Annual Report 2021

credit europe bank

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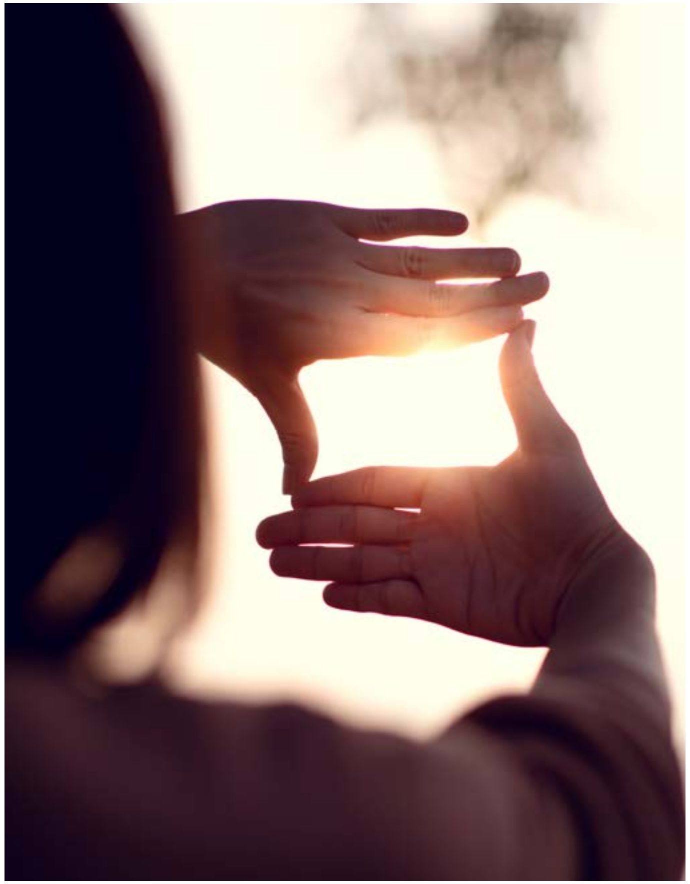
Who We Are

About Credit Europe Bank

Credit Europe Bank N.V. (CEB) is a public limited company with a full banking license, established in 1994 in the Netherlands. The bank is headquartered in Amsterdam and has approximately 1,100 employees in seven countries. It operates 27 branches, 57 ATMs, and around 8,200 point-of-sale terminals. More than 900,000 retail and corporate customers around the world entrust their financial affairs to CEB.

Our Vision & Mission
Our vision is to be the preferred bank in our core markets.Our mission is to provide financial services that create value for customers.



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Who We Are

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 view matters relevant to our stakeholders from different perspectives.

Expertise
We are experts in selected markets and selected products, enabling us to deliver solutions tailored to the needs of our customers.

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Our Base Values

Customer Focus
The success of our customers is our own success. Therefore, we take all our decisions with our customers in mind.

Professionalism
Our professionalism embraces and stimulates the necessary staff skills, qualifications, knowledge, and diversity. Our colleagues undertake their tasks with competence and integrity, and it is through teamwork that we achieve our goals.

Integrity
Our culture of integrity generates trust and confidence through ethical behavior and compliance with laws, regulations, and guidelines.

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

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What We Do

Bank Business Model and Strategy

CEB is a niche bank that, based on its history, has developed a unique identity over the past 27 years.

On the one hand, we are a Dutch bank, licensed in the Netherlands and complying with all relevant local regulations. On the other hand, our strong presence in emerging economies has allowed us to build up specific experience and expertise that make us distinct from other banks.

This unique identity is captured in our three core values: Dynamism, diversity, and expertise. It is adherence to these values that enables us to meet the challenges of today's increasingly volatile, uncertain, and complex world.

With dynamism in our DNA since the bank's inception, we are particularly well equipped to deal with the increasingly rapid and substantial changes the banking sector is currently facing, especially in emerging economies.

We serve an international corporate and retail customer client base with a differentiated approach.

Banking in its purest form is our business. We offer our corporate customers a wide range of banking products, including international trade and commodity finance, supply chain finance, project finance and object finance, and working capital loans.

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What We Do

Represented in key trading hubs, such as the Netherlands and Switzerland, CEB is well positioned to finance its customers' transaction flows across the globe.

To our retail and SME customers, we offer non-complex and transparent products, mainly in the form of savings and credit cards. We have maintained a strategy of effective asset management, integration of business lines, and close proximity to clients, providing our services through a network of branches, ATMs, and sales points in six countries, empowered by a wealth of local knowledge.

We have almost 30 years' experience in international trade and commodity finance and have gained extensive experience and expertise in acting 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.

In corporate banking, as a medium-sized bank with hands-on managers and short communication lines, we are quick to notice and react to our customers' needs, creating innovative, tailor-made solutions.

Our flexible approach has supported our customers during turbulent times and positioned us to take advantage of improving market conditions.

In the Netherlands and Germany, we offer retail banking products via online and telephone banking.

Our services are facilitated by having a centralized, cross-border contact center. In Romania, we utilize our branch network to serve our retail customers. We invest in digitalization to better serve our clients and increase our product spectrum.

In all areas of the bank, we invest in the professionalism, expertise, and customer focus of our employees.

To sustain our long-term growth ambitions, we combine prudent capital and liquidity management with sound risk management, full regulatory compliance, and transparent corporate governance. We believe this strategy safeguards the interests of all our stakeholders.

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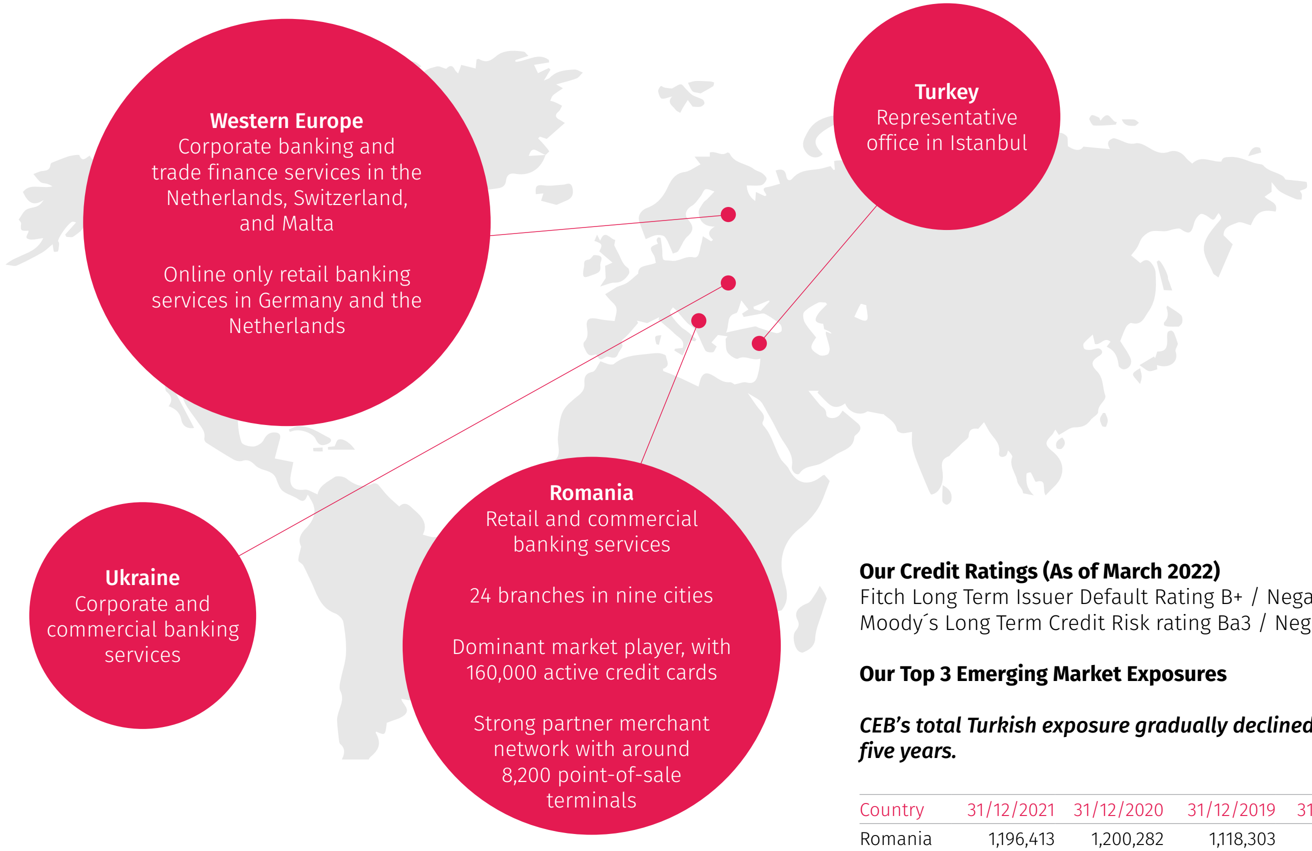
Where We Operate

Our Network



Our Credit Ratings (As of March 2022)
Fitch Long Term Issuer Default Rating B+ / Negative Outlook
Moody´s Long Term Credit Risk rating Ba3 / Negative Outlook

Our Top 3 Emerging Market Exposures

CEB's total Turkish exposure gradually declined in the last five years.

Country	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Romania	1,196,413	1,200,282	1,118,303	1,303,719	1,392,623
Turkey	631,324	749,067	713,371	886,015	1,304,503
China	235,214	137,443	45,411	5,551	26,940

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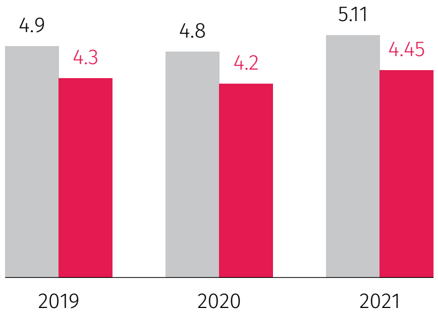
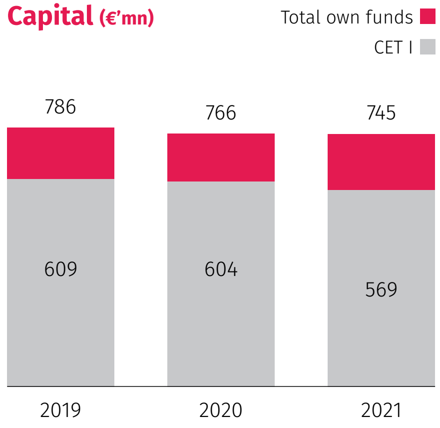
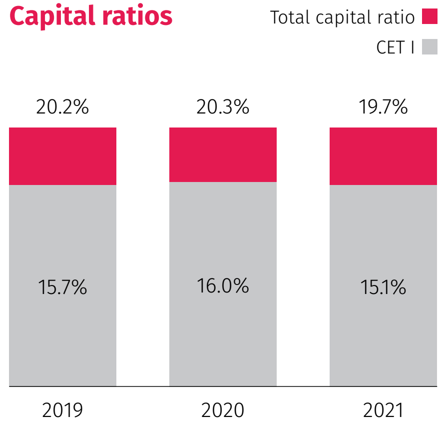
Total assets & liabilities (€'bn)



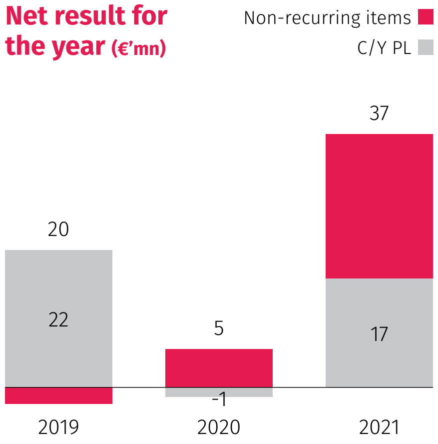
Capital (€'mn)



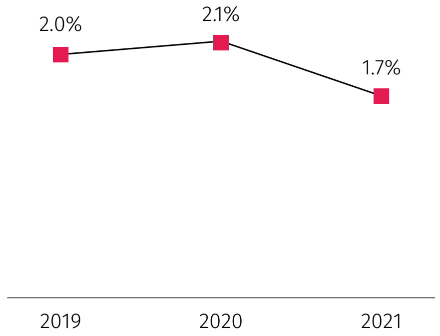
Capital ratios



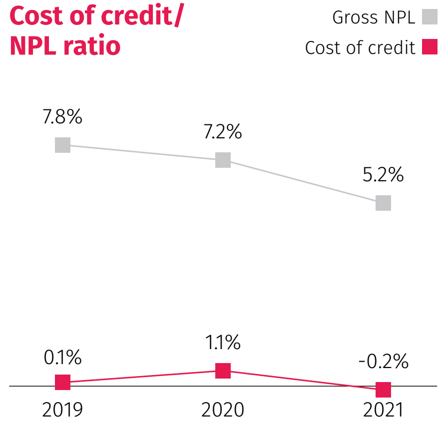
Net result for the year (€'mn)



NIM



Cost of credit/ NPL ratio



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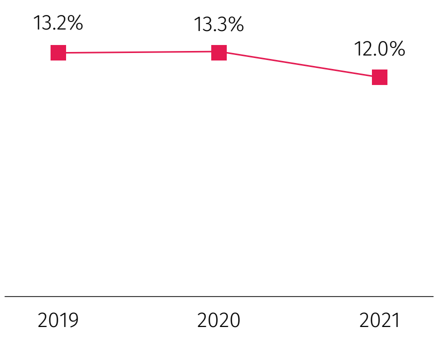
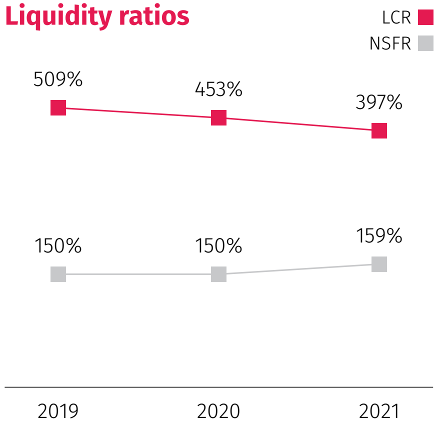
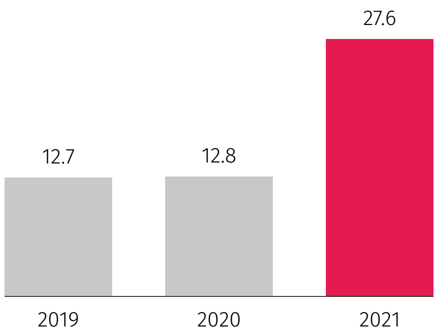
Leverage ratio



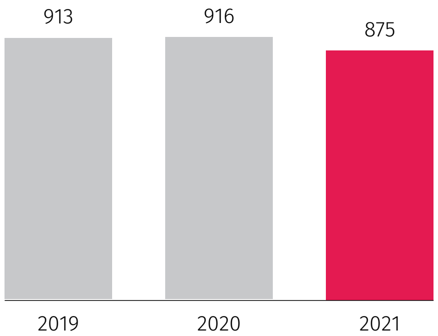
Liquidity ratios



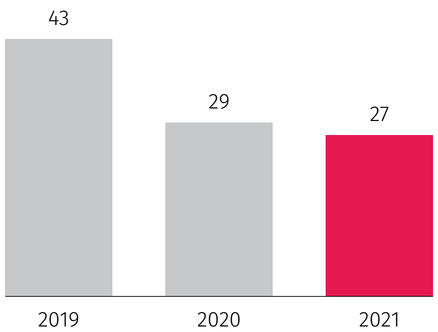
Trade finance volume (EUR billion)



Number of customers (th)



Number of branches



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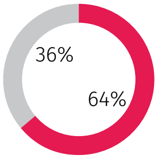
GENDER

