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 almost 190.000 customers in Germany and the Netherlands
- Multilingual operations and contact centre in Frankfurt

Russia
- Active in Retail, Corporate, Commercial and SME Banking

Romania
- Active in Retail and Commercial Banking

Ukraine
- Active in 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

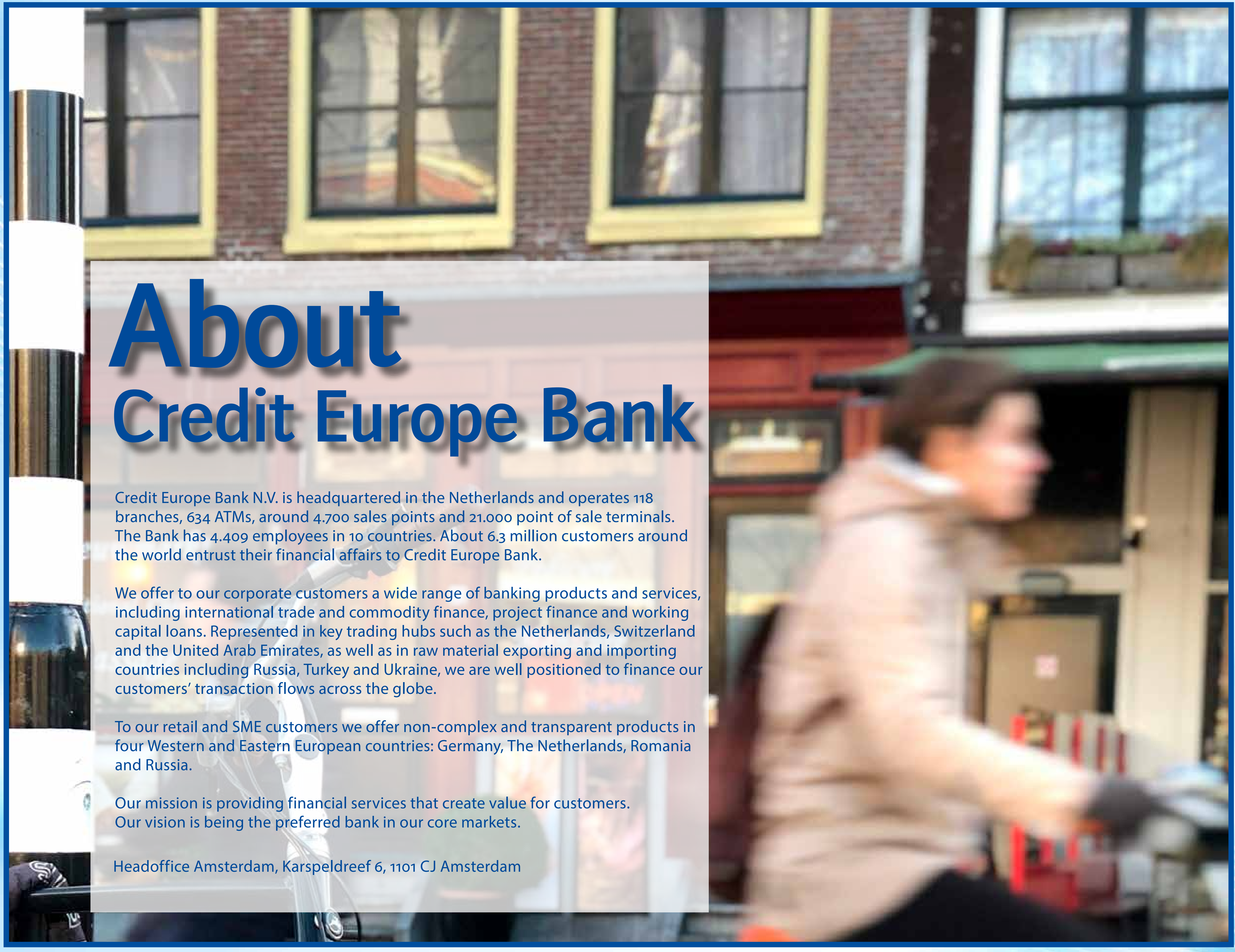
www.crediteuropebank.com

Credit Europe Bank

ANNUAL REPORT

2017

Amsterdam Bucharest Dubai Frankfurt Geneva Istanbul Kiev Moscow Shanghai Sliema



About
Credit Europe Bank

Credit Europe Bank N.V. is headquartered in the Netherlands and operates 118 branches, 634 ATMs, around 4.700 sales points and 21.000 point of sale terminals. The Bank has 4.409 employees in 10 countries. About 6.3 million customers around the world entrust their financial affairs to Credit Europe Bank.

We offer to our corporate customers a wide range of banking products and services, 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 Russia, 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 four Western and Eastern European countries: Germany, The Netherlands, Romania and Russia.

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 118 branches, 634 ATMs, around 4.700 sales points and 21.000 point of sale terminals in 10 countries and with a wealth of local knowledge.

For more than 25 years, 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 Netherlands and Germany, we offer retail deposit products via online and telephone banking. Our services are facilitated by having a centralised, cross-border contact centre applying high-quality information technology. In Russia and Romania, next to the above mentioned distribution channels, we also use our branch networks to serve retail customers and consolidate 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	2017	2016	2015	2014	2013
Assets					
Cash and balances at central banks	829	1,041	532	375	501
Financial assets at fair value through profit or loss	53	3	8	19	18
Financial investments	751	767	1,022	1,244	1,550
Loans and receivables – banks	538	307	451	364	693
Loans and receivables – customers	4,487	5,188	5,501	5,855	6,653
Other assets	715	805	847	857	743
Total assets	**7,373**	**8,111**	**8,361**	**8,714**	**10,158**
Liabilities					
Due to banks	630	448	469	774	1,632
Due to customers	4,899	5,532	5,467	5,788	6,002
Issued debt securities	71	263	441	399	862
Other liabilities	304	473	547	453	443
Subordinated liabilities	594	531	562	514	578
Total liabilities	**6,498**	**7,247**	**7,486**	**7,928**	**9,517**
Total equity	**875**	**864**	**875**	**786**	**641**
Total equity and liabilities	**7,373**	**8,111**	**8,361**	**8,714**	**10,158**

€ millions	2017	2016	2015	2014	2013
Net interest income	**286**	**303**	**274**	**361**	**443**
Net fee and commission income	**53**	**56**	**68**	**75**	**77**
Operating income	**59**	**25**	**123**	**125**	**66**
Credit loss charges	(111)	(122)	(168)	(244)	(176)
Net operating income	**287**	**262**	**297**	**317**	**410**
Total operating expenses	**(271)**	**(222)**	**(242)**	**(256)**	**(301)**
Share of profit of associate	1	-	(1)	2	-
Operating profit before tax	**17**	**40**	**55**	**63**	**109**
Income tax expense	(2)	(6)	(16)	(5)	(15)
Profit for the year	**15**	**34**	**39**	**58**	**94**

Report of the Managing Board

From the CEO

Although the global upswing in economic activity continued in 2017, for the financial services industry the operating environment remained uncertain. Markets were still volatile and currency and interest rate fluctuations demanded decisive responses, as did political developments. Regulations continued to be fast- evolving and customer demands were shifting.

2017 was a year of both progress and challenge for Credit Europe Bank. We took considerable actions to reorganize our work streams in alignment with our strategy and new expectations from the banking industry and invested in the long term sustainability of the bank with a focus on further improving our internal control systems. We also sharpened our focus on prudent and efficient capital allocation and a measured balance of risks and returns rather than emphasizing the loan growth. While these actions created a headwind for revenue growth in the near term, they were consistent with our focus on improving the long-term profitability and resilience of Credit Europe Bank.

At the end of 2017, we achieved a remarkable 9.5% growth in our Net Operating Income and reached EUR 287 million. Our net income, however, decreased to EUR 15 million (vs EUR 34 million in 2016) as the result of an extraordinary increase in our Other Operating Expenses and Other Impairment Losses by EUR 39 million. This one-off increase in our Other Operating Expenses and Other Impairment Losses was primarily attributable to the Bank's decision to dispose some repossessed assets in order to improve its asset quality for future profitability.

In Russia, instant loans, auto-credits and credit cards remained in focus. We managed to reposition Credit Europe Bank to the Top-10 banks in the auto-credit market and benefited from co-operation with longtime partners such as IKEA and Auchan Groups as well as from new partners such as Foton, a commercial vehicles producer and Kingfisher Group, an international home improvement company.

In Romania, the plastic cards business continued to be the main driver with Card Avantaj, Optimo Card and Ferrari Card. The total turnover of Credit Cards reached to EUR 240 million with an 11% increase.

In Germany and the Netherlands, our focus continued to be retail deposits business. Processes have been further refined to improve customer focus and service.

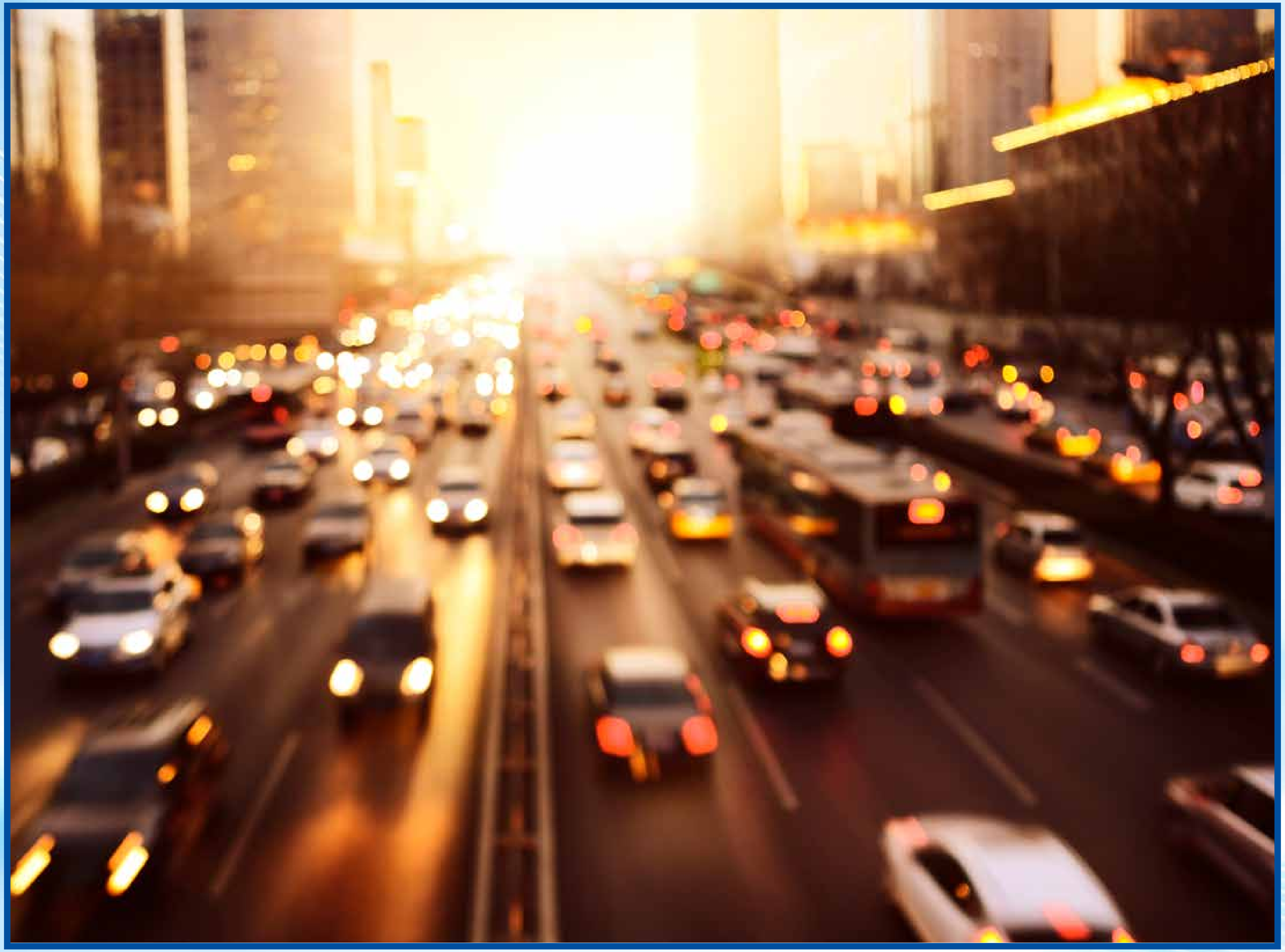
There is little doubt that technological developments are a key driver of change and development in our industry. However, banking is not digital banking only. Long-term relationships and local knowledge are also very important management tools, especially for our corporate banking business. Despite the fierce competition and markets challenges, 2017 was a successful year for our corporate banking. We managed to increase our trade finance volume by 6% from EUR 7.8 billion in 2016 to EUR 8.3 billion in 2017.

Credit Europe has further strengthened its capital base in 2017. The Bank has successfully issued US$ 150 million 10 year term CRR compliant subordinated securities in November 2017 which qualifies as a Tier2 capital instrument. In December 2017, shareholders of the Bank have injected additional CRR compliant AT1 capital and CET1 capital for US$ 50 million and US$ 25 million, respectively.

In 2017 we continued to lay the foundation for our longer term goals. Credit Europe Bank is well-equipped for both the opportunities and the challenges that will come along. We are in the right markets with the right products and services, and with the right people, who remain focused on building enduring customer relationships.
To conclude, I would like to express our gratitude to our customers, business partners and employees with whom we work together to continue generating long-term value for all our stakeholders.

Amsterdam, March 23, 2018
E. Murat Başbay

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 almost 190.000 customers in Germany and the Netherlands through the multilingual operations and contact centre in Frankfurt

Russia
- Active in Retail, Corporate, Commercial and SME Banking
- 60 branches in 31 cities
- An important player in credit cards market with 975.000 active cards
- Over 4.700 sales points and close to 11.500 point of sale terminals
- 514 ATMs

Romania
- Active in Retail and Commercial Banking
- 55 branches in 19 cities
- Dominant market player with 184.000 active credit cards and close to 92.000 debit cards
- Strong partner merchant network with 9.500 point of sale terminals
- 120 ATMs

Ukraine
- Active in 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

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

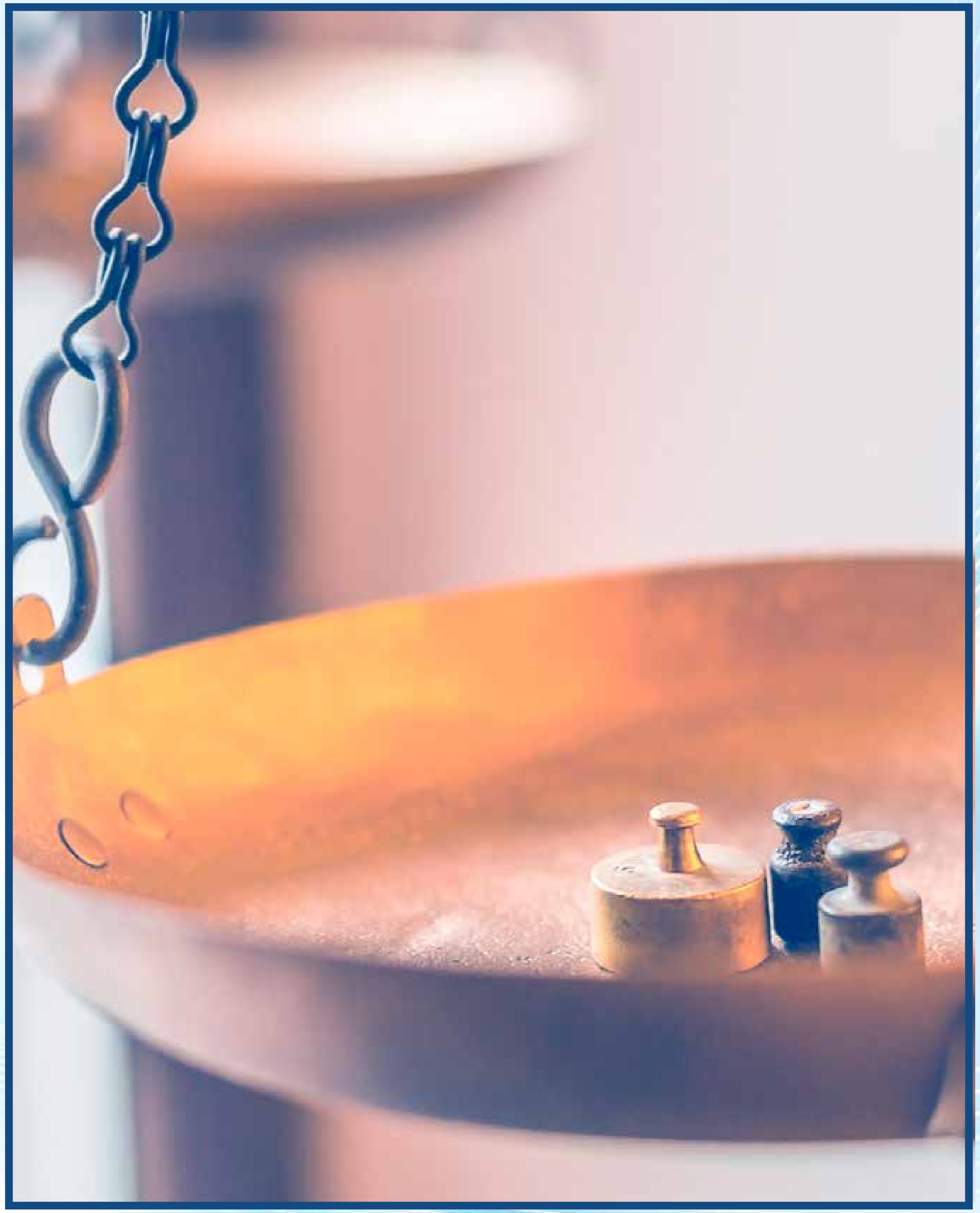
Our professionalism embraces and stimulates the necessary skills, qualifications, knowledge and diversity. Our colleagues undertake their tasks in a competent and integer manner. Through teamwork we achieve our goals.

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

In 2017, Credit Europe Bank served almost 6 million retail customers in Western and Eastern Europe by offering a broad range of competitive, transparent and non-complex products.

Retail Banking offers deposits, cash loans, car loans, debit cards and credit cards as well as a number of insurance products in cooperation with external insurance providers via online banking and an extensive broker and partner network. In Russia and Romania, in addition to telephone and web-based banking, we serve our customers through a wide-spread network of branches and points of sale.

In recent years the Retail Banking business has seen significant economic, technological and regulatory developments. In face of fierce competition and new market entrants the pace of change is increasing and so are the needs of our customers. Our clients are well-informed and have high expectations for the banking products and services and their availability. In contrast to the past, more and more customers view their banking relationships as transactional, not advice-based. They are self-directed and expect to be able to choose from clear and self-explanatory products and services whenever they want them.

