December 31, 2017	**65,680**	**19,339**	**81,169**	**1,769**	**7,055**	**175,012**
Cost	95,340	86,739	89,847	12,856	13,718	298,500
Cumulative depreciation and impairment	(29,660)	(67,400)	(8,678)	(11,087)	(6,663)	(123,488)
Balance at December 31, 2017	**65,680**	**19,339**	**81,169**	**1,769**	**7,055**	**175,012**

*Included in vehicles and vessels are assets subject to operating leases where the Bank is a lessor. At 31 December 2018, the net carrying amount of those assets is EUR 46,189 (2017: EUR 56,915), on which the accumulated depreciation is EUR 7,509 (2017: EUR 5,825).

The Bank does not have any restrictions on title, and property, plant and equipment pledged as security for liabilities (2017: None). The Bank does not have any contractual commitments for the acquisition of property, plant and equipment.

As of December 31, 2018, the amount of collaterals repossessed in property and equipment is EUR 77,398 (2017: 91,485).

B. Investment Property
Reconciliation of carrying amount

	December 31, 2018	December 31, 2017
Balance at 1 January	15,709	13,473
Additions resulting from acquisitions	-	3,409
Transfer to assets held for sale	-	(1,143)
Changes in unrealized fair value	(1,338)	-
Currency translation differences	267	(30)
Balance at 31 December	**14,638**	**15,709**

As of December 31, 2018, the amount of collaterals repossessed in investment properties is EUR 14,638 (2017: EUR 15,709). Investment properties are classified as Level 3 in terms of fair value hierarchy.
As of December 31, 2018, the amount of accumulated change in unrealized fair value is EUR 2,138 negative (2017: EUR 800 negative).

15. Intangible assets

The movement of intangibles is summarized as follows:

	Goodwill	Patents and licenses	Other Intangibles	Total
Balance at January 1, 2018	2,306	4,805	5,229	12,340
Effect of discontinued operations	-	-	(5,228)	(5,228)
Additions	-	2,506	220	2,726
Amortization	-	(2,462)	(11)	(2,473)
Currency translation differences	108	218	(189)	137
Balance at December 31, 2018	**2,414**	**5,067**	**21**	**7,502**
Cost	2,415	34,095	504	37,014
Cumulative amortization	(1)	(29,028)	(483)	(29,512)
Balance at December 31, 2018	**2,414**	**5,067**	**21**	**7,502**

	Goodwill	Patents and licenses	Other Intangibles	Total
Balance at January 1, 2017	2,624	4,671	5,719	13,014
Additions	-	2,492	2,434	4,926
Amortization	-	(2,345)	(2,637)	(4,982)
Currency translation differences	(318)	(13)	(287)	(618)
Balance at December 31, 2017	**2,306**	**4,805**	**5,229**	**12,340**
Cost	2,306	31,385	18,296	51,987
Cumulative amortization	-	(26,580)	(13,067)	(39,647)
Balance at December 31, 2017	**2,306**	**4,805**	**5,229**	**12,340**

The Bank does not have any intangible assets whose title is restricted (2017: None). There are no intangible assets pledged as security for liabilities (2017: None). During 2018 and 2017, there were no contractual commitments for the acquisition of intangible assets.

16. Due to banks

	December 31, 2018	December 31, 2017
Time deposits	198,746	361,401
Current accounts	153,286	36,488
Targeted longer term refinancing operations (TLTRO)	64,465	164,311
Syndication loan	-	67,562
Total	**416,497**	**629,762**

The amount of repo transactions in time deposits is EUR 43,488 (2017: EUR 166,613).

17. Due to customers

	December 31, 2018	December 31, 2017
Retail time deposits	1,632,181	2,437,562
Retail saving and demand deposits	1,418,210	1,582,479
Corporate time deposits	307,128	448,320
Corporate demand deposits	292,243	430,664
Total	**3,649,762**	**4,899,025**

As of December 31, 2018, the Bank maintained customer deposit balances of EUR 29,276 (2017: EUR 22,028), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2018, EUR 1,680,179 (2017: EUR 2,059,006) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

18. Issued debt securities

Fixed rate debt securities	December 31, 2018	December 31, 2017
Within 1 year	-	2,330
More than 1 year but less than 5 years	-	68,513
Total	**-**	**70,843**

19. Other liabilities

	December 31, 2018	December 31, 2017
Advances from customers	8,335	4,192
Collaterals received	7,421	7,082
Litigation provision (*)	5,753	6,717
Payables to suppliers	5,739	4,517
Staff related liabilities	5,071	6,828
Accrued expenses	5,043	9,527
Non-current tax related payable	2,379	3,137
Credit card payables	1,588	2,639
Provisions	1,106	692
Deferred income	948	652
Items in the course of settlement	754	2,349
Unearned premiums reserve	-	7,409
Payables regarding insurance agreements	-	426
Other liabilities	3,742	4,062
Total	**47,879**	**60,229**

(*) Provision set for litigations regarding abusive clauses in consumer contracts, in which the Bank's subsidiary, Credit Europe Bank (Romania) S.A., is involved as of December 31, 2018. Further details are provided in Note 34: Commitments and Contingencies.

The table below presents movement in total provisions recognized under both IAS 37 and IFRS 9:

	December 31, 2018			December 31, 2017	
	Litigation	Credit related commitments	Other	Litigation	Other
At December 31, 2017 (IAS 39)	**6,717**	-	**692**	**7,553**	**756**
Impact of adopting IFRS 9*	-	671	-	-	-
At January 01, 2018 (IFRS 9)	**6,717**	**671**	**692**	**7,553**	**756**
Effect of discontinued operations	-	-	(404)	-	-
Addition	946	432	338	2,285	619
Provisions used during the year	-	(77)	(162)	-	-
Reversal	(1,948)	(447)	(27)	(2,786)	(605)
Currency translation differences	38	90	-	(335)	(78)
At December 31, 2018	**5,753**	**669**	**437**	**6,717**	**692**

* Reference is made to IFRS 9 Transition Impact Analysis.

20. 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.

	Year of maturity	December 31, 2018	December 31, 2017
USD 400 million subordinated notes with a fixed interest rate of 8 % p.a	2018	-	345,190
USD 250 million subordinated notes with a fixed interest rate of 8.50 % p.a	2019	-	81,033
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	2022	43,826	41,831
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	2027	130,101	125,880
Total		**173,927**	**593,934**

Changes in liabilities arising from financial activities December 31, 2018	Debt securities in issue*	Subordinated loans	Total liabilities from financing activities
Balance at the beginning of the year	70,843	593,934	664,777
Changes in cash flow			
Proceeds	4,249	-	4,249
Repayments	(543)	(336,428)	(336,971)
	3,706	(336,428)	(332,722)
Other changes			
Interest expense	4,576	20,946	25,522
Interest paid	(4,678)	(31,439)	(36,117)
Effect of discontinued operations	(70,793)	(81,858)	(152,651)
Foreign exchange movement	(3,655)	8,772	5,117
Balance at December 31	-	**173,927**	**173,927**

December 31, 2017	Debt securities in issue*	Subordinated loans	Total liabilities from financing activities
Balance at the beginning of the year	262,977	531,326	794,303
Changes in cash flow			
Proceeds	74,786	170,000	244,786
Repayments	(236,711)	(48,131)	(284,842)
	(161,925)	121,869	(40,056)
Other changes			
Interest expense	17,597	42,038	59,635
Interest paid	(26,504)	(39,074)	(65,579)
Foreign exchange movement	(21,303)	(62,225)	(83,528)
Balance at December 31	**70,843**	**593,934**	**664,777**

(*) Cash flows incurred by CEB Russia have been disclosed in Note 37: 'Discontinued Operations'.

21. Equity

	December 31, 2018	December 31, 2017
Share capital	563,000	653,658
Share premium	163,748	163,748
Retained earnings, net	19,547	476,055
-of which: IFRS 9 impact	(52,173)	-
Fair value reserve	(8,583)	(2,462)
Foreign currency translation reserve	(62,523)	(312,117)
Hedge accounting reserve	(94,282)	(91,178)
Equity attributable to owners of the Parent Company	**580,907**	**887,704**
Equity attributable to non-controlling interests	3,178	1,894
Total equity	**584,085**	**889,598**

As of December 31, 2018, the authorized share capital is EUR 1,000 million (2017: EUR 1,000 million) and consists of EUR 1,000 million (2017: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 563.0 million (2017: 653.7 million) ordinary shares with a face value of EUR 1.

On September 12, 2018, as part of CEB Russia spin-off, the Bank repaid share capital at an amount of EUR 90.7 million to parent company, Credit Europe Group N.V. Reference is made to note 37. 'Discontinued Operations'.

Foreign currency translation reserve

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

Hedge accounting 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.

22. Net interest income

	January 1- December 31, 2018	January 1- December 31, 2017
Interest income from financial instruments measured at amortized cost and FVOCI:	**237,367**	**260,525**
Loans and receivables – customers	220,474	242,665
Financial investments	12,284	13,992
Loans and receivables – banks	4,003	3,307
Interest on financial lease	337	523
Cash and balances at central banks	269	38
Interest income from financial instruments measured at FVTPL:	24,553	24,238
Derivative financial instruments	21,095	23,076
Other financial assets at fair value through profit or loss	1,773	1,162
Non-trading financial assets mandatorily at FVTPL	1,685	-
Subtotal	**261,920**	**284,763**
Interest expense from financial instruments measured at amortized cost:	**65,796**	**87,437**
Due to customers	42,066	48,451
Subordinated liabilities	14,666	32,433
Due to banks	6,690	5,166
Cash and balances at central banks	2,374	1,387
Interest expense from financial instruments measured at FVTPL:	30,832	29,712
Derivative financial instruments	30,832	29,712
Subtotal	**96,628**	**117,149**
Total	**165,292**	**167,614**

Notes to Consolidated Financial Statements

Net fee and commission income

	January 1-December 31, 2018	January 1-December 31, 2017
Fee and commission income		
Cash loan fees	8,550	8,585
Credit card fees	6,871	8,298
Letters of credit commissions	6,233	5,655
Portfolio and other management fees	2,845	3,846
Payment and transaction services fees	2,695	3,104
Commission on account maintenance	2,348	2,874
Insurance related fees	1,201	798
Letters of guarantee commissions	704	1,707
Commissions on fund transfers	513	851
Commissions on fiduciary transactions	500	776
Foreign exchange transaction fees	218	194
Other fees and commissions	1,763	2,413
Subtotal	**34,441**	**39,101**
Fee and commission expense		
Credit card fees	1,967	2,712
Payment and transaction services expense	1,887	1,626
Account maintenance fees	578	675
Commission paid to intermediaries/retailers	230	265
Insurance related fees	21	23
Other fee and commission expenses	754	2,121
Subtotal	**5,437**	**7,422**
Total	**29,004**	**31,679**

24. Net trading results

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange	10,757	(28,818)
Trading loans	2,929	1,606
Derivative financial instruments - hedge accounting	1,968	(1,592)
Loans measured mandatorily at FVTPL	370	-
Dividend on FVTPL investments	112	15
Debt securities	(540)	1,366
Subtotal	15,596	(27,423)
Derivative financial instruments - not qualifying for hedge accounting	(60,057)	(13,941)
Total	**(44,461)**	**(41,364)**

25. Net results from investment securities

	January 1-December 31, 2018	January 1-December 31, 2018
Net gain from disposal of available-for-sale investments	-	25,504
Net gain from disposal of debt instruments at FVOCI	12,587	-
Total	**12,587**	**25,504**

Net results from investment securities include amounts transferred from equity to the income statement on derecognition of debt instruments at FVOCI and gains and losses recognized from the difference between the carrying amount and the consideration received upon derecognition.

26. Other operating income

	January 1-December 31, 2018	January 1-December 31, 2017
Shipping charter and freight income	14,649	20,080
Revenue from shipbuilding activities	10,426	3,616
Sale of inventory property	3,566	551
Rent income	1,089	1,017
Sale of assets held for sale	827	2,999
Other income	1,916	3,323
Total	**32,473**	**31,586**

27. Personnel expenses

	January 1-December 31, 2018	January 1-December 31, 2017
Wages and salaries	48,882	44,608
Social security payments	3,542	5,796
Retirement benefit costs	1,934	1,881
Other employee costs	4,733	4,322
Total	**59,091**	**56,607**

Average number of employees	**1,223**	**4,213**
Banking activities – Netherlands	227	203
Banking activities - foreign countries	996	4,010

The retirement benefit costs of EUR 1,351 (2017: EUR 1,270) relates to a defined contribution plan. The Bank has no defined benefit program. The assets of the schemes are held separately from those of the Bank in funds under the control of insurance companies.

28. General and administrative expenses

	January 1- December 31, 2018	January 1- December 31, 2017
Rent and maintenance expenses	7,771	8,019
Professional fees and consultancy	4,950	4,203
Information technology expenses	3,673	3,685
Communication and information expenses	3,421	3,800
Membership fees	2,495	2,577
Stationary, office supplies and printing expense	1,428	1,404
Taxes other than income	1,378	1,599
Legal services expenses	1,061	2,164
Security expenses	980	932
Travel and transport expenses	850	804
Advertising and marketing expenses	836	762
Management fees	703	94
Cleaning expenses	625	544
Insurance premiums	445	418
Representative expenses	367	232
Other expenses	1,990	1,616
Total	**32,973**	**32,853**

29. Other operating expenses

	January 1- December 31, 2018	January 1- December 31, 2017
Vessels running costs	10,234	27,273
Cost of sale from shipbuilding activities	8,631	4,591
Cost of sales - inventory property	3,380	510
Fines and penalties	711	1,145
Claims service expenses	586	890
Provision (reversal) / addition	(366)	2,432
Other	1,844	1,365
Total	**25,020**	**38,206**

30. Other impairment losses

	January 1- December 31, 2018	January 1- December 31, 2017
Property and equipment	10,562	18,695
Change in fair value of investment property	1,338	-
Assets held for sale	305	3,990
Provision for financial guarantee contracts (*)	-	202
Total	**12,205**	**22,887**

*Provisions in relation to expected credit losses for financial guarantee contracts in scope of IFRS 9 are recognized within net impairment loss in 2018.

31. Taxation

The Netherlands

Corporate income tax is levied at the rate of 25% on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2018. A tax rate of 20% applies to the first EUR 200,000 of taxable income. An effective tax rate of 7% is available for income related to certain intellectual property (Innovation Box). A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits for up to one year. Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Beginning from January 1, 2007, the Bank formed a 'fiscal unity' with its Parent company, Credit Europe Group N.V., which acts as the head of 'fiscal unity'. As a result of the fiscal unity, all profits and losses of the fiscal unity members are 'consolidated' for tax purposes. The main advantages of a fiscal unity are that tax losses of one company can be offset against profits of another company and assets can be transferred to another company without recognizing income at the moment of transfer. On the other hand, each member of the fiscal unity is in principle jointly and individually liable for the income tax liability of the entire fiscal unity.