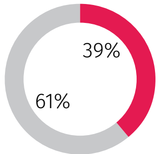
All Staff

M F

CEB NV %



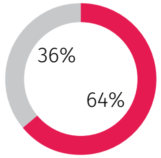
CEB Consolidated %



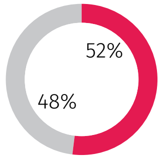
Senior Management

M F

CEB NV %



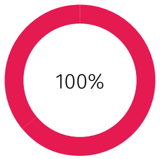
CEB Consolidated %



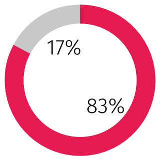
Managing Board

M F

CEB NV %



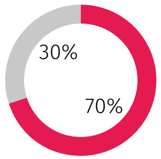
CEB Consolidated %



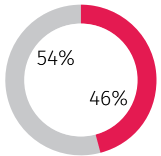
Managers

M F

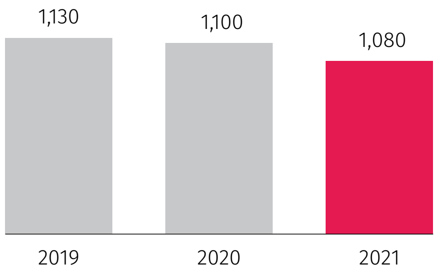
CEB NV %



CEB Consolidated %



Total consolidated number of employees



Data: December 2021

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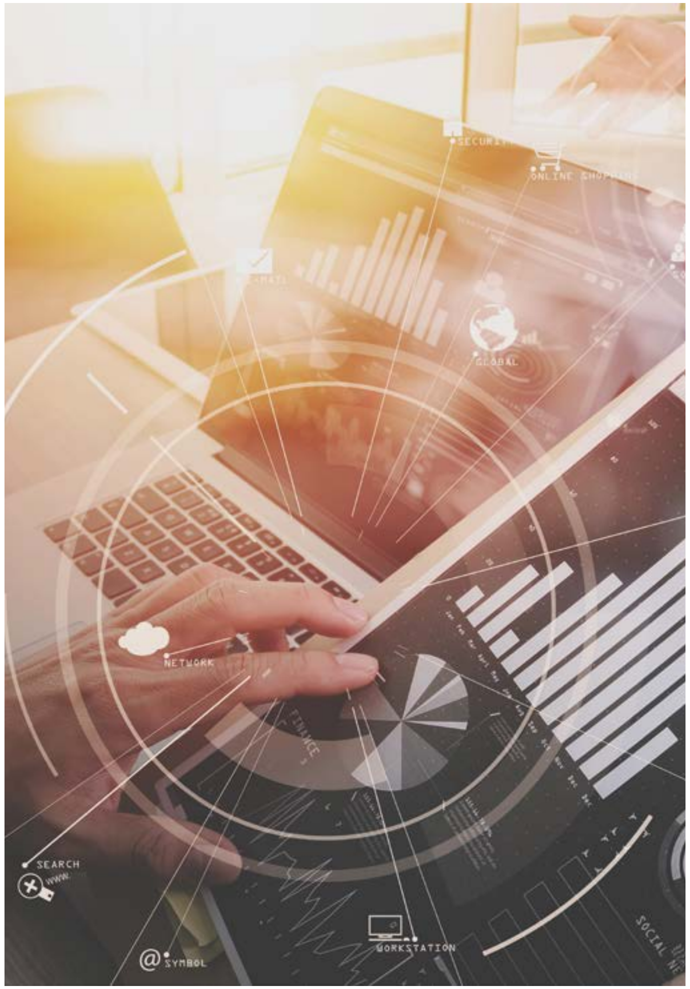
Our Key Strategic Directions

1. Enhancing the value proposition of trade finance.
2. Increase in franchise value of credit card business in Romania.
3. Focus on “originate to distribute” model of lending.
4. Diversification of income.
5. Embedding digitalization into whole organization.
6. Continuous investment in people, culture and innovation.
7. Further optimization of capital structure.



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EUR million	2021	2020	2019	2018	2017(*)
Total assets	5,105	4,826	4,920	5,084	7,373
Cash and balances at central banks	935	666	737	652	829
Loans and receivables – banks	283	204	188	432	538
Loans and receivables – customers	2,753	2,565	2,742	2,699	4,487
Securities	551	670	549	695	759
Due to banks	799	677	483	416	630
Due to customers	3,326	3,127	3,402	3,650	4,899
Equity	652	613	621	585	875
Total Income	179	156	185	195	398
Preprovision Income	30	33	48	46	151
Result for the year	37	5	20	21	15

Common Equity Tier 1 ratio %	15.1%	16.0%	15.7%	14.9%	17.2%
Tier 1 ratio %	16.2%	17.1%	16.8%	16.0%	15.0%
Total capital ratio %	19.7%	20.3%	20.2%	19.4%	14.4%
LCR - Liquidity coverage ratio %	397%	453%	509%	375%	337%
Non-performing exposure %	5.2%	7.2%	7.8%	8.8%	6.3%
Non-performing loans coverage ratio %	117%	125%	107%	122%	115%

(*) *Includes results of CEB Russia, which was discontinued in the course of 2018*

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CEO Letter

In early 2022, the market sentiment took a negative turn as the Russia-Ukraine conflict escalated and turned into a war which is increasing the uncertainty for the current year and beyond. At this point in time, we are doing everything in our power to support our colleagues and their families in Ukraine.

2021 was a year of solid economic recovery after the unprecedented pandemic shock of the previous year. CEB also rebounded strongly this year.

Despite ongoing supply chain disruptions, CEB posted a record high volume of trade finance during the year: EUR 27 billion. In particular, I would like to single out and congratulate our trade finance teams in Amsterdam and Geneva for their invaluable contributions to this strong performance. In late 2021, CEB also established a Supply Chain Finance Department to focus on this key segment. We booked our first transactions late in the year and expect great things from this new unit going forward.

In 2021, CEB restructured its corporate lending operations in line with its growth appetite especially in Dutch commercial real estate financing. Marine finance was another strategic priority area where we had steady growth in 2021.

At CEB, we aim to boost our originate-to-distribute (OTD) lending activities. In 2021, we successfully increased our loan trading volume in this growing area.

I am pleased to state that during the year, CEB raised its asset quality by significantly lowering its stage 3 and stage 2 exposures.

Our appetite for Turkish risk remained limited with short-term trade finance transactions. CEB's credit exposure to Turkey which has been continuously decreasing for the last 5 years, came further down from EUR 749 million to EUR 631 million during 2021.

CEB embraces digitalization. We have made major technology investments and finalized the digitalization of retail deposit customer onboarding in Germany and the Netherlands. We have also continued similar investments in Romania. The future is digital and CEB plans to be ready. Our strategic IT target is to use the same core-banking system in all our banking entities. In this regard, we continued our migration project in CEB Switzerland with the target of finalizing it in 2022.

CEB remains one of the top credit card players in Romania with its 19% market share among bank issuers. We stepped up our investment spending to introduce new card features in the Romanian market alongside our new digital customer acquisition channels. We are making progress across all our regions.

In 2021, we took major steps for further integration of sustainability into our business model. We have internally developed and implemented an ESG risk-assessment framework for corporate loan origination and monitoring process to effectively manage ESG risks in our portfolio. In addition, we welcomed our new Sustainability Officer onboard. With this new position, we have laid the foundation for a robust sustainability governance structure. CEB updated its sustainability roadmap accordingly. We plan to finalize our holistic sustainability policy in the coming year.

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CEO Letter

Sustainability to us is business continuity as well as people management. At CEB, we increasingly see our Human Resources Division as a strategic partner and a change agent. Human Resources is currently spearheading several key initiatives related to management of growth, employee self-awareness, leadership coaching, and remote/hybrid working models. These efforts are designed to prepare CEB for the future. In 2022, Human Resources will focus on diversity as a top priority – a critical issue for a growing multinational organization like ours.

At CEB, we also understand that good corporate governance is a key component of sustainability. We aim to ensure clear and effective communication and discussions on the bank's business and related organization and strategy, while increasing synergy among our various business lines. With the support of the Supervisory Board, we decided to establish an Executive Committee (ExCo) as of March 2022. The ExCo consists of the three Managing Board members and three representatives of the Bank's main business lines: Corporate Banking, Bank Relations and Treasury. Join me in congratulating the three business line representatives in their new roles on the ExCo: Muammer Kayhan, Zeyno Davutoglu and Besir Amcaoglu.

On 1 January 2022, Murat Basbay left as CEO and Managing Board member after 12 years of dedicated service to CEB. On behalf of the ExCo, I would like thank him for his steady leadership and committed efforts. In addition, on behalf of the ExCo, I want to express my gratitude to Murat Ozyegin and Mehmet Gulesci who left the Supervisory Board as of 1 October 2021 and 1 January 2022, respectively. And a warm welcome to Aysecan Ozyegin Oktay who succeeded Murat Ozyegin as member of the Supervisory Board as of 1 October 2022.

I am happy to report that CEB posted net profit of EUR 37.5 million for fiscal year 2021. Our net profit for 2021 was a result of our increased business volumes, lower cost of credits and a one-off tax credit, which relates to deduction of hedge costs of our Russian operations spun-off in 2018.

On my personal behalf and on behalf of the ExCo, I would like to express my thanks to our customers, business partners and employees for their support, commitment and trust during another challenging period. For 2022, we are well-prepared to overcome the ongoing effects of the pandemic as well as other challenges, including the ongoing war in Ukraine. We refer to the Outlook paragraph for further considerations to this extent. We are confident about reaching our targets for the coming year in collaboration with all our stakeholders.

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Members of the Executive Committee

Şenol Aloğlu (1965, male)
Chief Executive Officer/Managing Board member

Umut Bayoğlu (1973, male)
Chief Financial Officer/Managing Board member

Batuhan Yalnız (1973, male)
Chief Risk Officer/Managing Board Member

Zeyno Davutoğlu (1966, female)
Division Director – Bank Relations and Supply Chain Finance

Muammer Kayhan (1968, male)
Division Director – Corporate Banking

Besir Amcaoğlu (1972, male)
Division Director – Treasury

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Report of the Managing Board

The current chapter, together with the "At A Glance" chapter, "Key Figures" chapter, and the "Corporate Governance" chapter, is considered part of the Report of the Managing Board, as referred to in Part 9 of Book 2 of the Dutch Civil Code.

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Major Business Lines

Retail Banking

Western Europe
In 2021, CEB's Western Europe retail banking business completed the first phase of the bank's digitalization program, which aimed at creating a superior digital experience for customers in Germany and the Netherlands. The key results delivered in 2021 were: 1.) Completion and public rollout of the all-new online banking service for retail customers; 2.) Fully digital customer onboarding, reducing the time it takes to open an account from the previous several days to less than 15 minutes and removing the need for physical paperwork; and 3.) Introduction of the Credit Europe Mobile Banking App for iOS and Android smartphones.

This investment in the digitalization program is the first step to enable the bank for a tailored response to its customers' needs and expectations while simultaneously increasing the attractiveness of CEB's products for younger and digitally aware customers. Improving the bank's operational efficiency through enhancement of the management of customer data and internal processes formed another important part of the digitalization process in retail banking.

Our Western European retail operations, centralized in Frankfurt, Germany, continue to offer competitive, transparent, and non-complex products comprising deposits in the Netherlands and Germany. In 2021, we served around 170,000 deposit holders through telephone, online, and mobile banking. Our eurozone deposit volume of EUR 2.3 billion formed a sustainable and important pillar of funding for the bank.

Romania
In 2021, CEB reached around 24,000 credit cards sales in the Romanian market despite the limitations on sales activities related to the Covid-19 pandemic, and the total turnover of credit cards reached EUR 257 million. Through its credit card portfolio, including Card Avantaj, Optimo Card, and Diamond Card, the bank offers its clients various payment instruments suited to their needs. CEB remained one of the top players in the Romanian credit card market, with over 160,000 active cards and approximately 19% market share among banks. CEB's other retail banking focus in Romania was its stable and granular retail deposit base, which was EUR 265 million as of December 2021. The bank continued to issue residential mortgage loans in Romanian market and issuance volume of 2021 reached EUR 21 million.

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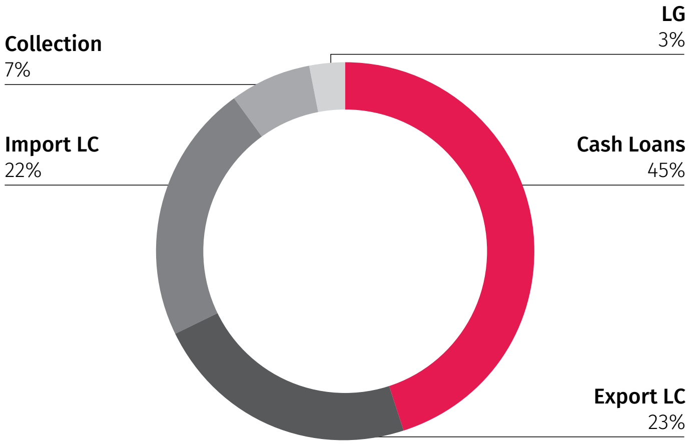
Corporate Banking

Corporate Banking continues to be one of the bank's core activities and is a major revenue contributor. The products and services offered by Corporate Banking are structured trade and commodity finance (STCF), corporate lending and project finance (CL&PF), and marine finance (MF). These products and services are provided to an international client portfolio by our teams located in Amsterdam, Geneva, Malta, Bucharest, and Kyiv. In late 2021, we have also started supply chain finance (SCF) business in Amsterdam.

After going through a very volatile 2020, CEB corporate banking had a solid recovery in 2021 in parallel to the rebound in the world economy.

2021 was a record year for STCF in terms of both volume and operating income, thanks to reinforced teams and portfolios in Amsterdam and Geneva supported by strong commodity markets. For the first time in its history, CEB's annual trade finance volume reached EUR 27.6 billion in 2021 which was EUR 12.8 billion in 2020, recording a year-on-year growth of over 100%.

Trade Finance Volume by Product



In MF, the steady growth recorded in recent years was accelerated in the second half of 2021 and exposure reached to EUR 271 million by year end, its highest level since December 2017 when it was EUR 143 million.

For CL&PF, 2021 was a transition period in which we adapted our teams and business focus toward EU and other Western European markets.

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Non-Financial Review

This chapter on non-financial review is based on the reporting requirements included in Section 2:391, paragraphs 1 and 5 of the Dutch Civil Code (Burgerlijk Wetboek) pertaining to non-financial information.

For a description of the bank's business model, see Page 4.

In order to report on the most important non-financial information, CEB assessed which topics are material to its development, performance, position, and impact. As part of this process, current trends, sectoral reports, and various sustainability frameworks were analyzed to determine an inclusive list of potential material topics. This list was then assessed by CEB's Managing Board and the representatives of the following key stakeholder groups: customers, employees, shareholder(s), subsidiaries, authorities, regulators, and rating agencies. The resulting material topics distribution is shown in the materiality matrix below. The color codes used in the matrix and the accompanying table containing subtopics indicate the level of disclosure provided for the given topics. Dark grey signifies the most elaborated topics, whereas light grey indicates less extensively disclosed topics in line with their materiality scores.

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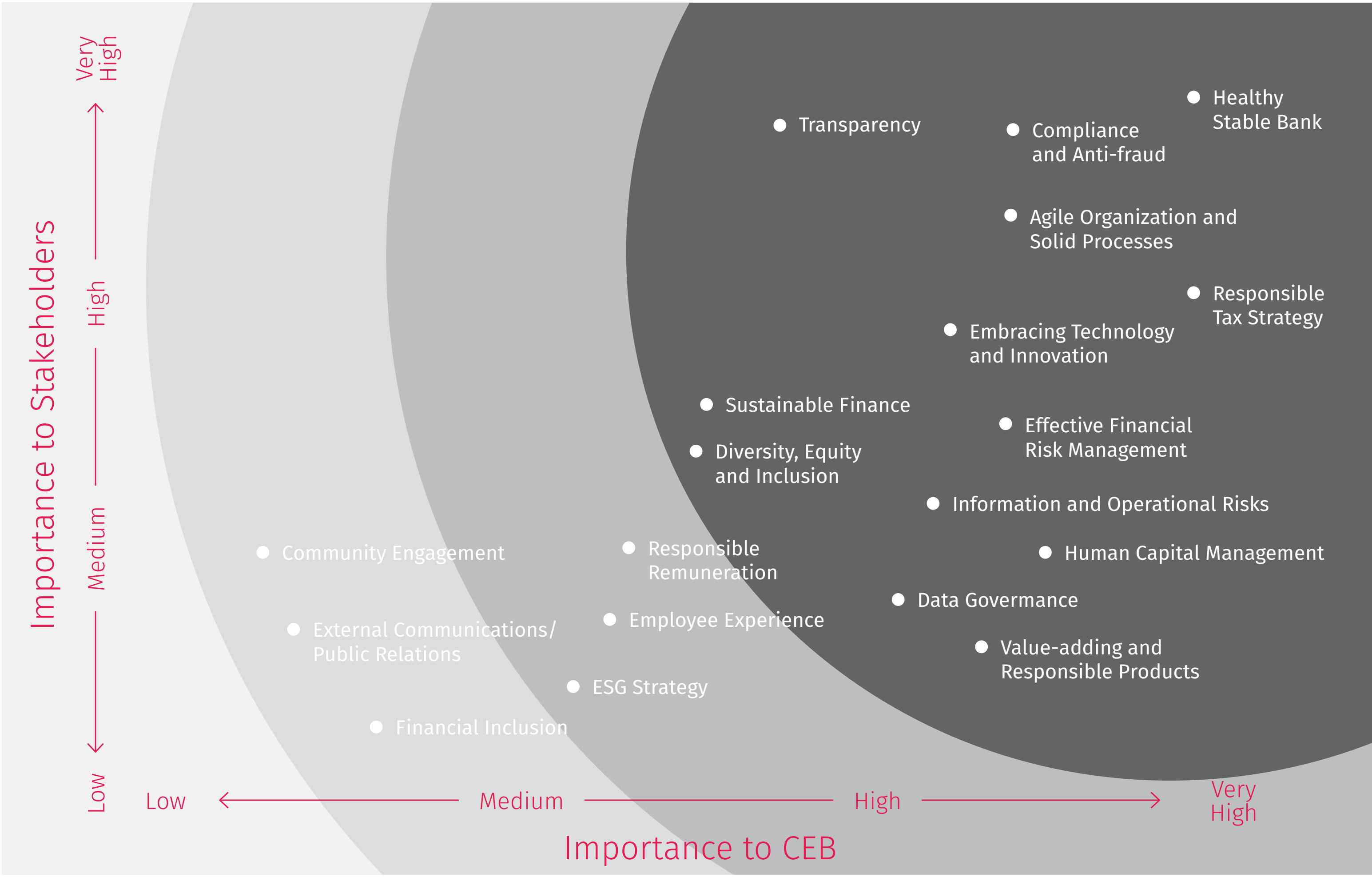