For us, at Credit Europe Bank, this is a clear mandate and a challenge that we gladly accept. In recognition of our customers' evolving preferences, we have devoted much attention redefining the value exchange between the bank and our customers. We continued to simplify and streamline our processes and increased standardization. We remained decisive and agile, ready to explore different options for the diverse requirements. We are convinced that our differentiated, low risk, retail strategy is the right approach to enable innovation, and the capabilities required to foster it. It has helped us to fulfil our customers' expectations over the last years and we are convinced that it will continue to do so going forward.

Western Europe

- Strong focus on direct banking services
- Retail Banking services to almost 190.000 customers in Germany and the Netherlands through the multilingual operations and contact centre in Frankfurt

Western Europe

Delivering Value for our Customers

Our retail deposit operations in the Netherlands and Germany are centralized in our Frankfurt Branch, where we have our multilingual customer contact centre, sales & marketing and back offices. Our operations serve around 186.000 customers in the Netherlands and in Germany.

We accomplished scale benefits through prioritizing the execution of our customer-focused strategy, the enhancement of key technology solutions and the optimization of internal workflow processes to offer seamless integration.

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, encouraging self-service for routine matters, and refocus our contact centre staff on higher value-added activities like relationship building and sales.

The Western Europe deposit balance was at EUR 2.9 billion as at December 31, 2017 (daily deposits: 1.45 bln EUR, time deposits: 1.45 bln EUR) and continued to be one of the Bank's major funding resource.

The process of the winding down of the existing retail loan portfolio in Germany is still carried out.

Romania

Active in
- Retail and
- Commercial Banking
  55 branches in 19 cities
- 120 ATMs

- Dominant market player with close to 184.000 active credit cards and close to 92.000 debit cards
- Strong partner merchant network with 9.500 point of sale terminals

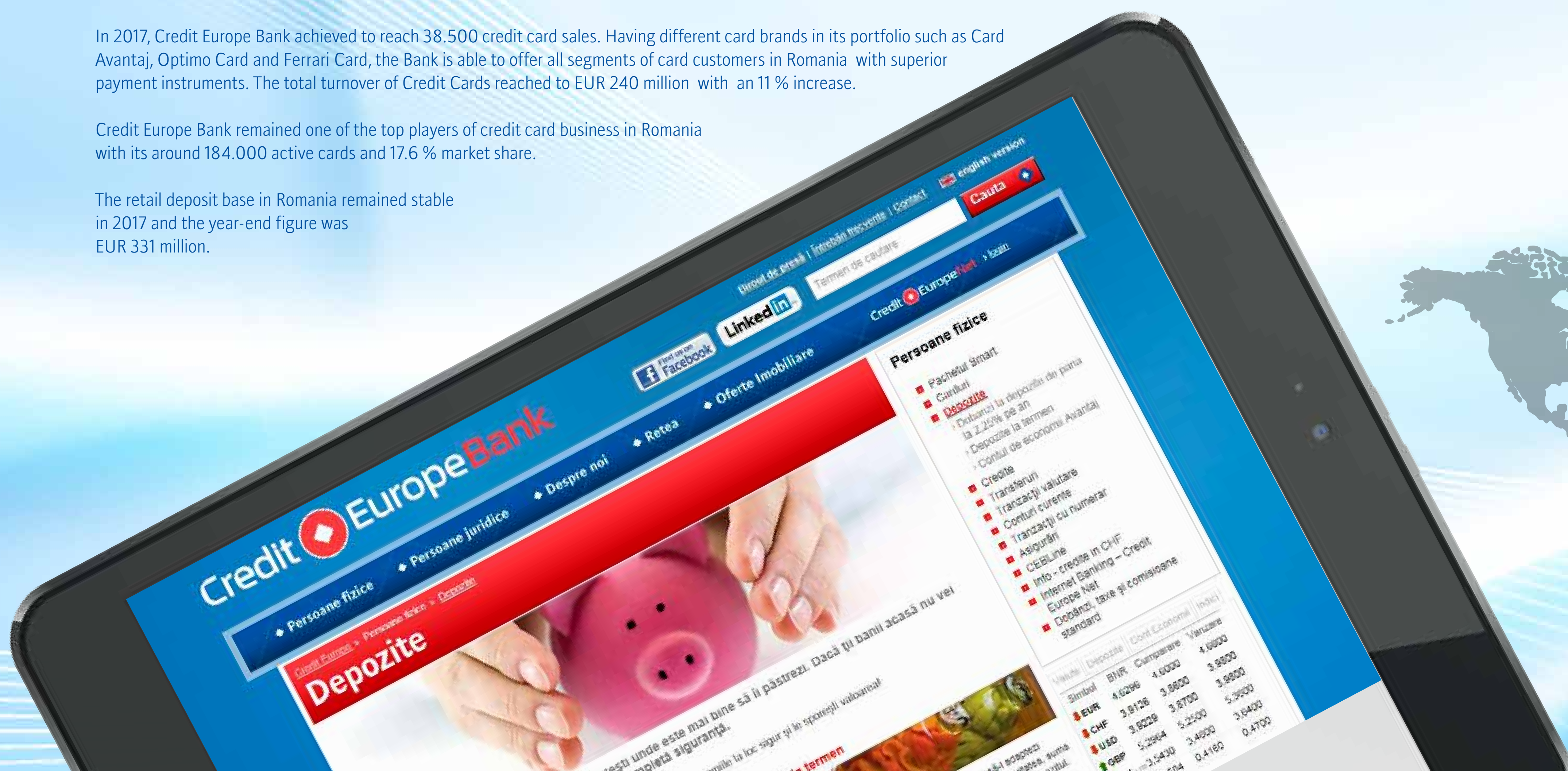
Romania

Business of Superior Payment Instruments

In 2017, Credit Europe Bank achieved to reach 38.500 credit card sales. Having different card brands in its portfolio such as Card Avantaj, Optimo Card and Ferrari Card, the Bank is able to offer all segments of card customers in Romania with superior payment instruments. The total turnover of Credit Cards reached to EUR 240 million with an 11 % increase.

Credit Europe Bank remained one of the top players of credit card business in Romania with its around 184.000 active cards and 17.6 % market share.

The retail deposit base in Romania remained stable in 2017 and the year-end figure was EUR 331 million.



Russia

Growth Restarted

In 2017, the bank steered its retail business to capture future growth opportunities and adapt to the structural changes in the operating environment. Instant loans, auto-credit and Credit Cards remained at the heart of its product strategy. Retail issuance was RUB 31 bn in 2017 (vs 2016 RUB 16 bn). Gross retail loan portfolio, including Cards, slightly increased to RUB 49 bn (vs RUB 47.6 bn in 2016). The increase is mainly accounting to car and cash loans.

The Bank re-entered the Top-10 banks in the market per auto-credit issuances in September-November 2017. CEB successfully cooperated with the Ministry of Industry and Trade of the Russian Federation within the state auto-credit program as well as the new program for 10% subsidizing of car purchases.

Apart from that, the Bank launched a lending program in cooperation with Foton, a light commercial vehicles producer. The total auto-credit portfolio amounted to RUB 15 bn as of end 2017 (vs RUB 13 bn in 2016).

The Bank entered into a cooperation agreement with Castorama/Kingfisher Group, a multinational company for home improvement. CEB also continued to benefit from the successful cooperation within the existing partnerships with major retail players IKEA and Auchan Group in Russia.

Strong retail credit risk management and collection remained the Bank's priority. As a part of digitalization and Omni-channel distribution strategy the CEB launched the new version of Mobile Banking and the number of subscribers overpassed 120k by the end of 2017. In addition to that, the Bank initiated a "Card-to-Card" service in 2017 as the first step in the e-wallet project.

CEB was also successful in strengthening its retail deposits portfolio in Russia which reached RUB 54.1 bn as at 31 December 2017.

Russia

Active in:
- Retail, Corporate, Commercial and SME Banking

- 60 branches in 31 cities
- An important player in credit cards market with close to 975.000 active cards
- Over 4.700 sales points and close to 11.500 point of sale terminals
- 514 ATMs

Corporate Banking

Corporate Banking Division continued to enhance the expertise on serving its clients long term partnership and well-focused solutions for another year. With the Team's knowledge and deep client relationships we follow and meet our Bank's strategies continuously. The Corporate Banking Division acts within all business lines and take necessary actions to maintain Bank's vibrant and strong position.

While our clients face the challenges in the markets they are active in, we value to be their preferred financial partner who understands their needs and risks, creates innovative solutions and puts their interests first.
The markets change rapidly and complying with these changes is vital. Fair, complete and objective due diligence of our clientele is constitutional on the road we walk to the future. In this matter we apply intensive improved programs and upgrade our framework deliberately. What is equally important is to use digital technology and fintech solutions to grow our businesses with better products and services.

Credit Europe Bank Corporate Division continued on-boarding new customers in order to increase our presence and volume. In this respect, we dynamically used all our channels through teams in Amsterdam, Geneva and Dubai for trade finance business. We also continued focusing on origination of new customers in EU & US while exploring new opportunities in the form of new geographical markets and commodity types.

The year in review 2017

The global economic outlook started to gain strength towards the end of 2016 following the slowed down growth and financial market turbulence. Even though today's scene is different with acceleration in Europe, Japan and US economies, the positive developments are also considered unsustainable and challenging the confidence on the desired global recovery. Not all countries can perform positive and weak wage growth and increasing inflation endure below targets. This makes the growth and recovery vulnerable to mid-term risks and hampers productivity, investment and solid profitability.

Corporate Banking in general

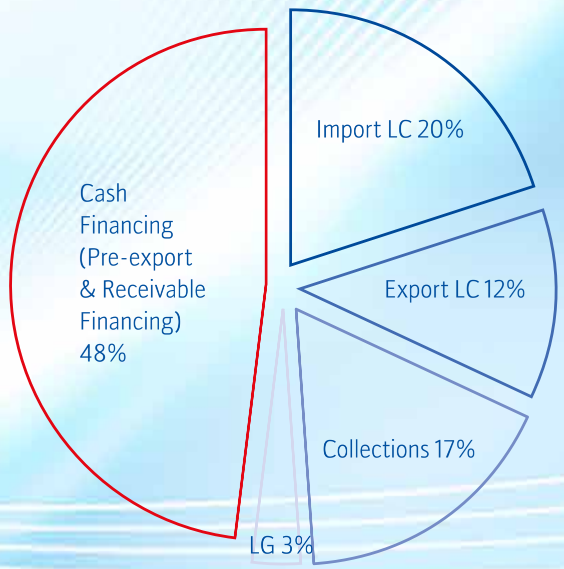
It has been another successful year for sustaining business for Corporate Banking despite the fierce competition and markets challenges. As a relatively smaller competitor, Corporate Banking Team clustered its focus and effort on the sectors with our expertise. Credit Europe Bank places emphasis on monitoring and reading the economic and fiscal environment correctly to improve its business. For this purpose, the Bank is cautious to collect relevant information in order to determine the right strategies, assessments and policy decisions.
Being fully compliant with the rapidly changing regulatory requirements is fundamental for all type of products and services that we offer to our clients.

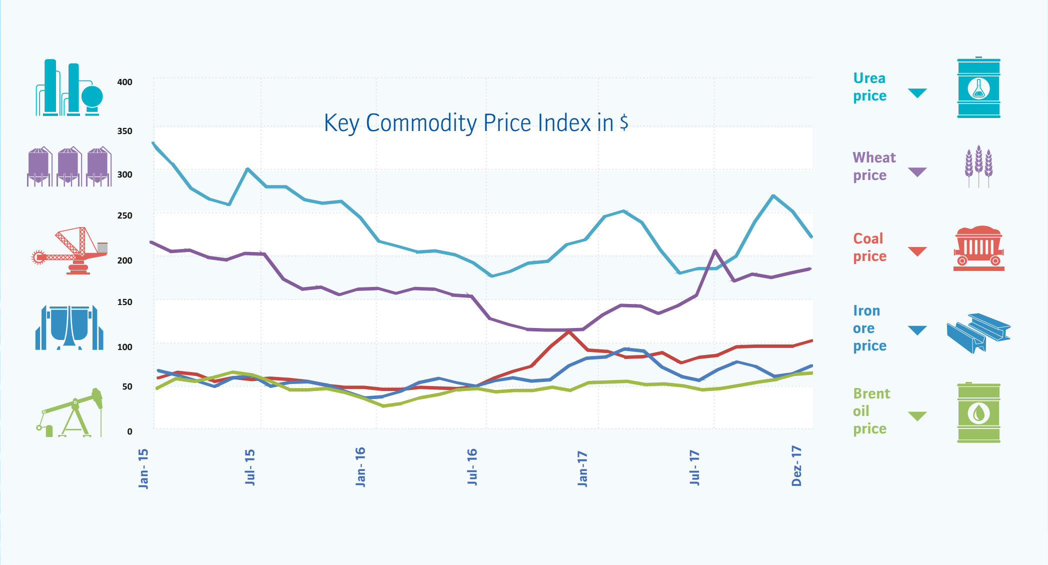
Credit Europe Bank has been a niche player in international structured trade and commodity finance in selected commodities and geographies. It's not just our experience that our clients rely on. Our presence in key trading hubs, such as the Netherlands, China, (Shanghai), Dubai and Switzerland, as well as our presence in raw material exporting geographies such as the Russian Federation, Ukraine and Eastern Europe, means we are in an strong position to finance all the steps in the entire process, of the transaction flows across the globe. Focus on certain commodities facilitates us to monitor the commodity prices and markets more efficient.

While most agricultural prices remained at the same levels, overall commodity prices recovery that started in 2016 has continued in 2017. Due to stronger global economic growth coupled with underlying supply and demand, weakening dollar and low global inflation, the majority of commodity prices are expected to remain steady or increase modestly in 2018.

The trade finance has proven to be a continuous business line throughout the years; resilient to turbulent times due to its self-liquidating, secured / partially secured and short-term nature. Our expertise in this field for the last 25 years complements the sustainability. We managed to increase our Trade Finance volume by 6% from EUR 7.8bn in 2016 to EUR 8.3bn in 2017.

Trade Finance Volume 2017 by Product





The merit of empowered synergy and coordination amongst subsidiaries and departments facilitates cross-sell and up sell possibilities. The future of conventional banking holds expansion in "cross-sell". Therefore, we also position ourselves to enable further innovation to embrace cross-sell based long-term relationship with our customers.

Outlook for 2018

As part of our innovative targets, transformation is inevitable and we are eager to combine our competence with Fintech solutions. In 2018, Corporate Banking Trade Finance will become a part of the multi bank platform web application Trade Finance Exchange Console which ensures the services and maintenance comprised of over 70 specialized commodity Trading and Financial institutions.

We look forward to another year in seeking of new opportunities to manage our sustainable growth. Having high market penetration in European Economic Area is prioritized. All in all, having a well-balanced corporate banking loan book, maintaining the asset quality and strengthening our cross-sell practice with our tailor-made products will be our drivers for future growth.

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 subsidiaries. The customer deposits size of the Bank is around EUR 4.9 billion during 2017 while the cost of deposits has come down further in line with the general market trend.
The Bank has executed the following deals in international and local capital markets during 2017 and in early 2018:

- In January 2017, Credit Europe Bank (Romania) SA, utilized a 4 year term loan from EBRD for Euro 40 million, to support its SME business.
- In October 2017, Credit Europe Bank Ltd issued 2 year term, RUB 5 billion securities.
- In November 2017, Credit Europe Bank NV issued 10 year term, US$ 150 million subordinated securities.
- In December 2017, Credit Europe Bank (Suisse) SA raised 1 year term club-loan facility for EUR 67.5 million.
- In January 2018, on the first call date, Credit Europe Bank NV paid back its US$ 400 million subordinated securities dated January 2013.

Credit Ratings

The Bank and its Russian subsidiary have the following credit ratings as of December 2017.

Credit Europe Bank N.V, the Netherlands

Credit Rating	**Rate**
Fitch Long Term Issuer Default Rating	BB-/Rating watch positive
Moody´s Global Local Currency Deposit Rating	Ba2/Outlook Stable In

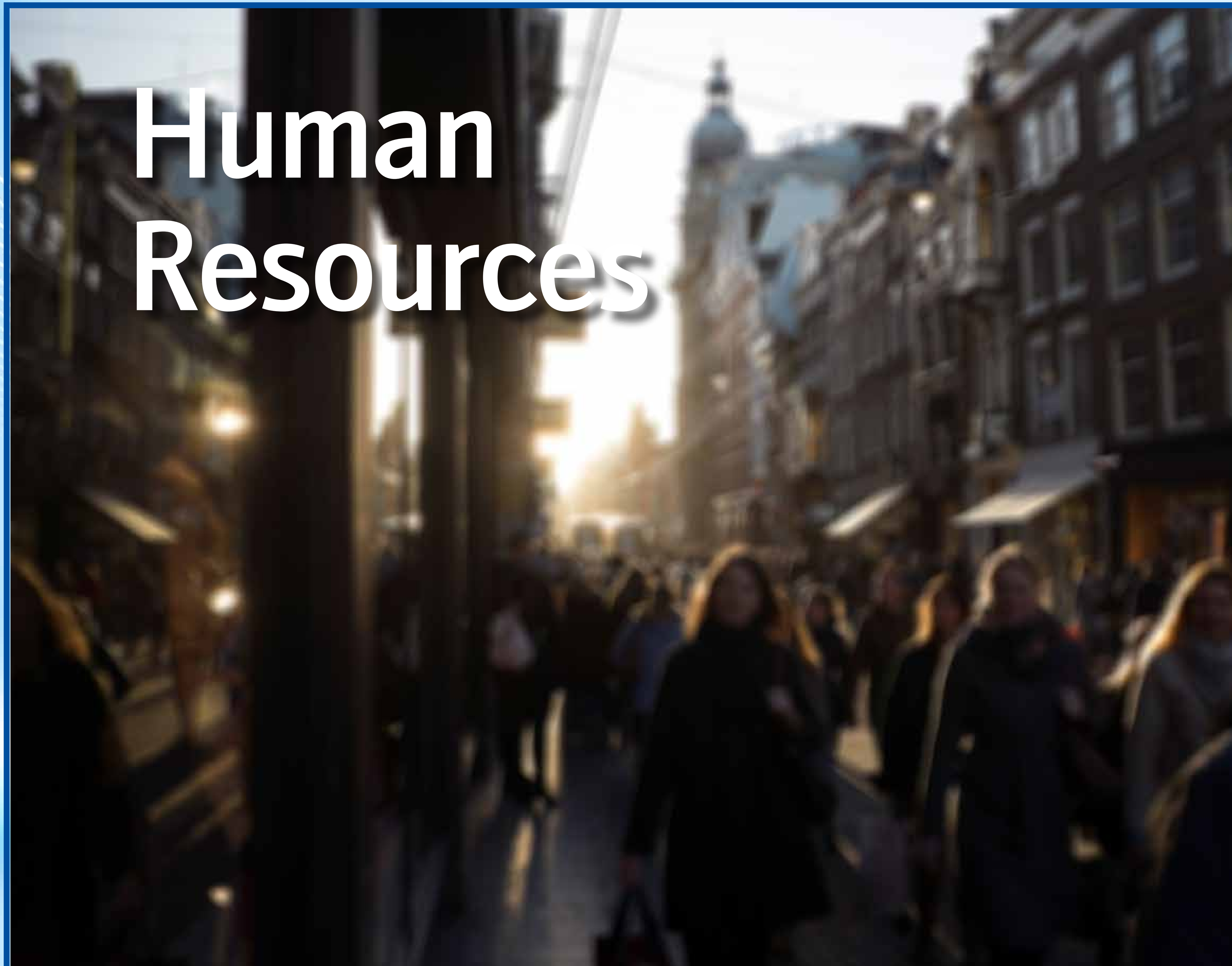
- In October 2017, Fitch changed CEB N.V. rating outlook from stable to positive.
- In October 2017, Moody's placed CEB N.V. ratings under review for upgrade.