In 2018 the Dutch Ministry of Finance announced a number of important changes and amendments to the Dutch tax legislation for 2019 and onwards. The most important changes from the Bank's perspective are as follows:

- Starting 2019, the corporate income tax rate will be incrementally reduced to 20,5% [2021];
- the loss carry-forward period will be reduced from 9 years to 6 years;
- the deductibility of interest on Additional Tier1 capital instrument (for banks and insurers) will be abolished.

The applicable tax rate for current tax and deferred tax is 20% (2016: 20%).

Romania

The applicable tax rate for current and deferred tax is 16% (2017: 16%). The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies, as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters, but to other legal and regulatory matters in which the applicable agency may be interested. The statute of limitations period in Romania is of 5 years (extended to 10 years in case tax evasion is suspected by the tax authorities). When management is aware of specific circumstances where there is the probability of fine, appropriate reserves are established for such contingencies. It is likely that the Bank's consolidated subsidiaries in Romania will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Bank's consolidated subsidiaries in Romania can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Bank's consolidated subsidiaries in Romania. The effective tax rate as per 31 December 2018 amounts to 16%.

Switzerland

Corporate tax in Switzerland is a combination of Canton and Federal tax. Cantonal tax is levied at the effective rate of 23.36% on the net profit of the related period and at the effective rate of 0.401% on the shareholders' equity of the related period. Federal tax is levied at the rate of 8.50% on the net profit of the related period. Since the tax expenses are tax deductible, the effective net tax rate is around 24%.

In addition to the cantonal and federal taxes, another 'professional' tax is levied at various effective rates on the average of the last two years' gross revenue figures, rent expenses and number of employees.

Under the Swiss taxation system, tax losses can be carried forward to be offset against future taxable income for seven years. Companies must file their tax returns within four months following the close of the tax year to which they relate, unless the company applies for an extension. Tax returns are open for five years from the date of final assessment of the tax return, during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

company applies for an extension. Tax returns are open for five years from the date of final assessment of the tax return, during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Ukraine

The applicable tax rate for corporate profit is 18% (2017: 18%). The tax amount defined by the Bank could be re-assessed by the tax authorities during the three subsequent calendar years after the date of submitting the respective tax return; however, under certain circumstances this period could be longer. Therefore, the Bank should keep its primary documents related to tax returns until the beginning of the tax audit, but for no less than three years.

Tax losses can be carried forward to be offset against future taxable income for the next taxable years after the year when this loss appeared.

	January 1- December 31, 2018	January 1- December 31, 2017
Effective tax rate	19.92%	107.50%
Income tax recognized in the income statement		
Current income tax	(11,230)	(14,054)
Current income tax charge	(11,230)	(14,060)
Adjustment in respect of current income tax of previous year	-	6
Deferred income tax	5,912	18,625
Relating to origination and reversal of temporary differences	5,912	18,625
Income tax reported in income statement	**(5,318)**	**4,571**

	December 31, 2018	December 31, 2017
Income tax recognized in equity		
Fair value reserve	1,605	(4,992)
Cash flow hedge	-	(295)
Other	22	(73)
Income tax reported in equity	**1,627**	**(5,360)**

Reconciliation of income tax	January 1- December 31, 2018	January 1- December 31, 2017
Operating profit before tax	26,700	(4,252)
Statutory tax rate	25%	25%
At statutory income tax	**(6,675)**	**1,063**
Tax losses on intercompany loans	3,658	4,476
Income not subject to tax	555	1,561
Equity allocation to branches	360	643
Adjustment to prior years	(120)	(90)
Expenditure not allowable for income tax purposes	(414)	(1,167)
Effect of different income tax rates in other countries	(1,573)	(1,200)
Other	(1,109)	(715)
Income tax	**(5,318)**	**4,571**

	December 31, 2018			December 31, 2017*		
Deferred Tax Assets and Liabilities	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Loans and receivables	22,636	(602)	22,034	10,667	(2,738)	7,929
Net investment hedge	17,194	-	17,194	14,861	-	14,861
Tax losses carried forward	3,960	114	4,074	6,947	-	6,947
Debt securities	486	(50)	436	391	(1,724)	(1,333)
Property, plant and equipment	53	(974)	(921)	79	(3,192)	(3,113)
General risk provision	-	(21,879)	(21,879)	-	(14,088)	(14,088)
Cash flow hedge	-	-	-	-	(331)	(331)
Assets held for sale	-	-	-	118	-	118
Other	3,208	(1,283)	1,925	3,973	(1,662)	2,266
	47,537	**(24,674)**	**22,863**	**37,036**	**(23,735)**	**13,256**

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

Deferred tax changes recorded in the income statement	January 1- December 31, 2018	January 1- December 31, 2017
Loan impairment provision	8,155	16,074
Revaluations of financial assets to fair value	117	68
Difference in changes in depreciation rates	27	(66)
Deferred tax of fiscal loss	(1,863)	2,863
Other	(524)	(314)
	5,912	**18,625**

32. Fair value information

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. Fair value of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. The estimated fair values of trading financial assets (excluding loans) at fair value through profit or loss, financial investments and debt securities issued are based on quoted market prices at the reporting date without any deduction for transaction costs.
The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on expected future cash flows and discount rates for similar instruments.

Classification of financial assets and liabilities

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

	December 31, 2018					
	Trading	Measured at FVTPL	Measured at amortised cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	651,773	-	-	651,773
Financial assets at FVTPL	-	87,728	-	-	-	87,728
Financial investments	-	-	-	692,049	-	692,049
Loans and receivables - banks	-	-	431,978	-	-	431,978
Loans and receivables - customers	-	-	2,699,156	-	-	2,699,156
Derivative financial instruments	189,861	-	-	-	-	189,861
Total assets	**189,861**	**87,728**	**3,782,907**	**692,049**	-	**4,752,545**
Due to banks	-	-	-	-	416,497	416,497
Due to customers	-	-	-	-	3,649,762	3,649,762
Derivative financial instruments	182,696	-	-	-	-	182,696
Subordinated liabilities	-	-	-	-	173,927	173,927
Total liabilities	**182,696**	-	-	-	**4,240,186**	**4,422,882**

	December 31, 2017					
	Trading	Measured at FVTPL	Loans and receivables	Available for sale	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	829,224	-	-	829,224
Financial assets at FVTPL	-	53,184	-	-	-	53,184
Financial investments	-	-	-	750,799	-	750,799
Loans and receivables - banks	-	-	538,062	-	-	538,062
Loans and receivables - customers	-	-	4,487,379	-	-	4,487,379
Derivative financial instruments	236,391	-	-	-	-	236,391
Total assets	**236,391**	**53,184**	**5,854,665**	**750,799**	-	**6,895,039**
Due to banks	-	-	-	-	629,762	629,762
Due to customers	-	-	-	-	4,899,025	4,899,025
Derivative financial instruments	203,635	-	-	-	-	203,635
Issued debt securities	-	-	-	-	70,843	70,843
Subordinated liabilities	-	-	-	-	593,934	593,934
Total liabilities	**203,635**	-	-	-	**6,193,564**	**6,397,199**

Fair value hierarchy

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

Valuation Models

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

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

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

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

Equity securities:

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

Debt securities:

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

Derivative assets and liabilities:

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

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

Trading loans measured at fair value through profit or loss

Fair values of loans are determined by reference to similar instruments trading in active markets and valuation models where inputs are unobservable. These models calculate the present value of expected future cash flows. The inputs used include prices available from dealers, brokers or providers of consensus pricing, yield rates and currency exchange rates.
In 2018, there has been no change in valuation techniques and models applied in 2017.

Valuation framework

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

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

When third party confirmation, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:
verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;

- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to the measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using these quotes.

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

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

December 31, 2018	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	3,299	-	56,557	59,856
Derivative financial assets	9	-	189,861	-	189,861
Equity instruments measured at FVOCI	7	6,747	-	18,995	25,742
Non-trading assets mandatorily at FVTPL	6	-	-	27,872	27,872
Other Financial investments	7	666,188	-	119	666,307
Total		**676,234**	**189,861**	**103,543**	**969,638**
Financial liabilities					
Derivative financial liabilities	9	-	182,696	-	182,696
Total		-	**182,696**	-	**182,696**

December 31, 2017	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	7,999	-	45,185	53,184
Derivative financial assets	9	-	236,391	-	236,391
Financial investments	7	750,680	-	119	750,799
Total		**758,679**	**236,391**	**45,304**	**1,040,374**
Financial liabilities					
Derivative financial liabilities	9	-	203,635	-	203,635
Total		-	**203,635**	-	**203,635**

No financial instruments were transferred from Level 1 to Level 2 of the fair value hierarchy in 2018. (2017: None)
No financial instruments were transferred between Level 1 and Level 2 to Level 3 in 2018. (2017: None)

Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of 31 December 2018, no securities were classified as Level 3.

During 2018, 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. (2017: None)
Loans and receivable classified under Level 3 consist of trading loans valued using discounted cash flow technique that incorporate brokers' quotes as indicative value with no attached commitment to transact at that price.
Changes in the unobservable inputs used in the valuation of Level 3 financial assets would not have a significant impact on equity and net income.
Non trading assets consist of loans mandatorily at fair value through profit or loss, that are measured at lower of carrying amount or fair value of the collateral determined using the valuation techniques described in the following table.

Significant unobservable inputs used in determination of Level 3 fair values

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

Category	Carrying amount/ fair value(in Eur)	Valuation Technique	Input	Range
Financial assets				
Romania- residential and commercial properties Level-3	4,412	Market comparison approach Income capitalization	Price per square meter Unit rental price p.m Vacancy rate Operating expenses p.m Capitalization rate	730-980 Eur/sqm 9-9.5 Eur/sqm 5%-15% 3,000-14,000 9%-10%
Romania- commercial properties Level-3	23,460	Market comparison approach Income capitalization	Price per square meter Unit rental price p.m Vacancy rate Operating expenses p.m Capitalization rate	600 Eur/sqm 7.5 Eur/sqm 10%-20% 5,000-34,000 8%-12%
Loans mandatorily at FVTPL	**27,872**			
Trading loans at FVTPL	**56,557**	**Discounted cash flow**	**Broker price**	**n.a**
Equity instruments measured at FVOCI	**18,995**	**Discounted cash flow**	**Projections of future cash flows Market parameters (country risk premium, currency risk premium, country growth rate, market risk premium)**	**n.a**
Other	**119**	-	-	-
Total- Level 3 financial assets	**103,543**			

Non-financial assets				
Spain- villa/land Level -3 –Investment Property	11,800	Market comparison approach	Price per square meter Urban development cost Construction cost Marketing fees	4.300- 4.900 Eur/sqm 100/Eur/sqm 900/Eur/sqm 3% of sale price
Turkey- commercial properties Level -3 –Investment Property	2,838	Discounted cash flow	Unit rental price Operating expenses p.m Capitalization rate Rent increase rate Renewal costs	2.10 -9.50 Eur/sqm/ month - 47 Eur/room 0.8-1.5 Eur/sqm 7.50%-8% 2.5%-4% 1%-2%
Dry-bulk vessels classified as inventory	**16,905**	**Third party pricing**	**Broker price**	**n.a**
Total- Level 3 non-financial assets	**31,543**			

Reconciliation of Level 3 financial assets

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

	December 31, 2018				December 31, 2017		
	Financial Assets-FVOCI	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**	**Financial Assets-FVOCI**	**Financial Assets at FVTPL-Trading**	**Total**
Balance at January 1	119	46,625	45,185	91,929	31,579	-	31,579
Total gains and losses							
- in net trading results	-	371	2,927	3,298	268	1,606	1,874
- in net interest income	-	1,685	-	1,685	-	-	-
- in OCI	-	-	-	-	(850)	-	(850)
Purchases/additions	18,995	-	644,752	663,747	-	475,374	475,374
Settlements/collections	-	(12,173)	(636,053)	(648,226)	(30,877)	(431,570)	(462,446)
Transfers into other financial asset classes	-	(9,458)	-	(9,458)	-	-	-
Exchange differences	-	822	(254)	568	-	(226)	(226)
Balance at the period end	**19,114**	**27,872**	**56,557**	**103,543**	**119**	**45,185**	**45,304**

EUR 4 included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2017: none).

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.

December 31, 2018	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total fair Values**	**Total carrying amount**
Financial assets						
Cash and balances at central banks	5	-	651,773	-	651,773	651,773
Loans and receivables - banks	8	-	428,122	-	428,122	431,978
Loans and receivables - customers	10	-	-	2,703,018	2,703,018	2,699,156
Total		-	**1,079,895**	**2,703,018**	**3,782,913**	**3,782,907**
Financial liabilities						
Due to banks	16	-	415,364	-	415,364	416,497
Due to customers	17	-	3,686,024	-	3,686,024	3,649,762
Subordinated liabilities	20	-	143,799	-	143,799	173,927
Total		-	**4,245,187**	-	**4,245,187**	**4,240,186**

December 31, 2017	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total fair Values**	**Total carrying amount**
Financial assets						
Cash and balances at central banks	5	-	829,224	-	829,224	829,224
Loans and receivables - banks	8	-	537,009	-	537,009	538,062
Loans and receivables - customers	9	-	-	4,447,638	4,447,638	4,487,379
Total		-	**1,366,233**	**4,447,638**	**5,813,871**	**5,854,665**
Financial liabilities						
Due to banks	16	-	629,483	-	629,483	629,762
Due to customers	17	-	4,985,171	-	4,985,171	4,899,025
Issued debt securities	18	69,911	2,027	-	71,938	70,843
Subordinated liabilities	20	87,435	524,382	-	611,817	593,934
Total		**157,346**	**6,141,063**	-	**6,298,409**	**6,193,564**

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 30- Other impairment loss.

In 2018, there has been no change in valuation techniques applied in 2017.
As at 31 December 2018, the Bank has no non-financial liabilities measured at fair value (2017: none).

33. Offsetting financial assets and financial liabilities

The following table includes financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position. The table shows the potential effect on the Bank's statement of financial position on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the statement of financial position.

Similar agreements include derivative clearing agreements, master repurchase agreements and master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements and securities borrowing and lending agreements. Loans and deposits are not disclosed in the below table, unless they are offset in the statement of financial position.

The Bank uses the ISDA (International Swaps and Derivatives Association) master netting arrangements for derivatives to mitigate the credit risk. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties of the agreement a right of set-off recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. The Bank receives and gives collateral in the form of cash and marketable securities in respect of derivatives, reverse repo agreements, repo agreements and securities lending and borrowing transactions.