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	Material Topic	Subtopics
1	Healthy and Stable Bank	Capital ratios | Credit rating | Capital planning | Risk management | Social Charter | Banking Code
2	Compliance and Anti-fraud	Compliance with applicable regulations |Business ethics | Code of conduct | Anti-corruption| Anti-bribery | Anti-money laundering | Anti-competitive behavior
3	Agile, Adaptive and Resilient Organization	Responding to challenges and changes in an agile, adaptive, and efficient way | Creating solid processes | Covid-19 pandemic management
4	Responsible Tax Strategy	Comply with the spirit as well as the letter of tax law
5	Embracing Technology and Innovation	Capitalizing on the opportunities of digitalization and managing related risks| Cybersecurity | Automation | Fintech competition
6	Effective Financial Risk Management	Strategy to manage financial risks
7	Transparency	Clear policies and performance disclosure toward employees and external parties
8	Information and Operational Risks	Customer privacy (GDPR) |Data security | Cybersecurity | System availability
9	Human Capital Management	Occupational health| Performance management | Competitive remuneration
10	Value-adding and Responsible Products	Customer orientation | Easy-to-use and transparent retail products | Customer privacy
11	Sustainable Finance	The provision of finance to investments considering ESG concerns
12	Diversity, Equity and Inclusion	Diversity, inclusion, and equal opportunities for employees |Board diversity
13	Data Governance	Data accountability | Data prioritization | Metadata and data lineage | Data quality and controls | Data security | Data retention | Policies, standards, and processes
14	ESG Strategy	ESG governance | Integration of short- and longer-term environmental and social impacts into strategic planning activities and risk management
15	Employee Experience	Employee engagement | Training and education
16	Responsible Remuneration	Remuneration policy, including bonuses and highest salary vs. median salary
17	Community Engagement	Consideration of social, environmental, or economic impacts on local communities, whether positive or negative
18	Financial Inclusion	Ability to ensure broad access to products and services in the context of underserved markets and population groups
19	External Communication and Public Relations	Effective stakeholder engagement | Strengthening and communicating the CEB brand

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In the remainder of this chapter, CEB will report on each of the topics included in the materiality matrix.

Healthy and Stable Bank
Having a strong capital base and maintaining the bank's risk profile within its risk appetite is one of the main pillars of CEB's strategy. To achieve this goal, we continuously strive to improve our risk and capital management capabilities. Through detailed budgeting and internal capital adequacy assessment processes, CEB ensures that it holds enough capital to cover its material risks while maintaining a healthy balance sheet and profitable business over the next three years. The budgeting and scenario/stress testing processes incorporate macro-outlook into CEB's three year plan. Throughout 2021, CEB maintained its strong capital ratios. As of December 31, 2021, our common equity tier 1 (CET1) ratio, which represents our CET1 capital as a percentage of our risk-weighted assets, stood at 15.6% (compared to 16.0% in 2020). In addition, with a 1:7 capital to asset leverage, CEB is currently one of the least leveraged banks in the Netherlands.

On the asset side, improving asset quality remains as one of the key points of attention for CEB. In terms of asset quality, CEB is dedicated to reduce the percentage of the non-performing loan (NPL) ratio to below 5% in the short to medium term period. In this regard, CEB has prepared a Non-Performing Exposure (NPE) strategy where realistic and sufficiently ambitious NPL reduction targets and the operation plan to achieve these targets are defined. The NPE strategy also contains a divestment plan that defines the planned measures to reduce the Bank's foreclosed assets, which are repossessed from defaulted borrowers as a means of collection. We expect that, within a three-year period, a significant portion of the existing corporate re-possessed assets will be sold.

On the liability side, CEB has a stable, granular and geographically diversified deposit base, which is the core funding source for the bank. We offer easy-to-use and transparent deposit products to our clients in all our branches and banking subsidiaries. The total size of customer deposits as of year-end 2021 is EUR 3.3 billion, 76% of which is originated from retail customers. Throughout 2021, CEG maintained its diverse funding mix and strong available liquidity base.

Excluding EUR 17.6 million one-off tax credit (note 32. Taxation), CEB's net profit for the current year is at EUR 20 million, which marks strong improvement on 2020, as result of improvement in credit quality and increased business volumes.

The war between Russia and Ukraine brought new and unexpected uncertainties. CEB may revise its business strategy and targets in the coming period in line with the developments attached to this military conflict since different outcomes of it might have widely different results for 2022 and beyond.

Compliance and Anti-fraud
CEB, including its branches, liaison office, and subsidiaries, endeavors to maintain a company culture and business strategy whereby CEB's core and base values and standards of professional conduct are maintained at every business level and within all its activities. These standards include national, international, and European legislation, regulations issued by the relevant local supervisory authorities, generally accepted business standards, and CEB's own internal standards, including ethical principles.

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The key compliance-related topics that CEB engaged with in 2021 are as follows:

Combating Money Laundering and Terrorist Financing
Banks play an important role in the global fight against financial economic crime, particularly in relation to money laundering and terrorist financing. CEB is aware of its gatekeeper role and is therefore continuously improving its procedures, systems, and controls to minimize the risk of being involved in or associated with such activity.

The bank's Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) Policy functions as the overarching framework to mitigate the risks of any involvement in or association with money laundering and terrorist financing. All CEB offices operate detailed AML/CTF procedures and systems based on the provisions of the bank's global policy and domestic AML/CTF requirements.

In line with the AML/CTF Policy, CEB exclusively establishes and maintains relationships with customers whose source of funds and source of wealth are clearly understood and can be reasonably established as legitimate, along with the purpose and nature of any business that customers undertake with the bank. Consequently, CEB performs risk-based customer due diligence regarding each prospective customer before commencing a business relationship with them and for as long as they remain customers. Furthermore, CEB continuously monitors the legitimacy of customers' business while providing banking services, including AML/CTF transaction monitoring throughout the business relationship.

Anti-bribery and Anti-corruption
CEB strives to foster a culture in which bribery and any other form of corruption is never acceptable. Therefore, the attitude of CEB in every jurisdiction in which it operates is not only to comply with all applicable laws and regulations but also to act in an ethical and socially responsible manner in accordance with its own core and base values, principles, and standards in all its relationships and business activities.

A risk of corruption is associated with the involvement of politically exposed persons (PEPs) and the legal entities they own or control, whether openly or secretively. These are persons who are involved in awarding government contracts, businesses dependent on government contracts and permits, and senior and mid-level administrators of state-owned companies. To minimize the risk of being associated with any form of corruption, CEB performs risk-based due diligence on customers posing a higher corruption risk, such as PEPs and customers located in jurisdictions deemed to have a higher potential for corrupt activity. In addition, CEB's code of conduct, which applies to every member of staff, provides strict rules to mitigate the risks related to any form of corruption. During 2021, CEB encouraged all staff to immediately report any activity, even if apparently insignificant, that could resemble corruption or was an actual act of corruption. They could report this to management directly, via the compliance function, or through the bank's internal alert (whistle-blowing) system.

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Customer Tax Integrity
Management of tax integrity risks posed by customers continued to be a key topic in 2021. CEB does not tolerate tax evasion under any circumstances. However, the bank recognizes that the legal establishment and business formation of some customers can be motivated by incentives, exemptions, or other tax benefits legally offered by specific offshore jurisdictions. Before beginning a customer relationship and during the lifetime of that relationship, CEB therefore assesses the risks of tax evasion and, if deemed appropriate, takes further mitigating measures regarding prospective customers.

Agile, Adaptive, and Resilient Organization

Group-level IT Strategy Committee
IT strategies of CEB were defined per country/market in the previous years. While this approach has its advantages in terms of tailoring needs to different contexts at CEB's subsidiaries, it also presents certain drawbacks. In late 2021, it was decided to establish a group-wide IT Strategy Committee as from the beginning of 2022, with the aim of focusing on a more centralized approach in terms of IT systems and solutions.

Banking as a Service (BaaS)
To work toward this more consolidated IT structure, a BaaS approach will be adopted, which will enable:
- Group-wide data governance,
- Well managed system security,
- Strong compliance functions,
- A scalable banking system, and
- More integration of business and IT at the consolidated level.

Without a centralized IT approach, it will be difficult and inefficient to achieve these goals. We realize this will be a significant change for our head office in the Netherlands and our major banking subsidiaries in Switzerland and Romania. Therefore, we have initiated a core banking conversion project for our Swiss subsidiary, to be finalized during 2022. A similar project for our Romanian subsidiary is planned for late 2022.

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Software as a Service (SaaS)
The bank will also take a more centralized approach to software releases, implementing a cloud-based software distribution model at group level, through which a continuous improvement process will operate. The benefits of such a cloud-based approach are:
- Operational cost reductions (removing the cost of a physical infrastructure upgrade cycle),
- Flexible infrastructure costs (up or down as needed),
- Maximized returns on investment by bringing products to market more quickly,
- Scalability,
- Location-independent services, and
- Improved data security.

Similar to the change to a BaaS methodology, adopting the SaaS model minimizes the difficulties and inefficiencies of implementing such improvements through conventional methods.

Agile Approach
Agility is the ability of an organization to adapt to the ever-changing environment and change its direction to improve business results and create new opportunities. It helps organizations to maximize return on investment, innovate more quickly, decrease time-to-market, drive higher customer satisfaction, and increase employee engagement and morale.

Throughout 2021, CEB's leadership encouraged teamwork, accountability, and remote communication using agile methodologies.

Business stakeholders and developers worked together to align the bank's products with customer needs and company goals. The number of scrum teams has been increased within different business lines to create a more responsive and efficient working environment. We increased the level of agile maturity through a consultant, which will continue to serve our teams by providing agile coaching and helping them to remove organizational impediments.

CEB is aiming to continue fostering this agile mindset within the company for the upcoming years under the leadership of its Managing Board.

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Responsible Tax Strategy
CEB, including its branches, liaison office, and subsidiaries ensures transparent tax procedures and policies to comply with all relevant local tax regulations and global tax guidelines set by the OECD. Transparent tax control has a significant role in CEB's commercial operations and business strategies. For this reason, each product is subject to an initial tax perspective control before its release to market.

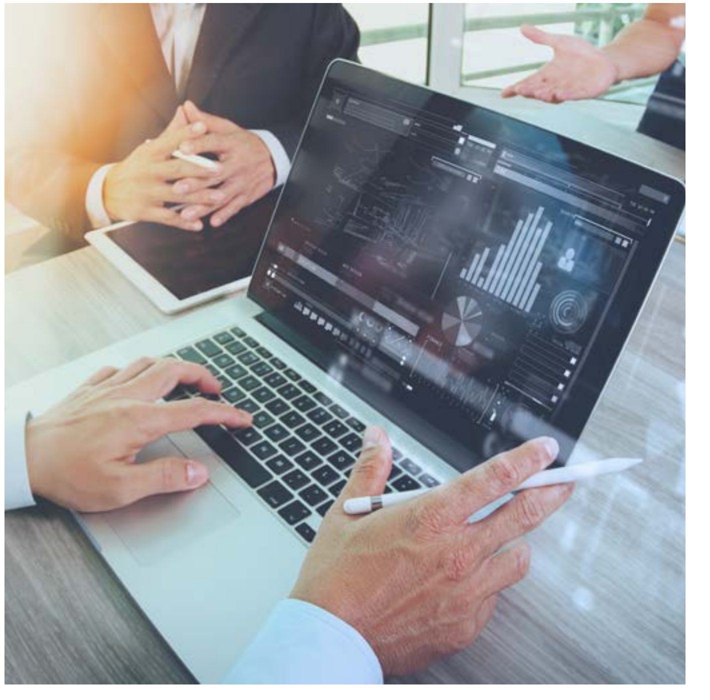
The most material tax topics within CEB are:

Responsible Approach
We do not use structures for aggressive tax planning or tax avoidance. For this reason, CEB does not use processes that do not meet the intentions or spirit of the law or those where the commercial motives to use such a structure undermine the tax motives.

Relationship with Tax Authorities
CEB maintains transparent relationships with the tax authorities of the countries in which it operates, collaborating with them to meet its responsibilities as a taxpayer. CEB engages with tax authorities prior to undertaking any transaction where there is significant uncertainty in relation to the interpretation of the applicable tax law(s).

Transfer Pricing
CEB follows the arm's length principle as well as other principles and obligations set by the OECD. Reports under base erosion and profit shifting (BEPS) Action 13 are prepared on time each year, and the bank's tax team pursues relevant BEPS action plans in order to comply with recent developments in international tax law.

Tax Risk and Controls
CEB has its own risk matrixes for each tax field and measures possible risky areas within those tax fields. The Bank's Internal Audit Department controls and comments on those risky areas, and we keep in contact with relevant tax authorities as necessary. CEB engages external advisors to file advance pricing agreement and advance tax ruling.



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Embracing Technology and Innovation
Digitalization has been one of the main drivers in the financial industry in recent years. More and more customers are moving to digital platforms to manage their financial life via self-service channels. Therefore, digital transformation and innovation became the top priority items of CEB in 2021, along with the finalization of projects and initiatives that had been launched in 2020 to provide faster, more convenient products and services to all our stakeholders. We have also launched new IT model approaches in readiness for open banking and new opportunities with PSD2 (an EU payment service directive that enables customers to use new online payment and account information services through third parties).

Digitalization Program
CEB closely follows developments in the digital banking field and always seeks to offer seamless direct banking solutions to customers in an agile way. In a time with historically low interest rates and increased competition, it is no longer sufficient or even possible to compete only through rates and pricing. Customers expect a transparent and smooth experience that gives them control over their banking products. If a bank fails to meet these expectations, there is a risk of losing customers. Therefore, in 2019, CEB introduced a new vision for retail banking in Western Europe. The bank aims to modernize its digital offerings and launched a digitalization program to make its retail products more appealing to customers. The outcomes of this digitalization program include new websites, brand-new online banking, and new mobile applications for Germany and the Netherlands, video onboarding for new German customers, digital onboarding for new Dutch customers, and new admin modules for back-office users.

Based on a multi-channel “one truth” approach, in which customers will always have access to updated information, the greatest emphasis is placed on the smartphone channel because this is where the majority of customers conduct most of their banking activities. In retail banking, offering new products and services through digital channels and partnerships with fintechs and retailers is the main strategy for 2022 and beyond.

After the introduction of PSD2 in European payment markets, CEB launched an API developer portal for corporate customers in Western Europe and for retail customers in Romania. This will enable CEB and fintech players to develop new services and products. With its open banking capabilities, CEB can connect third-party providers through APIs for better customer service. CEB is aware that a focus on digitalization and innovation is crucial if it wants to continue to be customers’ preferred financial institution. Realizing this proposition requires changes across the following dimensions:

IT Systems and Platforms
Today, the banking industry is mainly driven by technological innovations, and CEB is offering various financial products to its clientele across large geographical regions. The bank’s IT strategy aims to ensure that its business strategy and information technology investments are well aligned in all its subsidiaries. Customers remain at the center of the bank’s innovation efforts while organizations across the industry move to improve the digital customer experience by introducing new touch points and access channels. In line with this, CEB is focusing innovation on delivery platforms, developing mobile and online channels as the primary means of distribution for the future.

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Cloud-native Infrastructure
Staying ahead of the needs of an increasingly connected and demanding customer base requires solutions that are not only secure and supported but also robust and scalable, whereby new features can be delivered in a timely manner. To meet these requirements, CEB has implemented all-new digital banking components, tools, and processes within a cloud-native infrastructure. The PSD2 and bank data retrieval portal projects were the first to go live on this new infrastructure. Next in line is the new DBP with its new retail channels (web and mobile). During 2021, CEB further embraced continuous delivery and DevOps principles and practices.

Cybersecurity
CEB gives cybersecurity high priority within its management agenda and invests in the field based on the outcomes of regular risk assessments. Endpoint detection and response (EDR), threat intelligence, web application firewall, static code analysis, and container security were the major cybersecurity concepts that CEB made use of in 2021.