Credit Europe Bank Ltd., Russia

Credit Rating	**Rate**
Fitch Long Term Issuer Default Rating	BB-/Outlook Stable
Moody´s Global Local Currency Deposit Rating	B1/Outlook Stable

- In October 2017, Moody's upgraded the bank's baseline credit assessment (BCA) to B1 from B2 and affirmed adjusted BCA of B1. Concurrently, the local currency deposit rating remained the same at B1/stable.

Human Resources



People remain the most important asset for Credit Europe Bank.

Our employees not only make an essential contribution to shape the identity of the bank, they are the key to our success.

In 2017, we continued to invest in employee development, engagement and satisfaction.

We are committed to partner with our employees and provide them with opportunities to realize their full potential. We provide fair, competitive and responsible compensation for each of our employees.

Flexible working hours and part-time working models, together with other services aims an enhancing work-life balance as an integral part of our Human Resources policy. We strive to maintain an environment in which a dialogue between management and employees is embedded in our work practices.

We strongly believe that the health of our employees constitutes the basis for their productive, creative and innovative commitment to their everyday work. We provide services aimed at promoting the health of employees, such as attractive sporting opportunities within the company and special courses on preventing illness. Furthermore, we foster team spirit through programs that engage employees in active lifestyles and community development.

While serving our customers in different geographies as an international bank, we aim for a diverse workforce and an inclusive environment that respects and supports all of our people and helps improve our business performance. We provide equal opportunity in recruitment, career development, promotion, training and rewards for all employees. We view staff diversity broadly to include, among other things, men and women of different ethnicity, races, cultures, religions, ages, intellectual traditions, and economic and social backgrounds.

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). The core values will be implemented in the bank's organization in 2018. The bank's board members and employees will be (extensively) trained on the core values and these values will be 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.

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.

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.

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 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.

Each banking subsidiary has local risk management and compliance functions which report both to local management and head office management. 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. 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 37 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 internal control.

Key developments in 2017

In 2017, 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 while introducing new models and tools to better quantify the Bank's risk profile throughout 2017. This was one of the prerequisites for Credit Europe Bank to secure its IFRS 9 compliance before 1 January 2018.

The Bank ran a group-wide IFRS 9 implementation project combining Risk, Finance and IT departments in 2017. Credit Europe Bank also revised its asset quality monitoring and impairment policies and adapted its control framework so that expected credit loss concept and definitions in IFRS 9 are adequately grasped and implemented by all departments and subsidiaries.

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 started implementing a similar module for credit risk reporting. The full integration of all banking subsidiaries will be completed in the course of 2018. 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.

Areas of improvement for 2018

The Bank continues to make all necessary preparations to comply with changing regulatory requirements including new EBA technical standards and guidelines, such as 'internal governance', 'supervisory review and evolution process', 'stress testing', 'interest rate risk on the banking book' and the new EU privacy regulations - General Data Protection Regulation (GDPR), among others. Further improvements on compliance matters, such as KYC and CDD are on the agenda of the Bank as well, given the regulatory environment. 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 an 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 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 including integrity risks (money laundering, improper conduct, conflicts of interest etc.) are reported 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 basic 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 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.

Outlook 2018

Global economy is arguably in the best shape in about a decade with world GDP growth expectations around 3.7% with stronger labor market. That said, in advanced economies inflation seems to fall short of central bank targets which is creating a dilemma for monetary policies. In the case of continued growth during 2018, it is likely to see interest rates and inflation rising gradually as we see central banks shifting their policies. But overall, 2018 is still expected to be a year where monetary policy remains accommodative by historical standards, and global financial conditions seem positive. All of these factors contribute to the relatively optimistic growth outlook and monetary policy normalization in 2018.
That being said, it is important to note that when the markets are transitioning into a different paradigm, especially at the end of sustained bull markets; it is highly probable to see periods of high volatility in asset prices. Recent flows create asymmetric risks in the markets and both realized and implied volatilities are trading at historically low levels. Therefore, while we don't see major macro economical risks to downside, it is important not to lose sight of pressure points which may trigger volatility and technical price corrections.

The United States

The US economy looks set to expand around 3% in 2017 given that tax cuts will help the domestic demand whereas the softness of dollar is expected to help exporters with the benefit of global upturn. The latest tax reform passed by US congress is expected to support the economic activity in near term and corporate investment activity is likely to pick up further. The surge in investment spending was mostly driven by energy sector in 2017 which will continue to be the main driver in 2018. The slack in labour market has substantially declined and unemployment rate has fallen to record low levels of 4.1%.
As the US economy is continuing its strength in 2018, the FED is expected to do at least 3 more hikes during 2018 under the new FED president Powell taking office in March. On the inflation side, underlying US inflationary pressures are building up with higher commodity prices, pick up in annual wages and more robust economic activity. Yearly inflation in US can reach higher levels from its current level of 2.1% up to 2.8-3% levels towards the year end. FED is becoming bit more hawkish not to stay behind curve and to reach reasonable interest rate levels before the next economic downturn takes place.

Euro Zone & Swiss Economy Outlook

Eurozone economy has shown a strong performance in 2017 with GDP yoy up by 2.7 % with strong domestic consumption, increasing public expenditure and contribution of net exports. Any damage by Brexit seems to be very modest and not really felt in the economic picture so far. The strong fixed investment and domestic consumption factors are likely to stay as the dominating factors behind the positive economic outlook in 2018 along with the stronger labour market and better global trade activity. Although ending QE in September looks increasingly possible, there is also a high probability of ending program by another 3-6 months extension. The first rate hike is expected towards mid 2019 as ECB is clearly hinting the market any changes to interest rate guidance are conditional on inflation outlook. Depending on the domestic economic activity, currency strength and energy prices inflation levels are expected to stay at current levels of 1.5%. Higher nominal bond yields and steeper yield curve are expected to be seen given the upbeat macroeconomic backdrop and eventual end of ECB QE purchases are being priced in the market.

The risk of a European political uncertainty has not totally disappeared but has receded after the past year. The ongoing coalition talks after the German federal elections has injected some piece of uncertainty for Germany's EU policies, the dominating market view is that grand coalition will come back to power . On the elections after a very busy agenda in 2017, the key event in Euro zone is the elections that will take place in Italy on 4th March. Overall it can be said that the 2018 political and economic back drop offers a clear window of opportunity for deeper EU integration.

The completion of banking union, a move towards European Monetary Fund and the first steps to launch a common budget are the key issues waiting on the pipeline.
Swiss economy seems to be lagging the recent growth pace in Euro zone by staying close to 1% but a significant pick-up in the economic activity is expected. Corporate investment spending is likely to pick up with the better Eurozone economic outlook which is more consumption led helping the Swiss exporters. Inflation has moved into positive territory by finishing 2017 at 0.5% level. Weaker exchange rate is set to be supportive for the increase in inflation. Central Bank in Switzerland will wait for ECB to normalize its monetary policy by ending the quantitative easing before taking any rate hike decision.

After an impressive performance on GDP growth, Romania's economy looks to slow down in 2018 by expected growth rates of 3.5% area in 2018. Loose fiscal policy era is likely to end as the new government takes office end of January with the aim of narrowing down the fiscal deficits. On the other hand inflation is expected to come around 3.5% levels due to the increasing labor costs and external price pressure due to higher commodity prices. Therefore central bank is likely to hike interest rates at least by 75 bps during 2018 with the inflation target staying at 2.5% level. On the FX side, RON is likely to stay under pressure with weaker fundamental picture of widening budget& current account deficit.

The Netherlands

The Dutch economy continues to grow at a pace close to 3.25% in 2017, the highest rate since 2007 partly thanks to the acceleration in world trade growth. Improving economic barometers point to further strong growth. GDP growth can again reach around 3% in 2018, driven by the expending global economy and the spending impulse from the new cabinet. The number of jobs is rising strongly. However it is expected that unemployment will decline less than in 2017 due to new entrants but can still drop below 4% in the second half of 2018. Inflation fluctuated between 1-1.7% during 2017 due to the volatile commodity markets and increasing economic activity. In 2018 a higher inflation is expected which is around 1.5%. The stronger wage increase in the tightening labour market, more rental increase, the rising oil price and increase in the low VAT rate and several energy taxes will move the inflation slightly higher.

Emerging Markets

Emerging Market macroeconomic fundamentals have been improving since the fear of US rate hike cycle hit the capital markets few years ago. Current account deficits have decreased, inflation is moving in line with targets and global trade activity is positive. As global conditions stay as supportive, economic performance of emerging markets are likely to stay strong and outperform the growth in developed markets. The major challenges in 2018 for the emerging markets will be the rising global yields and global central banks removal of accommodative monetary policies. On the other political calendar will be quite heavy for most of emerging markets in the next two years which will have its impact on economic policies during 2018.

Turkish growth dynamics seemed strong with robust external demand and government's stimulus packages. Although the impact of government measures may be short termed, export performance and recovering tourism might help in 2018. The general expectation of growth for this year is around 5%. On the fiscal side, Turkey shifted to expansionary fiscal policy due to the increasing need to borrow for growth supportive policies. Full year budget deficit was realized around 1.5% of GDP with still room to reach 2% government threshold level. On the monetary policy, Central Bank is trying to pursue a delicate phase to convince markets since inflation dynamics worsened last year by closing the year end at 13%. Central Bank expectation is the easing of inflation below 10% by the second quarter in 2018 and finish the year around 7-8% area. However the performance of TRY is quite critical in the inflation aftermath since the impact of weaker currency is quite high on the inflation dynamics.

Chinese economy seems to have ended 2017 on a stronger outlook by reaching 6.7% growth levels with support of strong external demand although the internal regulations on housing market and deleveraging are still the main offsetting growth factors. There is a market consensus on China's managed slow down this year which is likely to result with 6.4% growth rate. This seems to be providing a level of comfort to global capital markets since the negative spill over effects of overheated economy was always feared in China. Efforts to limit excess financial leverage, industrial overcapacity and protective environmental measures seem to stay on the top of the state agenda for 2018. So the economic growth will continue with sustainable measures.

In Russia growth has been entrenched in 2017 and year on year GDP growth is expected to be around 1.7%. For 2018 same growth rate is forecasted as well. The headline inflation was unchanged at 2.5%yoy in December and year end inflation is expected to be 3.5% below consensus expectation of 4.1%yoy. After central bank's rate cut by 175 bps throughout 2017 by taking the key rate down to 7.75, it is forecasted that CBR will continue its rate cut policy by another 75 bps towards the end of the year. Although Russia is trying to strengthen the economy against oil price swings, recovery in global energy prices are quite supportive for the currency. Russian economy has suffered in the previous years due to international sanctions and the new extension of US sanctions will remain as a burden in 2018. On the political agenda, the Russian elections are going to take place in March with the expectation of Putin's dominating victory.

Profile of the Managing Board

Profile of the Managing Board as per February 2018

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 Russian subsidiary of Credit Europe Bank N.V. grew substantially. Since June 2010, Mr. Başbay has been CEO of Credit Europe Group, currently responsible for treasury, corporate credits 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 is responsible for retail banking, bank relations, financial institutions' credits, information technology and operations.

Umut Bayoğlu (1973, male)
Chief Financial Officer

Holds a BSc in economics from Middle East Technical University (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 NV and in 2008 he joined the Managing Board. He is responsible for financial control, human resources, accounting and central bank reporting.

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 17 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 is a member of the Managing Board.

Scott Cheung (1975, male)
Member

Holds a postgraduate 'Register-accountant' qualification from the University of Amsterdam. He worked for six years at EY (named Ernst & Young Accountants at that time) in Amsterdam and Hong Kong, before joining Credit Europe Bank in 2002 as Head of the Internal Audit Department. In 2006, he was appointed Head of Group Audit, responsible for coordinating the group's Internal Audit activities. Mr. Cheung has been a member of the Managing Board since December 1, 2010. He is responsible for compliance and corporate communication.

Levent Karaca (1970, male)
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 de 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 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.

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, 2017, the total issued and fully paid-up share capital of the Bank amounted to EUR 653.657.679. 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.

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 32, 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 2017 CEB directly owns five banking subsidiaries in Russia, Switzerland, Romania, Ukraine and the United Arab Emirates, and two leasing companies in Romania and Ukraine (N.B. in 2017, CEB announced that it is considering the spin-off of its Russian subsidiary, depending on the assessment of the relevant regulatory authorities).

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 2017 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 6 board members. 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 credits, internal audit and corporate governance
Şenol Aloğlu,	Deputy CEO	Retail banking, bank relations, FI credits, IT and operations
Umut Bayoğlu,	CFO	Financial control, human resources, accounting and central bank reporting
Batuhan Yalniz,	CRO	Financial and non-financial risk management
Scott Cheung,	Member	Compliance and corporate communication
Levent Karaca,	Member	Corporate banking and legal

Supervisory Board
For a full description of the Supervisory Board: its composition, tasks, subcommittees and 2017 report, see page 34.

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 2017 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 2020 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. It is of great importance for the Bank to be continuously informed about the latest (technology) developments in this rapidly changing society the Bank. 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 note37 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. Both the Supervisory Board and Managing Board have six members. 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 half of the members are independent. However, the current composition of the Supervisory Board is in line with DNB's requirements in respect of independence.

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 contains (concrete) targets for 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. Due to recent adoption of the policy the Bank is not yet in the position to report on the results of the policy in the past financial year.

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. 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 in the final stage of preparation. 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). 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 taken 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.

C. 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 2017. The overview follows the sequence of the chapters of the Banking Code.

Sound and ethical operation
The Bank's strategy for the period to 2020 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 2020. 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 (see paragraph 3 herein below for more information). 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 will be rolled-out and implemented 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 will be rolled-out within the bank and the Bank's employees will be (thoroughly) educated on these values. 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.

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

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 2017 e.g. trainings were organized on Bank Capital requirements and Resolution Capital, Int'l Trade Finance, IRB and block chain technology and crypto currencies. All members of the Supervisory Board participate in the continuing education program and attended the required number of trainings. The trainings for 2018 are currently being organized.

Also in 2017 the Supervisory Board performed an annual self-evaluation. The latest external assessment took place in 2015. In 2018 the Supervisory Board will again be evaluated under independent supervision (i.e. 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.

Retirement Schedule of the Supervisory Board

Name	Member since	End of current term	Mandatory End of Membership[1]
Hector de Beaufort	February 2011	February 2019	February 2023
Murat Özyeğin	January 2006	January 2018	January 2021
Mehmet Guleşci	January 2006	January 2018	January 2022
Onur Umut	January 2003	January 2019	January 2019
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).

Managing Board

Since October 10, 2016, the Managing Board of CEB consists of six 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 (except integrity risk) 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 2018 are currently being organized.

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 [37] of the Consolidated Financial Statements.

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 2017.

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.

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.

D. 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 2017 no direct, indirect or formal 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- or Supervisory 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.
The 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 and with the required approval process is presented.

E. 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 & RemunerationCommittee.
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 substantial portion (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 30%, general indicators 20% and objectives 50%. 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.

(iii) 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

(iii) 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 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 2017, CEB paid out EUR 56,070,810 to employees working in the Wholesale Banking segment and EUR 50,851,189 to employees in the Retail Banking segment.
CEB has identified 78 Identified Staff members and 103 senior managers.

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

CEB has identified 78 Identified Staff members and 103 senior managers.

In 2017, the total amount of remuneration paid out to the Identified Staff and senior managers amounted to €20'244'928, split into €13'159'702 for Identified Staff and €7'085'225 for senior managers. Such total remuneration was split into €19'043'602 fixed salary (for Identified Staff € 12'340'672 and senior managers €6'702'930) and €1'201'326 variable remuneration (for Identified Staff €819'031 and senior managers €382'295). 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 of more 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 2017 (for the Phantom Shares granted as per 2016) amounts to €1'786'809.
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 2016, with the related bonus payment executed in 2017.

By virtue of the rules in the Group Remuneration Policy, in 2017 there will be no 'less than awarded' deferred pay- out due to unsatisfactory performance adjustment.

(vii) Severance payment

In the reporting year 2017, CEB on a consolidated basis paid severance payments to a total of 12 employees – of which 1 was an Identified Staff member. For none of them did the severance payment exceed one year's fixed salary – a requirement explicitly included in CEB's Group Remuneration Policy. In total, CEB paid €737'866 in severance in 2017, of which €38'257 to the Identified Staff member, being the highest amount granted.

CEB did not pay sign-on or entry awards to any Identified Staff member in 2017.

Profile of the Supervisory Board

Profile of the Supervisory Board as per February 2018

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. In addition Mr. De Beaufort holds several board memberships in various companies. 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 2019).

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 2018).

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. At present he is Treasurer of the 'Stichting Vrienden van het Singer Museum'. 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 CFO of the Fiba Group and serves as a Board Member of a number of Credit Europe Bank subsidiaries and Fiba Group companies. 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 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 2018).

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- 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 1998-2014 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 and is a Senior Advisor at Official Monetary and Financial Institutions Forum (OMFIF). 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.

F. Onur Umut (1962, male)

Holds a BSc from Bosphorus University in Istanbul and completed the Wharton Executive Management Program (1998). He joined the Fiba Group in 1988 and is now a member of the Board. From 1996 to 1999, he served as CEO of Credit Europe Bank, after which he was appointed CEO of Finansbank AS, Turkey. Mr. Umut, who has Turkish nationality, was appointed to the Supervisory Board in 2003 (current term expires in 2019).

Report of the Supervisory Board

2017 has been a tumultuous year marked by geopolitical tensions, natural disasters and deep political divisions in many countries. While on the economic front 2017 is ending on a high note, for the financial services industry the business climate remained volatile. In addition, continuous changes in the regulatory environment have been affecting the business plans and strategies of the banks. However, as an agile organization, CEB has taken important decisions in 2017 in order to cope with the prevailing market conditions and to ensure its long term sustainability.

CEB has realized a net profit of EUR 15 million for 2017. The decrease of the net profit compared to 2016 was mainly attributable to the bank's decision for a one-time disposal of the repossessed shipping assets for the sake of improved asset quality and long term profitability of the bank.

In 2017, at the same time it invested in strengthening the bank's culture by facilitating a senior management training program on culture and core values. As part of this program new core values have been developed which will be implemented in the bank's organization in 2018.