Notes to Consolidated Financial Statements

							December 31, 2018
				Related Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts	Offsetting Counterparty Position in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collaterals Received/ Pledged	Financial Instrument Collaterals Recognized in the Off Balance Sheet	Net Amount
Assets							
Derivative assets	189,861	-	189,861	(87,391)	(45,038)	-	57,432
Reverse repo agreements	111,292	-	111,292	-	-	(110,222)	1,070
Total	**301,153**	-	**301,153**	**(87,391)**	**(45,038)**	**(110,222)**	**58,502**
Liabilities							
Derivative liabilities	182,696	-	182,696	(87,391)	(20,769)	-	74,536
Repo agreements	43,488	-	43,488	43,491	-	-	86,979
Total	**226,184**	-	**226,184**	**(43,900)**	**(20,769)**	-	**161,515**

							December 31, 2017
				Related Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts	Offsetting Counterparty Position in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collaterals Received/ Pledged	Financial Instrument Collaterals Recognized in the Off Balance Sheet	Net Amount
Assets							
Derivative assets	236,391	-	236,391	(110,701)	(35,934)	-	89,756
Reverse repo agreements	206,370	-	206,370	-	-	(204,527)	1,843
Total	**442,761**	-	**442,761**	**(110,701)**	**(35,934)**	**(204,527)**	**91,599**
Liabilities							
Derivative liabilities	203,635	-	203,635	(110,701)	(40,193)	-	52,741
Repo agreements	166,613	-	166,613	(168,476)	-	-	(1,863)
Total	**370,248**	-	**370,248**	**(279,177)**	**(40,193)**	-	**50,878**

34. 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.

	January 1- December 31, 2018	January 1- December 31, 2017
Contingent liabilities with respect to irrevocable letters of credit - import	204,393	211,350
Contingent liabilities with respect to irrevocable letters of credit - export	111,765	43,959
Contingent liabilities with respect to letters of guarantee granted - corporates	107,263	80,155
Contingent liabilities with respect to letters of guarantee granted - banks	5,874	76,162
Contingent liabilities with respect other guarantees	694	1,238
Contingent liabilities with respect to acceptance credits	-	430
Total non-cash loans	**429,989**	**413,294**
Credit-card limits	169,873	394,149
Credit-line commitments	90,352	229,282
Other commitments	220	14,289
Total	**690,434**	**1,051,014**

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 31 December 2018, 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 5,060 (2017: EUR 6,717) 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 31 December 2018, the Bank estimated a contingent liability at amount of EUR 10,084 (2017: EUR 10,562).

Lease commitments

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

Operating lease commitment - bank as lessee and rent commitments	December 31, 2018	December 31, 2017
Not later than 1 year	313	9,270
Later than 1 year and not later than 5 years	241	23,943
Total	**554**	**33,213**

Operating lease commitment - bank as lessor	December 31, 2018	December 31, 2017
Not later than 1 year	-	6,312
Later than 1 year and not later than 5 years	-	6,444
Total	**-**	**12,756**

The Bank leases a number of premises and equipment under operating lease. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually changed annually to reflect market rentals. None of the leases includes contingent rentals.
During the current year EUR 553 was recognized as an expense in the statement of income in respect of operating leases (2017: EUR 24,481).

After IFRS 16 implementation, the Bank will recognize EUR 9,366 right of use asset as of 1 January 2019.

35. 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:

	December 31, 2018				December 31, 2017			
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Assets								
Loans and receivables – banks	-	-	-	1,833	-	-	22,083	2,504
Loans and receivables – customers	25,172	-	-	101,414	7,956	-	-	133,177
Derivative financial instruments	124	-	-	1,778	953	19,777	-	16,180
Other assets	-	-	-	-	-	-	-	22,930
Liabilities								
Due to banks	-	-	-	29,002	-	-	2,083	1,222
Due to customers	1,939	7,958	57	93,853	171	36,929	83	102,952
Derivative financial instruments	21	912	-	411	685	12,758	-	3,508
Subordinated liabilities	43,826	-	-	-	41,831	5,806	-	-
Commitment and contingencies	-	-	-	115	-	-	-	13,354

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of December 31, 2018, the Bank does not have any provisions regarding related party balances (2017: None).

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

	January 1- December 31, 2018				January 1- December 31, 2017			
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Interest income	320	-	-	2,310	77	1	867	3,079
Interest expense	(3,855)	-	-	(82)	-	(736)	(210)	(131)
Commission income	68	33	-	982	11	215	1	1,864
Commission expense	(242)	-	-	(662)	(226)	-	(1,647)	(1,060)
Net trading results	-	161	-	2,221	-	880	-	3,734
Other operating income	-	-	-	109	-	-	423	195
Operating expenses	-	-	1,157	(1,074)	-	-	(1,751)	(2,080)

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 11 (2017: 12). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	December 31, 2018	December 31, 2017
Loans and receivables - customers	91	146

As of December 31, 2018, the Bank does not have any provisions regarding the balances with key management personnel (2017: None). Key management costs, including remuneration and fees for the year ended December 31, 2018 amounted to EUR 4,220 (2017: EUR 4,089). Pension plan contribution amounted to EUR 84 (2017: EUR 126).

36. Risk management

Credit Europe Bank has set policy-level standards in accordance with the regulations of the Dutch Central Bank (De Nederlandsche Bank – DNB) and the guidelines published by the Basel Committee and the European Banking Authority (EBA). The core elements of the bank's risk management and control framework are:

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

Risk Appetite and Risk Governance

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

Main pillars of the risk appetite are illustrated below:

QUALITATIVE

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

Reputation
- Ensure high financial reporting transparency and efficient external communications

QUANTITATIVE

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

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

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

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

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

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

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

Capital Management

A capital level commensurate with the Bank's risk profile is the key to financial resilience. CEB operates with an optimum level and mix of capital resources. A centralized regulatory/internal capital management model plays a major role in this process. The internal capital model incorporates detailed scenario analyses of key risk factors and their potential effects on income statement and the Bank's capital base under different assumptions. This framework is designed to ensure CEB has sufficient capital resources to meet the capital requirements of DNB, as well as those of local regulators in our operating countries.
It further ensures that we have capital available to meet our own risk appetite and internal guidelines. We place great emphasis on the strength of our capital base as a way to maintain investor, creditor and market confidence, and to sustain future business development.
CEB allocates assets in accordance with the risk-return thresholds defined in our risk appetite statement. Business units are required to fully understand the inherent risk-reward profile of their business and to generate a specific level of return on regulatory/internal capital requirements. The CEB risk strategy has proved its value, not only by providing consistently strong financial results, but also by yielding consistently robust returns on equity.

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

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

Regulatory Capital

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

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

The Bank applies the standardized approach for credit risk, market risks and operational risk. Banks are expected to meet the capital-requirements constraints imposed by the Basel III accord.
The Bank's total own funds consist of Core Tier I capital (also named as common Equity Tier I, CET 1), Additional Tier I capital (AT 1) and Tier II capital. The various elements making up both components are presented in the table below:

	December 31, 2018	December 31, 2017
Total Equity	584,085	889,598
• Current year profit (1)	-	(14,994)
• Eligible year end profit after approval	-	-
• Non-eligible minority interest (2)	(2,582)	(1,148)
• Deductions from revaluation Reserve - AFS	-	2,461
Prudential filters		
• Cash flow hedge reserve	48	36
• Prudent valuation	(948)	(877)
• Intangible asset (2)	(7,502)	(10,552)
• Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(25,003)	(16,076)
• transitional adjustments to CET1 Capital (3)	-	(1,969)
• transitional adjustments to IFRS 9 provisions	34,676	-
Core Tier I	**582,774**	**846,479**
Perpetual Tier I capital	43,826	41,831
- transitional adjustments to AT1 Capital	-	(1,530)
Additional Tier I	**43,826**	**40,301**
Total Tier I capital	**626,600**	**886,780**
Tier II capital		
Subordinated capital	131,050	125,073
Total Tier II capital	**131,050**	**125,073**
Total own funds	**757,650**	**1,011,853**

(1) Current year profit is excluded from total own funds based on article 26, point 2 of CRR IV
(2) Under CRD IV frame, additional items listed below shall be deducted fully by 31 December 2018 to enhance own funds quality:
· Non-eligible minority interest
· Other intangible asset (Non-solvency deductible under Basel II framework)
· Deferred tax assets that rely on future profitability and do not arise from temporary differences
(3) Transitional adjustment is permitted to apply the calculation referred in article 473 (2) and (3) of CRD IV by deducting fully under prudential filter and adding 40% back to total own funds

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

Solvency ratio	December 31, 2018	December 31, 2017
• Capital ratio	19.23%	17.16%
• Tier I ratio	15.90%	15.04%
• Core Tier I	14.79%	14.36%
RWA	**3,939,714**	**5,896,292**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

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

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

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

Stress testing

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

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

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

36. 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.

	December 31, 2018	December 31, 2017
Balance sheet items		
Loans and receivables - customers	2,863,428	4,695,920
Financial investments	692,049	750,799
Balances with central banks	633,208	767,478
Loans and receivables - banks	433,336	538,987
Derivative financial instruments	189,861	236,391
Financial assets measured at fair value through profit or loss	87,728	53,184
Subtotal	**4,899,610**	**7,042,759**
Off- balance sheet items		
Issued irrevocable letters of credit	316,158	255,309
Undrawn credit-card limits	169,873	394,149
Issued letters of guarantee	113,831	157,985
Total off-balance sheet*	**599,862**	**807,443**
Maximum credit risk exposure	**5,499,472**	**7,850,202**

*Excluding revocable credit line commitments.

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

Concentration of credit exposure

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

36.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.

	On-balance sheet	Off-balance sheet	December 31, 2018		December 31, 2017	
			Total exposure(*)	% of total exposure	Total exposure(*)	% of total exposure
Exposure to central governments and financial institutions						
Exposure to central governments and central banks	633,208	-	633,208	53.49%	767,478	53.79%
Exposure to financial institutions	433,336	117,312	550,648	46.51%	659,233	46.21%
Total exposure to central governments and financial institutions	**1,066,544**	**117,312**	**1,183,856**	**100.00%**	**1,426,711**	**100.00%**
Corporate exposure						
Oil & derivatives	235,003	178,951	413,954	15.27%	328,089	8.86%
Leisure & tourism	318,054	106	318,160	11.73%	568,320	15.34%
Construction & installation	261,746	16,926	278,672	10.28%	540,183	14.58%
Real estate	207,399	21,437	228,836	8.43%	288,307	7.76%
Shipping & shipyards	223,618	-	223,618	8.25%	198,783	5.37%
Iron & steel	147,382	42,564	189,946	7.00%	106,992	2.89%
Financial services & investments	177,192	20	177,212	6.53%	437,313	11.81%
Energy & coal	129,320	15,605	144,925	5.34%	125,707	3.39%
Transportation, logistics & warehousing	143,244	563	143,807	5.30%	187,397	5.06%
Petrochemical, plasticizers & derivatives	82,744	29,083	111,827	4.12%	82,971	2.24%
Fertilizers	79,072	-	79,072	2.92%	65,207	1.76%
Holding	68,497	-	68,497	2.53%	55,399	1.50%
Textile, clothing and leather	48,837	462	49,299	1.82%	87,758	2.37%
Soft commodities & agricultural products	46,420	437	46,857	1.73%	63,597	1.72%
Retail	32,416	1,290	33,706	1.24%	55,383	1.50%
Food, beverage & tobacco	16,580	152	16,732	0.62%	81,538	2.20%
Automotive & Derivatives	10,116	50	10,166	0.37%	39,706	1.07%
Services	465	-	465	0.02%	45,562	1.23%
Public loans	74,982	-	74,982	2.77%	152,513	4.12%
Other	97,380	3,660	101,040	3.73%	193,673	5.23%
Total exposure to corporate clients and private banking	**2,400,467**	**311,306**	**2,711,773**	**100.00%**	**3,704,398**	**100.00%**
Exposure to retail customers and SMEs						
Exposure to retail customers	132,298	169,873	302,171	47.64%	1,220,666	72.70%
Exposure secured by residential real estate	310,699	-	310,699	49.01%	371,572	22.15%
Exposure to SME	19,964	1,371	21,335	3.35%	86,481	5.15%
Total exposure to retail customers and SMEs	**462,961**	**171,244**	**634,205**	**100.00%**	**1,678,719**	**100.00%**
Total credit risk exposure*	**3,929,972**	**599,862**	**4,529,834**	**100.00%**	**6,809,828**	**100.00%**

*Excluding financial assets and derivatives.

The top five industries account for 53.96% (2017: 58.37%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

36.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2018:

	December 31, 2018						
	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	169,966	244	-	462,998	633,208
Financial assets measured at FVTPL	-	2,942	18,174	-	55,552	11,060	87,728
Financial investments	21,635	-	225,821	3,783	3,570	437,240	692,049
Loans and receivables - banks	326	34,788	3,612	-	125,052	269,558	433,336
Loans and receivables - customers	175,972	720,485	706,782	49,701	72,192	1,138,296	2,863,428
Derivative financial instruments	5,237	36,111	1	42	3	148,467	189,861
Total balance sheet	**203,170**	**794,326**	**1,124,356**	**53,770**	**256,369**	**2,467,619**	**4,899,610**
Off-balance sheet items	87	91,689	179,363	137	34,155	294,431	599,862
Total credit-risk exposure	**203,257**	**886,015**	**1,303,719**	**53,907**	**290,524**	**2,762,050**	**5,499,472**

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2017:

	December 31, 2017						
	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	Total exposure
Balance sheet items							
Demand deposits with central banks	63,494	-	181,642	684	-	521,658	767,478
Financial assets measured at FVTPL	-	340	1,276	-	42,097	9,471	53,184
Financial investments	3,946	-	236,753	6,880	12,064	491,156	750,799
Loans and receivables - banks	157,890	40,088	9,554	110	12,451	318,894	538,987
Loans and receivables - customers	1,350,108	1,104,570	804,532	33,015	216,078	1,187,617	4,695,920
Derivative financial instruments	973	101,285	151	40	2	133,940	236,391
Total balance sheet	**1,576,411**	**1,246,283**	**1,233,908**	**40,729**	**282,692**	**2,662,736**	**7,042,759**
Off-balance sheet items	294,837	58,220	158,715	922	107,572	187,177	807,443
Total credit-risk exposure	**1,871,248**	**1,304,503**	**1,392,623**	**41,651**	**390,264**	**2,849,913**	**7,850,202**

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

36.d. Collaterals and other credit enhancements obtained

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

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

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

Breakdown of collateralized exposure by collateral type					December 31, 2018
	Total exposure, net	Fair value of financial collaterals	Fair value of physical collaterals	Total collaterals obtained	Collaterals to total net exposure
Balance sheet					
Demand deposits with central banks	633,208	-	-	-	-
Financial assets measured at fair value through profit or loss	87,728	11,632	15,021	26,653	30%
Financial investments	692,049	-	-	-	-
Loans and receivables - banks	433,336	117	-	117	0%
Loans and receivables - customers	2,863,428	396,770	870,464	1,267,234	44%
Derivative financial instruments	189,861	2	-	2	-
Total balance sheet	**4,899,610**	**408,521**	**885,485**	**1,294,006**	**26%**
Off-balance sheet	599,862	11,587	1,009	12,596	2%
Total credit risk exposure	**5,499,472**	**420,108**	**886,494**	**1,306,602**	**24%**

Breakdown of collateralized exposure by collateral type					December 31, 2017
	Total exposure, net	Fair value of financial collaterals	Fair value of physical collaterals	Total collaterals obtained	Collaterals to total net exposure
Balance sheet					
Demand deposits with central banks	767,478	-	-	-	-
Financial assets designated at fair value through profit or loss	53,184	-	-	-	-
Financial investments	750,799	-	-	-	-
Loans and receivables - banks	538,987	426	-	426	0%
Loans and receivables - customers	4,695,920	624,763	1,545,046	2,169,809	46%
Derivative financial instruments	236,391	2,535	-	2,535	1%
Total balance sheet	**7,042,759**	**627,724**	**1,545,046**	**2,172,770**	**31%**
Off-balance sheet	807,443	64,556	1,005	65,561	8%
Total credit risk exposure	**7,850,202**	**692,280**	**1,546,051**	**2,238,331**	**29%**

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

36.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of December 31, 2018 and 2017. 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.