EDR solutions provide comprehensive visibility and superior defenses across all endpoints on the corporate network, enabling the automation of routine tasks to discover, prioritize, investigate, and neutralize complex threats and advanced persistent attack (APT)-style attacks. The integration of threat intelligence services will help CEB in the timely detection of fraudulent actors and cyber threats to the financial sector, while the integration of threat intelligence services with other security products will improve security monitoring.

Introducing a cloud infrastructure requires a new way of handling cybersecurity threats. CEB continued to invest in security technology in 2021, thus promoting business agility and accelerating its digital transformation. The cloud-based platform provides full visibility and security automation across the entire application life cycle using a modern zero-touch approach to detect and prevent threats.

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Effective Financial Risk Management
Continual focus on risk awareness is an integral part of CEB's culture. The risk appetite of CEB is established in conjunction with the bank's business plan and is aligned with its vision and mission statements. The risk appetite of CEB is defined at the consolidated level and applies to all its subsidiaries and branch offices, with the main principles set by the Managing Board and approved by the Supervisory Board. This risk appetite is then translated into policies and procedures that define practices to ensure adherence to risk limits during the bank's day-to-day activities.

Given the risk appetite statement, the Managing Board, in cooperation with the relevant committees and functions, select the key risk indicators (KRIs) and corresponding risk tolerance levels to be monitored. These KRIs are an integral part of CEB's operating processes, risk management, and internal control framework.

The division and department managers are responsible for managing their areas in line with the risk appetite policy and other relevant policies and procedures. Adherence to risk limits is monitored daily at the group level on the main banking system, which makes information accessible to all the relevant parties. The KRIs and risk limits are reported periodically to the Managing and Supervisory Boards and reviewed by the relevant subcommittees. If a KRI limit is breached, action is required to bring the risk profile back within the limit. To allow for timely action in the prevention of such breaches, early warning procedures are in place.

The main risk types are credit, market, interest rate in the banking book (IRRBB), liquidity, operational (non-financial), business, and integrity. These categories can be broken down into various sub-risk types, and the bank's risk appetite statements apply to both the main risks and sub-risk types.

Examples of KRIs in CEB's risk appetite include concentration limits for single counterparties, industry sectors and countries; asset quality limits; capital ratio limits; liquidity ratio limits; market risk parameter limits; and limits for risk parameters based on the bank's operational, integrity, and business risk assessments. For more information about CEB's risk culture, see note 37 to the financial statements on Risk Management.

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Transparency
A great deal of attention is given to increasing transparency for all of CEB's stakeholders. As clearly stated in our business model and strategy, the products and services offered by CEB are non-complex, easy to understand, and transparent. The bank publishes its annual reports, interim (semi-annual) condensed consolidated financial statements, risk management and capital adequacy Pillar III reports biannually on its corporate website (www.crediteuropebank.com). The bank has two credit ratings from Moody's and Fitch, which are also published on the corporate website. CEB's Bank Relations Division has responsibility for investor relations and provides answers to any question that may come from corporate lenders (mainly correspondent banks of CEB) and bondholders. To increase internal transparency, presentations are made by the bank's CEO or CFO on financial and non-financial matters during quarterly staff events. In addition, thematic sessions are organized e.g., on strategy and financial results.

Information and Operational Risk
CEB operates in a business environment where there is an almost complete dependence on information that, in most cases, is processed on information systems and interconnected computer networks. The bank therefore recognizes the potential strategic, regulatory, operational, financial, and reputational risks associated with the use of information, information systems, and technology. CEB considers it essential for its success to constantly protect its information assets by managing the risks they are exposed to, in accordance with applicable requirements. Therefore, information security is fundamental to enable a proper response to the following:

- Evolving threats and vulnerabilities to information assets,
- The utilization of complex information technology,
- Safeguarding of the privacy of CEB's customers and staff members, and
- The increasing number of cybercrime-related cases worldwide (e.g., computer-based fraud, information theft, industrial espionage, and hacking).

In view of the above, CEB defines information security management as a continual cyclical process, which includes the identification and assessment of information security risks as well as the implementation and monitoring of controls aimed at mitigating those risks to an acceptable level. Information security management is a part of CEB's internal control framework. Key requirements of defense in depth, people, third parties, facilities, technology, and processes are considered when executing the information security cycle. The applied approach regarding the management of information security risks results in (i) The increase of information security awareness across the bank and (ii) Risk-based decision-making for an essential level of information security and for increased protection of CEB's information assets. CEB's risk-management governance (lines of defense, tone at the top, and management and committee structures) and crisis communication processes apply the concept of managing cybersecurity risks. This is not only focused on IT infrastructure but also people, processes, and technology. The governance represents the architecture within which information security management operates in the bank, whereby each staff member of the bank is accountable for managing the information security risks within their area of accountability. The structure clearly assigns and governs the responsibilities of all staff members, including the first, second, and third lines of defense.

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CEB has set the following principles for sound and effective management of information security:
a) The confidentiality, integrity, and availability of information assets are essential in maintaining the bank's competitive edge, cash flow, profitability, compliance with laws and regulations, and reputation;
b) Information security controls are determined via a cost–risk analysis and achieved by technical means as much as possible; and
c) Information security is i) Embedded in daily business and supportive processes and ii) Demonstrated in the behavior of CEB employees.

Key Risks and Related Controls:
(i) CEB is aware of the risks of internet and cloud business models, digital transformation, and mobility. All these developments have a significant impact on the banking industry. CEB acknowledges the risks of attacks, including cyberattacks, that may target the bank's main payment systems, such as SWIFT and third-party provider channels. The same applies to digital products that are entry points for the external world, regardless of whether the solutions are on the premises or in the cloud. All these channels have their respective regulations, such as the SWIFT Customer Security Framework, regulatory technical standards, and EBA's and DNB's respective control objectives and guidelines. CEB's compliance with these standards is at the highest level, and all channels are subject to risk assessments by both internal and external parties. Regular simulated phishing exercises and awareness training sessions are conducted to equip employees to prevent targeted attacks, and CEB implemented a new process for monitoring brand abuse in 2021. A new monitoring tool has also been deployed to track and take down fake CEB websites to prevent fraudulent approaches toward customers.

(ii) CEB initiates many projects to drive innovation, productivity, and growth as part of its digital transformation. While this has significant business benefits, there are also risks associated with the personal data processed by digital products. To manage these risks, CEB approaches data privacy as a business opportunity to gain control over its data. We have already applied many controls, including:

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- Privacy and security policies, procedures, and response plans;
- Definition of clear roles and responsibilities;
- An active data-retention program;
- Data-processing agreements with data processors and the use of standard clauses with non-EU processors;
- Data protection impact assessments and information security due diligence for all initiatives;
- Investment in technology to improve CEB's security defense; and
- Appointment of a dedicated data protection officer.

(iii) CEB has identified business continuity as a key area of risk, and the bank performs impact analyses on required resources and periodic tests on important business processes. The bank did not escape the continued effects of the global pandemic during 2021, although it was able to carry out its responsibilities without interruption or incident by successfully adapting to the new business environment, such as the use of remote working. It continues to monitor the evolving situation carefully to understand the pandemic's impact on its people and business.

(iv) CEB continued strengthening its cybersecurity and resilience to enable it to cope with the emerging and sophisticated cyber threats in the financial sector. Enhancements were also made in the areas of operational risk management, information security, data protection, and business continuity.

(v) CEB stress-tested its operational risk environment (including information security) to evaluate whether the allocated capital for operational risks was enough to sufficiently cover the possible losses from identified factors. The bank has enough reserved capital to be able to respond to any shortcomings.

Key Performance Indicators (KPIs)
CEB performs information security activities with company-wide application of:
(i) Compliance with security frameworks,
(ii) Comprehensive detection and monitoring of assets,
(iii) Timely detection and resolution of security or privacy events and intrusion attempts,
(iv) Continuous threat and vulnerability detection,
(v) A high level of security awareness among its employees,
(vi) A highly trained security workforce,
(vii) Security- and privacy-embedded business processes that identify key security risks and controls,
(viii) Timely patching of systems, and
(ix) Periodic monitoring of network uptime availability for core banking and internet banking access.

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Human Capital Management
It is safe to state that, by 2021, the organization at large had adjusted admirably to remote working and that employees had found ways to continue to collaborate and meet targets or project deadlines. This new way of working also proved to have benefits, such as greater efficiency, more transparency, and easier contact with colleagues abroad, who were now able to virtually join strategy sessions, quarterly staff meetings, and social events.

However, looking at the year from a human perspective, 2021 again tested our employees to the limit because it started and ended with lockdowns, between which they had to navigate considerable uncertainty related to new coronavirus variants and shifting government restrictions. The most basic activities were compromised: visiting family and friends abroad, face-to-face socializing with others, going on a summer holiday, and having normal childcare or school arrangements. Majority of our employees experienced challenging personal situations at their homes.

Remote Working
Throughout the course of 2021, the bank collaborated with an external third party to seek advice on returning to the office. Not only did we aim to create a safe environment (“The 6 Feet Office”), but the bank also embraced the concept of hybrid working as a natural ingredient of the new normal. The planned pilot (a minimum of one, maximum of three days at the office per week) could not start due to another lockdown, in which working from home was made mandatory for most of the bank’s employees.

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Physical and Mental Wellbeing
As stated above, the threat of new variants of the coronavirus led to continuous uncertainty and challenges for many of our employees, and staying at home for a second year affected their wellbeing. Throughout 2021, the bank frequently communicated regarding relevant announcements and the impact of local governmental guidelines on our workforce. Several workshops were organized on topics such as time management, mental fitness, and stress management. In addition, the bank was committed to safeguard the interrelationships between colleagues and organized an online event each quarter to share strategic updates, spotlight a department, and have a Q&A session on a wide range of topics that were on the minds of employees. Furthermore, the bank organized fun events, such as a CEB comedy club, tailor-made company quiz, music bingo, virtual teambuilding experiences, and drinks. Nonetheless, it was concluded that by the end of 2021, after nearly two years of virtual get-togethers, a certain “Zoom fatigue” had kicked in.

Considering that hybrid working will become an integral part of the way we work from 2022 onward, the bank has included a home office equipment budget in their recruitment offer. In addition, all employees will be encouraged to invest time and effort in taking good care of themselves when working remotely. The bank is planning to offer access to a 24/7 platform, providing easy access to video-guided healthy work breaks, such as neck and shoulder relaxation, energy boosters, mindfulness, yoga, and healthy eating tips.

Performance Management
The bank’s HR department selected a new people-management platform to drive employee engagement and performance. It will be used for more transparency around sharing goals, monitoring performance, capturing notes after 1–1 or team meetings, sharing feedback and praise, and 360° reviews.

The platform will be launched in various phases and geographies. In 2021, it was implemented in one of our subsidiaries to support the performance management cycle (PMC), whereas at the parent bank, the focus was on sharing feedback and praise rather than on the PMC since the old software still needed to be phased out. As of PMC 2022/2023, also employees in the parent bank will be transferred to the new platform and have the opportunity to benefit from all its features.

Competitive Remuneration
Since research shows that compensation is mentioned as one of the three key reasons to consider accepting another role, the bank is aware of the importance of paying according to market practice. In 2021, the bank partnered with a third party that provides objectified benchmark data for the bank’s employee roles in the Netherlands.

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Value-adding and Responsible Products

Corporate Banking

The products and services offered by the Corporate Banking Division can be listed as STCF, SCF, CL&PF, and MF, provided to an international client portfolio through its international presence in Amsterdam, Geneva, Bucharest and Kyiv.

The key factors attracting corporate customers to CEB are the highly skilled and specialized multicultural teams in their related segments, services tailor-made to the diverse needs of each client, quick adaptation to swiftly changing trends and market conditions, and worldwide geographical networks creating in-house business synergies between clients.

The CEB corporate banking platform now goes beyond simply providing finance to its customers; it also assists them in meeting potential business partners and adopts high integrity and ESG standards.

Being one of the major business lines of CEB, corporate banking activities play an important role in the financial and non-financial footprint of the bank. In all corporate banking activities, "product responsibility" means CEB's direct or indirect position and value creation with respect to the following criteria:
- ESG risks,
- Tax integrity,
- AML,
- Corruption,
- Terrorist financing, and
- National and international sanctions.

CEB's strict compliance with best practice in the above-mentioned criteria is not only important for alignment with the requirements of national and international regulators but also for the bank's own ethical approach on legal, social, and environmental issues.

Policies and Due Diligence

CEB's Integrity Risk Appetite Statement, "KYC Policies" and "ESG Risk Assessment Framework" documents clearly address the bank's position with respect to the above-mentioned criteria in detail.

Compliance in these areas entails CEB following strict customer due diligence (CDD), transaction due diligence (TDD) and ESG risk-assessment procedures within the frame of its activities. All CDD and ESG procedures conducted for new and existing clients of the bank must be in line with its clearly determined policies on the above-mentioned criteria, such as sustainability, social responsibility, tax integrity, AML, corruption and PEPs, terrorist financing, and sanctions. As per well-established TDD procedures, each and every transaction intermediated by CEB for its clients is also checked and filtered within the frame of the above-mentioned policies.

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Outcome
The procedures and policies that CEB has in place help it to identify any potential or existing clients involved in tax evasion, money laundering, corruption, etc., or any convicted of any crime, including those related to the environment or human rights. Since the implementation of these procedures and policies, CEB's Corporate Banking Division has become even more selective in onboarding new clients, while simultaneously certain current relationships were terminated and certain type(s) of transactions were stopped due to their critical risk ranking.

Principal Risks and Their Management
The Corporate Banking Division may face the following risks while onboarding new clients as well as working with existing ones:
- Clients' activity in a restricted area as per CEB's ESG Risk Framework;
- The involvement of corporate clients and their ultimate beneficial owners or managers in potential breaches of national or international law and regulations on money laundering, corruption, terrorist financing, tax evasion, environment, human rights, etc.;
- Clients and third parties under national and international sanctions;
- Transactions related to goods and countries that are subject to national and international sanctions;
- Transactions that may be in breach of national or international law and regulations regarding money laundering, corruption, terrorist financing and tax evasion.

For the purpose of managing those risks, CEB has developed clear internal procedures and instruments, including:
- Highly detailed KYC processes for new clients, repeated periodically for all current clients,
- Manual controls on every transaction,
- Establishment of artificial intelligence filters for an additional control of each transaction,
- Close and continuous collaboration with regulators and external consultants for further improvements in risk management,
- Development of a comprehensive Sustainability Policy to integrate ESG factors into the bank's business model, and
- ESG risk assessments.

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KPIs
For the sake of measuring and better controlling the above-mentioned risks, CEB uses third-party services, which operate dynamic data platforms that are constantly revised according to internal and external developments. CEB has also clearly identified the following:
- Countries and jurisdictions presenting risks ranked at low, medium, high, and critical,
- Blacklisted countries based on sanctions, corruption, etc.,
- High-risk ranking for certain sectors, goods, and services,
- ESG risk ranking.

Thanks to the high standards it has in place, CEB not only continually improves its own business model but also encourages and guides its clients to improve theirs, creating significant value for all stakeholders and wider society.

Retail Banking
CEB's retail banking offers simple and easy-to-use products to empower its customers to achieve their saving goals and to manage their financial future.

CEB's Western Europe retail banking offers sight and term deposits. The most important factors for retail customers when choosing such saving products are attractive interest rates, financial security, and customer experience.

The bank's basic product specifications have remained unchanged since the bank was established, and this easily comprehensible setup is one of the main reasons for the loyalty of our customers, who continue to use CEB's saving products over decades. In the Netherlands and Germany, sight deposits and term deposits are the only two products offered to retail customers. In Romania, in addition to these produces, we offer current accounts, credit and debit cards, and residential mortgage loans. Moreover, we have a branch network in Romania to serve our customers.

Dutch and German customers are protected by the Dutch Deposit Guarantee Scheme and Romanian savers by the Romanian Deposit Guarantee Fund. Both schemes guarantee deposits up to a maximum of EUR 100,000, and they cover nearly all retail deposits held by the bank. This governmental security combined with the low-risk appetite of the bank safeguards our customers' deposits.

Due to the continuing low-interest environment and excess liquidity in Western European markets, the financial aspects of saving products are mainly predetermined, with only minor differences between banks, making customer experience the most important differentiating factor in retail banking. CEB is closely monitoring developments in digital banking to keep abreast of the latest trends and innovations. Our retail customers in all countries can apply for and maintain their products 24/7 via online banking, mobile banking, and telebanking. We also maintain a close and interactive relationship with our customers to gather first-hand insight about their perception of our channels. This feedback forms the foundation for all investments in the bank's digitalization program and the continual optimization of its digital channels and communication with customers.

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In 2022, CEB will concentrate on digital transformation in the Romanian market, investing in the development and design of digital channels and products and making these products available in 2022 to keep up with the latest trends and innovations in the market.

Policies, Procedures and Regulations
CEB's retail banking has many policies and procedures in place that reflect the regulatory requirements across the EU and in local markets. The bank's code of conduct provides the framework for maintaining the highest possible standards of professionalism.