The Supervisory Board was happy with the fresh CET1 (US$ 25 million) and AT1 (US$ 50 million) capital injections of the shareholders to the bank as well as with the successful issue of CEB's US$ 150 million, 10 year term, CRR compliant, Tier II capital instrument.

The Supervisory Board wishes to extend its appreciation to 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 results of the Bank.

Net income allocation

The Supervisory Board has reviewed the Report of the Managing Board and the financial statements for 2017, comprising the balance sheet and profit and loss accounts. The financial statements further include explanatory notes and other information, including the report of the new external auditors, Ernst & Young Accountants LLP, for the year ending December 31, 2017.

We propose and advise that the General Meeting of Shareholders adopts these financial statements. Furthermore, we propose to add the full amount of net income 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 2017, the Supervisory Board of CEB consists of six members: Hector de Beaufort (Chairman), Murat Özyeğin (Vice Chairman), Onur Umut, 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 page [44] (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.

In respect of independence of the Supervisory Board of CEB, the following statement applies to the Supervisory Board: 'half of the members are independent' (Messrs. Özyeğin, Umut and Güleşci 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 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. Özyeğin and Mr. Güleşci have been reappointed to CEB's Supervisory Board with effect from 1 January 2018 for a term of 3 years and 4 years, respectively. Although Messrs. Özyeğin and Güleşci were appointed to the Supervisory Board of CEB for the first time in 2006, reappointments were 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 material 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 in 2017. In view of the personal competences of Messrs. Özyeğin and Güleşci their involvement in the execution and implementation of the initiatives in the coming years is of the essence.
The Remuneration Report can be found on page 34.

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 compliance-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 2017 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, except for the March meeting which could not be attended by Mr. Ilkorur due to health reasons.

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 2017: 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 2017 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 2017, this committee consisted of the following Supervisory Board members: Korkmaz Ilkorur (Chairman), Frits Deiters and Onur Umut. Except for the March meeting of the committee which was not attended by Mr. Ilkorur, the meetings were attended by all committee members.

Supervisory Board meetings
In 2017 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 latter meetings were mostly held in the form of a video conference meeting. The meeting in December 2017 coincided with a global budget meeting.

In 2017 the meetings were attended by all Supervisory Board members, except for the March meeting of the Supervisory Board which could not be attended by Mr. Ilkorur. 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, 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.

Also in 2017 the Supervisory Board performed an annual self-evaluation. In this regard 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 is discussed in a separate meeting/session 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 2017 (and also had two preparatory meetings in March and September). Representatives of the Bank's external auditor, the Managing Board 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 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 (new) 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 2017. 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 analysis of relevant changes in new Corporate Governance Code and compliance to the new Corporate Governance Code (including updating/adopting internal charters and policies), new EBA Guidelines on Internal Governance and Suitability requirements, reappointment of two Supervisory Board members, diversity policy and succession planning policy and follow-up actions resulting from Dutch Central Bank's examination on governance, behaviour and culture within CEB. The CEO and the Managing Board member responsible for compliance and corporate communication were present at all committee meetings.

HR & Remuneration Committee
In 2017, this committee met four times. Focus during the meetings was on the training program for CEB's management team on culture and behaviour, CEB's (proposed) new core values, diversity policy and CEB's fixed and variable remuneration packages. The CEO and CFO participated in all meetings.

Compliance Oversight Committee
This committee met four times in 2017 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 activities as outlined in the Bank's Compliance Program, 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, the reporting on related party transactions and the implementation of CRS rules. In addition, the committee members received trainings on specific compliance topics.

* The Corporate Governance chapter (pages 29 et sqq.) and the Remuneration Report (pages 34 et sqq.) are deemed to be incorporated herein by reference.

Amsterdam, March 23, 2018

Hector de Beaufort, Chairman
Murat Özyeğin
Frits Deiters
Mehmet Güleşci
Korkmaz Ilkorur
F. Onur Umut

Consolidated Statement of Financial Position

As of December 31, 2017

In thousands of EURO unless otherwise indicated

	Notes	December 31, 2017	December 31, 2016*
Assets			
Cash and balances at central banks	5	829,224	1,041,371
Financial assets at fair value through profit or loss	6	53,184	2,712
Financial investments	7	750,799	767,109
Loans and receivables - banks	8	538,062	306,666
Derivative financial instruments	9	236,391	344,393
Loans and receivables - customers	10	4,487,379	5,188,004
Current tax assets		6,803	8,690
Deferred tax assets	31	22,175	23,738
Other assets	12	239,088	156,672
Equity accounted investments	13	6,311	5,803
Property, equipment and investment property	14	190,721	252,333
Intangible assets	15	12,340	13,014
Total assets		**7,372,477**	**8,110,505**
Liabilities			
Due to banks	16	629,762	448,317
Derivative financial instruments	9	203,635	374,706
Due to customers	17	4,899,025	5,531,531
Issued debt securities	18	70,843	262,977
Current tax liabilities		16,577	7,541
Other liabilities	19	60,229	53,468
Deferred tax liabilities	31	23,735	36,881
Total liabilities (excluding subordinated liabilities)		**5,903,806**	6,715,421
Subordinated liabilities	20	593,934	531,326
Total liabilities		**6,497,740**	**7,246,747**
Equity			
Equity attributable to owners of the Company		872,843	861,892
Equity attributable to non-controlling interests		1,894	1,866
Total equity	**21**	**874,737**	**863,758**
Total equity and liabilities		**7,372,477**	**8,110,505**

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

	Notes	January 1- December 31, 2017	January 1- December 31, 2016*
Interest and similar income		494,176	534,244
Interest expense and similar charges		(207,871)	(231,322)
Net interest income	**22**	**286,305**	**302,922**
Fees and commissions income		117,496	110,821
Fees and commissions expense		(64,338)	(55,058)
Net fee and commission income	**23**	**53,158**	**55,763**
Net trading results	24	(33,940)	(38,564)
Results from financial transactions	25	25,521	14,525
Other operating income	26	67,033	49,730
Operating income		**58,614**	**25,691**
Net impairment loss on financial assets	10	(111,411)	(122,251)
Net operating income		**286,666**	**262,125**
Personnel expenses	27	(106,922)	(103,097)
General and administrative expenses	28	(65,918)	(64,227)
Depreciation and amortization	14,15	(23,259)	(19,567)
Other operating expenses	29	(50,699)	(25,513)
Other impairment losses	30	(23,558)	(9,699)
Total operating expenses		**(270,356)**	**(222,103)**
Share of profit of associate	12	759	130
Operating profit before tax		**17,069**	**40,152**
Income tax expense	31	(1,993)	(6,218)
Profit for the year		**15,076**	**33,934**
Profit for the year attributable to:			
Equity owners of the Company		14,994	33,842
Non-controlling interests		82	92

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

	January 1- December 31, 2017	January 1- December 31, 2016*
Profit for the year	**15,076**	**33,934**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation		
Net gain on hedge of net investments	12,654	(86,587)
Exchange differences on translations of foreign operations	(46,273)	62,924
Net foreign currency translation	(33,619)	(23,663)
Cash flow hedges:		
Net gain / (loss) arising during the year	259	(1,114)
Less: Reclassification adjustments to the income statement	1,139	(1,230)
Income tax / (charge) relating to the cash flow hedges	(280)	468
Net change on cash flow hedges	1,118	(1,876)
Available for sale financial assets:		
Net gain / (loss) arising during the year	41,640	(7,795)
Reclassification adjustments to the income statement	(30,056)	(4,285)
Income tax gain / (charge) relating to net unrealized losses on available for sale financial assets	(4,967)	2,777
Net change on available for sale financial assets	6,617	(9,303)
Other comprehensive income that will not be reclassified to the income statement		
Tangible assets:		
Revaluation reserve	677	(459)
Income tax relating to tangible assets revaluation	(71)	108
Net tangible assets revaluation reserve	606	(351)
Other comprehensive income for the year, net of tax	**(25,278)**	**(35,193)**
Total comprehensive income for the year, net of tax	**(10,202)**	**(1,259)**
Attributable to:		
Equity holders of the parent	(10,243)	(1,291)
Non-controlling interest	41	32

Consolidated Statement of Changes in Equity

	Attributable to equity owners of the Company									
	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Translation reserve	Total	Non-controlling interest	Total equity
At January 1, 2017*	**632,464**	**163,748**	**460,461**	**(9,071)**	**(118,581)**	**(1,230)**	**(265,899)**	**861,892**	**1,866**	**863,758**
Total comprehensive income										
Change in fair value reserve	-	-	-	6,609	-	-	-	6,609	8	6,617
Change in translation reserve	-	-	-	-	-	-	(46,218)	(46,218)	(55)	(46,273)
Change in net investment hedge reserve	-	-	-	-	12,654	-	-	12,654	-	12,654
Change in cash flow hedge reserve	-	-	-	-	-	1,118	-	1,118	-	1,118
Change in tangible assets revaluation reserve	-	-	600	-	-	-	-	600	6	606
Profit for the year	-	-	14,994	-	-	-	-	14,994	82	15,076
Total comprehensive income	**-**	**-**	**15,594**	**6,609**	**12,654**	**1,118**	**(46,218)**	**(10,243)**	**41**	**(10,202)**
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)	**(105,927)**	**(112)**	**(312,117)**	**872,843**	**1,894**	**874,737**

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Translation reserve	Total	Non-controlling interest	Total equity
At January 1, 2016*	**632,464**	**163,748**	**436,830**	**201**	**(31,994)**	**646**	**(328,852)**	**873,043**	**1,834**	**874,877**
Total comprehensive income										
Change in fair value reserve	-	-	-	(9,272)	-	-	-	(9,272)	(31)	(9,303)
Change in translation reserve	-	-	-	-	-	-	62,953	62,953	(29)	62,924
Change in net investment hedge reserve	-	-	-	-	(86,587)	-	-	(86,587)	-	(86,587)
Change in cash flow hedge reserve	-	-	-	-	-	(1,876)	-	(1,876)	-	(1,876)
Change in tangible assets revaluation reserve	-	-	(351)	-	-	-	-	(351)	-	(351)
Profit for the year	-	-	33,842	-	-	-	-	33,842	92	33,934
Total comprehensive income	**-**	**-**	**33,491**	**(9,272)**	**(86,587)**	**(1,876)**	**62,953**	**(1,291)**	**32**	**(1,259)**
Transactions with owners of the Bank										
Acquisition of the non-controlling interest without change in control	-	-	(9,860)	-	-	-	-	(9,860)	-	(9,860)
At December 31, 2016	**632,464**	**163,748**	**460,461**	**(9,071)**	**(118,581)**	**(1,230)**	**(265,899)**	**861,892**	**1,866**	**863,758**

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

Consolidated Statement of Cash Flows

	Notes	January 1- December 31, 2017	January 1- December 31, 2016*
Cash flows from operating activities			
Profit for the year		15,076	33,934
Adjustments for:			
Net impairment loss on financial assets	11	111,411	122,251
Depreciation and amortization	14, 15	23,259	19,567
Other impairment losses	30	23,558	9,699
Income tax expense	31	1,993	6,218
Net interest income	22	(286,305)	(302,922)
Effect of exchange rate differences		(76,709)	18,598
		(187,717)	**(92,655)**
Changes in:			
Financial assets at fair value through profit or loss		(2,786)	124
Loans and receivables - banks		(231,396)	211,774
Loans and receivables - customers		577,034	182,773
Other assets		126,518	25,428
Due to banks		181,445	(20,737)
Due to customers		(632,506)	64,510
Other liabilities		(190,248)	(98,532)
		(171,939)	**365,340**
Acquisition of financial assets at fair value through PL	6	(1,213,088)	(638,953)
Proceeds from sales of financial assets at fair value through PL	6	1,165,402	643,695
Interest received		495,976	526,773
Interest paid		(197,491)	(216,137)
Income taxes paid		(12,610)	(7,458)
Net cash used in operating activities		**(121,467)**	**580,605**
Cash flows from investing activities			
Acquisition of financial investments	7	(2,417,302)	(3,049,325)
Proceeds from sales of financial investments	7	2,437,917	3,323,266
Acquisition of property and equipment	14	(66,983)	(75,646)
Proceeds from sale of property and equipment	14	217	584
Acquisition of intangibles	15	(4,926)	(6,269)
Net cash used in investing activities		**(51,078)**	**192,610**
Cash flows from financing activities			
Proceeds from long-term funding		244,786	130,325
Repayment of long-term funding		(284,842)	(394,247)
Proceeds from the issue of ordinary shares		21,194	-
Net cash from financing activities		**(18,862)**	**(263,922)**
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at January 1		944,468	425,702
Effect of exchange rate fluctuations on cash and cash equivalents held		(10,411)	9,473
Cash and cash equivalents at December 31	**5**	**742,651**	**944,468**

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

Changes in liabilities arising from financial activities	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)	**121,868**	**(40,057)**
Other Changes			
Interest expense	17,597	42,038	59,635
Interest paid	(26,504)	(39,074)	(65,579)
Foreign exchange movement	(21,303)	(62,224)	(83,527)
Balance at December 31	**70,843**	**593,934**	**664,777**

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, 2017, comprise the figures of the Bank, its subsidiaries and other controlled entities. Together they are referred to as the 'Bank'.

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

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

Changes to the Group

There is no significant change to the Group within 2017.

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 23, 2018.

b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical-cost basis, except for 'financial investments', 'derivative financial instruments', 'assets held for sale', 'investment properties' and 'financial assets (and liabilities) designated at fair value through profit or loss', which are measured at 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. 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

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 market input and relies as little as possible on estimates specific to the Bank.

iii. Impairment losses on loans and receivables

The Bank evaluates the assets, which are accounted for at amortized cost, for 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.

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.

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.

(b) Assumptions and estimation uncertainties

Impairment of loans and receivables

The collective allowance for groups of homogenous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgment to ensure that the estimate of loss arrived on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

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

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

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

	2016 before restatement	Restatement	2016 after restatement
Financial investments	741,009	26,100	767,109
Other assets	186,672	(30,000)	156,672
Total assets	**8,114,405**	**(3,900)**	**8,110,505**
Other liabilities	57,368	(3,900)	53,468
Total liabilities	**7,250,647**	**(3,900)**	**7,246,747**
Results from financial transactions	25,799	(11,274)	14,525
Fair value reserve	(20,345)	11,274	(9,071)
Total equity	**863,758**	**-**	**863,758**

g) Comparative information

The presentation of results from derivative financial instruments not qualifying for hedge accounting in the income statement has been changed and previous year figures have been reclassified accordingly. EUR 67,977 that was previously presented under 'net interest income' has been reclassified to 'net trading results'.

	2016 before reclassification	Reclassification	2016 after reclassification
Net interest income	234,945	67,977	302,922
Net trading results	29,413	(67,977)	(38,564)

Previous year gains and losses from operational leasing activities that were presented on net basis have been restated in order to provide a consistent presentation in the income statement. The amounts reclassified in 2017 are as follows:

	2016 before reclassification	Reclassification	2016 after reclassification
Other operating income	36,816	12,914	49,730
Other operating expenses	(15,283)	(10,230)	(25,513)
Depreciation and amortization	(16,883)	(2,684)	(19,567)

Reserve deposit balances with central banks are excluded from cash and cash equivalents as presented in the statement of cash flows. Comparative information that has been restated is as follows:

	2016 before reclassification	Reclassification	2016 after reclassification
Cash and cash equivalents	1,041,371	(96,903)	944,468

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently throughout the Bank.

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. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

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

Notes to Consolidated Financial Statements

the investee.

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
Transaction and balances
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:

• available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);
• 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 available-for-sale securities are considered an inherent part of the capital gains or losses recognized in 'results from financial transactions'.

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 translation reserve in equity.

Hedge of a net investment in a foreign operation
Refer to note j.

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 plus, 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
The Bank classifies its financial assets in one of the following categories:
- Loans and receivables
- Held to maturity
- Available for sale
- At fair value through profit or loss and within the category as:
  - Held for trading
  - Designated at fair value through profit and loss.

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

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.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing servicing.

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 or model uncertainties; 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.

Identification and measurement of impairment
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 asset'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 costs 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 analyzed. 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.

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 asset'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 analyzed 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)
Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near future, or holds as part of portfolio that is managed together for short-term profit or position taking.

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, are recognized as part of 'net trading results' in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

f) Available-for-sale financial assets
'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 'results from financial transactions'. 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'.

g) Held-to-maturity investments

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the intention and ability to hold to maturity, and which are not designated as at 'fair value through profit or loss' or as 'available-for-sale'. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

h) Loans and receivables

'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) Derivatives held for trading

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 other financial instruments 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 risk management purposes and hedge accounting

Derivatives held for risk management purposes (i.e. asset-liability management) include all derivative assets and liabilities that are not classified as 'trading assets and liabilities'. Derivatives held for risk-management purposes are measured at fair value in the statement of financial position. All gains and losses arising on derivatives held for risk management purpose 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 hedging 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.

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.

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.

m) Property and equipment
Property and equipment is stated 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	30-60 years
Furniture and fixtures	3-20 years
IT equipment	3-10 years
Vehicles	2-10 years
Vessels	15-30 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..

n) 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".

o) 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 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.s.

p) Assets held for sale
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.

q) Inventories
Inventories include repossessed assets that are held for sale which are measured at the lower of cost and net realizable value.

r) 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.

s) Deposits, issued debt securities and subordinated liabilities
Deposits, issued debt securities and subordinated liabilities are the Bank's sources of debt funding.

Issued financial instruments or their components that are not designated at 'fair value through profit or loss', are classified as liabilities under 'issued debt securities' where the substance of the contractual arrangement results in the Bank having an obligation to either deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash.

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.

t) Financial guarantees and loan commitments
In the ordinary course of business, the Bank gives

financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement as 'other impairment losses'. The premium received is recognized in the income statement under 'fees and commission income' on a straight-line basis over the life of the guarantee.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.
Loan commitments are not recognized 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

u) 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.

Bank levies
A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligation event is reaching a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

v) 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.

w) 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.

x) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

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, and includes dividends received from trading instruments. Realized and unrealized gains and losses on derivative financial instruments held for trading are recognized under net trading results as well as any ineffectiveness recorded on hedging transactions.

All gains and losses arising on derivatives not designated in a hedge accounting relationship are presented under net trading results

iv. Results from financial transactions
Results from financial transactions include gains and losses on the sale of financial instruments not classified as held for trading. Dividend income from financial investments is recognized when entitlement is established.

y) 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.

z) 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 approved by the Bank's shareholders. Interim dividends are deducted from equity when they are paid.

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

aa) Equity components

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 available-for-sale assets are recognized, net of taxes. 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.

ab) 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 2017

IAS 7 Statement of Cash Flows:Disclosure Initiative

The amendment to IAS 7 requires a disclosure of changes in liabilities arising from financing activities, reference is made to 'changes in liabilities arising from financing activities' in consolidated statement of cash flows section.

IAS 12 Income Taxes: Recognition of Deferrred Tax Assets for Unrealized Losses

The amendmend did not have any impact on the Bank's financial statements.