							December 31, 2018
	External rating class						
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
Demand deposits with central banks	462,708	290	169,966	-	244	-	633,208
Financial assets measured at fair value through profit or loss	2,147	21,802	21,780	11,700	2,006	28,293	87,728
Financial investments	48,677	174,227	244,342	28,110	3,783	192,910	692,049
Loans and receivables - banks	61,625	82,859	76,334	86,092	19,248	107,178	433,336
Loans and receivables - customers	74,982	-	21,995	25,172	-	2,741,279	2,863,428
Derivative financial instruments	13,000	104,491	35	5,346	-	66,989	189,861
Off-balance sheet	529	1,130	20,027	80,909	-	497,267	599,862
Total	**663,668**	**384,799**	**554,479**	**237,329**	**25,281**	**3,633,916**	**5,499,472**

							December 31, 2017
	External rating class						
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
Demand deposits with central banks	521,502	156	181,642	63,494	684	-	767,478
Financial assets measured at fair value through profit or loss	390	1,351	22,145	17,921	-	11,377	53,184
Financial investments	28,538	71,080	627,003	12,046	6,880	5,252	750,799
Loans and receivables - banks	39,029	208,798	2,458	178,525	-	110,177	538,987
Loans and receivables - customers	152,470	-	88,463	34,504	3,048	4,417,435	4,695,920
Derivative financial instruments	3,191	110,008	2,267	1,783	-	119,142	236,391
Off-balance sheet	175	9,145	62,702	37,956	1,030	696,435	807,443
Total	**745,295**	**400,538**	**986,680**	**346,229**	**11,642**	**5,359,818**	**7,850,202**

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

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

Financial investments

As of December 31, 2018, financial investments are fully performing and classified as stage 1.

Loans and receivables - banks

As of December 31, 2018, the total amount of Stage 1 is EUR 431,053 (Provision amount: EUR 433) and the total amount of Stage 3 is EUR 925 (Provision amount: EUR 925).

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2018, the bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

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

- Fully performing: Fully performing exposures are defined as credit exposures that are not past-due or exposures past-due up to 30 days, provided that there is no significant increase in credit risk since origination. An exposure is past-due when any amount of principal, interest or fee has not been paid at the date it was due. Fully performing exposures correspond to the IFRS 9 Stage 1 classification.
- Underperforming: Underperforming exposures belong to a sub-category of the performing asset class, where the Bank observes a significant increase in credit risk since origination. Underperformance might become evident if an exposure is past-due more than 30 days, subject to forbearance measures, or the assigned PD has increased significantly since the origination of the exposure (measured by CEB's internal PD Master Scale). Underperforming exposures correspond to the IFRS 9 Stage 2 classification.
- Non-performing: Non-performing exposures (NPE) are defined as exposures that satisfy either or both of the following criteria:
  1. exposures which are more than 90 days past-due;
  2. the obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of past-due days.

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

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

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

							December 31, 2018
	Gross loans	Credit loss allowance	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**2,400,467**	**(85,262)**	**2,315,205**	**391,150**	**637,306**	**1,028,456**	**44%**
Stage 1	1,828,671	(13,419)	1,815,252	197,255	461,841	659,096	36%
Stage 2	393,181	(29,557)	363,624	118,501	100,841	219,342	60%
Stage 3	178,615	(42,286)	136,329	75,394	74,624	150,018	110%
Retail loans (incl. mortgages)	**442,997**	**(78,405)**	**364,592**	**5,545**	**213,655**	**219,200**	**60%**
Stage 1	196,782	(2,996)	193,786	4,535	72,997	77,532	40%
Stage 2	118,003	(4,892)	113,111	383	78,878	79,261	70%
Stage 3	128,212	(70,517)	57,695	627	61,780	62,407	108%
SME loans	**19,964**	**(605)**	**19,359**	**75**	**19,503**	**19,578**	**101%**
Stage 1	14,622	(39)	14,583	32	14,518	14,550	100%
Stage 2	1,358	(13)	1,345	18	1,327	1,345	100%
Stage 3	3,984	(553)	3,431	25	3,658	3,683	107%
Total exposure	**2,863,428**	**(164,272)**	**2,699,156**	**396,770**	**870,464**	**1,267,234**	**47%**
Total Stage 3 (NPLs)	**310,811**	**(113,356)**	**197,455**	**76,046**	**140,062**	**216,108**	**109%**

								December 31, 2017
	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**3,413,070**	**(51,561)**	**(29,328)**	**3,332,181**	**610,346**	**1,063,824**	**1,674,170**	**50%**
Performing loans	2,979,812	-	(23,171)	2,956,641	475,059	850,375	1,325,434	45%
Sub-Standard Loans	249,420	-	(6,131)	243,289	97,079	99,245	196,324	81%
NPL	183,838	(51,561)	(26)	132,251	38,208	114,204	152,412	115%
Retail loans (incl. mortgages)	**1,198,089**	**(762)**	**(105,695)**	**1,091,632**	**-**	**423,163**	**423,163**	**39%**
Performing loans	1,013,314	-	(15,954)	997,360	-	360,174	360,174	36%
Sub-Standard Loans	20,239	-	(4,641)	15,598	-	10,880	10,880	70%
NPL	164,536	(762)	(85,100)	78,674	-	52,109	52,109	66%
SME loans	**84,761**	**(5,733)**	**(15,462)**	**63,566**	**14,417**	**58,059**	**72,476**	**114%**
Performing loans	55,239	-	(8,925)	46,314	13,897	35,524	49,421	107%
Sub-Standard Loans	1,754	-	(192)	1,562	321	1,417	1,738	111%
NPL	27,768	(5,733)	(6,345)	15,690	199	21,118	21,317	136%
Total exposure	**4,695,920**	**(58,056)**	**(150,485)**	**4,487,379**	**624,763**	**1,545,046**	**2,169,809**	**48%**
Total NPL	**376,142**	**(58,056)**	**(91,471)**	**226,615**	**38,407**	**187,431**	**225,838**	**100%**

Further credit quality breakdown of retail loans are as below:

					December 31, 2018
	Gross loans	**Provisions (-)**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**100,663**	**(7,996)**	**92,667**	**-**	**-**
Stage 1	84,311	(2,054)	82,257	-	-
Stage 2	9,228	(202)	9,026	-	-
Stage 3	7,124	(5,740)	1,384	-	-
Car loans	**143**	**(143)**	**-**	**21**	**0%**
Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	143	(143)	-	21	0%
Mortgage	**310,699**	**(68,146)**	**242,553**	**214,161**	**88%**
Stage 1	87,779	(885)	86,894	72,997	84%
Stage 2	105,264	(4,631)	100,633	78,930	78%
Stage 3	117,656	(62,630)	55,026	62,234	113%
Other retail	**31,492**	**(2,120)**	**29,372**	**5,018**	**17%**
Stage 1	24,692	(57)	24,635	4,535	18%
Stage 2	3,511	(59)	3,452	331	10%
Stage 3	3,289	(2,004)	1,285	152	12%
Total retail exposure	**442,997**	**(78,405)**	**364,592**	**219,200**	**60%**
Total Stage 3 (NPLs)	**128,212**	**(70,517)**	**57,695**	**62,407**	**108%**

					December 31, 2017
	Gross loans	**Provisions (-)**	**Net loans**	**Total collateral**	**Collateral to net loans**
Credit cards	**322,873**	**(13,263)**	**309,610**	**-**	**-**
Performing loans	310,002	(3,528)	306,474	-	-
Sub-Standard Loans	-	-	-	-	-
NPL	12,871	(9,735)	3,136	-	-
Car loans	**223,463**	**(7,056)**	**216,407**	**223,339**	**103%**
Performing loans	214,104	(1,379)	212,725	214,104	101%
Sub-Standard Loans	1,737	(776)	961	1,737	181%
NPL	7,622	(4,901)	2,721	7,498	276%
Mortgage	**371,548**	**(64,899)**	**306,649**	**199,628**	**65%**
Performing loans	232,808	(7,219)	225,589	145,932	65%
Sub-Standard Loans	14,740	(2,117)	12,623	9,143	72%
NPL	124,000	(55,563)	68,437	44,553	65%
Other retail	**280,205**	**(21,239)**	**258,966**	**196**	**-**
Performing loans	256,400	(3,828)	252,572	138	-
Sub-Standard Loans	3,762	(1,748)	2,014	-	-
NPL	20,043	(15,663)	4,380	58	1%
Total retail exposure	**1,198,089**	**(106,457)**	**1,091,632**	**423,163**	**39%**
Total NPL	**164,536**	**(85,862)**	**78,674**	**52,109**	**66%**

Strong collateralization forms a major component of CEB's risk appetite lending criteria and we believe this substantially mitigates the losses CEB might incur otherwise. The table above shows the collaterals held by the Bank against credit exposures. These valuations are renewed at least annually and conducted mostly by third party appraisers. In certain cases, particularly residential mortgage loans, CEB could employ internal appraisers but ensure that all internal valuations are benchmarked against market prices. The total amount of NPL as of December 31, 2018 is EUR 310,811 (2017: EUR 376,142). The total NPL ratio as of December 31, 2018, is 10.85% (2017:8.01%). The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus the total coverage for Bank's NPL as of December 31, 2018 is 122% (2017:115%).
The evolution of the net NPL ratio after deduction of the provisions can be seen in the below table.

	December 31, 2018	**December 31, 2017**
Loans to Customers (Gross)	2,863,428	4,695,920
NPLs (Gross)	310,811	376,142
Provisions	(164,272)	(208,541)
NPLs (Net)	**146,539**	**167,601**
Net NPL ratio	**5.4%**	**3.7%**

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

36.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:

						December 31, 2018
Gross exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	2,198,571	34,996	697	4,304	161,899	2,400,467
Retail loans and residential mortgage loans	270,818	27,062	14,084	10,321	120,712	442,997
SME loans	15,764	140	221	111	3,728	19,964
Total loans and advances to customers	**2,485,153**	**62,198**	**15,002**	**14,736**	**286,339**	**2,863,428**

						December 31, 2017
Gross exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	3,189,174	17,191	4,436	25,919	176,350	3,413,070
Retail loans and residential mortgage loans	940,330	53,090	21,440	18,693	164,536	1,198,089
SME loans	51,444	4,068	1,058	423	27,768	84,761
Total loans and advances to customers	**4,180,948**	**74,349**	**26,934**	**45,035**	**368,654**	**4,695,920**

As of December 31, 2018, EUR 2,479,466 (2017: EUR 4,173,460) of total exposure is neither past due nor impaired, EUR 73,150 (2017: EUR 146,318) of total exposure is past due but not impaired.

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

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

							December 31, 2018
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**175,972**	**270,819**	**720,452**	**48,660**	**72,192**	**1,112,372**	**2,400,467**
Stage 1	133,898	226,134	346,233	25,634	71,061	1,025,711	1,828,671
Stage 2	34,653	27,501	302,736	7,150	-	21,141	393,181
Stage 3	7,421	17,184	71,483	15,876	1,131	65,520	178,615
Retail loans (incl. mortgages)	-	**415,999**	**33**	**1,041**	-	**25,924**	**442,997**
Stage 1	-	175,322	18	-	-	21,442	196,782
Stage 2	-	114,455	1	244	-	3,303	118,003
Stage 3	-	126,222	14	797	-	1,179	128,212
SME loans	-	**19,964**	-	-	-	-	**19,964**
Stage 1	-	14,622	-	-	-	-	14,622
Stage 2	-	1,358	-	-	-	-	1,358
Stage 3	-	3,984	-	-	-	-	3,984
Total exposure	**175,972**	**706,782**	**720,485**	**49,701**	**72,192**	**1,138,296**	**2,863,428**

							December 31, 2017
Gross exposure	**Russia**	**Romania**	**Turkey**	**Ukraine**	**Other emerging markets**	**Developed markets**	**Total exposure**
Corporate loans	**589,886**	**330,474**	**1,104,570**	**31,602**	**216,078**	**1,140,460**	**3,413,070**
Performing loans	469,898	252,330	975,084	1,634	206,927	1,073,939	2,979,812
Sub-Standard Loans	57,754	26,206	88,492	23,582	11	53,375	249,420
NPL	62,234	51,938	40,994	6,386	9,140	13,146	183,838
Retail loans (incl. mortgages)	**705,620**	**443,899**	-	**1,413**	-	**47,157**	**1,198,089**
Performing loans	667,955	298,835	-	412	-	46,112	1,013,314
Sub-Standard Loans	8,459	11,778	-	2	-	-	20,239
NPL	29,206	133,286	-	999	-	1,045	164,536
SME loans	**54,602**	**30,159**	-	-	-	-	**84,761**
Performing loans	37,054	18,185	-	-	-	-	55,239
Sub-Standard Loans	3	1,751	-	-	-	-	1,754
NPL	17,545	10,223	-	-	-	-	27,768
Total exposure	**1,350,108**	**804,532**	**1,104,570**	**33,015**	**216,078**	**1,187,617**	**4,695,920**