The most important policies and procedures are:
- AML/KYC Procedure,
- Customer Complaint Handling Procedure,
- Code of conduct,
- Foreign Account Tax Compliance Act and Common Reporting Standard Policy,
- Internal Alert System Policy (whistle-blower policy),
- Conflict of Interest Handling Policy, and
- Personal Data Disposal Procedure.

The bank's Internal Audit Department checks whether these policies and procedures are correctly applied during their frequently performed audits.

Outcome
Application of these policies and procedures enables the bank to offer its customers standardized, secure, and compliant services and products, minimizing the risks arising from AML, loss of customer data, tax evasion, and fraudulent activities.

KPIs
Adhering to this corporate governance framework, CEB aims to sustainably ensure the delivery of reliable, secure, compliant, and easy-to-use products to its customer base. These pillars of trust, safety, and convenience form the foundation for providing the necessary amount of the bank's group-level funding.

Non-financial Risks

Competition
The retail deposit market in Western Europe remains challenging. The most important factors for customers choosing saving products are financial security, convenience, transparency, good customer service, and attractive interest rates. Due to the continuing low-interest environment and most banks' excess liquidity, retail saving customers are in search of offerings outside their existing banks. This situation supports three major trends in the market: (1) Customers prefer sight deposits rather than term deposits because of the higher flexibility and the negligible difference in interest rates, (2) Saving platforms and comparison providers are set to play a more influential role as intermediaries and first points of contact for customers, and (3) Even highly security-oriented customers have started to move funds from term deposits to other investment products. CEB is closely monitoring these developments and its current strategy to sustain its position in the savings market.

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Regulations
The banking sector is facing a multitude of tighter regulations to ensure a high level of consumer protection by preventing, among other threats, market instability, tax evasion, and money laundering. These regulations result in the recording, capture, and reporting of an increasing volume of data, and some directly impact on the processes and products that banks offer. CEB is closely monitoring regulatory changes and developments, constantly embedding legal and regulatory requirements in its business processes.

Diversity, Equity and Inclusion
Diversity is one of the three core values of the bank: our diversified background and footprint in different regions allows us to see things from different perspectives. This is crucial to continue to attract talent and meet our strategic targets because the relationship between diversity and profitability and innovation is becoming more and more evident. Following the introduction of the gender balance act, appropriate and ambitious targets to promote gender diversity on the Bank's boards (plus ExCo) and in certain categories of managerial functions are being set and a plan to reach these targets will be developed. Furthermore, the Bank has adopted a diversity and inclusion policy (which will be aligned with the new diversity targets that are currently being set; these targets also cover e.g. ethnicity and tenure). The main goal of the policy is to promote diversity and inclusion in the workplace as drivers for innovation, growth and better balanced decisions. The policy covers amongst others diversity/inclusion in the following areas: educational and professional background, gender composition, nationality composition and geographical provenance and age and seniority. The policy is being implemented through the Bank's recruitment policy, education of the Bank's staff and keeping board members (and staff) informed on diversity and inclusion trends, practices and achievements. The main item for improvement reflected in the Bank's diversity and inclusion policy remains having a more balanced gender ratio amongst CEB's staff. At consolidated level of the banking group the male-female ratio is very well-balanced. However, at entity level in the different countries and within the different seniority levels there is room for further improvement. A plan and supporting actions to have a more balanced gender ratio (and to also achieve the Bank's other diversity targets) are being developed. For more information on Board diversity reference is made to the Corporate Governance chapter of the annual report (chapter D).

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Data Governance
Data governance is a systematic approach, which will enable our organization to derive value from data and analytics. Value is created by:

- Improving decision-making processes by means of ensuring quality data,
- Improving data security and regulatory compliance, and
- Boosting talent attraction and retention by reducing the time spent on manual data handling.

In 2021, based on the bank's strategy, the retail customer data domain was targeted for a pilot phase under the data governance program. During the pilot phase, the foundational design of data governance was refined, and the blueprint implementation was finalized. In this stage, accountability, prioritization, metadata and lineage, quality, security, and retention data dimensions were covered under the retail customer domain, including new digital banking.

Following the finalization of these data governance activities, the data quality and digital banking domains were operationalized, and interactive dashboards were created for business use, improving decision-making and increasing efficiency.

As the next step after completion of this pilot stage, the sub-domains of consolidated risk management, money transfers, and TDD will be covered in 2022, targeting the following milestones:

- Further improving process efficiency and decision-making through improved multi-dimensional data insights on a portfolio basis,
- Retaining data quality as a primary focus in retail banking, and
- Initiating group-level comprehensive data governance in line with the rollout strategy of core banking to subsidiaries.

ESG Strategy
Forward-thinking businesses focus on ESG factors when assessing the sustainability of their operations. Mindful of this fact, CEB has taken several steps to further integrate sustainability into its activities. Toward the end of 2021, a sustainability officer was hired to establish a sustainability governance model and to support the bank's first and second lines of defense. The Sustainability Committee has been reorganized to include interdisciplinary project teams focusing on the most material ESG topics, such as climate change, ESG risk assessment, disclosure, and diversity and inclusion. Moreover, in mid-2021, CEB submitted an action plan to DNB that included the implementation of comprehensive assessment, management, and disclosure of climate-related and environmental risks.

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In order to manage the sustainability agenda holistically, CEB upgraded its plan to develop a Climate Policy within an inclusive Sustainability Policy. The policy will be finalized by Q2 2022, with a focus on sector-specific ESG risks in the bank's balance sheet, and CEB aims to update sectoral policies and risk appetites to integrate high-level strategic principles regarding carbon-related businesses. The process has started in sectors bearing high ESG risk; the bank updated its Coal Policy in 2021, introducing a phase-out plan and defining prohibited activities for which it will no longer provide direct financing. In line with its medium- to long-term ESG strategy, CEB will work toward stopping its thermal coal trade financing activities by the end of 2025. Additionally, regarding trade financing activities for metallurgical coal, CEB will follow the technological advances in low-carbon-intensive alternatives (e.g., electrification of steel production) and revisit the timing of a total exit from coal.

CEB considers stakeholder engagement a crucial part of its ESG strategy, and the bank has accordingly strengthened its participation in sectoral and regional ESG working groups of leading organizations. Moreover, focusing on its climate-related disclosures, CEB is dedicated to evaluating existing initiatives and actively taking part in the most appropriate ones in line with its overall ESG action plan.

Sustainable Finance
The United Nation's Sustainable Development Goals are close to being an inseparable part of the business framework and investment decisions, and the financial sector plays a crucial role in achieving them. According to the latest Global Risks Report published by the World Economic Forum, climate action failure is identified as the most severe risk, followed by extreme weather and biodiversity loss. Accordingly, the financial institutions' commitment to climate alignment has become invaluable.

CEB is aware of its role in safeguarding sustainable development and therefore aims to assist its customers in taking ESG factors into account in their operations. In this regard, our number one priority lies in collaboration and transparent dialogue with our clients regarding the societal and environmental impacts of their business decisions and investments.

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To understand and monitor the climate risk impact on CEB's balance sheet, the bank conducted a fruitful collaboration with Navigant, a Guidehouse company, in 2019. As part of this collaboration, CEB reviewed the best practices in climate risk management, deep-dived into its portfolio, and conducted a materiality assessment to identify the material risks and the options to manage risks and opportunities in this field. In 2020, CEB began calculating the carbon emissions for its balance sheet, covering corporate, bank, and sovereign exposures, including the trend since the end of 2017. The calculation methodology that was developed and the metrics to monitor the portfolio are in line with the Partnership for Carbon Accounting Financials (PCAF) methodology. These emissions trends are used to evaluate the risk appetite for sectors with high carbon emissions.

CEB is aware that more concrete steps should be taken in obligor-level ESG risk-assessment processes. These risks may trigger financial losses and should be explicitly assessed as part of the lending process and incorporated into credit risk policies and procedures. Therefore, CEB initiated a project in January 2021 to determine how to embed ESG risk assessment in corporate loan origination and monitoring processes and related policies. An interdisciplinary working group was formed within the first line of defense that looked into best practices and ESG rating agency methodologies. The group has accounted for supervisory expectations and developed an ESG risk-assessment framework for corporate customers for the bank including all its subsidiaries. Restricted activities were identified based on their high level of ESG risks. Several internal training sessions were held to ensure all related business lines are informed throughout the process and to develop the bank's capacity to assess ESG risks. The framework has been applied to all corporate loans since October 2021.

EU Taxonomy

Regulation (EU) 2020/852 ('EU Taxonomy' or 'Taxonomy') aims to establish an internal market that works for the sustainable development of Europe, based, among other things, on balanced economic growth and a high level of protection and the improvement of the quality of the environment. According to the regulatory requirements under Article 8 of the EU Taxonomy Regulation and supplementing Disclosures Delegated Act, credit institutions are expected to disclose the Taxonomy-eligibility of their covered financial assets covering activities relating to climate change mitigation and adaptation as of January 2022.

Given the fact that the Regulation is introduced in phases, is subject to further development and available data to establish a long-term plan is not sufficient, CEB has not yet integrated EU Taxonomy into its product design mechanism, but is currently in the process of incorporating EU Taxonomy in its ESG strategy and accordingly has initiated contact with the counterparties potentially covered by the Regulation for data collection purposes.

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Scope of our Taxonomy-eligibility disclosure comprises the portfolio of sectors covered by the EU Taxonomy, excluding; our trading book, exposures to sovereigns, central banks, and supranational issuers, derivatives, on-demand interbank loans, and exposures to undertakings not subject to the Non-Financial Reporting Directive (Directive 2014/95/EU, 'NFRD'), and is limited to EU counterparties. The quantitative Taxonomy-eligibility disclosures are based on Credit Europe Bank's prudential consolidation determined in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council together with Article 8 of the EU Taxonomy Regulation and supplementing Disclosures Delegated Act.

Since CEB does not provide special-purpose loans with environmental objectives, the information disclosed on Taxonomy eligible and non-eligible activity related asset ratios cover general purpose loans granted by CEB. This shall be calculated based on actual data provided by the in-scope counterparties, covering the share of their turnover generated from and capital expenditure (CAPEX) spent for the Taxonomy-eligible activities. CEB has initiated the counterparty communication process; however, since the Regulation has only came into force recently, disclosures from relevant counterparties have not been finalized yet, and therefore, the available data is limited. Accordingly, our Taxonomy-eligibility disclosure does not include exposures to financial and non-financial undertakings. Moreover, determination of counterparties subject to NFRD is based on internally available data. Accordingly, lack of sufficient data affects the full presentation and accuracy of quantitative Taxonomy-eligibility disclosures as well as distinguishing counterparties that are not subject to NFRD. However, data availability and quality will increase over the upcoming periods in line with maturing counterparty disclosures.

Based on the available data, CEB's Taxonomy-eligible activities relate to loans to households collateralized by residential immovable property.

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EU Taxonomy-Eligibility Disclosure

Item	Ratio	Definition
Taxonomy-eligible activity	5%	Ratio of total EU Taxonomy covered activities of counterparties subject to NFRD, households and local governments to total covered assets (excluding the trading book and exposures to sovereigns, central governments and supranational issuers)
Taxonomy non-eligible activity	8%	Ratio of total non-EU Taxonomy covered activities of counterparties subject to NFRD, households and local governments to total covered assets (excluding the trading book and exposures to sovereigns, central banks and supranational issuers)

Excluded Assets' proportions to total covered assets

Item	Ratio	Definition
Exposures to undertakings not subject to NFRD	76%	Ratio of exposures to financial and non-financial undertakings that are not subject to NFRD to total covered assets
Derivatives	2%	Ratio of derivatives to total covered assets
On-demand interbank exposures	3%	Ratio of on-demand interbank loans to total covered assets
Sovereign exposures	32%	Ratio of exposures to sovereigns (including central banks and supranational issuers) to total covered assets
Trading book	2%	Ratio of exposures in the trading book to total covered assets

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Environmental impact
CEB is conscious of its responsibility to conserve natural resources and continually aims at a more efficient use of the resources required for its business activities. Prior to the Covid-19 pandemic, CEB established a sustainability working group that explored initiatives to contribute to a better environmental performance in the workplace. Several actions, such as the extension of waste separation, banning of plastic bottles and plastic or paper containers, and further promotion of the consumption of tap water, have been initiated, and this working group will pursue its activities with reference to the return to office working. In 2021, CEB initiated a data collection process to calculate its Scope 1 and 2 carbon emissions, and it plans to finalize the calculation for Credit Europe Bank N.V. in 2022, extending the calculation scope to the bank's subsidiaries in 2023. Furthermore, CEB periodically performs the required energy audits to ensure the necessary energy efficiency applications are deployed in compliance with current regulations.

Employee Experience

Employee Engagement
To demonstrate that cultural transformation is important and needs the contribution of every employee, the bank selected cultural transformation as a company focus KPI in the PMC 2021/2022, representing 20% of the overall performance rating. Cultural transformation targets three areas, which correlate strongly with employee engagement:

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- **People First**

CEB aims to create better human experiences, and in a remote working environment, a good example is allowing employees to work from abroad.

- **Empowerment**

Throughout 2021, employees and managers were encouraged to make their own decisions in the bank's day-to-day business. Decisions related to HR processes (i.e., hiring, training, recognition, and compensation) were reviewed, and managers were given a stronger mandate for decision-making.

- **Collaboration**

Considering the strategic, regulatory, and technical challenges and complexity of the business, it is impossible to meet targets without a strong collaborative work environment. An important ingredient for collaboration is transparency about strengths and areas for improvement. In an ideal setting, employees complement one another to fill gaps in skills or experience. In 2021, a people-management platform (see the Performance Management section above) was launched to share recognition and feedback with employees. From 2022, the platform will be used for performance management and will feature creating shared goals and providing transparency to collaborating team members.

In 2021, the bank continued forming multidisciplinary teams, and by leveraging the knowledge and skills of the experts in our organization, many projects were successfully completed in time. The product launch of Supply Chain Finance as well as digital onboarding of retail customers in Germany and Netherlands are great examples.

Employee engagement will continue to increase in importance in the coming years in the face of the post-pandemic employee turnover "tsunami" that researchers are predicting. At the height of the pandemic, employees seemed inclined to sit tight and ride out the industry-wide downturns and market uncertainties. They were more focused on dealing with the personal challenges presented by the pandemic, such as staying away from the virus, caring for sick family members, or taking on extra childcare or homeschooling responsibilities while keeping up their own work performance from home. That combination of factors made it an inopportune time to pursue major changes in their professional life.

Remote working carries an increased risk of staff members feeling less connected to and engaged with their companies. An underinvested workplace culture and lack of frequent personal interactions and employee recognition may result in diminishing the employees' sense of loyalty.

Post-pandemic, employees have adjusted to the new situation and are more likely to consider changing jobs. Undoubtedly, the strong financial climate with an abundance of vacancies is tilting the balance of power in employees' favor.

Therefore, the bank will continue to have a "people first" approach throughout 2022 and beyond.

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Learning and Development (Training and Education)
The pandemic, remote working, and managing work–life balance required a lot of focus and attention in 2021, which resulted in a less structured learning and development offering to our employees. At the same time, there is a paradigm shift taking place in this HR field as many learning and development companies are reinventing their curricula to adjust to hybrid working needs rather than relying on the traditional classroom-based learning model. CEB recognizes that developing the bank's workforce is of crucial importance. Now that we have adapted and embraced a hybrid working model, we will re-prioritize learning and development to support the achievement of our strategic direction. Learning and development activities will target both professional and personal development. Professional development focuses on strengthening expert knowledge and technical skills to aid employees to succeed in their roles. Personal development involves improving mental and social skills to facilitate more self-awareness, collaboration, and agility to meet the changing stakeholder demands and expectations described under cultural transformation.

To further emphasize the importance of developing oneself, there will be more attention on development actions in the PMC, and as of 2023, we will consider including them in the performance rating of an employee.

Responsible Remuneration
CEB is bound to the Group Remuneration Policy (at the level of Credit Europe Group N.V.), which was updated at the end of 2021 in accordance with applicable laws and regulations. For further details on CEB's remuneration policy, refer to the Remuneration Report included the Corporate Governance chapter.

The materiality assessment placed the following topics below the determined materiality threshold. Nevertheless, CEB considers them important, and we therefore include a brief explanation here:

Community Engagement: CEB continually aims to maximize the positive social, environmental, and economic impact that it has on local communities (e.g., by supporting certain charities).

Financial Inclusion: With its strong presence in emerging economies, CEB aims to enable individuals and businesses to access useful and affordable financial products and services that meet their needs. The non-complex and transparent products provided to CEB's retail and SME customers ensure availability and equality of opportunity for people accessing its financial services.

External Communications and Public Relations: CEB believes maintaining effective stakeholder engagement is essential for creating mutually beneficial relationships, whether building on existing relationships or fostering new ones. Understanding and addressing stakeholder expectations enables CEB to make more informed decisions. The aim for 2022 is to further strengthen the bank's branding.