IFRS 12 Disclosure of Interests in Other Entities
The amendmend did not have any impact on the Bank's financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017; however, the Bank has not applied the following standards in preparing these consolidated financial statements.

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

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. This new standard is expected to lead to higher loan loss allowances as from 1 January 2018. Regarding the regulatory capital calculation, we are planning to mitigate the impact on own funds requirements by benefiting from the five year transitionary arrangement in accordance with Regulation (EU) 2017/2395 of the European Parliament and of the Council. The potential impacts of IFRS 9 on the Bank`s financial statements are summarized as follows:

Classification and measurement of financial assets and liabilities

The new standard requires that the Bank classify debt instruments based on its business model for managing the assets and the contractual cash flow characteristics of those assets. The business model test determines the classification based on the business purpose for holding the asset. Debt instruments will be measured at fair value through profit and loss unless certain conditions are met that permit measurement at fair value through other comprehensive income (FVOCI) or amortized cost. Debt instruments that have contractual cash flows representing only payments of principal and interest will be eligible for classification as FVOCI or amortized cost. Gains and losses recorded in other comprehensive income for debt instruments will be recognized in profit or loss only on disposal.

Equity instruments would be measured at fair value through profit or loss unless the Bank elect to measure them at FVOCI. Future unrealized gains and losses on fair value through profit or loss equity instruments will be recorded in income. Currently, the unrealized gains and losses are recognized in other comprehensive income for available-for-sale equity instruments. For equity instruments the Bank elect to record at FVOCI, gains and losses would never be recognized in income.

Upon adoption the Bank doesn't expect any reclassification

from debt and equity securities previously recorded as available for sale securities to fair value through profit or loss. Upon adoption the Bank doesn't expect material impact from reclassification of loan balances previously recorded at amortized cost to fair value through profit or loss.

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 did not adopt the hedge accounting provisions of IFRS 9; however, as required by the standard, the Bank will adopt the new hedge accounting disclosures.

Impairment Allowances
In IFRS 9 the incurred loss impairment model is replaced with a more 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 Group will recognize 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. The Group is in transition to IFRS 9 and the group-wide implementation of the project combining Risk, Finance and IT departments is underway. For data quality management, IFRS9 modelling and production of final impairment numbers Risk and Finance departments assume joint responsibility.

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. Appropriate adjustments are made to Loss Given Default (LGD) and 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.

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, 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.

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. 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 Group classifies all non-performing exposures (NPE) as both credit impaired and defaulted. Therefore the concepts of NPE, impaired and defaulted are aligned. 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:
- material 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.

New IFRS 9 impairment rules, driven by the expected credit losses rather than IAS 39's incurred loss approach, are expected to lead to higher loan loss allowances 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.

IFRS 15: Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

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

3. Segment information

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

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

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

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

	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	Total
December 31, 2017								
Interest income – external	6,027	223,941	158,030	52,249	23,528	16,869	13,532	494,176
Interest income – other segments	-	13,784	-	10,754	-	423	430	25,391
Interest revenue	**6,027**	**237,725**	**158,030**	**63,003**	**23,528**	**17,292**	**13,962**	**519,567**
Interest expenses – external	-	(103,577)	(74,813)	(15,908)	(8,199)	(3,294)	(2,080)	(207,871)
Interest expense – other segments	-	(5,566)	-	(15,698)	-	(2,062)	(2,065)	(25,391)
	-	**(109,143)**	**(74,813)**	**(31,606)**	**(8,199)**	**(5,356)**	**(4,145)**	**(233,262)**
Net interest income	**6,027**	**128,582**	**83,217**	**31,397**	**15,329**	**11,936**	**9,817**	**286,305**
Net commission income – external	97	22,913	14,590	6,023	7,248	1,081	1,206	53,158
Net commission income – other segments	-	(3,230)	-	-	3,225	11	(6)	-
Trading and other income	1,071	(6,920)	13,129	37,517	5,782	3,583	4,452	58,614
Net impairment loss on financial assets	(1,888)	(31,705)	(30,793)	(21,560)	(16,136)	(2,460)	(6,869)	(111,411)
Depreciation and amortization expense	(210)	(8,788)	(5,333)	(3,926)	(1,719)	(1,101)	(2,182)	(23,259)
Other operating expenses	(2,660)	(101,244)	(69,532)	(27,085)	(19,968)	(15,088)	(11,520)	(247,097)
Equity accounted earnings	-	759	-	-	-	-	-	759
Operating profit before taxes	**2,437**	**367**	**5,278**	**22,366**	**(6,239)**	**(2,038)**	**(5,102)**	**17,069**
Income tax expense	(679)	2,145	(1,091)	(5,473)	3,611	(324)	(182)	(1,993)
Profit for the year	**1,758**	**2,512**	**4,187**	**16,893**	**(2,628)**	**(2,362)**	**(5,284)**	**15,076**

Other information at 31 December 2017 - Financial position								
Total assets	93,598	4,304,220	857,043	692,030	356,063	827,261	242,262	7,372,477
Total liabilities	2,869,539	1,420,538	842,546	388,610	327,654	518,494	130,359	6,497,740
Equity accounted investments	-	-	-	-	-	-	6,311	6,311

Other information at 31 December 2017 - Income statement								
Reversal of impairment allowances no longer required	419	702	3,758	6,350	481	157	413	12,280

	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	Total
December 31, 2016								
Interest income – external	8,828	259,695	135,793	60,684	29,749	21,817	17,678	534,244
Interest income – other segments	1	37,272	-	18,402	-	1,960	1,773	59,408
Interest revenue	**8,829**	**296,967**	**135,793**	**79,086**	**29,749**	**23,777**	**19,451**	**593,652**
Interest expenses – external	-	(117,839)	(69,421)	(30,473)	(9,614)	(1,599)	(2,376)	(231,322)
Interest expense – other segments	-	(37,952)	-	(10,222)	-	(6,805)	(4,429)	(59,408)
Interest expense	**-**	**(155,791)**	**(69,421)**	**(40,695)**	**(9,614)**	**(8,404)**	**(6,805)**	**(290,730)**
Net interest income	**8,829**	**141,176**	**66,372**	**38,391**	**20,135**	**15,373**	**12,646**	**302,922**
Net commission income – external	(12)	24,291	17,001	4,519	7,419	1,425	1,120	55,763
Net commission income – other segments	-	(4,297)	-	-	4,299	(2)	-	-
Trading and other income	663	(21,718)	9,942	18,645	9,747	4,737	3,675	25,691
Net impairment loss on financial assets	(2,577)	(36,847)	(44,789)	(7,370)	(18,741)	(5,546)	(6,381)	(122,251)
Depreciation and amortization expense	(392)	(4,949)	(5,246)	(3,783)	(1,642)	(1,106)	(2,449)	(19,567)
Other operating expenses	(3,841)	(65,476)	(59,001)	(25,518)	(25,029)	(17,618)	(6,053)	(202,536)
Equity accounted earnings	-	130	-	-	-	-	-	130
Operating profit before taxes	**2,670**	**32,310**	**(15,721)**	**24,884**	**(3,812)**	**(2,737)**	**2,558**	**40,152**
Income tax expense	174	1,080	3,608	(6,595)	(2,769)	(1,191)	(525)	(6,218)
Profit for the year	**2,844**	**33,390**	**(12,113)**	**18,289**	**(6,581)**	**(3,928)**	**2,033**	**33,934**

Other information at 31 December 2016 - Financial position								
Total assets	138,977	5,071,994	836,979	669,175	410,619	742,699	240,062	8,110,505
Total liabilities	3,339,934	1,827,446	777,149	428,269	313,048	438,670	122,231	7,246,747
Equity accounted investments	-	-	-	-	-	-	5,803	5,803

Other information at 31 December 2016 - Income statement								
Reversal of impairment allowances no longer required	64	37	3,833	9,184	2,240	538	-	15,896

Information about major customers

As of December 31, 2017, there are no single customer revenues from which indivially exceeded 10% of total revenue (31 December 2016: 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, 2017	December 31, 2016
Balances with central banks	767,478	978,059
Cash on hand	61,746	63,312
Total	**829,224**	**1,041,371**

Deposits at central banks include reserve deposits amounting to EUR 86,573 (2016: EUR 96,903), 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, 2017	December 31, 2016
Cash and balances at central banks	829,224	1,041,371
Less: reserve deposits at central banks	(86,573)	(96,903)
Cash and cash equivalents in the statement of cash flows	**742,651**	**944,468**

6. Financial assets at fair value through profit or loss

	December 31, 2017	December 31, 2016
Financial assets held for trading		
Trading loans	45,185	-
Bank bonds	2,683	1,630
Equity instruments	2,466	1,082
Corporate bonds	1,582	-
Government bonds	1,268	-
Total	**53,184**	**2,712**

As of December 31, 2017, EUR 7,999 (2016: EUR 2,712) of the total is listed securities and EUR 45,185 is non-listed financial instruments.
As of December 31, 2017, there is no financial asset that have been sold or re-pledged under repurchase agreements (2016: none).
Gains and losses on changes in fair value of trading instruments are recognized in 'net trading results'.

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	2,712	7,578
Additions	1,213,088	638,953
Disposals (sale and redemption)	(1,165,402)	(643,695)
Net changes in fair value	3,012	(173)
Exchange differences	(226)	49
Balance at the end of the period	**53,184**	**2,712**

7. Financial investments

	December 31, 2017	December 31, 2016*
Available-for-sale financial investments	750,799	767,109
Total	**750,799**	**767,109**

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

As of December 31, 2017, the fair value of financial assets that have been sold or re-pledged under repurchase agreements is EUR 166,610 (2016: EUR 6,301). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary.

	December 31, 2017	December 31, 2016
Available-for-sale portfolio		
Government bonds	638,814	437,249
Bank bonds	97,301	267,036
Equities	9,015	28,084
Corporate bonds	5,669	13,921
Trading loans	-	20,819
Total	**750,799**	**767,109**

As of December 31, 2017, EUR 750,680 (2016: EUR 688,613) of the total is listed securities and EUR 119 (2016: EUR 78,496) is non-listed financial instruments.

The movement in investment securities may be summarized as follows:

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	**767,109**	**1,022,454**
Additions	2,417,303	3,049,324
Disposals (sale and redemption)	(2,437,917)	(3,323,266)
Net changes in fair value	22,924	(12,331)
Exchange differences	(18,620)	30,928
Balance at the end of the year	**750,799**	**767,109**

8. Loans and receivables - banks

	December 31, 2017	December 31, 2016
Placements with other banks	511,105	297,463
Loans and advances	27,882	10,128
Subtotal	**538,987**	**307,591**
Allowance for impairment	(925)	(925)
Total	**538,062**	**306,666**

Placements with other banks that are not available in the Bank's day-to-day operations amount to EUR 54,162 (2016: EUR 184,688).

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, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Derivatives held for trading						
Interest rate derivatives						
Swaps	247,200	156	1,277	35,651	43	502
Futures	-	-	-	19,987	16	10
Options (purchased)	62,536	651	-	23,140	-	-
Options (sold)	(89,126)	-	651	(28,140)	-	-
Subtotal	**220,610**	**807**	**1,928**	**50,638**	**59**	**512**
Currency derivatives						
Swaps	4,301,207	169,149	133,907	5,231,378	154,386	178,535
Forwards	255,025	7,953	8,325	903,660	11,360	12,466
Options (purchased)	895,962	38,748	-	1,964,794	108,361	19
Options (sold)	(886,070)	-	42,437	(1,955,155)	19	115,722
Subtotal	**4,566,124**	**215,850**	**184,669**	**6,144,677**	**274,126**	**306,742**
Other derivatives						
Commodity swaps	-	-	-	10,389	1,157	915
Equity options (purchased)	49,744	1,904	-	118,583	4,833	-
Equity options (sold)	(49,744)	-	1,904	(118,583)	-	4,833
Commodity options (purchased)	6,879	4	-	-	-	-
Commodity options (sold)	(6,879)	-	4	-	-	-
Subtotal	**-**	**1,908**	**1,908**	**10,389**	**5,990**	**5,748**
Total derivatives	**4,786,734**	**218,565**	**188,505**	**6,205,704**	**280,175**	**313,002**

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

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

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

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

Commodity Options: Commodity option is a contract permitting the option buyer the right, without obligation, to buy or sell an underlying asset in the form of a commodity, such as precious metals, oil, or agricultural products, at a designated price until a designated date.

Fair value hedges

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of its fixed rate EUR customer deposits and cross-currency swaps to hedge its exposure to market interest rates on certain loans and advances. The fair value of derivatives designated as fair value hedges are as follows:

	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Instrument type:						
Interest rate swaps	369,995	1,017	-	-	-	-
Currency swaps	(134,204)	565	57	(209,609)	846	68
Total	**235,791**	**1,582**	**57**	**(209,609)**	**846**	**68**

During 2017, there is no losses relating to the ineffective portion of fair value hedges was recognized in the income statement (2016: none).

Net investment hedges

The Bank uses a mixture of foreign exchange contracts to hedge the foreign currency translation risk on its net investment in foreign subsidiaries. The fair value of derivatives designated as net investment hedges is as follows:

	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Instrument type:						
Currency swaps	944,453	14,551	15,001	937,504	29,188	35,045
Total	**944,453**	**14,551**	**15,001**	**937,504**	**29,188**	**35,045**

During 2017, EUR 18 loss relating to the ineffective portion of net investment hedges was recognized in the income statement (2016: EUR 23 loss).

Cash flow hedges

The Bank uses cross-currency swaps to hedge part of its foreign currency risk related with USD denominated assets. The fair value of derivatives designated as cash flow hedge is as follows:

	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Instrument type:						
Currency swaps	16,974	1,694	72	293,402	34,184	26,591
Total	**16,974**	**1,694**	**72**	**293,402**	**34,184**	**26,591**

During 2017 no loss relating to the ineffective portion of cash flow hedges was recognized in the income statement (2016: none). The table below shows the fair value of derivative financial instruments recorded as assets and liabilities.

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as				
Held for trading	218,564	188,505	280,175	313,002
Cash flow hedge	14,551	15,001	29,188	35,045
Net investment hedge	1,582	57	846	68
Fair value hedge	1,694	72	34,184	26,591
Total	**236,391**	**203,635**	**344,393**	**374,706**

10. Loans and receivables - customers

	December 31, 2017	December 31, 2016
Commercial loans	3,249,085	3,575,342
Consumer loans	875,240	959,110
Credit card loans	322,849	364,898
Public sector loans	152,470	397,964
Finance lease receivables, net	52,450	47,950
Private banking loans	43,826	29,134
Subtotal	**4,695,920**	**5,374,398**
Individually assessed allowances for impairment	(58,056)	(23,314)
Collectively assessed allowances for impairment	(150,485)	(163,080)
Total	**4,487,379**	**5,188,004**

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

Details of finance lease receivables are summarized below:

	December 31, 2017	December 31, 2016
Not later than 1 year	28,148	28,057
Later than 1 year and not later than 5 years	30,295	28,437
Later than 5 years	5,353	793
Gross lease receivables	**63,796**	**57,287**
Not later than 1 year	(5,370)	(5,011)
Later than 1 year and not later than 5 years	(5,612)	(4,246)
Later than 5 years	**(364)**	**(80)**
Unearned interest income	**(11,346)**	**(9,337)**
Finance lease receivables, net	**52,450**	**47,950**

11. Loan impairment charges and allowances

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	187,319	197,565
New impairment allowances	123,691	138,147
Reversal of impairment allowances no longer required	(12,280)	(15,896)
Amounts written off	(74,472)	(164,956)
Currency translation differences	(14,792)	32,459
Balance at the end of the year	**209,466**	**187,319**

Net impairment loss on financial assets in income statement	December 31, 2017	December 31, 2016
New impairment allowances	123,691	138,147
Reversal of impairment allowances no longer required	(12,280)	(15,896)
Net impairment loss on financial assets	**111,411**	**122,251**

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

Individually assessed allowances for impairment

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	24,239	22,859
New impairment allowances	54,958	43,260
Reversal of impairment allowances no longer required	(1,276)	(1,076)
Amounts written off	(16,706)	(42,269)
Currency translation differences	(2,234)	1,465
Balance at the end of the year	**58,981**	**24,239**

Collectively assessed allowances for impairment

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	163,080	174,706
New impairment allowances	68,733	94,887
Reversal of impairment allowances no longer required	(11,004)	(14,820)
Amounts written off	(57,766)	(122,687)
Currency translation differences	(12,558)	30,994
Balance at the end of the year	**150,485**	**163,080**

The Mortgage Payment Law ("Dare in Plata" or "DIP"), which came into force in Romania on in May 2016, entitled borrowers to request and to compel the lenders to accept a full discharge of mortgage-backed loans against the transfer of title of the mortgaged immoveable property to the lender. On the other hand, The Romanian Constitutional Court declared DIP law as a "hardship" law and reduced its scope to exceptional cases. The Constitutional Court's decision brought clarity to which extent DIP law is applicable for the Bank. Based on last year`s recovery rates, the Bank revised LGDs for mortgage loans downward for both DIP and 30 or more past due loans.

12. Other assets

	December 31, 2017	December 31, 2016
Assets held for sale	74,218	1,763
Repossessed assets classified as inventories	56,738	59,082
Receivable from sale of shares	22,930	-
POS, plastic cards and ATM related receivables	19,943	24,696
Items in the course of settlement	18,932	17,318
Receivables from DNB	15,970	15,970
Prepayments to suppliers	8,634	9,062
Accounts receivable	5,211	7,344
Deferred acquisition costs	5,117	2,738
Amounts held as guarantee	2,932	8,443
Tax related receivables	2,382	3,666
Materials and supplies	2,375	2,986
Other assets	3,706	3,604
Total	**239,088**	**156,672**

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

Included in assets held for sale, eight vessels with carrying amount of EUR 72,417 are planned to be sold within one year.

13. Equity-accounted investments

For 2017 and 2016, the movements of participating interests of the Bank companies are as follows:

	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**

	Balance at January 01, 2016	Result for the year	Foreign currency translation reserve	Balance at December 31, 2016
Cirus Holding B.V.	2,749	136	590	3,475
Ikano Finance Holding B.V.	2,175	(6)	34	2,203
Stichting Credit Europe Custodian Service	125	-	-	125
	5,049	**130**	**624**	**5,803**

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 new 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. The Bank owns a participation of 100%. From a legal point of view, 'control' of a Stichting is exercised by its sole organ, being the board of directors. Control is not in the hand of shareholders because there are no shares or similar instruments.