36.i. Liquidity risk

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

Stress-Test Scenarios

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

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

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

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

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

Funding Plan & Strategy

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

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

Discounted amounts based on remaining contractual maturity							December 31, 2018
	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Total
Assets							
Cash and balances at central banks	651,773	-	-	-	-	-	651,773
Financial assets measured at FVPL	4,935	-	16,491	64,154	2,148	-	87,728
Financial investments	94,354	105,312	108,090	151,256	207,295	25,742	692,049
Loans and receivables – banks	247,328	154,303	30,347	-	-	-	431,978
Loans and receivables – customers	556,433	167,920	397,979	548,028	831,341	197,455	2,699,156
Tangible and intangible assets	-	-	-	-	-	151,657	151,657
Other assets	50,302	26,387	100,562	170,115	2,677	18,769	368,812
Total assets	**1,605,125**	**453,922**	**653,469**	**933,553**	**1,043,461**	**393,623**	**5,083,153**
Liabilities							
Due to banks	226,577	76,331	38,349	75,240	-	-	416,497
Due to customers**	906,743	280,986	781,854	1,152,198	527,981	-	3,649,762
Other liabilities	31,390	25,902	49,422	114,988	1,902	35,278	258,882
Subordinated liabilities	-	-	-	43,826	130,101	-	173,927
Total liabilities	**1,164,710**	**383,219**	**869,625**	**1,386,252**	**659,984**	**35,278**	**4,499,068**
Cumulative liquidity gap	**440,415**	**511,118**	**294,962**	**(157,737)**	**225,740**	**584,085**	**584,085**

Discounted amounts based on remaining contractual maturity							December 31, 2017
	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Total
Assets							
Cash and balances at central banks	829,224	-	-	-	-	-	829,224
Financial assets measured at FVPL	7,023	2,165	30,907	10,623	-	2,466	53,184
Financial investments	55,810	16,077	34,187	179,397	456,313	9,015	750,799
Loans and receivables – banks	472,009	25,479	28,625	11,949	-	-	538,062
Loans and receivables – customers	945,542	348,712	776,410	1,373,340	816,760	226,615	4,487,379
Tangible and intangible assets	-	-	-	-	-	203,061	203,061
Other assets	83,142	77,808	139,165	121,848	31,298	72,368	525,629
Total assets	**2,392,750**	**470,241**	**1,009,294**	**1,697,157**	**1,304,371**	**513,525**	**7,387,338**
Liabilities							
Due to banks	297,359	45,533	101,658	185,212	-	-	629,762
Due to customers	1,116,893	401,551	1,321,575	1,456,475	602,531	-	4,899,025
Issued debt securities	631	335	2,314	67,563	-	-	70,843
Other liabilities	65,088	43,010	53,907	80,579	30,653	30,939	304,176
Subordinated liabilities	345,190	-	-	122,864	125,880	-	593,934
Total liabilities	**1,825,161**	**490,429**	**1,479,454**	**1,912,693**	**759,064**	**30,939**	**6,497,740**
Cumulative liquidity gap	**567,589**	**547,401**	**77,241**	**(138,295)**	**407,012**	**889,598**	**889,598**

Notes to Consolidated Financial Statements

(*) As at December 31, 2018, total on demand asset amount to EUR 1,009,330 (2017: EUR 1,362,642) and total on demand liability amount to EUR 331,876 (2017: EUR 289,636) are disclosed under "Up to 1 month" column.

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

Current accounts and demand deposits from customers are distributed in accordance with the average monthly withdrawal behaviour of customers over the last 7 years on the basis of management`s belief that despite of these funds from customers being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicates that these deposits provide a stable source of funding.
As at December 31, 2018 and 2017, the contractual maturities of customer deposits are as follows:

	December 31, 2018	December 31, 2017
Up to 1 month	1,788,663	2,255,409
1-3 months	249,722	318,220
3-12 months	666,574	1,089,607
1-5 years	856,424	1,108,418
Over 5 year	88,379	127,371
Total	**3,649,762**	**4,899,025**

36.j. Market risks

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

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

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

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

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

The internal limit for the 10-day trading portfolio, with VaR at 99% - confidence interval, is EUR 8 million (2017: EUR 8 million). This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

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

Value-at-risk figures - Trading Book (2018)	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	**111**	**96%**	**42**	**73**
Maximum	459	100%	455	262
Minimum	14	61%	-	14
Period-end	262	100%	-	262

Value-at-risk figures - Trading Book (2017)	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	**449**	**80%**	**378**	**147**
Maximum	2,134	97%	2,188	260
Minimum	80	54%	8	8
Period-end	88	72%	35	87

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

One of the Bank's major risks under Pillar II is the interest-rate risk on the banking book. The Bank defines interest-rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates. The trading book is also subject to interest-rate risk, but this type of risk is dealt with under the Market Risk: Value-at-Risk section. The Bank has a 'minor' risk tolerance towards interest-rate risk in its banking book.
The Bank's interest-rate risk is monitored for the banking book by means of static re-pricing gap and interest rate sensitivity analyses once a month at all levels and for each major currency in use. Interest-rate sensitivity in the banking book is calculated according to the economic-value approach. All future cash flows, arising solely from on- and off- balance sheet assets and liabilities are discounted back to their present values with zero-coupon yield curves to see the impact of interest-rate changes on the economic value of the Bank. The impact of the curve with the maximum net gain or loss compared to a benchmark curve is analysed.

Interest-rate sensitivity in the banking book is measured by means of PV01 method. The PV01 method is based on flat upward shifts of each currency's yield curve in magnitudes of one basis point. The economic value impact of these shifts on the banking book is then analysed. PV01 analysis is complemented with 200 basis-points (bps) scenarios, which consist of the parallel shifts of the yield curves by shifting short-term rates and long-term rates for each individual currency. The interest rate risk on the banking book, excluding the trading book has been calculated as EUR 17.6 million for 2018 with 200 basis point upward parallel rate shock (2017: EUR 11.2 million).

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

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

							December 31, 2018
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Non-interest-bearing items(*)	Total
Assets							
Cash and balances at central banks	651,419	-	-	-	-	354	651,773
Financial assets designated at FVPL	1,151	46,172	16,770	9,214	-	14,421	87,728
Financial investments	114,507	157,943	103,009	106,367	184,370	25,853	692,049
Loans and receivables - banks	233,495	153,452	30,897	-	-	14,134	431,978
Loans and receivables - customers	1,044,213	547,791	545,118	358,885	97,303	105,846	2,699,156
Tangible and intangible assets	-	-	-	-	-	151,657	151,657
Other assets	-	-	-	-	-	368,812	368,812
Total assets	**2,044,785**	**905,358**	**695,794**	**474,466**	**281,673**	**681,077**	**5,083,153**
Liabilities							
Due to banks	225,537	76,331	38,350	75,775	-	504	416,497
Due to customers	1,757,629	242,569	628,257	704,171	82,713	234,423	3,649,762
Other liabilities	-	-	-	-	-	258,882	258,882
Subordinated liabilities	-	-	-	173,927	-	-	173,927
Total liabilities	**1,983,166**	**318,900**	**666,607**	**953,873**	**82,713**	**493,809**	**4,499,068**
Off-balance interest-sensitivity gap	28,788	44,031	(179,779)	203,246	(86,695)	-	9,591
Net gap	**90,407**	**630,489**	**(150,592)**	**(276,161)**	**112,265**	**187,268**	**406,408**

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

							December 31, 2017
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Non-interest-bearing items(*)	Total
Assets							
Cash and balances at central banks	717,497	-	-	-	-	111,727	829,224
Financial assets designated at FVPL	5,819	31,187	12,522	-	-	3,656	53,184
Financial investments	26,102	114,575	34,187	141,334	396,693	37,908	750,799
Loans and receivables - banks	452,948	25,475	28,664	11,949	-	19,026	538,062
Loans and receivables - customers	1,490,392	956,707	1,018,555	788,975	86,114	146,636	4,487,379
Tangible and intangible assets	-	-	-	-	-	203,061	203,061
Other assets	-	-	-	-	-	525,629	525,629
Total assets	**2,692,758**	**1,127,944**	**1,093,928**	**942,258**	**482,807**	**1,047,643**	**7,387,338**
Liabilities							
Due to banks	297,917	45,533	97,979	184,164	-	4,169	629,762
Due to customers	2,016,621	315,145	1,062,023	940,010	122,059	443,167	4,899,025
Issued debt securities	631	334	2,314	67,564	-	-	70,843
Other liabilities	-	-	-	-	-	304,176	304,176
Subordinated liabilities	346,137	-	996	246,801	-	-	593,934
Total liabilities	**2,661,306**	**361,012**	**1,163,312**	**1,438,539**	**122,059**	**751,512**	**6,497,740**
Off-balance interest-sensitivity gap	179,036	149,028	181,795	(91,637)	(323,950)	-	94,272
Net gap	**210,488**	**915,960**	**112,411**	**(587,918)**	**36,798**	**296,131**	**687,739**

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

36.l. Currency risk

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

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

Trading-related currency positions are quantified with VaR methodology and reported daily on the Bank level and monthly on a consolidated level. The VaR limits and other market risks related issues are monitored by the Risk Management Department and discussed in ALCO meetings on a regular basis. The VaR limit (see note 36.j.) is inclusive of the foreign-exchange risk.

Currency analysis for the year ended December 31, 2018:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	494,319	830	68,664	85,612	-	276	-	2,072	651,773
Financial assets measured at FVTPL	26,755	60,690	283	-	-	-	-	-	87,728
Financial investments	369,063	61,933	15,347	222,928	18,995	3,783	-	-	692,049
Loans and receivables – banks	216,077	208,505	4,875	443	141	-	360	1,577	431,978
Loans and receivables – customers	1,297,285	981,585	113,802	212,162	10,243	7,721	69,423	6,935	2,699,156
Derivative financial instruments	162,356	11,030	496	1	-	42	15,843	93	189,861
Equity-accounted investments	7,129	-	-	-	-	-	-	-	7,129
Property and equipment	50,707	79,499	759	13,170	-	20	-	-	144,155
Goodwill and other intangible assets	2,495	2,447	-	2,541	-	19	-	-	7,502
Other assets	71,729	18,915	2,511	54,700	425	1,897	20,826	819	171,822
Total assets	**2,697,915**	**1,425,434**	**206,737**	**591,557**	**29,804**	**13,758**	**106,452**	**11,496**	**5,083,153**
Due to banks	176,116	168,473	49	50,689	15	-	2	21,153	416,497
Due to customers	3,046,797	207,682	23,844	357,728	105	6,753	1,670	5,183	3,649,762
Derivative financial instruments	151,300	12,663	15	120	472	14	17,823	289	182,696
Issued debt securities	-	-	-	-	-	-	-	-	-
Other liabilities	16,035	10,170	26,186	7,726	-	1,400	14,591	78	76,186
Subordinated liabilities	(1,774)	175,701	-	-	-	-	-	-	173,927
Total liabilities	**3,388,474**	**574,689**	**50,094**	**416,263**	**592**	**8,167**	**34,086**	**26,703**	**4,499,068**
Net on-balance sheet position	-	**850,745**	**156,643**	**175,294**	**29,212**	**5,591**	**72,366**	**(15,207)**	**1,274,644**
Off-balance sheet net position	-	**(893,377)**	**(149,963)**	**(158,170)**	**(29,146)**	**5,675**	**(56,875)**	**16,400**	**(1,265,456)**
Net open position	-	**(42,632)**	**6,680**	**17,124**	**66**	**11,266**	**15,491**	**1,193**	**9,188**

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

Notes to Consolidated Financial Statements

Currency analysis for the year ended December 31, 2017:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	541,640	5,655	21,081	154,477	105,448	702	-	221	829,224
Financial assets designated at FVPL	6,346	45,538	-	1,276	-	-	-	24	53,184
Financial investments	452,342	36,941	15,852	234,367	3,946	6,880	-	471	750,799
Loans and receivables – banks	265,448	83,532	3,227	22,038	157,338	-	1,288	5,191	538,062
Loans and receivables – customers	1,711,228	1,204,588	118,786	217,214	811,080	8,800	408,355	7,328	4,487,379
Derivative financial instruments	194,086	18,676	788	4	44	40	22,188	565	236,391
Equity-accounted investments	6,311	-	-	-	-	-	-	-	6,311
Property and equipment	52,253	91,727	616	14,601	31,494	30	-	-	190,721
Goodwill and other intangible assets	2,666	2,311	-	2,131	5,230	2	-	-	12,340
Other assets	58,377	100,528	1,363	55,892	51,350	1,435	13,390	592	282,927
Total assets	**3,290,697**	**1,589,496**	**161,713**	**702,000**	**1,165,930**	**17,889**	**445,221**	**14,392**	**7,387,338**
Due to banks	300,254	133,901	116	168,217	9,785	-	601	16,888	629,762
Due to customers	3,258,674	415,228	6,042	355,368	832,811	13,847	2,635	14,420	4,899,025
Derivative financial instruments	153,104	21,719	791	481	2,578	26	24,392	544	203,635
Issued debt securities	176	391	-	-	70,276	-	-	-	70,843
Other liabilities	21,951	11,992	29,224	7,921	24,052	1,107	4,294	-	100,541
Subordinated liabilities	-	593,934	-	-	-	-	-	-	593,934
Total liabilities	**3,734,159**	**1,177,165**	**36,173**	**531,987**	**939,502**	**14,980**	**31,922**	**31,852**	**6,497,740**
Net on-balance sheet position	-	**412,331**	**125,540**	**170,013**	**226,428**	**2,909**	**413,299**	**(17,460)**	**1,333,060**
Off-balance sheet net position	-	**(371,462)**	**(124,898)**	**(164,295)**	**(191,199)**	**(3,267)**	**(412,351)**	**16,424**	**(1,251,048)**
Net open position	-	**40,869**	**642**	**5,718**	**35,229**	**(358)**	**948**	**(1,036)**	**82,012**

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

36.m Operational risk

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

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

Operational risk events and significant control incidents are reported and analysed through the Operational Risk Incident Management framework. The effectiveness of the Bank's controls is assessed through the annual Internal Control Framework evaluations and the execution of Risk Control Self-Assessments in 2018. With aim to finalize at 2019, ORM launched a new approach for assessment of the effectiveness of Bank's controls named 'Risk and Control Matrixes. This study will be replaced to Internal Control Framework evaluations. New products, or changes to existing products, are subject to the Product Approval and Review. Key Risk Indicators are established and regularly monitored.

The Bank also has an established operational risk appetite, broken down by both business- and subsidiary-specific thresholds, which is monitored in the quarterly Non-Financial Risk Committee meetings.
Regular training and awareness sessions are provided to employees to ensure that operational risk management continues to be embedded in the Bank's day-to-day operations.