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Risk Management and Business Control

Risk Management and Business Control
Risk management and business control are anchored into the bank's strategy and embedded in its organization. A risk management and internal control framework has been implemented in line with the bank's business activities and geographical spread. The purpose of such a framework is to set the minimum requirements for risk management and business control in respect of major risks to ensure the achievement of CEB's strategic goals.

Following approval by the Supervisory Board, the Managing Board sets the bank's risk appetite, while the Supervisory Board conducts oversight on the overall risk management and business control under all applicable local and international legal or regulatory requirements. This process is a response to the various financial and non-financial risks the bank is exposed to. The Managing Board is responsible for implementing and maintaining the risk-management policies within the organization and monitoring its risk exposure to ensure that CEB's activities and portfolios are not exposed to unacceptable potential losses or reputational damage.

CEB bases its governance framework on a "three lines of defense" model. Each line has a specific role and defined responsibilities for the execution of different controls. The three lines work together to identify, assess, and mitigate risks. The business units form the first line of defense, providing accountability and responsibility for assessing, controlling, and mitigating risks affecting their businesses. The accuracy of the units' financial statements and risk reports with respect to their responsible functions belongs to the first line. The second line consists of the risk management, corporate credit, compliance, and other control functions. Local risk management and compliance functions operate within CEB's head office and each banking subsidiary, and these functions report to local and head office management. The Managing Board ensures that risk management, compliance, and other control matters are addressed and discussed with sufficient authority. The third line of defense is the internal audit function, which assesses the functioning and effectiveness of the business units, financial risk management, and non-financial risk management activities.

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Risk Management and Business Control

CEB's risk management and internal control framework enables the Managing Board to control the financial and non-financial risks of the bank's business activities. This framework is governed by a system of policies, procedures, and 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 CEB'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 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 increase the effectiveness of reporting, the bank has implemented internal financial reporting controls.

Note 37 to the financial statements elaborates on the risk management and internal control framework, the risks incurred, and the main risk factors attached to the strategy of the bank. CEB's corporate website also provides information on risk management and compliance.

Key Developments in 2021

In 2021, the following events required the specific attention of the Managing Board: ESG risks continued to be a major focus for CEB in 2021 as the bank understands that its business actions can have an impact on the environment and communities. In line with the EBA guidelines and our ambition in this area, we have initiated a project to integrate ESG factors in our credit risk-management policies and procedures. CEB has developed and implemented a scorecard to assess ESG-related risks in the financial conditions of borrowers during the loan origination and monitoring processes. The scorecard also sets the governance framework. Furthermore, in 2021, the company established a sustainability department and hired a sustainability officer. CEB aims to prepare a climate risk policy in 2022 to define the governance of climate-related risk-management processes and strategic targets. CEB has also enhanced its risk appetite framework considering environmental risks. The bank is aware of its role in addressing climate change and wants to contribute to the transition to sustainable development. Accordingly, a forward-looking phase-out plan for coal-related business has been integrated into the risk appetite framework.

CEB continually strives to improve its risk-management processes. In 2021, the bank initiated a project to enrich its risk appetite framework by integrating into its existing structure a loss given default (LGD)-based concentration risk and limit framework. To ensure that the new framework was based on a solid foundation, CEB reviewed alternative options and decided to collaborate with Standard and Poor's to utilize their proven methodology to estimate an obligor-level worst-case LGD metric for bank, sovereign, and corporate portfolios. The LGD models for the rest of the portfolios are developed in-house. The new risk appetite framework is expected to be implemented during 2022.

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In 2021, CEB completed the process for the selection of a software suite that allows for an integrated approach between compliance processes related to the first and second lines of defense, such as KYC and pre- and post-transaction monitoring. The implementation of this suite was completed at year-end, but further work has been undertaken to improve the operational risk-management processes. CEB performed a comprehensive risk control self-assessment and internal control evaluation in 2021, covering every major process in the organization. The bank conducts regulatory self-assessments and takes necessary corrective measures by revising its internal policies and processes and updating its IT systems. Furthermore, to monitor each operational risk type effectively, a new comprehensive key risk indicator framework has been implemented, and early warning limits are defined for risk metrics within the scope of operational risk management.

In relation to the interbank offered rate (IBOR) benchmark transition, CEB has been closely monitoring market developments and announcements from industry bodies and regulators, and the bank is preparing itself for the upcoming changes. Since the initiation of the IBOR Transition IT Project in 2020, CEB has made significant progress, and many of the new requirements have already been developed and tested, starting with treasury products. The first phase of IBOR transition-related changes have been operational since early 2021. The created know-how has been leveraged in the second phase of the IT project, which is still ongoing to tackle loan and securities modules. The loan module changes have been completed and are now in production, while the securities module should be complete in Q1 2022. On the corporate banking side, the next steps include updating standard loan documentation with robust fallbacks and language that accommodates the new risk-free rates (RFRs). Alongside this exercise, the bank has engaged Norton Rose Fulbright LLP (NRF) as its legal counsel to advise on the legal aspects of the London interbank offered rate (LIBOR) transition. The bank is currently finalizing client communication documents together with relevant guidance notes setting out the background of the benchmark transition, new interest calculation methodologies, and FAQs, as well as the draft amendment templates.

In relation to the data improvement program, CEB began a project to improve data centralization throughout its subsidiaries in 2020. The integration of the core banking system in CEB Switzerland is still ongoing. In addition, several data centralization, improvement, and reporting projects have been executed to enhance the content, quality, and automation of the data inflow and reporting processes at the consolidated level.

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CEB has continued to strengthen its cybersecurity and resilience to protect itself against the emerging and sophisticated cyber threats in the financial sector. Furthermore, enhancements have been made in the areas of information security, data protection, and business continuity. These developments are further explained in the IT and Information and Operational Risk sections of the chapter on non-financial reporting.

Since protection from financial and economic crime risks requires unwavering attention, management of such risks has remained a priority throughout the year. CEB recognizes that its AML/CTF framework serves as a solid foundation but that it needs to be continuously maintained. Therefore, all staff must periodically complete mandatory regulatory compliance training focused on the bank's AML/CTF controls. Through all these efforts, CEB promotes a strong AML culture, in which all staff are aware of the constant risks related to financial and economic crime.

Areas of Improvement for 2022

The bank continues to make necessary preparation to comply with changing regulatory requirements, including new EBA technical standards and guidelines such as fundamental review of the trading book; revised standard approaches in the Basel 3 framework; the role, tasks, and responsibilities of AML/CTF compliance officers; and IBOR transition. Data centralization, internal process automations, and risk-management framework enhancements will remain the focus areas in 2022. CEB will continue to strengthen its operational risk framework, with a special focus on evaluating control effectiveness by control testing and the development of new operational risk stress scenarios. Finally, CEB will continue to improve its sustainability framework via more in-depth materiality assessments, deeper integration of sustainability risks into its business strategy, and the formation of a sustainability risk policy that documents the governance of climate-related risk-management processes and strategic targets.

Internal control report

The responsibilities of the Managing Board include compliance with the principles of the Dutch Financial Supervision Act and other regulations, which involve the implementation of effective risk management and control systems. CEB's internal control framework is based on control self-assessment framework developed on a number of source documents, including Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), EBA Guidelines on Internal Governance, the Basel Corporate Governance Principles, other regulatory requirements, recommendations and best practices. The risk management and internal control framework aims to ensure reliable financial reporting and to control operational risks within the strategic goals of CEB.

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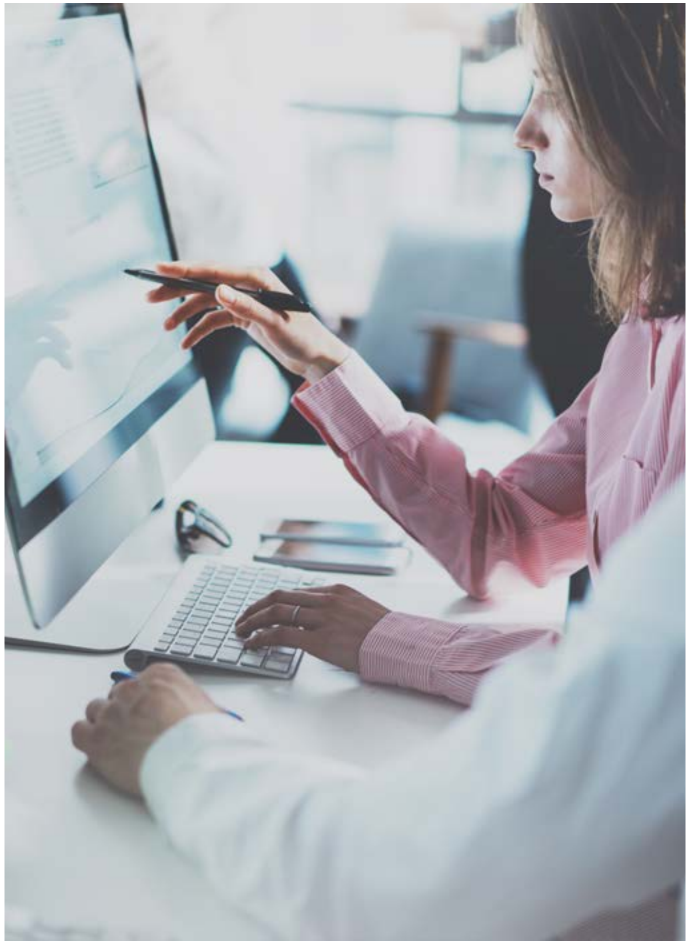
Risk Management and Business Control

Effectiveness of risk management and internal controls
The Managing Board relies on the risk management and internal control framework and is supported by the management in each country of operation. The country management teams provide the Managing Board with an annual internal control statement based on a risk control self-assessment.

The Managing Board annually reviews the effectiveness of the risk management and internal control framework. The internal audit function reviews the self-assessment of the framework's effectiveness, applying its knowledge of policies and procedures and related audit findings. The Audit and Risk Committee monitors the framework and reviews the self-assessment results and the findings of the internal audit function. In addition, regular reports are presented to the Audit and Risk Committee by management, internal audit, risk management, and financial control. Regular risk reports are distributed covering credit risk, market risk, liquidity risk, operational risk, etc. Compliance reports focusing on the management of integrity risks (e.g., conflicts of interest, money laundering, financial sanctions, and improper conduct) are regularly presented to the Compliance Oversight Committee. The risk management and internal control processes provide reasonable assurance that the bank's financial reporting does not contain errors of material importance. This includes its status as a going concern and confirmation 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 CEB believes it complies with requirements 1.4.2 and 1.4.3 of the Dutch Corporate Governance Code 2017.



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Risk Management and Business Control

In addition to the internal control framework, the bank strives to:
- Assess the effectiveness of internal controls,
- Strengthen the front-line responsibility for operational risk management, and
- Check whether key controls are working as intended.

CEB initiated control-testing activities in 2021. The governance mechanism of control testing has been built, and the roles and responsibilities of different functions are clarified via policy and procedures. The results of control-testing activities are shared with the Managing Board to monitor the effectiveness of the bank's internal control environment.

Responsibility statement

Pursuant to Article 5:25c Section 2 Part c of the Dutch Financial Supervision Act, the members of the Managing Board state that, to the best of their knowledge:
- The financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of CEB 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 2021 of CEB and its affiliated entities, whose information is included in its financial statements; and
- The annual report describes the material risks that CEB faces.

A member of the Managing Board has been given compliance risk management as a focus area, ensuring that an effective compliance function is established and managed under their responsibility within the bank and under the oversight of local management in each banking subsidiary. This member of the Managing Board is also responsible for the compliance of the bank and relevant subsidiaries with the Dutch Money Laundering and Terrorist Financing Prevention Act (Wwft).

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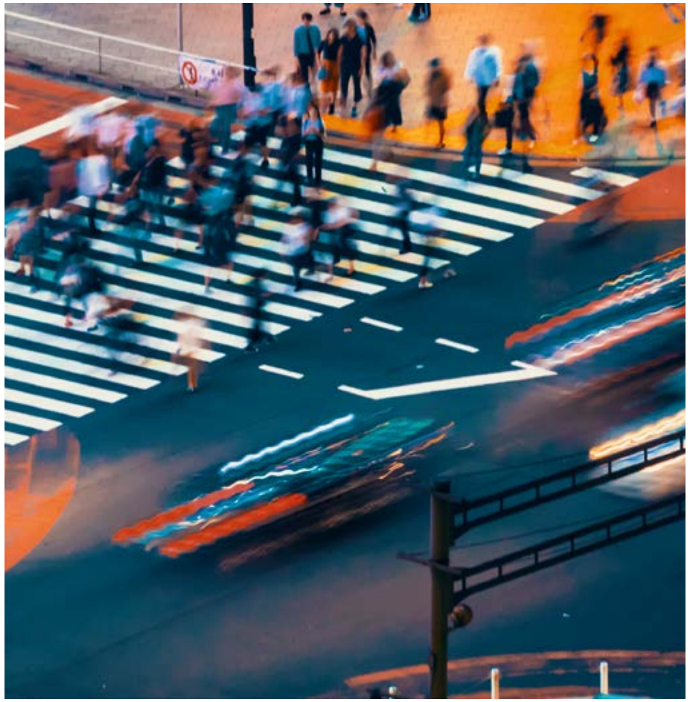
The pace of recovery from the shock of the Covid-19 pandemic differed across major advanced economies, but the rebound has been strong. Reaching or exceeding pre-pandemic growth rates triggered a shift in monetary and fiscal dynamics. The stimulus packages are being replaced by deficit reduction plans, and the labor markets are tight. Following the lead of Fed, major central banks are considering interest rate hikes and balance-sheet reductions. Inflation remains the biggest concern, regularly coming in higher than revision forecasts. Whether or not inflation remains transitory, it will be a major challenge for all key economic players. Another key question is whether fiscal normalization will affect economic growth and consumer sentiment while the deficits are being unwound. The recent geopolitical escalation due to the war between Russia and Ukraine is complicating the situation even further and increasing the uncertainty for 2022 and beyond. We refer to the subsequent event disclosure in the financial statements for further information on the short term financial impact of the Ukraine invasion on the financial position of the Bank.

The economic growth projections are slightly weaker for 2022, but despite recent developments, positive growth in 2022 is still the base case for all developed markets. This growth momentum is mainly supported by the lingering effects of stimulus policies, stronger household savings, solid business investment sentiment, and a surge in manufacturing orders. For the positive momentum to continue, supply chain bottlenecks will need to be cleared and strong consumer demand maintained. The war between Russia and Ukraine hampers this through



effectively acting as a negative aggregate supply shock. Recent developments also highlight the risks of further escalation, posing downside risks to growth and upside risks to inflation, and souring economic sentiment. It will be important for the global economies to overcome the current challenges while transforming their energy markets toward a more sustainable and green future.

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Profile of the Managing Board and Executive Committee

Senol Aloglu (1965, male)
Chief Executive Officer[1]/Managing Board member
A graduate in business administration from Bogazici University, Istanbul, and having an MBA from UvA Business School, Amsterdam, Senol Aloglu started his banking career in Turkey in 1987 and joined the Fiba Group in 1991. He worked in banking and leasing operations of Fiba Group until his appointment in 2000 to CEB as Country Manager for the Dutch Operations. In 2005, he was appointed as a Managing Board member and with effect from 1 January 2022 he took over the CEO role. Mr. Aloglu, who is a Dutch national, is responsible for corporate governance, corporate banking, bank relations, treasury, retail banking, human resources, and internal audit[2].

Umut Bayoglu (1973, male)
Chief Financial Officer[3]/Managing Board member
Umut Bayoglu holds a BSc in Economics from METU in Ankara. He began his career in 1996 as a management trainee with Finansbank AS. In 2001, he was appointed Head of Financial Control in Germany. In 2006 he became CFO of CEB, and in 2008 he joined the Managing Board. He is responsible for financial control, accounting and central bank reporting, data office and analytics, information technology, and operations. Mr. Bayoglu holds Dutch nationality.

Batuhan Yalniz (1973, male)
Chief Risk Officer/Managing Board member
Batuhan Yalniz holds a Postgraduate Diploma in Trade, Transport and Finance from City University Business School (Sir John Cass Business School) in London. He has been working in risk-management-related functions within the banking industry for more than 20 years and joined CEB in January 2008 as Division Director – Risk Management. Through many projects that have been executed under his responsibility, Batuhan Yalniz has proven his in-depth knowledge of the different aspects of risk management as well as his management skills. Since October 10, 2016, Mr. Yalniz, who has Turkish nationality, has been a member of the Managing Board responsible for financial and non-financial risk management[4], compliance, corporate credits (second line), and financial institution (FI) credits (second line).