14. Property and equipment

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, 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**

	Land and Buildings	Furniture and fixtures	Vehicles and Vessels	Leasehold improvements	Plant and Machinery	Total
Balance at January 1, 2016	72,312	21,492	72,425	2,833	10,793	179,855
Additions	161	3,015	75,314	251	-	78,741
Disposals	(442)	(566)	(7,072)	(93)	-	(8,173)
Depreciation	(2,286)	(5,052)	(5,594)	(805)	(1,692)	(15,429)
Impairment	-	(248)	(5,293)	-	-	(5,541)
Currency translation differences	1,021	1,424	6,350	341	271	9,407
Balance at December 31, 2016	**70,766**	**20,065**	**136,130**	**2,527**	**9,372**	**238,860**
Cost	98,882	88,142	151,375	14,367	15,409	368,175
Cumulative depreciation and impairment	(28,116)	(68,077)	(15,245)	(11,840)	(6,037)	(129,315)
Balance at December 31, 2016	**70,766**	**20,065**	**136,130**	**2,527**	**9,372**	**238,860**

*Included in vehicles and vessels are assets subject to operating leases where the Bank is a lessor. At 31 December 2017, the net carrying amount of those assets was EUR 56,915 (2016: 24,227), on which the accumulated depreciation was EUR 5,825 (2016: 5,273).

The Bank does not have any restrictions on title, and property, plant and equipment pledged as security for liabilities (2016: None). The Bank does not have any contractual commitments for the acquisition of property, plant and equipment.
As of December 31, 2017, the amount of collaterals repossessed is EUR 91,485 (2016: 155,036).
.

B. Investment Property

Reconciliation of carrying amount

	December 31, 2017	December 31, 2016
Balance at 1 January	13,473	14,276
Additions	3,409	-
Transfer to assets held for sale	(1,143)	-
Changes in unrealized fair value	-	(800)
Currency translation differences	(30)	(3)
Balance at 31 December	**15,709**	**13,473**

As of December 31, 2017, the amount of collaterals repossessed in investment properties is EUR 15,709 (2016:13,473). Investment properties are classified as Level 3 in the fair value hierarchy.

15. Intangible assets

The movement of intangibles summarized as follows:

	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**

	Goodwill	Patents and licenses	Other Intangibles	Total
Balance at January 1, 2016	12,410	3,695	3,902	20,007
Additions	-	2,932	3,337	6,269
Correction(*)	(9,860)	(6)	-	(9,866)
Amortization	-	(1,962)	(2,176)	(4,138)
Currency translation differences	74	12	656	742
Balance at December 31, 2016	**2,624**	**4,671**	**5,719**	**13,014**
Cost	2,624	29,267	17,140	49,031
Cumulative amortization	-	(24,596)	(11,421)	(36,017)
Balance at December 31, 2016	**2,624**	**4,671**	**5,719**	**13,014**

(*) Relates to goodwill arising from acquisition of minority shares in CEB Romania.

The Bank does not have any intangible assets whose title is restricted (2016: None). There are no intangible assets pledged as security for liabilities (2016: None). During 2017 and 2016, there were no contractual commitments for the acquisition of intangible assets.

16. Due to banks

	December 31, 2017	December 31, 2016
Time deposits	525,712	353,453
Syndication loan	67,562	66,462
Current accounts	36,488	28,402
Total	**629,762**	**448,317**

The amount of repo transactions in time deposits is EUR 166,613 (2016: EUR 10,690).

17. Due to customers

	December 31, 2017	December 31, 2016
Retail time deposits	2,437,562	2,642,213
Retail saving and demand deposits	1,582,479	1,687,955
Corporate time deposits	448,320	562,353
Corporate demand deposits	430,664	639,010
Total	**4,899,025**	**5,531,531**

As of December 31, 2017, the Bank maintained customer deposit balances of EUR 22,028 (2016: EUR 66,138), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2017, EUR 2,059,006 (2016: EUR 2,259,407) 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, 2017	December 31, 2016
Within 1 year	2,330	13,654
More than 1 year but less than 5 years	68,513	159,309
More than 5 years	-	90,014
Total	**70,843**	**262,977**

19. Other liabilities

	December 31, 2017	December 31, 2016
Accrued expenses	9,527	8,119
Unearned premiums reserve	7,409	5,542
Collaterals received	7,082	3,800
Staff related liabilities	6,828	7,472
Litigation provision (*)	6,717	7,553
Payables to suppliers	4,517	3,884
Non-current tax related payable	3,137	4,098
Credit card payables	2,639	2,529
Items in the course of settlement	2,349	4,036
Provisions	692	756
Deferred income	652	459
Payables regarding insurance agreements	426	513
Other liabilities	8,254	4,707
Total	**60,229**	**53,468**

(*)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, 2017. Further details are provided in Note 34: Commitments and Contingencies.

The movement in provisions is as follows:

	December 31, 2017		December 31, 2016	
	Litigation Provisions	Other Provisions	Litigation Provisions	Other Provisions
Balance at 1 January	7,553	756	7,592	204
Provisions made during the year	2,285	619	409	621
Provisions reversed during the year	(2,786)	(605)	(442)	(214)
Currency translation differences	(335)	(78)	(6)	145
Balance at 31 December	**6,717**	**692**	**7,553**	**756**

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. These liabilities, except for the subordinated bonds issued by Credit Europe Bank Ltd. on November 12, 2012 for an amount of USD 250 million and subordinated bonds issued by Credit Europe Bank N.V. on January 24, 2013, for an amount of USD 400 million, qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for DNB.

	Year of maturity	December 31, 2017	December 31, 2016
USD 400 million subordinated liabilites 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	92,799
USD 50 million Tier II loan with a fixed interest rate of 10 % p.a**	2022	-	47,844
USD 50 million Additional Tier I loan with a fixed interest rate of 8.95 % p.a.	2022	41,831	-
USD 400 million subordinated liabilites with a fixed interest rate of 8 % p.a*	2023	-	390,683
USD 150 million Tier II loan with a fixed interest rate of 7.25 % p.a.	2027	125,880	-
Total		**593,934**	**531,326**

* USD 400 million subordinated bonds early redeemed in January 2018.
** USD 50 million subordinated bonds early redeemed in February 2017.

21. Capital and reserves

	December 31, 2017	December 31, 2016
Share capital	653,658	632,464
Share premium	163,748	163,748
Retained earnings	476,055	460,461
Fair value reserve	(2,462)	(9,071)
Translation reserve	(312,117)	(265,899)
Hedging reserve	(106,039)	(119,811)
Equity attributable to owners of the Parent Company	872,843	861,892
Equity attributable to non-controlling interests	1,894	1,866
Total equity	**874,737**	**863,758**

As of December 31, 2017, the authorized share capital is EUR 1,000 million (2016: EUR 1,000 million) and consists of EUR 1,000 million (2016: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 653.7 million (2016: 632.5 million) ordinary shares with a face value of EUR 1.

On December 18, 2017, the Bank executed EUR 21,194 capital increase through cash contribution of the parent company, Credit Europe Group N.V.

Translation reserve

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

Hedging reserve

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

Fair value reserves

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

22. Net interest income

	January 1-December 31, 2017	January 1-December 31, 2016
Interest income from:		
Loans and receivables – customers valued at amortized cost	437,062	478,877
Derivative financial instruments - hedge accounting	27,312	12,965
Financial investments	14,812	28,601
Loans and receivables – banks valued at amortized cost	7,185	7,610
Interest on financial lease	6,605	5,985
Financial assets at fair value through profit or loss	1,162	146
Cash and balances at central banks valued at amortized cost	38	60
Subtotal	**494,176**	**534,244**
Interest expense from:		
Due to customers valued at amortized cost	113,620	100,257
Subordinated liabilities valued at amortized cost	41,087	44,237
Derivative financial instruments - hedge accounting	29,713	22,178
Issued debt securities valued at amortized cost	15,857	47,187
Due to banks valued at amortized cost	6,207	17,105
Cash and balances at central banks valued at amortized cost	1,387	358
Subtotal	**207,871**	**231,322**
Total	**286,305**	**302,922**

23. Net fee and commission income

	January 1-December 31, 2017	January 1-December 31, 2016
Fee and commission income		
Credit card fees	66,941	58,583
Cash loan fees	8,585	10,074
Insurance related fees	8,375	7,358
Payment and transaction services fees	6,132	6,205
Letters of credit commissions	6,084	5,232
Portfolio and other management fees	3,856	3,777
Commission on account maintenance	3,648	3,600
Cash withdrawal fees	3,606	4,091
Letters of guarantee commissions	2,466	2,586
Foreign exchange transaction fees	1,853	1,357
Commissions on fund transfers	1,182	1,578
Commissions on fiduciary transactions	776	1,237
Other fees and commissions	3,992	5,143
Subtotal	**117,496**	**110,821**
Fee and commission expense		
Credit card fees	44,979	39,070
Commission paid to intermediaries/retailers	6,530	4,099
Insurance related fees	5,743	3,191
Payment and transaction services expense	2,371	3,814
Cash transportation fee	1,798	1,915
Account maintenance fees	675	728
Other fee and commission expenses	2,242	2,241
Subtotal	**64,338**	**55,058**
Total	**53,158**	**55,763**

24. Net trading results

	January 1 - December 31, 2017	January 1 - December 31, 2016
Derivative financial instruments - hedge accounting	1,654	5,267
Trading loans	1,606	-
Fixed income	1,366	1,503
Dividend on FVPL investments	15	-
Derivative financial instruments - not qualifying for hedge accounting	(13,781)	(67,977)
Foreign exchange	(24,800)	22,643
Total	**(33,940)**	**(38,564)**

25. Results from financial transactions

	January 1-December 31, 2017	January 1-December 31, 2016
Net gain from the disposal of available-for-sale investments	25,521	12,750
Trading loans	-	1,775
Total	**25,521**	**14,525**

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

26. Other operating income

	January 1-December 31, 2017	January 1-December 31, 2016
Vessels charter income	20,080	5,176
Income from operational leasing activities	19,421	18,485
Income from loan sales	8,650	7,533
Collection from written off loans	5,292	4,062
Vessel construction progress payments	3,616	3,290
Sale of assets held for sale	3,159	5,843
Rent income	1,683	1,738
Dividend received	227	1,835
Other income	4,905	1,768
Total	**67,033**	**49,730**

27. Personnel expenses

	January 1-December 31, 2017	January 1-December 31, 2016
Wages and salaries	84,227	80,497
Social security payments	8,037	7,109
Retirement benefit costs	8,877	8,843
Health insurance costs	1,197	1,072
Other employee costs	4,584	5,576
Total	**106,922**	**103,097**

Average number of employees	**4,213**	**4,202**
Banking activities – Netherlands	203	216
Banking activities - foreign countries	4,010	3,986

The retirement benefit costs of EUR 1,270 (2016: EUR 1,219) 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, 2017	January 1-December 31, 2016
Rent and maintenance expenses	21,611	22,697
Communication and information expenses	8,229	7,683
Professional fees and consultancy	7,228	5,817
Taxes other than income	5,545	5,801
Information technology expenses	4,497	4,489
Stationary, office supplies and printing expense	3,735	3,286
Legal services expenses	2,739	1,269
Membership fees	2,577	2,469
Advertising and marketing expenses	1,738	1,556
Travel and transport expenses	1,694	1,948
Security expenses	1,490	1,472
Cleaning expenses	1,010	892
Representative expenses	871	822
Insurance premiums	823	865
Other expenses	2,131	3,161
Total	**65,918**	**64,227**

29. Other operating expenses

	January 1-December 31, 2017	January 1-December 31, 2016
Vessels maintenance expense	27,273	6,570
Operational leasing activities losses	11,111	10,506
Vessel construction costs	4,591	-
Provision expenses	2,432	1,040
Claims service expenses	1,826	1,280
Fines and penalties	1,566	1,589
Losses from asset held for sale	345	4,195
Other	1,555	333
Total	**50,699**	**25,513**

30. Other impairment losses

	January 1-December 31, 2017	January 1-December 31, 2016
Property and equipment	18,696	5,542
Assets held for sale	4,906	2,926
Provision for financial guarantee contracts	(141)	419
Investment property	-	800
Other	97	12
Total	**23,558**	**9,699**

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 2017. A tax rate of 20% applies to the first EUR 200,000 of taxable income. An effective tax rate of 5% 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.

Russian Federation

The taxation system in the Russian Federation is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Group, if the authorities were successful in enforcing their interpretations, could be significant.

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% (2016: 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 2017 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.

Ukraine

The applicable tax rate for corporate profit is 18% (2016: 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. In case the tax losses are declared to the Tax Authority for the period of four consecutive tax years, Tax Authority gains the right to perform unscheduled audit.

	January 1- December 31, 2017	January 1- December 31, 2016
Effective tax rate	11.68%	15.49%
Income tax expense recognized in the income statement		
Current income tax	(16,483)	(3,951)
Current income tax charge	(16,489)	(6,366)
Adjustment in respect of current income tax of previous year	6	2,415
Deferred income tax	14,490	(2,267)
Relating to origination and reversal of temporary differences	14,490	(2,267)
Income tax reported in income statement	**(1,993)**	**(6,218)**

	December 31, 2017	December 31, 2016
Income tax expense recognized in equity		
Deferred income tax	(5,360)	3,449
Fair value reserve	(4,992)	2,871
Cash flow hedge	(295)	406
Revaluation surplus	(73)	172
Income tax reported in equity	**(5,360)**	**3,449**

Reconciliation of income tax	January 1- December 31, 2017	January 1- December 31, 2016
Operating profit before tax	17,069	40,152
Statutory tax rate	25%	25%
At statutory income tax	**(4,267)**	**(10,038)**
Tax losses on intercompany loans	4,476	2,112
Income not subject to tax	1,561	689
Equity allocation to branches	643	780
Adjustment to prior years	(90)	(163)
Effect of different income tax rates in other countries	(1,355)	(1,393)
Expenditure not allowable for income tax purposes	(2,246)	(2,973)
Utilization of previously unrecognized tax losses	-	4,615
Other	(715)	153
Income tax	**(1,993)**	**(6,218)**

	December 31, 2017			December 31, 2016		
Deferred Tax Assets and Liabilities	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Loans and receivables	10,667	(2,738)	7,929	9,424	(1,301)	8,123
Tax losses carried forward	6,947	-	6,947	5,001	-	5,001
Available for sale securities	391	(1,724)	(1,333)	3,781	-	3,781
Assets held for sale	118	-	118	128	-	128
Property, plant and equipment	79	(3,192)	(3,113)	218	(3,433)	(3,215)
Cash flow hedge	-	(331)	(331)	-	(2,024)	(2,024)
General risk provision	-	(14,088)	(14,088)	-	(26,711)	(26,711)
Due to banks	-	(45)	(45)	-	(151)	(151)
Other	3,973	(1,617)	2,356	5,186	(3,261)	1,925
	22,175	**(23,735)**	**(1,560)**	**23,738**	**(36,881)**	**(13,143)**

Deferred tax changes recorded in the income tax expense	January 1- December 31, 2017	January 1- December 31, 2016
Loan impairment provision	15,579	4,056
Deferred tax of fiscal loss	3,121	511
Cash flow hedge	1,783	(2,275)
Commissions to be amortized	52	170
Difference in changes in depreciation rates	3	124
Revaluations of financial assets to fair value	(74)	3,550
Transaction cost to be amortized	(5,142)	(6,472)
Other	(832)	(1,931)
	14,490	**(2,267)**

32. Fair value information

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

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

Classification of financial assets and liabilities

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

	December 31, 2017					
	Trading	Designated at fair value	Loans and receivables	Available for sale	Other amortised costs	Total carrying amount
Cash and balances at central banks	-	-	829,224	-	-	829,224
Financial assets at fair value through profit or loss	-	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**

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

Fair value hierarchy
The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):
Valuation Models
The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

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

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

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

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

Trading loans designated as fair value through profit or loss
Fair values of loans are determined by reference to similar instruments trading in active markets and valuation models where 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.

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

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

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

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

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

Level 3 Financial assets and liabilities
Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of 31 December 2017, no securities were classified as Level 3.
During 2017, there were no securities transferred out of Level 3 to Level 2 due to change in inputs used in measuring the fair value of the assets.
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.

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

	December 31, 2017			December 31, 2016		
	Financial Investments	Financial Assets FVTPL	Total	Financial Investments	Financial Assets FVTPL	Total
Balance at January 1	**31,579**	-	**31,579**	**30,520**	**152,845**	**183,365**
Total gains and losses						
- in net trading results	268	1,606	1,874	1,055	1,775	2,830
- in OCI	(850)	-	(850)	4	(230)	(226)
Purchases	-	475,374	475,374	-	776,302	776,302
Settlements	(30,877)	(431,796)	(462,672)	-	(909,875)	(909,875)
Balance at year end	**119**	**45,185**	**45,304**	**31,579**	**20,817**	**52,396**

Financial instruments measured at fair value

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

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**

December 31, 2016	Note	Level 1	Level 2	Level 3	Total
Financial assets*					
Trading assets	6	2,712	-	-	2,712
Derivative financial assets	9	-	344,393	-	344,393
Financial investments	7	688,613	26,100	52,396	767,109
Total		**691,325**	**370,493**	**52,396**	**1,114,214**
Financial liabilities					
Derivative financial liabilities	9	-	374,706	-	374,706
Total		-	**374,706**	-	**374,706**

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

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

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, 2016	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**

December 31, 2016	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	1,041,371	-	1,041,371	1,041,371
Loans and receivables - banks	8	-	306,621	-	306,621	306,666
Loans and receivables - customers	9	-	-	5,149,694	5,149,694	5,188,004
Total		-	**1,347,992**	**5,149,694**	**6,497,686**	**6,536,041**
Financial liabilities						
Due to banks	16	-	447,762	-	447,762	448,317
Due to customers	17	-	5,630,032	-	5,630,032	5,531,531
Issued debt securities	18	253,687	10,895	-	264,582	262,977
Subordinated liabilities	20	94,171	443,802	-	537,973	531,326
Total		**347,858**	**6,532,491**	-	**6,880,349**	**6,774,151**

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.

							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**

							December 31, 2016
				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	344,393	-	344,393	(169,369)	(59,919)	-	115,105
Reverse repo agreements	5,541	-	5,541	-	-	(5,541)	-
Total	**349,934**	-	**349,934**	**(169,369)**	**(59,919)**	**(5,541)**	**115,105**
Liabilities							
Derivative liabilities	374,706	-	374,706	(169,369)	(170,467)	-	34,870
Repo agreements	10,690	-	10,690	(10,690)	-	-	-
Total	**385,396**	-	**385,396**	**(180,059)**	**(170,467)**	-	**34,870**

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, 2017	January 1- December 31, 2016
Contingent liabilities with respect to irrevocable letters of credit - import	211,350	251,255
Contingent liabilities with respect to letters of guarantee granted - corporates	80,155	121,667
Contingent liabilities with respect to letters of guarantee granted - banks	76,162	25,554
Contingent liabilities with respect to irrevocable letters of credit - export	43,959	23,189
Contingent liabilities with respect other guarantees	1,238	1,488
Contingent liabilities with respect to acceptance credits	430	44
Total non-cash loans	**413,294**	**423,197**
Revocable credit-line commitments	229,282	370,569
Credit-card limits	394,149	387,199
Other commitments	14,289	12,974
Total	**1,051,014**	**1,193,939**

Litigation claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects the claims might have on its financial standing.
As at 31 December 2017, the Bank and the Bank's subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 6,717 (2016: 7,553) 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 2017, the Bank estimated a contingent liability at amount of EUR 10,562 (2016: 10,935)

As of December 31, 2017, the only significant legal claim against the Bank is in respect of a single case where repayment of the insurance proceeds of USD 22 million is claimed from the Bank. The Bank's legal advisor's opinion is that it is possible, but not probable, that the court ruling may be in favour of the claimant. Accordingly, no provision for any claims has been made in these financial statements.