37. Discontinued Operations

In June 2017, the Bank applied for regulatory approvals to sell 90% of its interest in CEB Russia for a consideration of EUR 166.9 million (RUB 13,545 million) to Fiba Holding A.S. and Fina Holding A.S., the Bank's shareholders.
Upon approval from De Nederlansche Bank on April 05, 2018, CEB Russia, being a major separate component of the Bank has been reclassified as held for distribution to owners.
As of January 1, 2018, given its intention to dispose CEB Russia, the Bank has reassessed its business model in relation to CEB Russia activities. As result, business model has been changed from "held to collect" to "held for sale". Therefore, as of January 1, 2018, financial assets of CEB Russia have been remeasured at fair value with any additional impact from remeasurement to fair value recognized as IFRS 9 impact within retained earnings.

The Bank has completed sale transaction in the form of a spin-off on September 12, 2018. As part of the spin-off process, following the payment of EUR 76.2 million as dividend and EUR 90.7 million as capital repayment by the Bank to the parent company, Credit Europe Group N.V. The Group paid out total amount of EUR 166.9 million to its shareholders: Fiba Holding A.S, Fina Holding A.S and Fiba Faktoring A.S.

The Bank recognized 10% of remaining shares in CEB Russia as equity investment measured at fair value through other comprehensive income.

The following table summarizes the results of CEB Russia and other components constituting discontinued operations loss in the consolidated statement of income.

	2018	2017
Income	204,054	327,410
Expenses	(194,259)	(306,089)
Operating income, before tax	9,795	21,321
Profit before tax from discontinued operation	**9,795**	**21,321**
Income tax expense	(2,917)	(6,564)
Loss on disposal	(74,174)	-
Recycling of accumulated reserves, gross	(266,168)	-
Tax impact of recycled accumulated reserve	(14,412)	-
Net results for the year from discontinued operations	**(347,877)**	**14,757**

Determination of loss on disposal is calculated as follows:

Net asset value of CEB Russia	259,508
Shares disposed	90%
Net asset value of shares disposed	233,557
Loss on retained interest	7,503
Consideration received	166,886
Loss on disposal	**(74,174)**

The net cash flows incurred by CEB Russia are as follows:

	2018	2017
Net cash used in operating activities	(109,874)	217,211
Net cash used in investing activities	3,946	(2,669)
Net cash from financing activities	(5,718)	(161,925)
Net cash flows for the period	**(111,646)**	**52,617**

38. 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.

39. List of participations

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

Name	Place	Country	Interest December 31, 2018	Interest December 31, 2017
Credit Europe Bank (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) SA	Geneva	Switzerland	100.00%	100.00%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Hunter Navigation Ltd.	Msida	Malta	100.00%	100.00%
Credit Europe Leasing IFN SA	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%
Mediqueen Maritime Ltd	Msida	Malta	100.00%	100.00%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Lodestar Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping 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%	-
JSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Bank (Romania) SA	Bucharest	Romania	99.33%	98.95%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	53.00%	100.00%
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%
Credit Europe Bank Ltd	Moscow	Russia	10.00%	100.00%
Lycia Shipping Ltd	Msida	Malta	-	100.00%
Cilicia Shipping Ltd	Msida	Malta	-	100.00%
Phrygia Shipping Ltd	Msida	Malta	-	100.00%
Thrace Shipping Ltd	Msida	Malta	-	100.00%
Maritime Enterprises B.V.	Amsterdam	The Netherlands	-	100.00%

Amsterdam, March 22, 2019

Parent Company Financial Statements

As of and for the year ended December 31, 2018

	Notes	December 31, 2018	December 31, 2017*
Assets			
Cash and balances with central banks	b	394,928	501,052
Amount due from banks	c	487,697	364,965
Loans and advances to customers	d	2,030,636	2,679,207
Debt securities	e	427,150	463,909
• Trading assets measured at FVTPL		2,147	391
• Debt and equity instruments measured at FVTOCI		425,003	-
• Available-for-sale		-	463,518
Derivative financial instruments	f	183,281	218,250
Investments in group companies	g	359,583	694,878
Investments in associates	g	7,129	6,311
Intangible assets	h	2,496	2,666
Property, equipment and investment property	i	46,707	48,253
Inventories	j	6,247	489
Other assets	j	66,352	53,256
Total assets		**4,012,206**	**5,033,236**
Liabilities			
Amount due to banks	k	185,067	247,134
Amount due to customers	l	2,853,219	3,134,134
Derivative financial instruments	f	181,143	186,850
Other liabilities	m	21,717	26,097
Provisions	g,n	16,226	38,416
Subordinated loans	o	173,927	512,901
Total liabilities		**3,431,299**	**4,145,532**
Equity			
Share capital	p	563,000	653,658
Share premium		163,748	163,748
Legal reserves		136,037	(101,130)
• Fair value reserve		(8,583)	(2,462)
• Affiliated companies		301,425	304,627
• Currency translation differences		(62,523)	(312,117)
• Net investment hedge		(94,282)	(91,066)
• Cash flow hedge		-	(112)
Other reserves		41,206	148,755
Unappropriated result		(323,084)	22,673
Total equity		**580,907**	**887,704**
Total equity and liabilities		**4,012,206**	**5,033,236**

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

	Notes	December 31, 2018	December 31, 2017
Interest and similar income		194,842	220,885
Interest expense and similar charges		(80,087)	(105,294)
Net interest income	r	**114,755**	**115,591**
Fees and commissions income		18,729	19,406
Fees and commissions expense		(3,572)	(4,206)
Net fee and commission income	s	**15,157**	**15,200**
Net trading results	t	(45,440)	(50,241)
Results from investment securities and participating interests	u	(321,553)	10,265
Other operating income	v	1,252	784
Operating income		**(365,741)**	**(39,192)**
Net impairment loss on financial assets	w	(29,200)	(39,927)
Net operating income		**(265,029)**	**51,672**
Personnel expenses	x	(29,101)	(25,778)
General and administrative expenses	y	(12,719)	(11,332)
Depreciation and amortization	h,i	(2,559)	(2,636)
Other operating expenses	z	148	(2,089)
Other impairment losses		(500)	(1,659)
Total operating expenses		**(44,731)**	**(43,494)**
Operating profit before tax		**(309,760)**	**8,178**
Income tax expense		(16,526)	6,816
Profit for the year		**(326,286)**	**14,994**

Statement of Changes in Equity

	Legal Reserves									
	Issued capital	Share premium	Fair value reserve	Affiliated companies	Currency translation differences	Net invest-ment hedge	Cash flow hedge	Other reserves	Unappro-priated results	Total
At December 31, 2017 (IAS 39)*	**653,658**	**163,748**	**(2,462)**	**304,627**	**(312,117)**	**(91,066)**	**(112)**	**148,755**	**22,673**	**887,704**
Impact of adopting IFRS 9**	-	-	-	-	-	-	-	(52,173)	-	(52,173)
At January 01, 2018 (IFRS 9)	**653,658**	**163,748**	**(2,462)**	**304,627**	**(312,117)**	**(91,066)**	**(112)**	**96,582**	**22,673**	**835,531**
Change in fair value reserve	-	-	(7,422)	-	-	-	-	167	-	(7,255)
Change in currency translation reserve	-	-	-	-	(42,059)	-	-	-	-	(42,059)
Change in other reserve	-	-	-	-	-	-	-	112	-	112
Change in hedge accounting reserve	-	-	-	-	-	9,269	-	-	-	9,269
Total income and expense for the year recognized directly in equity	**-**	**-**	**(7,422)**	**-**	**(42,059)**	**9,269**	**-**	**279**	**-**	**(80,145)**
Decrease in share capital	(90,658)	-	-	-	-	-	-	-	-	(90,658)
Dividends declared and paid	-	-	-	-	-	-	-	(78,328)	-	(78,328)
Change in equity resulting from disposal of subsidiaries	-	-	1,301	-	291,653	(12,485)	112	-	-	561,162
Profit for the year	-	-	-	(3,202)	-	-	-	-	(323,084)	(326,286)
Transfer from retained earnings	-	-	-	-	-	-	-	22,673	(22,673)	-
At December 31, 2018	**563,000**	**163,748**	**(8,583)**	**301,425**	**(62,523)**	**(94,282)**	**-**	**41,206**	**(323,084)**	**580,907**

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

** Reference is made to IFRS 9 Transition Impact Analysis.

Consolidated Statement of Changes in Equity

	Legal Reserves									
	Issued capital	Share premium	Fair value reserve	Affiliated companies	Currency translation differences	Net invest-ment hedge	Cash flow hedge	Other reserves	Unappro-priated results	Total
At January 1, 2017	**632,464**	**163,748**	**(9,071)**	**312,306**	**(265,899)**	**(118,581)**	**(1,230)**	**128,057**	**20,098**	**861,892**
Impact of correction*	-	-	-	-	-	7,648	-	-	-	7,648
Restated opening balance	**632,464**	**163,748**	**(9,071)**	**312,306**	**(265,899)**	**(110,933)**	**(1,230)**	**128,057**	**20,098**	**869,540**
Change in fair value reserve	-	-	6,609	-	-	-	-	-	-	6,609
Change in currency translation reserve	-	-	-	-	(46,218)	-	-	-	-	(46,218)
Change in other reserve	-	-	-	-	-	-	-	600	-	600
Change in hedge accounting reserve*	-	-	-	-	-	19,867	1,118	-	-	20,985
Total income and expense for the year recognized directly in equity	**-**	**-**	**6,609**	**-**	**(46,218)**	**19,867**	**1,118**	**600**	**-**	**(18,024)**
Increase in share capital	21,194	-	-	-	-	-	-	-	-	21,194
Profit for the year	-	-	-	(7,679)	-	-	-	-	22,673	14,994
Transfer from retained earnings	-	-	-	-	-	-	-	20,098	(20,098)	-
At December 31, 2017	**653,658**	**163,748**	**(2,462)**	**304,627**	**(312,117)**	**(91,066)**	**(112)**	**148,755**	**22,673**	**887,704**

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

Basis of preparation

The Parent Company financial statements of Credit Europe Bank N.V. (CEB, the Bank) have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied in the Parent Company financial statements are based on International Financial Reporting Standards as adopted by the European Union (EU IFRS), as used for the preparation of the Consolidated Financial Statements of the Bank.

The accounting policies that are used in the preparation of these parent financial statements are consistent with the accounting policies used in preparation of the Consolidated Financial Statements of the Bank, as set out in those financial statements.

The additional accounting policies that are specific to the Parent Company Financial Statements of CEB are set out below.

Financial Instruments

Classification and measurement of loans and receivables from intra group companies is based on accounting policy consistent with the one used in preparation of consolidated financial statements. As result, as of 31 December 2018, EUR 96,841 of loans and receivables from intra group companies were classified as "non-trading assets mandatorily at FVPL" because their cash flow characteristics do not satisfy SPPI criteria.

The Bank applied expected credit loss model under IFRS 9 in parent company financial statements.
The Bank applies paragraph 107a of the Dutch Accounting Standard 100. Under this paragraph the bank eliminates the expected credit losses on loans to subsidiaries in the same line item.

Investment in subsidiaries

The Group companies are stated at their net asset value, determined on the basis of IFRS, as applied in the Consolidated Financial Statements of the Bank. For details on the accounting policies applied for the Group companies, refer to the notes to the Consolidated Financial Statements as shown earlier in this document.

Dividend income

Dividend income from investments in subsidiaries is recognized when the right to receive payment is established.

Going concern

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

A. Corporate Information

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 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 and consumer loans.

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

B. Cash and balances at central banks

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

	December 31, 2018	December 31, 2017
Balances at central bank	394,889	500,978
Cash on hand	39	74
Total	**394,928**	**501,052**

Deposits at central banks include reserve deposits amounting to EUR 22,241 (2017: EUR 22,740), which represents the mandatory deposit and is not available the Bank's day-to-day operations.

C. Amounts due from banks

	December 31, 2018	December 31, 2017
Placement with other banks	256,099	307,246
Loans and advances	177,153	34,740
Trading loans	55,762	23,904
Subtotal	**489,014**	**365,890**
Allowance for impairment	(1,317)	(925)
Total	**487,697**	**364,965**

Loans and receivables from intra group companies amount to EUR 114,715 (2017: EUR 49,516). The amount that will not mature within one year is EUR 55,850 (2017: EUR 6,704).

D. Loans and advances to customers

	December 31, 2018	December 31, 2017
Commercial loans	1,757,375	2,370,531
Consumer loans	193,922	225,276
Non-trading assets mandatorily at FVTPL	124,713	-
Public loans	74,982	152,470
Trading loans	2,943	21,279
Subtotal	**2,153,935**	**2,769,556**
Allowance for impairment	(123,299)	(90,349)
Total (*)	**2,030,636**	**2,679,207**

(*) None of these loans is subordinated.

Loans and receivables from intra group companies amount to EUR 134,373 (2017: EUR 229,426).
No individual loan or receivable has terms and conditions that materially affect the amount, timing or certainty of the cash flows of CEB.
Loans and advances to customers do not include any amount related to receivables regarding securities that have been acquired in reverse repo transactions.
As of December 31, 2018, EUR 1,025,690 (2017: EUR 1,423,502) of loans and advances to customers are not expected to mature within one year.

E. Debt securities

December 31, 2018	Trading assets measured at FVTPL (*)	Debt and equity instruments measured at FVOCI (**)	Total
Bank bonds	2,147	198,443	200,590
Corporate bonds	-	165,038	165,038
Government bonds	-	40,065	40,065
Equities	-	21,457	21,457
Total	**2,147**	**425,003**	**427,150**

December 31, 2017	Financial asset held for trading (*)	Available-for- sale (**)	Total
Bank bonds	391	91,248	91,639
Government bonds	-	365,761	365,761
Corporate bonds	-	6,509	6,509
Total	**391**	**463,518**	**463,909**

(*) As of December 31, 2018, EUR 2,147 of the total are listed for trading portfolio. Gains and losses on changes in the fair value of trading instruments are recognized in 'net trading results'.

(**) EUR 406,008 of the total are listed securities (2017: EUR 463,518). There is not any bond issued by intra group companies in 2018 (2017: EUR 391). The amount that will not mature within one year is EUR 178,340 (2017: EUR 455,437).

F. Derivative financial instruments

In the ordinary course of business, CEB enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

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 risk nor the credit risk.