[1] *Also chairperson of the Executive Committee.*
[2] *Administrative reporting line.*
[3] *Also vice-chairperson of the Managing Board (Deputy CEO) in accordance with article 3.1 of the Charter governing the Managing Board and vice-chairperson of the Executive Committee.*
[4] *Financial Risk Management, Information Security Management, Operational Risk Management and Legal Affairs.*

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Zeyno Davutoglu (1966, female)
Member Executive Committee (Division Director – Bank Relations and Supply Chain Finance)
Zeyno Davutoglu obtained her BA in International Relations from Ankara Gazi University, followed by an MA in European Studies from Istanbul Marmara University. She started her career in 1991 at Koc-American Bank Istanbul, where she held various posts, including positions at Koratrade Ireland and Kocbank Nederland. In 2005 she joined Finansbank N.V., and in 2006 she was asked to establish the bank's Malta branch office. In 2008 Zeyno was appointed as Division Director – Bank Relations, currently responsible for financial institutions, loan trading and forfeiting, and the supply chain finance activities of the bank. Zeyno Davutoglu holds dual Turkish and Dutch nationality.

Muammer Kayhan (1968, male)
Member Executive Committee (Division Director – Corporate Banking)
After graduating from Bilkent University with a degree in business administration, Muammer Kayhan started his banking career in 1992 in Turkey. In 1996 he moved to Switzerland to join Finansbank (today's CEB) Suisse, where he worked until 1999. From 1999 to 2019 he took various responsibilities in the Corporate Banking and Trade Finance Department at Banque de Commerce et de Placements (BCP) Switzerland. In 2019 he moved to Amsterdam, joining Credit Europe Bank N.V. as Division Director – Corporate Banking. Mr. Kayhan has Swiss nationality.

Besir Amcaoglu (1972, male)
Member Executive Committee (Division Director – Treasury)
Besir Amcaoglu holds a BSc in Industrial Engineering from Bogazici University and a MSc in Operations Research from Bilkent University. He started his banking career in Turkey in 1997 and joined the treasury department in Finansbank (Holland) N.V. later the same year. He held various positions in Finansbank until 2005, including treasury, direct banking, and business development and strategy. In 2005, he joined ABN AMRO Bank as head of Trading Risk Control. In 2008, he returned to CEB as Division Director – Treasury. Owing to his technical education and diversified work experience, Mr. Amcaoglu has in-depth knowledge of financial markets, risk management, IT and risk-management systems, process re-engineering, and operational excellence in addition to his management skills. He is a Dutch national.

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A. General

Credit Europe Bank N.V. 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 of December 31, 2021, the total issued and fully paid-up share capital of the bank amounted to EUR 563,000,000. The shares of CEB are fully owned by Credit Europe Group N.V. (CEG), a holding company established in the Netherlands. CEB makes up around 99% of CEG's assets.

CEG's shares are ultimately owned by Mr. Husnu M. Ozyegin through, inter alia, the investment company Fiba Holding AS in Turkey.

Dividend distribution

Article 31 of the bank's articles of association contains provisions on dividends and dividend distributions. Article 33, Paragraph 2 (c) states that the meeting agenda of the annual shareholders meeting includes the appropriation of the dividend.

Regulatory framework

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

Not only is the Dutch Central Bank the supervisor of CEB, but it is also our regulator, applying the provisions of its supervisory regulations and policy rules. Furthermore, the international standards and guidelines from European and other relevant authorities are used by CEB as tools to substantiate its due compliance to these regulations.

In addition, the bank is registered as a 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, in line with DNB recommendations and mindful of the bank's role as a financial institution in the Netherlands. For more information on the bank's application of the principles and best practices of the Dutch Corporate Governance Code, see page 59 and onwards.

CEB is also subject to the provisions of the Banking Code (Code Banken), insofar as 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 were updated as of January 1, 2015. The Banking Code forms part of the set of documents titled Future Oriented Banking. This package comprises the Social Charter, the Banking Code and the Bankers' Oath (with associated Rules of Conduct and a disciplinary system). All CEB's current employees working in the Netherlands (including board members) have taken the Bankers' Oath or Affirmation[5]. For more information on our application of the principles of the Banking Code, please see a summary report from page 62, 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), which are published on our corporate website.

[5]The members of the Supervisory Board and Managing Board who took their Oath or Affirmation in June 2013 signed a declaration in which they acknowledged the disciplinary regulations attached to the Bankers' Oath in 2015.

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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
At the end of 2021, CEB directly owned three banking subsidiaries in Switzerland, Romania, and Ukraine, as well as one leasing company in Ukraine.

To underpin the central position of the head office in Amsterdam, 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 managers’ meetings are organized for the general managers of the bank’s subsidiaries and 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 2021, the Managing Board members and the general managers met digitally.

Finally, in order to ensure that CEB’s business policies are applied consistently and for CEB to exercise control over its subsidiaries, the CEO or another Managing Board member of CEB sits on the Supervisory Board or Board of Directors of the subsidiaries of CEB[6]. In addition to each of these local boards, one or two independent CEB Supervisory Board members have been appointed as non-executive board members.

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 three board members. It is composed to enable it to perform its tasks properly. The individual resumes of each of the members of the Managing Board can be found on page 54.

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 when performing their management functions.

[6]As of March 2022, no Managing Board Member sits on the Supervisory Board of CEB Suisse SA. However, appointment of one Managing Board member is planned to be finalized within 2022.

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Without affecting this collective and joint responsibility, the members of the Managing Board have agreed to allocate their tasks as follows:

Senol Aloglu, CEO
Corporate governance, wholesale banking*, bank relations*, treasury*, retail banking, human resources and internal audit[7]

Umut Bayoglu, CFO
Financial control, accounting and central bank reporting, data office and analytics, IT, and operations

Batuhan Yalniz, CRO
Financial and non-financial risk management, compliance, corporate credits (second line) and FI credits (second line)

* *The heads of these business lines are Executive Committee members*

Supervisory Board
For a full description of the Supervisory Board: its composition, tasks, subcommittees and 2021 report, see page 71 and onwards.

Retirement Schedule of the Supervisory Board

Name	Member since	End of current term	Mandatory end of membership[1]
Hector de Beaufort (chairperson)	February 2011	February 2023	February 2023[2]
Aysecan Ozyegin Oktay (vice-chairperson)	October 2021	October 2025	October 2033
Korkmaz Ilkorur	August 2012	August 2022	August 2024[2]
Seha Ismen Ozgur	May 2019	May 2023	May 2031
Willem Frederik (Wilfred) Nagel	January 2021	January 2025	January 2033

[1]*On the basis of the possibility of appointment for a maximum period of eight years and extension of two times two years for specific reasons to be included in the report of the Supervisory Board (provision 2.2.2 of the Corporate Governance Code dated 8 December 2016).*
[2]*For more information on the structure and composition of the Supervisory Board and appointment terms of Messrs. de Beaufort and Ilkorur, see page 71 and onwards.*

Executive Committee
As from March 1 2022, an Executive Committee (ExCo) has been established alongside the Managing Board to ensure clear and effective communication and discussions on the bank's business and related organization and strategy, including non-commercial matters affecting the business, such as implementation of new laws and regulations. By including the ExCo in its organizational structure, the bank aims to further safeguard and enhance the commercial and client-facing roles at the executive level. The ExCo will also create more synergy and efficiency among the bank's major business lines.

[7] *Administrative reporting line*

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Composition
The ExCo consists of the three CEB Managing Board members (i.e., statutory ExCo members) and the division directors of CEB's three main business lines (i.e., non-statutory ExCo members), namely:

- Muammer Kayhan, Division Director – Corporate Banking
- Zeyno Davutoglu, Division Director – Bank Relations and Supply Chain Finance
- Besir Amcaoglu, Division Director – Treasury

Tasks
The ExCo is primarily a business platform in which the main business lines of the bank are represented together with the Managing Board. Bi-weekly ExCo meetings are being held to discuss the bank's business and related organization and strategy. The non-statutory members of the ExCo functionally and hierarchically report to the CEO. The decision-making power remains with the Managing Board, but decisions can be adopted within both Managing Board and ExCo meetings.

Along with the statutory ExCo members, the non-statutory members will participate in the quarterly Supervisory Board meetings to provide their business updates. Through these meetings and by way of regular informal updates and contacts, the Supervisory Board will remain well informed about the main focus areas of the ExCo and all related developments.

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 December 8, 2016, the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code. It should be noted that, due to our private ownership structure, the Code's provisions on shareholders and general meetings (rights, meetings, obligations, and protective measures – see Chapter IV of the Code) are, to a large extent, not applicable to CEB. Also, as CEB has adopted a two-tier structure, Chapter 5 of the Code (one-tier governance structure) does not apply.

For 2021, CEB reports on its compliance with the 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 in its private ownership structure. The long-term value creation strategy of the bank for the period to 2025 is included in its Strategy Document, which was prepared by the Managing Board, involving extensive discussion with and approval by the Supervisory Board (for more details on this document's contents, see Section D). Long-term sustainability is given a prominent role in determining the bank's strategy and in its decision-making process. All stakeholders' interests are carefully considered in this process. The strategy is reviewed annually and, where necessary, updated. As a result of the most recent strategic discussions, the bank will focus on trade finance activities, new digital business models, and sustainability, among other areas. Regular updates enable the Supervisory Board to monitor the implementation of the bank's strategy. It is of great importance for the bank to be continuously informed about the latest technological developments in today's rapidly changing society. In order to adequately anticipate these, internal training is conducted and staff members attend external seminars and courses.

CEB has established an Internal Audit Department in accordance with the principles and best practice provisions of the Code. CEB's risk management framework is comprehensive and is managed by an independent risk management function under the direct responsibility of the Chief Risk Officer. Risk management plays a central role in the bank's decision-making process. More information on CEB's risk management can be found in note 37 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 and Risk Committee (ARC) has been established. KPMG Accountants N.V. has been appointed by the bank's general meeting of shareholders (at

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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 and in meetings between the Managing Board and the external auditor. Outside these 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, considering the specific knowledge and experience of each member, with five members[8] on the Supervisory Board and three on the Managing Board. Considering the size and nature of the bank, these numbers are deemed sufficient to properly perform the boards' tasks.[9] CEB does not comply with best practice provision 2.1.7 (i), which requires that there is at most one Supervisory Board member who meets the criteria laid down in best practice provision 2.1.8 (i)–(v), as two members of the Supervisory Board meet those criteria. At this moment, the Supervisory Board consists of two female and three male members. Following the introduction of the Gender Balance Act, the bank is setting appropriate and ambitious targets to promote gender diversity on its boards and ExCo and in certain categories of managerial functions, and a plan to reach these targets will be developed. Furthermore, the bank has adopted a Diversity and Inclusion Policy that will be aligned with new diversity targets, covering areas such as ethnicity and tenure. 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 incorporates diversity and inclusion in educational and professional background, gender composition, nationality composition and geographical provenance, and age and seniority. The policy is being implemented through the bank's recruitment policy, along with education of staff and board members on diversity and inclusion trends, practices, and achievements. The main item for improvement reflected in the bank's Diversity and Inclusion Policy remains the achievement of a more balanced gender ratio among its staff. At the consolidated level of the banking group, the male–female ratio is very well balanced. However, at entity level in the different countries and within the different seniority levels, there is room for further improvement. A plan and supporting actions are being developed to reach a more balanced gender ratio and to achieve the bank's other diversity targets.

At CEB level, the composition of the Managing Board can be improved in terms of male–female ratio. No new appointments have been made to the Managing Board. On the contrary, with effect from January 1, 2022, the bank's former CEO Mr. Murat Basbay left the Managing Board and Mr. Senol Aloglu (the bank's former deputy CEO) succeeded him. In 2022, no new Managing Board members will be appointed, and the number of members has reduced from four to three compared to 2021. In case of a vacancy on the Managing Board, the Recruitment and Selection Policy and the Diversity and Inclusion Policy, among others, will be applied, and the recruitment team will be requested to provide a shortlist with at least 50% female candidates before a final selection is made based on candidates' suitability for the position. CEB will continue to strive for a good gender balance at Managing Board level, and the aim remains to appoint female candidates in the case of new appointments to the board and when replacing current members.

[8] *As of January 1, 2022, there is a vacant position in the Supervisory Board, which is intended to be filled within the coming months.*
[9] *See footnote 8.*

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In 2021 another female member joined the Supervisory Board, as a result of which two out of five members are female. In view of the requirements applicable to listed companies' supervisory boards following the introduction of the Gender Balance Act, for the moment CEB considers its Supervisory Board sufficiently balanced in terms of gender.

Targets are being set to further improve the gender balance on the ExCo, which currently has one female member. As half of the ExCo members are Managing Board representatives, reference is made to the above explanations regarding gender diversity within the Managing Board.

The rules and procedures for the appointment and reappointment of Supervisory Board and Managing Board members are set out in the bank's internal policies and charters, such as the Recruitment and Selection Policy for the Supervisory Board and Managing Board. A succession planning document for the bank's senior management has been prepared. This document, which accounts for the rationale of the diversity policy, will be updated to reflect the new diversity targets that are currently being set. The functioning of the Managing Board and Supervisory Board and its individual members is evaluated annually.

For the organization of the Supervisory Board, see the 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. The high level of transparency between the Supervisory Board and Managing Board also contributes to effective and balanced decision-making, as do the Supervisory Board's subcommittees. The respective interests of the bank's main stakeholders (i.e., CEB's customers, employees, business partners, shareholders, regulators, and wider society) are taken into consideration in the decision-making process. The Supervisory Board and Managing Board members annually discuss other board positions held by their members.

In order to promote and create the desired culture aimed at long-term value creation, new CEB employees participate in an induction program, during which they are trained in the bank's core and base values, main policies and regulations (including the code of conduct and staff handbook), and culture. CEB organizes regular thematic awareness training for all employees, and the desired culture within the bank is highlighted and discussed during quarterly staff events. 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 of dynamism, diversity, and expertise were developed. The initial rollout of these new core values took place in 2018, and in 2019 they were further embedded in the bank's organization. Feedback from a company-wide engagement survey executed in 2020 identified the key areas to focus on, and a cultural transformation program will be started to focus on three pillars in the coming years: people first, empowerment, and collaboration. Also, as part of this program, investments will be made to support employees in learning and development. Alongside efforts to update the knowledge and technical skills of our professionals, there will be more focus on increasing the employee's self-awareness through personality profiling. This is considered foundational to personal growth and development, which will contribute to the desired cultural change. An executive leadership program has started to make an explicit link between strategy and the cultural transformation program. Another way to promote a culture aimed at long-term value creation is the bank's remuneration policy (see below and Section F).

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To enable the bank's employees to report misconduct and irregularities within the bank, whether actual or suspected, an internal alert system (whistle-blower policy) has been established. This policy describes the purpose of the internal alert system, its usage, anonymous reporting, confidentiality, and external whistle-blowing procedures. In cases 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 it deals with signs of misconduct or irregularities, and 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 interest, including the Conflicts of Interest Handling Policy and a Related Party Transactions Policy. For more information on the handling of potential conflicts of interest, see 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, among others, the Supervisory Board, which monitors its proper implementation by the Managing Board. The compliance to the rules and procedures under the policy is reviewed annually in line with the Control Functions Remuneration Monitoring Procedure. The HR and 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 CEB stakeholders.

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

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

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

D. Banking Code
This section summarizes how CEB applies the principles of the Banking Code and where we deviate from them. 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 Banking Code principles in 2021. The overview follows the chapter sequence of the Banking Code.

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1. Sound and ethical operation

The bank's strategy for the period to 2025 is set out in its Strategy Document, which has been approved by the Supervisory Board. The bank's strategy is based on and reflects its vision, mission, core values, and strategic objectives and is embedded in the daily business of the different departments of the bank. The document outlines the defined business strategy and the set of key objectives appropriate for the current landscape for the period until 2025. The strategy includes both financial and non-financial measures and defines the implementation process and timeline. The Strategy Document includes a profile of the bank and its environment; vision, ambitions, and corporate strategy; retail and wholesale/corporate strategy; HR; sustainability; and IT.

CEB is mindful that responsible business practices with strong ESG initiatives can benefit the company, society, and the environment, resulting in long-term value creation and future resiliency. Therefore, social and environmental responsibility is an integral part of CEB's business strategy, corporate decision-making processes, and day-to-day activities. We believe it is essential that CEB's business activities are conducted in an ethical matter and prioritize the observation of basic ethical norms. To effectively manage ESG risks and integrate sustainability requirements and objectives into its business strategy, CEB hired a sustainability officer in Q4 2021 and reorganized its Sustainability Committee, chaired by the CEO, to include project teams for the most material sustainability topics, such as climate change. Based on this new sustainability-focused governance structure, all relevant policies and procedures will be updated accordingly in the upcoming period. By doing so, we aim to effectively manage ESG risks, capitalize on related opportunities, and contribute to positive change in the environmental and social practices of our customers as well as key stakeholders. Reference is also made to the chapter on non-financial reporting on pages 18-44.