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, 2017	December 31, 2016
Not later than 1 year	9,270	11,825
Later than 1 year and not later than 5 years	23,943	26,129
Total	**33,213**	**37,954**

Operating lease commitment - bank as lessor	December 31, 2017	December 31, 2016
Not later than 1 year	6,312	7,098
Later than 1 year and not later than 5 years	6,444	6,337
Total	**12,756**	**13,435**

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

During the current year EUR 24,481 was recognized as an expense in the statement of income in respect of operating leases (2016: EUR 23,135).

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, and are free of any provision for possible credit losses.

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

	December 31, 2017				December 31, 2016			
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Assets								
Loans and receivables – banks	-	-	22,083	2,504	-	-	-	1,496
Loans and receivables – customers	7,956	-	-	133,177	2,586	-	213	158,038
Derivative financial instruments	953	19,777	-	16,180	1,774	8,877	-	80,177
Other assets	-	-	-	22,930	-	-	-	-
Liabilities								
Due to banks	-	-	2,083	1,222	-	-	4,577	472
Due to customers	171	36,929	83	102,952	1,971	3,536	107	273,726
Derivative financial instruments	685	12,758	-	3,508	1,337	5,360	-	10,883
Subordinated liabilities	41,831	5,806	-	-	-	-	-	-
Commitment and contingencies	-	-	-	13,354	-	-	-	10,623

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of December 31, 2017, the Bank does not have any provisions regarding related party balances (2016: None).
The income and expenses in respect of related parties included in the financial statements are as follows:

	January 1- December 31, 2017				January 1- December 31, 2016			
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Interest income	77	1	867	3,079	203	1	-	3,203
Interest expense	-	(736)	(210)	(131)	-	(22)	(271)	(457)
Commission income	11	215	1	1,864	3	85	-	1,613
Commission expense	(226)	-	(1,647)	(1,060)	(150)	-	-	(675)
Net trading results	-	880	-	3,734	(9)	-	-	824
Other operating income	-	-	423	195	-	-	605	194
Operating expenses	-	-	(1,751)	(2,080)	-	-	-	(1,469)

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

	December 31, 2017	December 31, 2016
Loans and receivables - customers	146	235

As of December 31, 2017, the Bank does not have any provisions regarding the balances with key management personnel (2016: None). Key management costs, including remuneration and fees for the year ended December 31, 2017 amounted to EUR 4,089 (2016: EUR 4,183). Pension plan contribution amounted to EUR 126 (2016: 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, 2017	December 31, 2016*
Total Equity	874,737	863,758
• Current year profit (1)	(14,994)	(33,842)
• Eligible year end profit after approval	-	-
• Non-eligible minority interest (2)	(1,148)	(1,205)
• Deductions from revaluation Reserve - AFS	2,462	9,070
Prudential filters		
• Cash flow hedge reserve	36	1,256
• Prudent valuation	(877)	(972)
• Intangible asset (2)	(10,552)	(12,687)
• Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(4,187)	(795)
• transitional adjustments to CET1 Capital (3)	(1,970)	(5,442)
Core Tier I	**843,507**	**819,141**
Perpetual Tier I capital	41,831	-
- transitional adjustments to AT1 Capital	(1,530)	-
Additional Tier I	**40,301**	-
Total Tier I capital	**883,808**	**819,141**
Tier II capital		
Subordinated capital	125,073	426,904
Total Tier II capital	**125,073**	**426,904**
Total own funds	**1,008,881**	**1,246,045**

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

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

(2) Under CRD IV frame, additional items listed below shall be deducted fully by 31 December 2018 to enhance own funds quality:

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

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

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, 2017	December 31, 2016
• Capital ratio	17.03%	19.53%
• Tier I ratio	14.92%	12.84%
• Core Tier I	14.24%	12.84%
RWA	**5,925,572**	**6,379,340**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

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, 2017	December 31, 2016
Balance sheet items		
Balances with central banks	767,478	978,059
Financial assets designated at fair value through profit or loss	53,184	2,712
Financial investments	750,799	767,109
Loans and receivables - banks	538,987	307,591
Loans and receivables - customers	4,695,920	5,374,398
Derivative financial instruments	236,391	344,393
Subtotal	**7,042,759**	**7,774,262**
Off- balance sheet items		
Issued letters of guarantee	157,555	148,709
Issued irrevocable letters of credit	255,309	274,444
Undrawn credit-card limits	394,149	387,199
Other commitments and contingent liabilities	430	44
Total off-balance sheet*	**807,443**	**810,396**
Maximum credit risk exposure	**7,850,202**	**8,584,658**

*Excluding revocable credit line commitments.

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

Concentration of credit exposure

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

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, 2017 Total exposure(*)	% of total exposure	December 31, 2016 Total exposure(*)	% of total exposure
Exposure to central governments and financial institutions						
Exposure to central governments and central banks	767,478	-	767,478	53.79%	978,059	73.38%
Exposure to financial institutions	538,987	120,246	659,233	46.21%	354,862	26.62%
Total exposure to central governments and financial institutions	**1,306,465**	**120,246**	**1,426,711**	**100.00%**	**1,332,921**	**100.00%**
Corporate exposure						
Construction & installation	497,324	42,859	540,183	14.58%	565,748	13.08%
Leisure & tourism	562,104	6,216	568,320	15.34%	521,461	12.06%
Financial services & investments	437,219	94	437,313	11.81%	206,661	4.78%
Oil & derivatives	201,399	126,690	328,089	8.86%	290,727	6.72%
Real estate	288,205	102	288,307	7.76%	575,557	13.32%
Shipping & shipyards	198,783	-	198,783	5.37%	253,126	5.85%
Transportation, logistics & warehousing	186,897	500	187,397	5.06%	158,261	3.66%
Energy & coal	124,952	755	125,707	3.39%	151,343	3.50%
Iron & steel	58,177	48,815	106,992	2.89%	155,549	3.60%
Textile, clothing and leather	81,567	6,191	87,758	2.37%	147,432	3.41%
Petrochemical, plasticizers & derivatives	61,914	21,057	82,971	2.24%	99,888	2.31%
Food, beverage & tobacco	81,295	243	81,538	2.20%	141,891	3.28%
Fertilizers	53,944	11,263	65,207	1.76%	26,955	0.62%
Soft commodities & agricultural products	63,597	-	63,597	1.72%	55,561	1.28%
Holding	55,399	-	55,399	1.50%	24,762	0.57%
Retail	53,710	1,673	55,383	1.50%	106,472	2.46%
Services	25,164	20,398	45,562	1.23%	21,068	0.49%
Automotive & Derivatives	39,686	20	39,706	1.07%	17,534	0.41%
Public loans	152,470	43	152,513	4.12%	397,964	9.20%
Other	189,264	4,409	193,673	5.23%	406,713	9.40%
Total exposure to corporate clients and private banking	**3,413,070**	**291,328**	**3,704,398**	**100.00%**	**4,324,673**	**100.00%**
Exposure to retail customers and SMEs						
Exposure to retail customers	826,517	394,149	1,220,666	72.70%	1,284,587	70.86%
Exposure secured by residential real estate	371,572	-	371,572	22.15%	426,778	23.54%
Exposure to SME	84,761	1,720	86,481	5.15%	101,485	5.60%
Total exposure to retail customers and SMEs	**1,282,850**	**395,869**	**1,678,719**	**100.00%**	**1,812,850**	**100.00%**
Total credit risk exposure*	**6,002,385**	**807,443**	**6,809,828**	**100.00%**	**7,470,444**	**100.00%**

*Excluding financial assets and derivatives.

The top five industries account for 58.37% (2016: 51.02%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

36.c. Geographical concentration

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 designated at fair value through profit or loss	-	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**

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

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

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 comprise other collaterals not mentioned under 'financial collaterals'.

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

Breakdown of collateralized exposure by collateral type					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%**

Breakdown of collateralized exposure by collateral type					December 31, 2016
	Total exposure, net	Fair value of financial collaterals	Fair value of physical collaterals	Total collaterals obtained	Collaterals to total net exposure
Balance sheet					
Demand deposits with central banks	978,059	-	-	-	-
Financial assets designated at fair value through profit or loss	2,712	-	-	-	-
Financial investments	767,109	-	-	-	-
Loans and receivables - banks	307,591	48	-	48	0%
Loans and receivables - customers	5,374,398	724,584	1,670,357	2,394,941	45%
Derivative financial instruments	344,393	41,604	-	41,604	12%
Total balance sheet	**7,774,262**	**766,236**	**1,670,357**	**2,436,593**	**31%**
Off-balance sheet	810,396	66,154	-	66,154	8%
Total credit risk exposure	**8,584,658**	**832,390**	**1,670,357**	**2,502,747**	**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, 2017 and 2016. In assessing the credit quality of its financial assets, the Bank obtains ratings from eligible credit assessment institutions, namely Fitch, Standard & Poor's (S&P) and Moody's. In order to compare assets, the ratings below were mapped to Fitch's rating scale.

							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 designated 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**

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

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

The total amount of impaired assets included in the tables above is EUR 376,142 (2016: EUR 378,386). The total amount of provisions allocated for these assets is EUR 149,527 (2016: EUR 125,203), while EUR 925 is allocated for loans to banks.

Loans and receivables - customers

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

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

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

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

Impairment allowances

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

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

Individual Assessment

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

Collective Assessment

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

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

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

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

								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%**

								December 31, 2016
	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**3,950,733**	**(22,563)**	**(30,296)**	**3,897,874**	**690,740**	**1,168,741**	**1,859,481**	**48%**
Performing loans	3,634,516	-	(27,104)	3,607,412	612,913	1,021,308	1,634,221	45%
Sub-Standard Loans	157,022	-	(3,174)	153,848	46,737	84,426	131,163	85%
NPL	159,195	(22,563)	(18)	136,614	31,090	63,007	94,097	69%
Retail loans (incl. mortgages)	**1,324,166**	**-**	**(121,934)**	**1,202,232**	**17,129**	**431,217**	**448,346**	**37%**
Performing loans	1,069,169	-	(20,230)	1,048,939	9,589	334,038	343,627	33%
Sub-Standard Loans	60,136	-	(6,827)	53,309	-	30,238	30,238	57%
NPL	194,861	-	(94,877)	99,984	7,540	66,941	74,481	74%
SME loans	**99,499**	**(751)**	**(10,850)**	**87,898**	**16,715**	**70,399**	**87,114**	**99%**
Performing loans	72,945	-	(3,809)	69,136	16,231	50,638	66,869	97%
Sub-Standard Loans	2,224	-	(47)	2,177	215	1,958	2,173	100%
NPL	24,330	(751)	(6,994)	16,585	269	17,803	18,072	109%
Total exposure	**5,374,398**	**(23,314)**	**(163,080)**	**5,188,004**	**724,584**	**1,670,357**	**2,394,941**	**46%**
Total NPL	**378,386**	**(23,314)**	**(101,889)**	**253,183**	**38,899**	**147,751**	**186,650**	**74%**

Further credit quality breakdown of retail loans are as below:

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%**

December 31, 2016	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	**364,897**	**(18,394)**	**346,503**	**-**	**-**
Performing loans	348,800	(5,811)	342,989	-	-
Sub-Standard Loans	-	-	-	-	-
NPL	16,097	(12,583)	3,514	-	-
Car loans	**201,898**	**(18,017)**	**183,881**	**201,755**	**110%**
Performing loans	177,393	(3,317)	174,076	177,393	102%
Sub-Standard Loans	4,290	(2,028)	2,262	4,290	190%
NPL	20,215	(12,672)	7,543	20,072	266%
Mortgage	**426,779**	**(54,445)**	**372,334**	**229,124**	**62%**
Performing loans	249,250	(5,791)	243,459	156,375	64%
Sub-Standard Loans	46,227	(1,555)	44,672	25,948	58%
NPL	131,302	(47,099)	84,203	46,801	56%
Other retail	**330,592**	**(31,078)**	**299,514**	**17,467**	**6%**
Performing loans	293,726	(5,467)	288,259	9,859	3%
Sub-Standard Loans	9,619	(3,088)	6,531	-	-
NPL	27,247	(22,523)	4,724	7,608	161%
Total retail exposure	**1,324,166**	**(121,934)**	**1,202,232**	**448,346**	**37%**
Total NPL	**194,861**	**(94,877)**	**99,984**	**74,481**	**74%**

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

The total amount of NPL as of December 31, 2017 is EUR 376,142 (2016: EUR 378,386). The total NPL ratio as of December 31, 2017, is 8.01% (2016: 7.04%). The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus the total coverage for Bank's NPL as of December 31, 2017 is 115% (2016: 99%).

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

	December 31, 2017	December 31, 2016
Loans to Customers (Gross)	4,695,920	5,374,398
NPLs (Gross)	376,142	378,386
Provisions	(208,541)	(186,394)
NPLs (Net)	**167,601**	**191,992**
Net NPL ratio	**3.7%**	**3.7%**

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

As of December 31, 2017, the performing forbearance measure of the total loan portfolio is EUR 269,470 (December 31, 2016: 214,424).

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, 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**

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

As of December 31, 2017, EUR 4,173,460 (2016: EUR 4,813,235) of total exposure is neither past due nor impaired, EUR 146,318 (2016: EUR 182,778) 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 breaks down customers' loans and receivables by risk country:

							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**

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

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

Undiscounted 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 designated 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	91,535	125,508	106,917	31,298	72,368	510,768
Total assets	**2,392,750**	**483,968**	**995,637**	**1,682,226**	**1,304,371**	**513,525**	**7,372,477**
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**	**561,128**	**77,311**	**(153,156)**	**392,151**	**874,737**	**874,737**

Undiscounted amounts based on remaining contractual maturity							December 31, 2016
	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	1,041,371	-	-	-	-	-	1,041,371
Financial assets designated at FVPL	1,630	-	-	-	-	1,082	2,712
Financial investments	39,329	20,951	82,600	281,071	315,074	28,084	767,109
Loans and receivables – banks	294,141	10,179	2,346	-	-	-	306,666
Loans and receivables – customers	727,207	546,926	821,577	1,912,460	926,651	253,183	5,188,004
Tangible and intangible assets	-	-	-	-	-	265,347	265,347
Other assets	56,171	43,305	194,974	122,457	-	122,389	539,296
Total assets	**2,159,849**	**621,361**	**1,101,497**	**2,315,988**	**1,241,725**	**670,085**	**8,110,505**
Liabilities							
Due to banks	151,897	25,302	92,590	178,528	-	-	448,317
Due to customers	1,368,509	456,573	1,447,042	1,555,848	703,559	-	5,531,531
Issued debt securities	9,217	48,480	205,121	159	-	-	262,977
Other liabilities	106,227	47,748	173,532	113,389	473	31,227	472,596
Subordinated liabilities	-	-	-	92,798	438,528	-	531,326
Total liabilities	**1,635,850**	**578,103**	**1,918,285**	**1,940,722**	**1,142,560**	**31,227**	**7,246,747**
Cumulative liquidity gap	**523,999**	**567,257**	**(249,531)**	**125,735**	**224,900**	**863,758**	**863,758**

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, 2017 and 2016, the contractual maturities of customer deposits are as follows:

	December 31, 2017	December 31, 2016
Up to 1 month	2,255,409	2,611,600
1-3 months	318,220	404,541
3-12 months	1,089,607	1,307,770
1-5 years	1,108,418	1,028,512
Over 5 year	127,371	179,108
Total	**4,899,025**	**5,531,531**

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 (2016: EUR 8 million). This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

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

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

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

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 11.2 million for 2017 with 200 basis point upward parallel rate shock (2016: EUR 38.7 million).

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

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

							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	-	-	-	-	-	510,768	510,768
Total assets	**2,692,758**	**1,127,944**	**1,093,928**	**942,258**	**482,807**	**1,032,782**	**7,372,477**
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**	**281,270**	**687,739**

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

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

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

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 32.j.) is inclusive of the foreign-exchange risk.

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	2	469	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	43,516	100,528	1,363	55,892	51,350	1,435	13,390	592	268,066
Total assets	**3,275,836**	**1,589,496**	**161,713**	**702,000**	**1,165,930**	**17,889**	**445,223**	**14,390**	**7,372,477**
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**	**413,301**	**(17,462)**	**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)**	**950**	**(1,038)**	**82,012**

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

Currency analysis for the year ended December 31, 2016:

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

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

36.m Operational risk

TThe 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 are assessed through the annual Internal Control Framework evaluations and the execution of Risk Control Self-Assessments. New products, or changes to existing products, are subject to the Product Approval and Review. Key Risk Indicators are established and regularly monitored.

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

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

37. Subseqent events

On January 24, 2018, the Bank has early redeemed all of the outstanding USD 400 million subordinated notes due in 2023 at 100 percent of their principal amount, together with accrued interest.