	December 31, 2018			December 31, 2017		
	Notional amount	Carrying value assets	Carrying value liabilities	Notional amount	Carrying value assets	Carrying value liabilities
Derivatives held for trading						
Interest rate swaps	125,500	31,298	32,218	240,000	156	1,277
Interest rate futures	3,100	-	8	-	-	-
Interest rate options (purchased)	62,030	1,097	-	89,126	651	-
Interest rate options (sold)	(62,030)	-	1,151	(89,126)	-	651
Foreign currency swaps	789,780	85,516	81,729	685,615	134,080	107,551
Foreign currency forwards	22,140	113	190	91,506	6,663	6,957
Foreign currency options (purchased)	85,774	17,660	-	410,547	26,954	-
Foreign currency options (sold)	(81,406)	-	19,379	(399,276)	-	30,637
Equity options (purchased)	2,428	650	-	46,145	1,034	-
Equity options (sold)	(2,428)	-	650	(46,145)	-	1,033
Commodity options (purchased)	-	-	-	6,879	4	-
Commodity options (sold)	-	-	-	(6,879)	-	4
Total	**944,888**	**136,334**	**135,325**	**1,028,392**	**169,542**	**148,110**
Derivatives in economic hedge relationship						
Interest rate swaps	4,900	2,794	2,970	200	-	-
Foreign currency swaps	911,038	41,064	39,808	1,642,752	30,881	23,610
Forwards	4,368	8	2	-	-	-
Total	**920,306**	**43,866**	**42,780**	**1,642,952**	**30,881**	**23,610**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	351,760	807	1,265	369,995	1,017	-
Foreign currency swaps	89,211	1,697	24	134,204	565	57
Total	**440,971**	**2,504**	**1,289**	**504,199**	**1,582**	**57**
Derivatives in cash flow hedge accounting relationship						
Foreign currency swaps	-	-	-	16,974	1,694	72
Total	**-**	**-**	**-**	**16,974**	**1,694**	**72**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	319,421	577	1,749	944,453	14,551	15,001
Total	**319,421**	**577**	**1,749**	**944,453**	**14,551**	**15,001**
Total Derivatives	**2,625,586**	**183,281**	**181,143**	**4,136,970**	**218,250**	**186,850**

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

Derivatives in economic hedge relationships:
Included in this classification are any derivatives entered into by the Bank in order to economically hedge its exposures for risk management purposes that are not designated in hedge relationships as they do not meet the IAS 39 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.

Derivatives in cash flow hedge accounting relationship
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.

	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
December 31, 2018	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Fixed rate corporate loans	94,573	-	-	1,527
Fixed rate FVOCI debt instruments	95,006	-	1,084	-
Fixed rate subordinated liabilities	-	158,118	1,453	-
Equity instruments FVOCI	18,995	-	79	-
Subtotal	**208,574**	**158,118**	**2,616**	**1,527**
Portfolio fair value hedges				
Fixed rate customer deposits	-	69,432	-	504
Subtotal	**-**	**69,432**	**-**	**504**
Total	**208,574**	**227,550**	**2,616**	**2,031**

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:

December 31, 2018		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	Hedging Instruments	Hedged Items	Hedging Instruments	Liabilities
Micro fair value hedges *hedging assets*				
Fixed rate corporate loans	Interest rate swaps	123	(198)	(75)
Fixed rate corporate loans	Foreign currency contracts	(1,650)	1,895	245
Fixed rate retail loans	Interest rate swaps	1,084	(1,265)	(181)
Equity instruments FVOCI	Foreign currency contracts	79	(79)	-
Subtotal		**(364)**	**353**	**(11)**
Micro fair value hedge relationships *hedging liabilities*				
Fixed rate subordinated liabilities*	Interest rate swaps	1,453	298	1,750
Subtotal		**1,453**	**298**	**1,750**
Total micro fair value relationships		**1,089**	**651**	**1,739**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	(504)	564	60
Subtotal		**(504)**	**564**	**60**
Total portfolio fair value hedge relationships		**(504)**	**564**	**60**
Total		**585**	**1,215**	**1,799**

(*) As of December 31, 2018, the hedging gain on fixed rate subordinated liabilities amount to EUR 1,774.

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

December 31, 2018	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans						
Cash and balances at central banks	-	-	-	27,000	-	27,000
Financial assets designated at FVPL	-	3,267	57,101	10,411	-	70,779
Fixed rate FVOCI debt instruments						
Interest rate swaps	-	-	-	-	97,295	97,295
Fixed rate subordinated liabilities						
Interest rate swaps	-	-	-	157,260	-	157,260
Fixed rate customer deposits						
Interest rate swaps	-	-	-	70,205	-	70,205
Fixed rate FVOCI debt instruments						
Foreign currency contracts	-	-	18,432	-	-	18,432
Total	**-**	**3,267**	**75,533**	**264,876**	**97,295**	**440,971**

-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:

December 31, 2018 Investments in subsidiaries functional currency of which is:	Change in fair value of hedged item for ineffectiveness assessment	Translation reserve
USD	3,656	604
RON	4,646	(132)
CHF	2,986	4,140
UAH	2,249	770
TRY	(724)	(2,380)
Total	**12,813**	**3,002**

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

Net investment hedges	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
USD swaps	44,616	397	101	-	-	(3,656)
RON swaps	155,724	323	988	(343)	-	(4,646)
CHF swaps	112,185	(141)	498	-	-	(2,986)
UAH swaps	-	-	-	-	-	(2,249)
TRY swaps	6,896	(2)	162	(418)	-	724
Total	**319,421**	**577**	**1,749**	**(761)**	**-**	**(12,813)**

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	Total
USD swaps	19,874	24,742	-	44,616
RON swaps	62,019	83,269	10,436	155,724
CHF swaps	49,790	62,395	-	112,185
TRY swaps	10	6,886	-	6,896
Total	**131,693**	**177,292**	**10,436**	**319,421**

-Cash flow hedges
The Bank used in previous year fx swaps to hedge part of its foreign currency risk related with USD denominated assets.

G. Investments in group companies and associates

For 2018, the movement of participating interests in Group companies is as follows:

	Balance at 1 Jan- 2018	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2018	Provision for period losses	Net carrying amount at 31-Dec-2018
Credit Europe Bank (Russia) Ltd*	310,791	(310,791)	-	-	-	-	-	-	-
Credit Europe (Romania) Bank SA	178,508	452	(9,428)	8,901	-	42	178,475	-	178,475
Credit Europe (Suisse) Bank SA	117,460	-	(1,555)	792	(6,690)	4,140	114,147	-	114,147
Credit Europe (Dubai) Ltd	34,730	-	(1,964)	1,971	-	1,570	36,307	-	36,307
JSC Credit Europe Bank	16,157	-	(1,059)	657	(5,064)	887	11,578	-	11,578
Yenikoy Enterprises B.V.	8,947	-	-	(2,504)	-	560	7,003	-	7,003
Credit Europe Leasing (Romania) SA	159	503	-	(894)	-	-	(232)	232	-
Cirus Holding B.V.	3,980	-	-	1,026	-	(174)	4,832	-	4,832
Nomadmed XXI S.L.	-	-	-	(92)	-	-	(92)	92	-
Ikano Finance Holding B.V.	2,206	-	-	(2)	-	(32)	2,172	-	2,172
Stichting Credit Europe Custodian Services	125	-	-	-	-	-	125	-	125
Hunter Navigation Inc.	753	-	-	(103)	-	(54)	596	(596)	-
Credit Europe Leasing (Ukraine) LLC	4,743	-	-	(86)	-	(117)	4,540	(4,540)	-
Maritime Enterprises B.V.	8,669	(7,336)	-	-	-	(1,333)	-	-	-
Mediqueen Maritime Ltd	49	3,057	-	151	-	94	3,351	(3,148)	203
Medipride Maritime Ltd	-	3,295	-	(302)	-	88	3,081	(3,081)	-
Lodestar Maritime Ltd	198	3,378	-	172	-	113	3,861	(3,419)	442
Medibeauty Maritime Ltd	-	3,973	-	(247)	-	107	3,833	(3,833)	-
Thrace Shipping Ltd.	283	(283)	-	-	-	-	-	-	-
Phrygia Shipping Ltd.	4	(4)	-	-	-	-	-	-	-
Lycia Shipping Ltd.	5	(5)	-	-	-	-	-	-	-
Cilicia Shipping Ltd.	348	(348)	-	-	-	-	-	-	-
Mysia Shipping Ltd.	-	3,717	-	(4,611)	-	(261)	(1,155)	1,155	-
Hitit Shipping Ltd.	-	3,055	-	(3,509)	-	(172)	(626)	626	-
Cappadocia Shipping Ltd.	-	4,143	-	(3,987)	-	(207)	(51)	51	-
Feniks Gayrimenkul Yatirim A.S.	2,404	224	-	(545)	-	93	2,176	-	2,176
Seyir Gayrimenkul Yatirim A.S.	1,208	882	-	-	-	70	2,160	-	2,160
Ziyaret Gayrimenkul Yatirim A.S.	9,462	-	-	10	-	(2,380)	7,092	-	7,092
Total	**701,189**	**(292,088)**	**(14,006)**	**(3,202)**	**(11,754)**	**3,034**	**383,173**	**(16,461)**	**366,712**

G. Investments in group companies and associates (continued)

For 2017, the movement of participating interests in Group companies is as follows:

	Balance at 1 Jan-2017	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2017	Provision for period losses	Net carrying amount at 31-Dec-2017
Credit Europe Bank (Russia) Ltd	312,851	-	1,087	20,857	-	(24,004)	310,791	-	310,791
Credit Europe (Romania) Bank SA	173,947	13	1,382	7,778	-	(4,612)	178,508	-	178,508
Credit Europe (Suisse) Bank SA	132,608	-	1,324	1,344	(7,371)	(10,445)	117,460	-	117,460
Credit Europe (Dubai) Ltd	46,803	-	1,239	(1,037)	(6,783)	(5,492)	34,730	-	34,730
PJSC Credit Europe Bank	24,061	-	(12)	831	(5,755)	(2,968)	16,157	-	16,157
Yenikoy Enterprises B.V.	15,545	-	-	(5,081)	-	(1,517)	8,947	-	8,947
Credit Europe Leasing (Romania) SA	1,782	-	-	(1,608)	-	(15)	159	-	159
Cirus Holding B.V.	3,475	-	-	736	-	(231)	3,980	-	3,980
Nomadmed XXI S.L.	-	-	-	(82)	-	-	(82)	82	-
Ikano Finance Holding B.V.	2,203	-	-	23	-	(20)	2,206	-	2,206
Stichting Credit Europe Custodian Services	125	-	-	-	-	-	125	-	125
Hunter Navigation Inc.	1,214	-	-	(569)	-	108	753	-	753
Credit Europe Leasing (Ukraine) LLC	-	4,490	-	(176)	-	429	4,743	-	4,743
Maritime Enterprises B.V.	11,478	-	(11,274)	8,465	-	-	8,669	-	8,669
Mediqueen Maritime Ltd	-	2,898	-	(3,399)	-	550	49	-	49
Medipride Maritime Ltd	-	3,321	-	(3,931)	-	595	(15)	15	-
Lodestar Maritime Ltd	-	2,216	-	(2,563)	-	545	198	-	198
Medibeauty Maritime Ltd	-	4,353	-	(5,241)	-	734	(154)	154	-
Thrace Shipping Ltd.	-	4,351	-	(4,359)	-	291	283	-	283
Phrygia Shipping Ltd.	-	4,157	-	(4,429)	-	276	4	-	4
Lycia Shipping Ltd.	-	3,639	-	(3,847)	-	213	5	-	5
Cilicia Shipping Ltd.	-	2,305	-	(2,111)	-	154	348	-	348
Mysia Shipping Ltd.	-	1	-	(1,974)	-	118	(1,855)	1,855	-
Hitit Shipping Ltd.	-	2,126	-	(3,813)	-	203	(1,484)	1,484	-
Cappadocia Shipping Ltd.	-	2,878	-	(4,832)	-	255	(1,699)	1,699	-
Feniks Gayrimenkul Yatirim A.S.	-	2,708	-	46	-	(350)	2,404	-	2,404
Seyir Gayrimenkul Yatirim A.S.	-	1,360	-	24	-	(176)	1,208	-	1,208
Ziyaret Gayrimenkul Yatirim A.S.	-	10,215	-	106	-	(859)	9,462	-	9,462
Total	**726,092**	**51,031**	**(6,254)**	**(8,842)**	**(19,909)**	**(46,218)**	**695,900**	**5,289**	**701,189**

Provisions for participations are summarized as follows:

	December 31, 2018	December 31, 2017
Mysia Shipping Ltd.	3,010	1,855
Credit Europe Leasing (Ukraine) LLC	2,195	6,735
Hitit Shipping Ltd.	2,110	1,484
Cappadocia Shipping Ltd.	1,750	1,699
Hunter Navigation Ltd.	1,228	1,824
Nomadmed XXI S.L.	323	231
Majesty Maritime Ltd.	261	4,094
Medipride Shipping Ltd.	236	3,317
Credit Europe Leasing IFN SA.	232	-
Glorystar Maritime Ltd.	-	3,419
Mediqueen Shipping Ltd.	-	3,148
Maritime Enterprises BV.	-	1,332
Thrace Shipping Ltd.	-	473
Phrygia Shipping Ltd.	-	306
Cilicia Shipping Ltd.	-	349
Lycia Shipping Ltd.	-	43
	11,345	**30,309**

H. Intangible assets

The book value of intangibles is as follows:

	Patents and licenses	Total
Balance at January 1, 2018	**2,666**	**2,666**
Addition	811	811
Amortization	(981)	(981)
Balance at December 31, 2018	**2,496**	**2,496**
Balance at January 1, 2017	**3,196**	**3,196**
Addition	468	468
Amortization	(998)	(998)
Balance at December 31, 2017	**2,666**	**2,666**

I. Property, equipment and investment property

A. Property and equipment

The book value of property and equipment is as follows:

	Buildings	Furniture and fixtures	Investment Property	Total
Balance at January 1, 2018	**38,538**	**1,415**	**8,300**	**48,253**
Additions	40	492	-	532
Depreciation	(1,203)	(375)	-	(1,578)
Changes in unrealized fair value	-		(500)	(500)
Balance at December 31, 2018	**37,375**	**1,532**	**7,800**	**46,707**
Cost	48,986	10,426	4,600	64,012
Cumulative depreciation and impairment	(11,611)	(8,894)	-	(20,505)
Cumulative change in unrealized fair value	-	-	3,200	3,200
Balance at December 31, 2018	**37,375**	**1,532**	**7,800**	**46,707**

	Buildings	Furniture and fixtures	Investment Property	Total
Balance at January 1, 2017	**39,689**	**1,516**	**8,300**	**49,505**
Additions	91	294	-	385
Disposals	-	-	-	0
Depreciation	(1,242)	(395)	-	(1,637)
Balance at December 31, 2017	**38,538**	**1,415**	**8,300**	**48,253**
Cost	48,946	9,933	4,600	63,479
Cumulative depreciation and impairment	(10,408)	(8,518)	-	(18,926)
Cumulative change in unrealized fair value	-	-	3,700	3,700
Balance at December 31, 2017	**38,538**	**1,415**	**8,300**	**48,253**

The Bank holds investment property as a consequence of acquisitions through enforcement of security over loans and advances. The fair values of investment properties were determined by external, independent property valuers, having appropriate experience in the location and category of property being valued. The independent valuers provide the fair values of the investment property portfolio on annual basis.