38. List of subsidiaries

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

Name	Place	Country	Interest	Interest
			December 31, 2017	December 31, 2016
Credit Europe Bank (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) SA	Geneva	Switzerland	100.00%	100.00%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%
Hunter Navigation Ltd.	Msida	Malta	100.00%	100.00%
Maritime Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Credit Europe Bank Ltd	Moscow	Russia	100.00%	100.00%
PJSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Leasing IFN SA	Bucharest	Romania	100.00%	100.00%
Credit Europe Bank (Romania) SA	Bucharest	Romania	98.95%	98.94%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Nomadmed XXI S.L.	Barcelona	Spain	100.00%	100.00%
Mediqueen Maritime Ltd	Msida	Malta	100.00%	100.00%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Lodestar Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime Ltd	Msida	Malta	100.00%	100.00%
Lycia Shipping Ltd	Msida	Malta	100.00%	100.00%
Cilicia Shipping Ltd	Msida	Malta	100.00%	100.00%
Phrygia Shipping Ltd	Msida	Malta	100.00%	100.00%
Thrace Shipping Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	-
Hitit Shipping Ltd	Msida	Malta	100.00%	-
Cappadocia Shipping Ltd	Msida	Malta	100.00%	-
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkey	100.00%	-

Amsterdam, March 23, 2018

Parent Company Financial Statements

As of and for the year ended
December 31, 2017

	Notes	December 31, 2017	December 31, 2016*
Assets			
Cash and balances with central banks	b	501,052	786,226
Amount due from banks	c	364,965	240,939
Loans and advances to customers	d	2,679,207	3,189,429
Debt securities	e	463,909	436,001
• Trading		391	-
• Available-for-sale		463,518	436,001
Derivative financial instruments	f	218,250	297,054
Investments in Group companies	g	701,189	726,092
Intangible assets	h	2,666	3,196
Property, equipment and investment property	i	48,253	49,506
Other assets	j	38,885	40,749
Total assets		**5,018,376**	**5,769,192**
Liabilities			
Amounts due to banks	k	247,134	309,273
Customer deposits	l	3,134,134	3,766,717
Derivative financial instruments	f	186,850	333,199
Other liabilities	m	34,206	34,563
Provision	g	30,309	25,021
Subordinated loans	n	512,901	438,527
Total liabilities		**4,145,534**	**4,907,300**
Equity			
Share capital	o	653,658	632,464
Share premium		163,748	163,748
Legal reserves		(110,190)	(77,274)
• Fair value reserve		(2,462)	(9,071)
• Affiliated companies		304,627	312,306
• Currency translation differences		(312,117)	(265,899)
• Net investment hedge		(105,927)	(118,581)
• Cash flow hedge		(112)	(1,230)
• Tangibles		5,801	5,201
Other reserves		142,953	122,856
Unappropriated result		22,673	20,098
Total equity		**872,842**	**861,892**
Total equity and liabilities		**5,018,376**	**5,769,192**

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

	Notes	December 31, 2017	December 31, 2016*
Interest and similar income		220,885	255,587
Interest expense and similar charges		(105,294)	(118,613)
Net interest income		**115,591**	**136,974**
Fees and commissions income		19,406	21,814
Fees and commissions expense		(4,206)	(5,079)
Net fee and commission income		**15,200**	**16,735**
Net trading results		(49,379)	(46,425)
Results from financial transactions		17,944	5,845
Other operating income		2,513	2,503
Operating income		**(28,922)**	**(38,077)**
Net impairment loss on financial assets		(41,656)	(53,881)
Net operating income		**60,213**	**61,751**
Personnel expenses		(25,778)	(28,594)
General and administrative expenses		(11,332)	(12,682)
Depreciation and amortization		(2,636)	(2,558)
Other operating expenses		(2,089)	(974)
Other impairment losses		(1,659)	1,239
Total operating expenses		**(43,494)**	**(43,569)**
Operating profit before tax		**16,719**	**18,182**
Income tax expense		6,816	2,812
Profit for the year of the parent company after taxes		**23,535**	**20,994**
Profit for the year participating interests after taxes		**(8,541)**	**12,848**
Profit for the year		**14,994**	**33,842**

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

	Issued capital	Share premium	Legal reserves	Other reserves	Unappropriated results	Total
At January 1, 2017	**632,464**	**163,748**	**(77,273)**	**122,855**	**20,098**	**861,892**
Change in fair value reserve	-	-	6,609	-	-	6,609
Change in currency translation reserve	-	-	(46,218)	-	-	(46,218)
Change in tangible assets revaluation reserve	-	-	600	-	-	600
Change in hedging reserve	-	-	13,771	-	-	13,771
Total income and expense for the year recognized directly in equity	-	-	**(25,238)**	-	-	**(25,238)**
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**	**(110,189)**	**142,953**	**22,673**	**872,842**

	Issued capital	Share premium	Legal reserves	Other reserves	Unappropriated results	Total
At January 1, 2016*	**632,464**	**163,748**	**(55,884)**	**89,925**	**42,790**	**873,043**
Change in fair value reserve	-	-	(9,272)	-	-	(9,272)
Change in currency translation reserve	-	-	62,953	-	-	62,953
Change in tangible assets revaluation reserve	-	-	(351)	-	-	(351)
Change in hedging reserve	-	-	(88,463)	-	-	(88,463)
Total income and expense for the year recognized directly in equity	-	-	**(35,133)**	-	-	**(35,133)**
Acquisition of the non-controlling interest without change in control	-	-	-	(9,860)	-	(9,860)
Profit for the year	-	-	13,744	-	20,098	33,842
Transfer from retained earnings	-	-	-	42,790	(42,790)	-
At December 31, 2016	**632,464**	**163,748**	**(77,273)**	**122,855**	**20,098**	**861,892**

*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.

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, 2017	December 31, 2016
Balances at central bank	500,978	786,161
Cash on hand	74	65
Total	**501,052**	**786,226**

Deposits at central banks include reserve deposits amounting to EUR 22,740 (2016: EUR 25,997), that represent the mandatory deposits that are not available in the CEB's day-to-day operations.

C. Amounts due from banks

	December 31, 2017	December 31, 2016
Loans and advances	34,740	49,937
Placement with other banks	307,246	171,108
Trading loans	23,904	20,819
Subtotal	**365,890**	**241,864**
Allowance for impairment	(925)	(925)
Total	**364,965**	**240,939**

Loans and receivables from intra group companies amount to EUR 49,516 (2016: EUR 79,605). The amount that will not mature within one year is EUR 6,704 (2016: EUR 96,523).

D. Loans and advances to customers

	December 31, 2017	December 31, 2016
Commercial loans	2,370,531	2,570,795
Public loans	152,470	397,964
Consumer loans	225,276	289,792
Trading loans	21,279	-
Subtotal	**2,769,556**	**3,258,551**
Allowance for impairment	(90,349)	(69,122)
Total (*)	**2,679,207**	**3,189,429**

(*) None of these loans is subordinated.

Loans and receivables from intra group companies amount to EUR 229,426 (2016: EUR 257,310).
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, 2017, EUR 1,423,502 (2016: EUR 1,499,042) of loans and advances to customers are not expected to mature within one year.

E. Debt securities

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**

December 31, 2016	Financial asset held for trading (*)	Available-for- sale (**)	Total
Bank bonds	-	218,982	218,982
Government bonds	-	183,588	183,588
Corporate bonds	-	33,431	33,431
Total	**-**	**436,001**	**436,001**

(*) As of December 31, 2017, EUR 391 of the total is listed for trading portfolio. Gains and losses on changes in the fair value of trading instruments are recognized in 'net trading results'.

(**) EUR 463,518 of the total is listed securities (2016: EUR 370,170). There is not any bonds issued by intra group companies in 2017 (2016: EUR 34,376). The amount that will not mature within one year is EUR 455,437 (2016: EUR 402,601).

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.

Derivatives held for trading	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Interest rate derivatives						
Swaps	240,200	156	1,277	28,660	43	6
Futures	-	-	-	19,987	16	10
Options (purchased)	89,126	651	-	23,140	-	-
Options (sold)	(89,126)	-	651	(28,140)	-	-
Subtotal	**240,200**	**807**	**1,928**	**43,647**	**59**	**16**
Currency derivatives						
Swaps	2,345,341	166,655	131,233	3,619,191	208,931	232,740
Forwards	91,506	6,663	6,957	649,238	9,195	9,333
Options (purchased)	410,547	26,954	-	499,286	43,834	-
Options (sold)	(399,276)	-	30,637	(489,647)	-	51,238
Subtotal	**2,448,118**	**200,272**	**168,827**	**4,278,068**	**261,960**	**293,311**
Other derivatives						
Commodity swaps	-	-	-	10,389	1,157	915
Equity options (purchased)	46,145	1,034	-	116,667	3,844	-
Equity options (sold)	(46,145)	-	1,033	(116,667)	-	3,844
Commodity options (purchased)	6,879	4	-	-	-	-
Commodity options (sold)	(6,879)	-	4	-	-	-
Subtotal	**-**	**1,038**	**1,037**	**10,389**	**5,001**	**4,759**
Total derivatives	**2,688,318**	**202,117**	**171,792**	**4,332,104**	**267,020**	**298,086**

Derivative financial instruments held or issued for trading purposes: Most of the Bank's derivatives-trading activities relate to asset and liability management for 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 or rates on indices. No hedge accounting has been applied.

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

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

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

Commodity Options: Commodity option is a contract permitting the option buyer the right, without obligation, to buy or sell an underlying asset in the form of a commodity, such as precious metals, oil, or agricultural products, at a designated price until a designated date.

Derivatives held for risk management

Fair value hedges

The Bank uses interest rates swaps to hedge its exposure to changes in fair values of its fixed rate EUR customer deposits and cross currency swaps to hedge its exposure to market interest rates on certain loans and advances.
The fair value of derivatives designated as fair value hedges are as follows:

	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Instrument type:						
Interest rate forwards and swaps	369,995	1,017	-	-	-	-
Currency swaps	(134,204)	565	57	(209,609)	846	68
Total	**235,791**	**1,582**	**57**	**(209,609)**	**846**	**68**

Net investment hedges

The Bank uses a mixture of foreign exchange contracts to hedge the foreign currency translation risk on its net investment in foreign subsidiaries.
The fair value of derivatives designated as net investment hedges are as follows:

	December 31, 2017			December 31, 2016		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values -assets	Fair values -liabilities
Instrument type:						
Currency swaps	944,453	14,551	15,001	937,504	29,188	35,045
Total	**944,453**	**14,551**	**15,001**	**937,504**	**29,188**	**35,045**

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

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Derivatives for				
Held for trading	202,117	171,792	267,020	298,086
Fair value hedges	14,551	15,001	29,188	35,045
Net investment hedges	1,582	57	846	68
Total	**218,250**	**186,850**	**297,054**	**333,199**

G. Investments in Group companies

For 2017, the movement of participating interests in Group companies is as follows:

	Balance at 1 January	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**

G. Investments in Group companies (continued)

	Balance at 1 January	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2016	Provision for period losses	Net carrying amount at 31-Dec-2016
Credit Europe Bank (Russia) Ltd	242,923	-	876	6,237	-	62,815	312,851	-	312,851
Credit Europe (Romania) Bank SA	169,313	21	(3,323)	8,585	-	(649)	173,947	-	173,947
Credit Europe (Suisse) Bank SA	134,148	-	(811)	7,275	(9,226)	1,222	132,608	-	132,608
Credit Europe (Dubai) Ltd	80,844	-	(1,177)	2,314	(35,840)	662	46,803	-	46,803
PJSC Credit Europe Bank	23,539	-	22	2,393	-	(1,893)	24,061	-	24,061
Yenikoy Enterprises B.V.	16,635	-	-	(1,610)	-	520	15,545	-	15,545
Credit Europe Leasing (Romania) SA	2,980	-	-	(1,201)	-	3	1,782	-	1,782
Cirus Holding B.V.	2,749	-	-	136	-	590	3,475	-	3,475
Nomadmed XXI S.L.	806	-	-	(955)	-	-	(149)	149	-
Ikano Finance Holding B.V.	2,175	-	-	(6)	-	34	2,203	-	2,203
Stichting Credit Europe Custodian Services	125	-	-	-	-	-	125	-	125
Hunter Navigation Inc.	1,006	-	-	224	-	(16)	1,214	-	1,214
Credit Europe Leasing (Ukraine) LLC	-	-	-	(1,134)	-	493	(641)	641	-
Maritime Enterprises B.V.	10,188	-	(10,434)	11,724	-	-	11,478	-	11,478
Mediqueen Maritime Ltd	-	629	-	(1,657)	-	(147)	(1,175)	1,175	-
Medipride Maritime Ltd	-	-	-	(1,064)	-	(122)	(1,186)	1,186	-
Lodestar Maritime Ltd	-	3,317	-	(4,836)	-	(291)	(1,810)	1,810	-
Medibeauty Maritime Ltd	-	1,609	-	(2,787)	-	(218)	(1,396)	1,396	-
Thrace Shipping Ltd.	-	-	-	(452)	-	(21)	(473)	473	-
Phrygia Shipping Ltd.	-	-	-	(293)	-	(13)	(306)	306	-
Lycia Shipping Ltd.	-	-	-	(42)	-	(1)	(43)	43	-
Cilicia Shipping Ltd.	-	-	-	(334)	-	(15)	(349)	349	-
Total	**687,431**	**5,576**	**(14,847)**	**22,517**	**(45,066)**	**62,953**	**718,564**	**7,528**	**726,092**

H. Intangible assets

The book value of intangibles is as follows:

	Goodwill	Patents and licenses	Total
Balance at January 1, 2017	-	**3,196**	**3,196**
Addition	-	468	468
Amortization	-	(998)	(998)
Balance at December 31, 2017	-	**2,666**	**2,666**
Balance at January 1, 2016	**9,871**	**2,528**	**12,399**
Addition	-	1,565	1,565
Correction(*)	(9,871)	-	(9,871)
Amortization	-	(897)	(897)
Balance at December 31, 2016	-	**3,196**	**3,196**

(*) Relates to goodwill arising from acquisition of minority shares in CEB Romania.

I. Property, equipment and investment property

A. Property and equipment

The book value of property and equipment is as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Balance at January 1, 2017	**39,689**	**1,516**	**1**	**41,206**
Additions	91	294	-	385
Disposals	-	-	(1)	(1)
Depreciation	(1,242)	(395)	-	(1,637)
Balance at December 31, 2017	**38,538**	**1,415**	-	**39,953**

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Balance at January 1, 2016	**40,844**	**1,658**	**2**	**42,504**
Additions	57	306	-	363
Disposals	-	-	-	-
Depreciation	(1,212)	(448)	(1)	(1,661)
Balance at December 31, 2016	**39,689**	**1,516**	**1**	**41,206**

B. Investment Property

Reconciliation of carrying amount

	December 31, 2017	December 31, 2016
Balance at January 1	**8,300**	**8,300**
Balance at 31 December	**8,300**	**8,300**

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

	December 31, 2017	December 31, 2016
Receivables from DNB	15,970	15,970
Deferred tax assets	13,797	8,986
Current tax assets	3,538	3,264
Prepayments and advance payments to suppliers	1,676	1,483
Amounts held as guarantee	941	6,282
Assets held for sale	489	527
Other assets and receivables	2,474	4,237
Total	**38,885**	**40,749**

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

As of December 31, 2017, EUR 29,767 (2016: EUR 24,956) 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, 2017	December 31, 2016
Time deposits	187,757	168,116
Current accounts	59,377	141,157
Total	**247,134**	**309,273**

Deposits and current accounts of intra group companies amount to EUR 37,437 (2016: EUR 124,323). Amount of due to banks which is on demand is EUR 82,926 (2016: EUR 122,222).

There were no repo transactions in time deposits (2016: none).

L. Customer deposits

This item comprises amounts due to customers other than banking institutions.

	December 31, 2017	December 31, 2016
Retail time deposits	1,452,896	1,798,238
Retail saving and demand deposits	1,433,740	1,541,697
Corporate demand deposits	216,981	309,415
Corporate time deposits	30,517	117,367
Total	**3,134,134**	**3,766,717**

As of December 31, 2017, EUR 1,852,660 (2016: EUR 2,147,654) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

As of December 31, 2017, the Bank maintained customer deposit balances of EUR 15,065 (2016: EUR 56,215), 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 2,459 (2016: EUR 2,797).

M. Other liabilities

	December 31, 2017	December 31, 2016
Collaterals received	7,082	3,800
Accrued expenses	6,263	6,162
Litigation provision	4,387	4,225
Deferred tax liabilities	3,720	3,528
Current tax liabilities	3,255	6,131
Taxes other than income	2,725	3,785
Unfinished settlements	1,646	1,997
Other payables	5,128	4,935
Total	**34,206**	**34,563**

The amount that will not mature within one year is EUR 3,720 (2016: EUR 3,528).

Notes to Financial Statements

N. 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	-	47,844
USD 50 million Tier II loan with a fixed interest rate of 10 % p.a**	2022	81,033	92,799
USD 50 million Additional Tier I loan with a fixed interest rate of 8.95 % p.a.	2022	41,831	-
USD 150 million Tier II loan with a fixed interest rate of 7.25 % p.a.	2027	125,880	-
Total		**512,901**	**438,527**

* USD 400 million subordinated bonds early redeemed in January 2018.

** USD 50 million subordinated bonds early redeemed in February 2017.

The Bank had not any defaults on principal, interest or other breaches with respect to its subordinated liabilities during the years ended 2017 and 2016.

O. Share capital

The authorized share capital is EUR 1,000 million (2016: EUR 1,000 million) and comprises 1,000 million (2016: 1,000 million) ordinary shares with a face value of EUR 1.

The called-up and paid-in capital consists of 653.7 million (2016: 632.5 million) ordinary shares with a face value of EUR 1.

On December 18, 2017, the Bank executed EUR 21,194 capital increase through cash contribution of the parent company, Credit Europe Group N.V.

P. 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 CEB, the following legal reserves are important:

- Participations reserve
- Currency translation differences reserve
- Revaluation for AFS instruments reserve
- Hedge accounting reserve

In determining legal reserves deferred taxes on AFS instruments and revaluation reserves of buildings are taken into account. Deferred taxes attributable to equity are calculated on the difference between IFRS and tax values of AFS instruments and buildings. 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.

Q. 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, 2017	December 31, 2016
Contingent liabilities with respect to irrevocable letters of credit - import	204,165	210,687
Contingent liabilities with respect to letters of guarantee granted - banks	77,099	35,729
Contingent liabilities with respect to letters of guarantee granted - corporates	68,032	100,448
Contingent liabilities with respect to irrevocable letters of credit - export	29,713	10,895
Total non-cash loans	**379,009**	**357,759**
Revocable credit-line commitments	12,498	54,941
Other commitments	14,289	13,382
Total	**405,796**	**426,082**

R. 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.

S. 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, 2017	December 31, 2016
Not later than 1 year	300	221
Later than 1 year and not later than 5 years	393	251
Total	**693**	**472**

Notes to Financial Statements

T. Remuneration

Key management costs including remuneration and fees;

	December 31, 2017	December 31, 2016
Total remuneration to supervisory board members	1,003	982
Total remuneration to managing board members	3,086	3,201
Total	**4,089**	**4,183**

Pension plan contribution amount is EUR 126 (2016: EUR 126).

Managing Board	December 31, 2017	December 31, 2016
Loans and advances		
Outstanding at 1 January	235	327
Repaid during the year	(89)	(92)
Outstanding at 31 December	**146**	**235**

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 2017 (2016: 6.00%). There is no guarantee provided to Managing and Supervisory Board members.

Amsterdam, March 23, 2018

Supervisory Board:	Managing Board:
Hector De Beaufort	Murat Basbay
Murat Özyeğin	Şenol Aloğlu
Frits Deiters	Umut Bayoğlu
Mehmet Güleşci	Scott Cheung
Korkmaz Ilkorur	Levent Karaca
Onur Umut	Batuhan Yalniz

U. 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	45,116
Addition to retained earnings pursuant to Article 31 of the Articles of Association	45,116

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

Representative offices

Credit Europe Bank NV
Istanbul Temsilcilik Ofisi
Eski Büyükdere Caddesi No: 22
Park Plaza Kat 10
Maslak 34398 Istanbul
Turkey
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

Direct subsidiaries

Credit Europe Bank Ltd
Olimpiyskiy prospect, 14
Moscow 129090
Russia
t +7 (0)495 725 40 40
f +7 (0)495 725 40 41
www.crediteurope.ru

Credit Europe Leasing LLC
Leningradskiy Prospect 74A
Moscow 125315
Russia
t +7 (0)495 725 5656
f +7 (0)495 725 5444
www.crediteuropeleasing.ru

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

CJSC 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

PJSC Credit Europe Bank
101, Volodymyrska Str.
01033, 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
Currency House Office Building 1
Level 7, Unit 7
Al Fattan Area, DIFC
Dubai
United Arab Emirates
t 971 4438 7100
f 971 4438 7175

Credit Europe Bank

www.crediteuropebank.com