J. Other assets and inventories

	December 31, 2018	December 31, 2017
Deferred tax assets	43,273	28,657
Receivables from DNB	15,970	15,970
Repossessed assets classified as inventories	6,247	489
Current tax assets	2,879	3,538
Prepayments and advance payments to suppliers	1,319	1,676
Amounts held as guarantee	985	941
Other assets and receivables	1,926	2,474
Total	**72,599**	**53,745**

As of December 31, 2018, EUR 59,243 (2017: EUR 29,767) of other assets are not expected to mature within one year.

K. Amounts due to banks

This item comprises amounts due to banking institutions.

	December 31, 2018	December 31, 2017
Current accounts	109,137	59,377
Targeted longer term refinancing operations (TLTRO)	64,465	164,311
Time deposits	11,465	23,446
Total	**185,067**	**247,134**

Deposits and current accounts of intra group companies amount to EUR 27,242 (2017: EUR 37,437). Amount of due to banks which is on demand is EUR 103,119 (2017: EUR 82,926).

There were no repo transactions in time deposits in 2018 (2017: none).

L. Amounts due to customers

This item comprises amounts due to customers other than banking institutions.

	December 31, 2018	December 31, 2017
Retail saving and demand deposits	1,331,105	1,433,740
Retail time deposits	1,330,533	1,452,896
Corporate demand deposits	158,075	216,981
Corporate time deposits	33,506	30,517
Total	**2,853,219**	**3,134,134**

As of December 31, 2018, EUR 1,667,752 (2017: EUR 1,852,660) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

As of December 31, 2018, the Bank maintained customer deposit balances of EUR 23,077 (2017: EUR 15,065), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

Deposits and current accounts of intra group companies amount to EUR 9,237 (2017: EUR 2,459).

M. Other liabilities

	December 31, 2018	December 31, 2017
Collaterals received	7,421	7,082
Accrued expenses	4,001	6,263
Staff related liabilities	3,517	3,203
Current tax liabilities	2,121	3,255
Taxes other than income	2,119	2,725
Unfinished settlements	705	1,646
Other payables	1,835	1,923
Total	**21,719**	**26,097**

N. Provisions

	December 31, 2018	December 31, 2017
Provision for participations	11,345	30,309
Litigation provision	2,668	4,387
Deferred tax liability	1,846	3,720
Non-cash loan provisions	367	-
Total	**16,226**	**38,416**

O. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of CEB. This liability qualifies as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch Central Bank (De Nederlandsche Bank - DNB).

	Year of maturity	December 31, 2017	December 31, 2016
USD 400 million subordinated notes with a fixed interest rate of 8 % p.a	2018	-	345,190
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	2022	43,826	41,831
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	2027	130,101	125,880
Total		**173,927**	**512,901**

The Bank had not any defaults on principal, interest or other breaches with respect to its subordinated liabilities during the years ended 2018 and 2017.

P. Share capital

The authorized share capital is EUR 1,000 million (2017: EUR 1,000 million) and comprises 1,000 million (2017: 1,000 million) ordinary shares with a face value of EUR 1.

The called-up and paid-in capital consists of 563.0 million (2017: 653.7 million) ordinary shares with a face value of EUR 1. On September 12,2018, the Bank repaid share capital at an amount of EUR 90.7 million to parent company, Credit Europe Group N.V, as part of CEB Russia spin-off process. Reference is made to Note 37 Discontinued Operations of consolidated annual report.

Q. Legal reserves

Under Dutch GAAP, legal reserves are required in certain circumstance. The objective of these legal reserves is to protect the creditors (i.e. the Bank is only allowed to pay out profits to its shareholders that it has realized or can realize when the bank wants to). Legal reserves only relate to the Bank Financial Statements and are not applicable to the Consolidated Financial Statements. Profits of participations cannot be paid out to the Bank due to local legal requirements.

For the Bank, the following legal reserves are important:

- Participations reserve
- Currency translation differences reserve
- Revaluation reserve for debt and equity instruments at FVOCI
- Hedge accounting reserve

In determining legal reserves deferred taxes on debt and equity instruments at FVOCI are taken into account. Deferred taxes attributable to equity are calculated on the difference between IFRS and tax values of debt and equity instruments at FVOCI. Hedge accounting reserves are subject to the participation exemption regime according to Dutch tax laws. Accordingly, profits and losses from participations are not taxable in The Netherlands. Due to the participation exemption regime, in practice, the participation hedge results are carried into statement of income for tax purposes and then exempted from taxable profit.

R. Net interest income

	January 1- December 31, 2018	January 1- December 31, 2017
Interest income from financial instruments measured at amortized cost and FVOCI:	170,289	196,641
Loans and receivables – customers	162,494	180,594
Financial investments	4,692	10,924
Loans and receivables – banks	3,103	5,123
Interest income from financial instruments measured at FVTPL:	24,553	24,244
Derivative financial instruments	21,095	23,076
Other financial assets at fair value through profit or loss	1,773	1,168
Non-trading financial assets mandatorily at FVTPL	1,685	-
Subtotal	**194,842**	**220,885**
Interest expense from financial instruments measured at amortized cost:	49,255	75,582
Due to customers	31,431	40,842
Due to banks	784	920
Subordinated liabilities	14,666	32,433
Cash and balances at central banks	2,374	1,387
Interest expense from financial instruments measured at FVTPL:	30,832	29,712
Derivative financial instruments	30,832	29,712
Subtotal	80,087	105,294
Total	**114,755**	**115,591**

S. Net fee and commission income

	January 1- December 31, 2018	January 1- December 31, 2017
Fee and commission income		
Cash loan fees	7,539	7,045
Letters of credit commissions	5,500	3,991
Portfolio and other management fees	1,816	2,645
Commission on account maintenance	1,624	2,174
Letters of guarantee commissions	1,054	1,348
Commissions on fund transfers	498	833
Insurance related fees	229	(169)
Other fees and commissions	469	673
Subtotal	**18,729**	**19,406**
Fee and commission expense		
Portfolio and other management fee expense	2,820	3,270
Account maintenance fees	347	470
Commission paid to intermediaries/retailers	200	234
Payment and transaction services expense	13	17
Other fee and commission expenses	192	215
Subtotal	3,572	4,206
Total	**15,157**	**15,200**

T. Net trading results

	January 1- December 31, 2018	January 1- December 31, 2017
Derivative financial instruments - hedge accounting	8,732	(38,961)
Trading loans	2,929	1,606
Dividend on FVPL investments	112	15
Foreign exchange	37	455
Debt securities	(215)	1,084
Subtotal	**11,595**	**(35,801)**
Derivative financial instruments - not qualifying for hedge accounting	(57,035)	(14,440)
Total	**(45,440)**	**(50,241)**

U. Results from investment securities and participating interests

	January 1- December 31, 2018	January 1- December 31, 2017
Net gain from disposal of available-for-sale investments	-	17,944
Net gain from disposal of debt instruments at FVOCI	12,735	-
(Loss) from discontinued operations, gross	(331,086)	-
Net result from participating interests	(3,202)	(7,679)
Total	**(321,553)**	**10,265**

V. Other operating income

	January 1- December 31, 2018	January 1- December 31, 2017
Rent income	613	550
Other income	639	234
Total	**1,252**	**784**

W. Net impairment loss on financial assets

	December 31, 2018				December 31, 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	(78)	(1,660)	(27,936)	(29,674)	(39,927)
Loans to banks at amortized cost	316	-	-	316	-
Debt securities measured at FVTOCI	158	-	-	158	-
Net impairment loss on financial assets	**396**	**(1,660)**	**(27,936)**	**(29,200)**	**(39,927)**

X. Personnel expenses

	January 1- December 31, 2018	January 1- December 31, 2017
Wages and salaries	21,920	19,655
Social security payments	2,076	1,668
Retirement benefit costs	1,351	1,270
Other employee costs	3,754	3,185
Total	**29,101**	**25,778**
Average number of employees	**261**	**256**
Banking activities	261	256

Y. General and administrative expensese

	January 1- December 31, 2018	January 1- December 31, 2017
Professional fees and consultancy	2,758	1,714
Membership fees	2,423	2,497
Information technology expenses	1,329	1,243
Communication and information expenses	1,328	1,638
Rent and maintenance expenses	952	848
Legal services expenses	760	1,596
Taxes other than income	753	872
Travel and transport expenses	392	458
Security expenses	323	320
Management fees	313	(943)
Cleaning expenses	280	250
Representative expenses	214	123
Insurance premiums	210	202
Stationary, office supplies and printing expense	133	144
Advertising and marketing expenses	18	20
Other expenses	533	350
Total	**12,719**	**11,332**

Z. Other operating expenses

	January 1- December 31, 2018	January 1- December 31, 2017
Provision (reversal) / addition	1,553	(485)
Fines and penalties	(300)	(839)
Claims service expenses	(556)	(725)
Other	(549)	(40)
Total	**148**	**(2,089)**

AA. 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 balance sheet, they do contain credit risk and are, therefore, part of the overall risk of the Bank. In many instances, the amount recognized on the balance sheet 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 and 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 credit, the Bank is potentially exposed to loss 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.

	December 31, 2018	December 31, 2017
Contingent liabilities with respect to irrevocable letters of credit - import	194,854	204,165
Contingent liabilities with respect to irrevocable letters of credit - export	130,107	29,713
Contingent liabilities with respect to letters of guarantee granted - corporates	151,675	68,032
Contingent liabilities with respect to letters of guarantee granted - banks	4,636	77,099
Total non-cash loans	**481,272**	**379,009**
Credit-line commitments	2,546	12,498
Other commitments	220	14,289
Total	**484,038**	**405,796**

AB. 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 may have on its financial standing.

AC. Rental and lease contracts

The Bank leases a number of property and equipment under operating lease. The amounts can be specified as follows:
Operating lease commitment - Bank as lessee and rent commitments;

	December 31, 2018	December 31, 2017
Not later than 1 year	313	300
Later than 1 year and not later than 5 years	145	393
Total	**458**	**693**

AD. Remuneration

Key management costs including remuneration and fees;

	December 31, 2018	December 31, 2017
Total remuneration to supervisory board members	998	1,003
Total remuneration to managing board members	3,222	3,086
Total	**4,220**	**4,089**

Pension plan contribution amount is EUR 84 (2017: EUR126).

	December 31, 2018	December 31, 2017
Loans and advances		
Outstanding at 1 January	146	235
Granted during the year	15	-
Repaid during the year	(70)	(89)
Outstanding at 31 December	**91**	**146**

These transactions were concluded at staff terms and market rates. The average interest rate on fixed-interest EUR loans provided to the Managing Board members was 6.06% in 2018 (2017: 6.06%). There is no guarantee provided to Managing and Supervisory Board members.

Amsterdam, March 22, 2019

Supervisory Board	**Managing Board**
Hector De Beaufort	Murat Basbay
Murat Özyeğin	Şenol Aloğlu
Frits Deiters	Umut Bayoğlu
Mehmet Güleşci	Levent Karaca
Korkmaz Ilkorur	Batuhan Yalniz
Onur Umut	

AE. Fees of the auditor

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees have been charged by auditors to the Bank:

	2018	2017
Statutory audit of annual accounts	1,134	1,023
Other assurance services	244	360
Tax advisory services	196	92
Other non-audit services	728	410
Total	**2,302**	**1,885**

"Other assurance services" and "Other non-audit services" fees comprise services for regulatory reporting purposes, assurance engagements on segregation of assets and procedures agreed for supervisory purposes.

AF. 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.

Proposed profit appropriation

The profit is appropriated pursuant to Article 31 of the Articles of Association of CEB; the relevant stipulations are as follows:

- The profits shall be at the disposal of the General Meeting of Shareholders.
- Dividends may be paid only up to an amount that does not exceed the distributable part of net assets.
- Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.

It is proposed to appropriate net profit pursuant to the Articles of Association, as follows:

Proposed profit appropriation	
Net profit	(326,286)
Addition to retained earnings pursuant to Article 31 of the Articles of Association	(326,286)

Head office

Credit Europe Bank NV
Karspeldreef 6a
1101 CJ Amsterdam
The Netherlands
t +31 (0)20 35 76 300
f +31 (0)20 35 76 301
www.crediteuropebank.com
www.crediteurope.nl

Branches

Credit Europe Bank NV
Niederlassung Deutschland
Untermainkai 27-28
60329 Frankfurt/Main
Germany
t +49 (0)69 256 260 0
f +49 (0)69 256 260 33
www.crediteurope.de

Credit Europe Bank NV
Malta Branch
Tower Road 143/2
Sliema SLM 1604
Malta
t +356 (0)22 60 21 00
f +356 (0)22 60 21 90
www.crediteurope.com.mt

Direct subsidiaries

Credit Europe Bank (Romania) SA
Anchor Plaza Building, B section
26Z Timisoara Blvd., 6th district
Bucharest
Romania
t 40 (0)21 406 40 00
f 40 (0)21 317 20 66
www.crediteurope.ro

Credit Europe Bank (Suisse) SA
12, Rue du Mt. Blanc
1211 Geneva
Switzerland
t 41 (0)22 839 19 19
f 41 (0)22 839 19 00
www.crediteurope.ch

JSC Credit Europe Bank (Ukraine)
2, Mechnikova Str.
9th Floor 'Parus' Business Center
01601, Kiev
Ukraine
t 380 (0)44 390 67 33
f 380 (0)44 390 67 17
www.crediteurope.com.ua

Credit Europe Bank (Dubai) Ltd
Emirates Financial Towers, Unit S1404,
Level 14, DIFC,
PO BOX 506719, Dubai, United Arab Emirates
Tel.: +971 4438 7128
Fax: +971 4438 7175

Representative offices

Credit Europe Bank NV
Balmumcu Mahallesi Itri Sokak No: 10 A / 1 Balmumcu,
Besiktas , Istanbul
t +90(0)212 366 01 01
f +90(0)212 366 01 05

Credit Europe Bank NV
Unit 4609, Plaza 66,
1266 Nanjing West Road
Shanghai 200040
China
t +86 (0)21 61 36 18 18
f +86 (0)21 62 88 53 65

Credit Europe Bank

www.crediteuropebank.com