In setting its strategy, CEB has carefully considered its role in society. This stems from the bank's mission (to provide financial services that create value for its customers), its 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 ExCo, Asset and Liability Committee, IT Steering Committee, Credit Committees, and Risk and Compliance Committees, which all meet regularly. In addition, the bank holds weekly management meetings and regular general managers' meetings. These committees and meetings support the Managing Board in its daily management of the bank. The Supervisory Board monitors the proper functioning of the bank's governance structure through its quarterly meetings and the meetings of its subcommittees, such as the Corporate Governance and Nomination Committee.

An introduction program for new board members has been developed to enable them to be a role model for the bank's employees. As a part of this program, the members are trained in the bank's core values, main policies (e.g., code of conduct) and culture. The current Supervisory and Managing Board members have regular awareness sessions 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.

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Standards on integrity, morals, and leadership are included in the bank's base values, different internal policies and guidelines and in the charters of the Supervisory Board and the Managing Board. Furthermore, these standards are communicated through the company's intranet, internal training (/e-learning), staff mailings, and events. The monitoring of the due application of these standards is embedded in the daily practice of the bank's divisions and departments. In addition, monitoring is conducted by the HR and Compliance Divisions, the Managing Board, the Supervisory Board and its subcommittees (including the Compliance Oversight Committee), and the Internal Audit Division (IAD). To further embed the core values in the bank's culture, a senior management training program was organized in 2017, following which new core values were developed and rolled out across the organization during 2018 and 2019. For the bank's other actions and activities undertaken in the area of company culture, see Chapter C Dutch Corporate Governance Code, page 59.

The Supervisory Board and Managing Board ensure that proper checks and balances are in place. Within the bank, the Division Director – Compliance is a member of the management team and has a direct reporting line to a Managing Board member and the chairperson 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 customer orders of customers quickly, safely and accurately. The use of technologies that are widely adopted within the financial industry and the service-oriented basis of the application structure enables CEB to adapt quickly to the changing demands of its customers. The IT Steering Committee and the Supervisory Board oversee, discuss, and decide on IT-related matters. In 2022 the bank established an IT Strategy Committee, and within the Supervisory Board, IT management, IT strategy and information security are recurring agenda items. At the consolidated level, attention has recently been turned to modernization and standardization of infrastructure components (including shifting to cloud-ready infrastructure and increased remote working), collaboration capabilities, technologies, and mobile device management.

Within CEB, a healthy culture and responsible behavior 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. The core values of dynamism, diversity, and expertise, which were rolled out across CEB during 2018 and 2019, serve to promote a healthy culture within the bank. For the bank's other actions and activities related to company culture, see Chapter C Dutch Corporate Governance Code, page 59.

Another way to promote a healthy culture is CEB's remuneration policy. Please refer to Section F below.

The guidelines of the Social Charter are covered by CEB's base and core values and its strategy. They are thus embedded in the bank's culture.

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2. Supervisory Board
Since the beginning of January 2013, CEB's Supervisory Board has consisted of six members (due to a vacancy within the Supervisory Board, the current number is five, but the aim is to return to six within the first half of 2022). Taking into account the bank's size and nature and the composition of the Supervisory Board, this number is deemed sufficient for the board to perform its tasks properly. The members of the Supervisory Board are all able to make sufficient time available for their duties and exhibit effort and commitment, and each member is physically present at all board and subcommittee meetings, barring exceptional circumstances. The number of independent members and dependent members is currently three vs. two, respectively.

All members of the Supervisory Board have a banking, investment, or legal background, and many of them are still active in related businesses on a day-to-day basis. Thus, they are duly aware of a bank's social role and the interests of its various stakeholders.

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

Each committee is composed as follows:

Committee	Members
Audit and Risk	Wilfred Nagel (chairperson), Seha Ismen Ozgur[10], Korkmaz Ilkorur
Corporate Governance and Nomination	Hector de Beaufort (chairperson), Aysecan Ozyegin Oktay, [vacancy]
HR and Remuneration	Aysecan Ozyegin Oktay (chairperson), Hector de Beaufort, Seha Ismen Ozgur
Compliance Oversight	Korkmaz Ilkorur (chairperson), Wilfred Nagel, Seha Ismen Ozgur

[10] *Temporary member until April 30, 2022.*

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

CEB has a continuing education program in place aimed at maintaining the expertise of Supervisory Board members at the required level and, when necessary, expanding it. As part of this program in 2021, training sessions were organized on customer tax integrity, the future of work, corporate communications, climate risk, and country risk. All members of the Supervisory Board participated in the continuing education program and attended the required number of training sessions. Training for 2022 is currently being organized.

The Supervisory Board performed an annual self-evaluation for 2021. In addition, the Supervisory Board was examined by an external assessor, a process that will next take place in 2024. The self-evaluations and the external assessment focus on topics such as cooperation amongst board members, the culture within the Supervisory Board, its internal and external functioning, and 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 and fixed amount of compensation, 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.

3. Managing Board
Following the departure of Mr. Murat Basbay from CEB's Managing Board with effect from January 1, 2022, the Managing Board consists of three 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.

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In order to ensure and enhance the due balancing of the interests of CEB's stakeholders, several subcommittees and weekly management meetings have been formed, such as the Asset and Liability Committee, IT Steering Committee, Risk Committee, and Compliance Management Committee. These committees meet either weekly or monthly.

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, as well as compliance, corporate credits (second line) and FI credits (second line) within the bank. He is also tasked with preparing the decision-making related to risk management. The CRO does not bear any individual responsibility for commercial areas and operates independently from them. 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 to maintain the expertise of the members of the Managing Board at the required level and, if necessary, expand it. All members of the Managing Board participate in the continuing education program and have attended the required number of training sessions. The training for 2022 is currently being organized.

4. Risk Management

Risk management plays a central role in CEB's managerial decision-making process and is strongly supported by both the Managing Board and Supervisory Board. The Supervisory Board oversees the risk policy pursued by the Managing Board via its Audit and Risk Committee, which 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 Risk Management Division are the main sponsors of the bank's consolidated-level risk appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan, and other internal guidance documents. CEB's risk appetite statement is discussed, reviewed, and approved annually in the relevant Supervisory Board meeting, and any material interim changes to the risk appetite are also 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.

5. Audit

The internal audit function provides an assessment of the internal control system's effectiveness. It represents an independent and objective assurance and consulting function as a third line of defense. Through the application of a risk-based methodology, the IAD evaluates and examines whether proper measures are taken to ensure control within the organization and its activities.

CEB's Head of Internal Audit has a direct reporting line to the chairperson of the Audit and Risk Committee (and administratively reports to the CEO).

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

CEB safeguards the independence of the external auditor by monitoring and overseeing the external auditor's activities. The Audit and Risk Committee reviews the reports, audit fees, and

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independence statements of the external auditor twice per year. KPMG Accountants N.V. has been appointed as external auditor for the financial year 2021 succeeding Ernst & Young Accounts N.V. Regular meetings between the audit firms and CEB's management ensured a smooth transition process.
At least once a year, a tripartite meeting is organized between representatives of DNB, CEB's external auditor, and the IAD, in which the risk analysis, findings, and each other's audit plans are discussed. The last tripartite meeting was held in December 2021.

6. Remuneration
CEB's Group Remuneration Policy complies with national and international regulations, such as the Banking Code, DNB's regulation on sound remuneration, the Financial Supervision Act, and the relevant provisions in the Capital Requirements Directive (CRD) V. 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 Managing Board members is set in accordance with the applicable national and international regulations. For a summary of the remuneration policy in CEB, see Section F below.

E. Handling potential conflicts of interests
CEB has adopted a group of procedures suitable for managing potential conflicts of interest to ensure professional integrity and transparency. The generic arrangements aim at setting criteria and controls that identify and govern potential conflicts of interest arising from, for example, private investment transactions by employees, senior management, or members of the Managing and Supervisory Board.

In 2021, no actual conflicts of interest were identified.

A special category of potentially conflicting situations involves the bank entering into a transaction with a related party. Parties related to CEB include all Fiba and Fina Group associated companies, any member of the Managing- or Supervisory Boards or their close family members, and any entities owned or controlled by them.

Related party transactions are settled in the normal course of business and on an arm's-length basis, that is, under the same commercial and market terms that apply to non-related parties. The kind of transactions that fall under related party transactions include loans, deposits, or foreign exchange transactions.

The bank has specific arrangements in place to ensure the appropriate management of potential conflicts of interest in related party transactions, including procedures to identify, authorize, and report related party transactions to the Managing Board and the Audit and Risk Committee. In every Audit and Risk Committee meeting, an overview is presented of the exposures outstanding to related parties and information on whether the bank acted in conformity with its established procedures.

F. Remuneration Report
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 it monitors the proper implementation by the Managing Board. The HR and 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 CEB's internal and external stakeholders.

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 non-identified staff is

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determined and implemented by or on behalf of the Managing Board, although the ultimate responsibility for the remuneration policy of non-identified staff lies with the Supervisory Board. For senior managers in the HR, compliance, internal audit, and risk-management control functions, remuneration is directly supervised by the HR and Remuneration Committee.

As a general principle, CEB's Group Remuneration Policy authorizes the Supervisory Board under certain conditions to revise or reclaim the variable remuneration of (a group of) employees, as defined in the policy.

Link between performance and pay
One of the key elements of CEB's Group Remuneration Policy is the description of the appraisal process, a summary of which is given here:

On the basis of predetermined and assessable objectives comprising financial and non-financial elements, and on the basis of annually determined company focus objectives and competences, an employee's overall performance assessment is determined at least once per year. The non-financial objectives form a substantial portion (at least 50%) of the total set of objectives for an employee.

Objective-setting
Each year, the Managing Board formulates its own financial and non-financial objectives and presents them for approval to the Supervisory Board. The approved objectives are then partially assigned 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; that is, the objectives for these employees are set independently from the financial targets or results of the business they control.

Performance Assessment
The 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 shareholders and other stakeholders.

Financial performance is evaluated based on (a) Divisional or departmental profitability, calculated on financial criteria such as net income and (b) The department's attribution or claim to CEB's risk profile.

A web-based performance-management system generates an overall performance rating. The three performance categories and their weighting within the overall score are competencies (40%), company focus (20%), and objectives (40%). The performance ratings vary as follows: "exceptional performance," "exceeds expectations," "job well done," "needs improvement," and "far below expectations."

Performance evaluation of identified staff considers performance over several years, and appraisals for employees in control functions take into account the countervailing function of these staff members.

Most important characteristics of the 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 of employees.

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In CEB, fixed salary levels are conservatively aligned in comparison to similar functions in the banking industry nationally and internationally, validated by an external benchmark organization in respect of the Dutch bank. In the coming years, other CEB group banks will also be included.

One of the basic principles for granting variable pay (if any) is that it may never exceed 100% of the fixed salary. Also, guaranteed variable remuneration to identified staff is not permitted.

Phantom Share Plan

In 2021, CEB's applied its Phantom Share Plan, which describes the terms and conditions for the granting of phantom shares to identified staff. The plan states that variable remuneration awarded to an identified staff member will be 60% unconditional and 40% deferred. If an identified staff member is awarded a total of more than EUR 300,000 gross (or equivalent), 40% will be unconditional and 60% deferred. At least 50% of the variable remuneration, whether deferred or unconditional, is in the form of financial instruments whose value is determined by or derived from the value of CEB shares, i.e., phantom shares. These financial instruments are rights, not shares.

The deferred part of the variable remuneration vests over three years. Furthermore, vested phantom shares (whether deferred or unconditional) are subject to a retention period of one year. Vesting and the exercise of the phantom shares is subject to the fulfilment of certain conditions. For example, the holder's performance rating must be at least "job well done."

Contrary to previous years, the bank incorporated a change to its existing policy. Identified staff with variable remuneration less than 10% of total annual fixed and less than EUR 50,000 gross were exempted from deferrals and phantom shares. This change was made possible under CRD V, which aims to lower the complexity and operational burden of variable remuneration for companies.

In addition, CEB's remuneration policy was updated as per December 31, 2021, which means that the updated Phantom Share Plan will be implemented as of 2022.

Most important parameters and motivation for variable remuneration

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

Aggregate quantitative information on remuneration per business segment

In 2021, CEB paid out EUR 46,897,288 to employees working in the wholesale/corporate banking segment and EUR 8,962,452 to employees in the retail banking segment.

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Aggregate quantitative information on remuneration for identified staff and senior managers

CEB has identified 62 identified staff members and 20 senior managers. In 2021, the total amount of remuneration paid out to identified staff and senior managers amounted to EUR 13,269,486, split into EUR 10,895,988 for identified staff and EUR 2,373,498 for senior managers. This total remuneration was split into EUR 12,724,762 fixed salary (for identified staff EUR 10,510,549 and EUR 2,214,213 for senior managers) and EUR 544,724 variable remuneration (EUR 385,439 for identified staff and EUR 159,285 for senior managers). Please note that this variable remuneration was distributed according to the guidelines described above. In 2021, there were no identified staff members who were classified as high earners.

The total amount of awarded and outstanding (vested and unvested) deferred remuneration in 2021 for the variable remuneration over the performance year 2020 amounts to EUR 946’605.

As part of CEB’s Group Remuneration Policy, variable remuneration packages for all employees are granted based on the financial and non-financial performance over the respective reporting year and are paid out in the form of cash or phantom shares, both unconditional and conditional, in the following years. This Remuneration Report refers to the performance year of 2020, with the related bonus payment executed in 2021.

By virtue of the rules in the Group Remuneration Policy, in 2021 there will be no “less than awarded” deferred payouts due to an unsatisfactory performance adjustment.

Severance payment

In the reporting year 2021, CEB on a consolidated basis paid severance payments to a total of 5 employees, of which 1 was identified staff. The severance payment did not exceed one year’s fixed salary for any of these staff members. In total, CEB paid EUR 217,523 severance in 2021, EUR 13,948 of which went to identified staff members.

CEB did not pay sign-on or entry awards to any identified staff member in 2021.

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Supervisory Board

Profile of the Supervisory Board

Hector de Beaufort (1956, male)
Chairperson
Hector de Beaufort holds master's degrees in law from Utrecht University, the Netherlands, and from the University of Pennsylvania, USA. He has been a senior corporate partner at the leading international law firm Clifford Chance in the Netherlands since 2000. Prior to this, he was partner at Stibbe in the Netherlands and worked as a lawyer at Hughes Hubbard Reed in the USA. He has broad international experience in business law and corporate governance and has specific knowledge of corporate finance and capital market transactions. Mr. De Beaufort is the chief legal officer at Pon Holdings B.V. and holds several board memberships in various companies, including Optiver Holding B.V. A Dutch national, Mr. De Beaufort has been an independent member of CEB's Supervisory Board since February 2011 and its chairperson since January 2012. His current term expires in 2023.

Aysecan Ozyegin Oktay (1981, female)
Vice-Chairperson
Ms. Ozyegin Oktay is vice-chairperson and member of the executive committee of Fiba Group. She has been working within Fiba Group since 2003 and holds executive and non-executive board positions in multiple Fiba Group companies, with a focus on the retail, tourism, and real estate sectors. Ms. Ozyegin Oktay is active in philanthropy and social entrepreneurship and leads Fiba Group's social investments and gender equality initiatives. She is also on the Board of Directors of the Mother Child Education Foundation and Husnu M. Ozyegin Foundation. Ms. Ozyegin Oktay graduated in economics from Duke University, USA, and obtained an MBA degree from Stanford University, USA. She has Turkish nationality and was appointed to the Supervisory Board of CEB in 2021. Her current term expires in 2025.

Korkmaz Ilkorur (1944, male)
Mr. Ilkorur 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, such as The Industrial Development Bank of Turkey, Chemical Mitsui Bank AS, Yapi Kredi Bankasi A.S., 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 chairperson of its Governance Committee between 2001 and 2010. In the same period, he also served as the chairperson of the Regulatory Governance Committee of the Business and Industry Advisory Committee (BIAC) at the OECD. In addition, Mr. Ilkorur was Senior Advisor to Oliver Wyman in Turkey between 1998 and 2014 and a member of its Senior Advisory Board for EMEA from 2004 until the end of 2014. Mr. Ilkorur presently serves as a member of the Finance Committee of BIAC at the OECD. He is also emeritus trustee of the Robert College in Istanbul. A Turkish national, he was appointed to the Supervisory Board in August 2012, and his current term expires in 2022. He qualifies as independent board member according to Dutch regulatory standards.

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Seha Ismen Ozgur (1976, female)
Ms. Ismen Ozgur runs an independent consulting practice focused on financial services and acts as an advisor to fintech startups. She has served as Director of Strategy and Institutional Development at Ozyegin University, Turkey, and on the Board of the Turkish Economic and Social Studies Foundation (TESEV). Prior to these roles, she was a partner in Oliver Wyman's financial services practice, advising banks around the world on topics of strategy, transformation, and risk management. She founded and led Oliver Wyman's Turkish office and served on a number of global and regional committees. Ms. Ismen Ozgur holds an B.A. degree from Princeton University, USA, in Economics and Applied and Computational Mathematics. She is a Turkish national and was appointed to the Supervisory Board in May 2019. Her current term expires in 2023.

Willem Frederik Nagel (1956, male)
Willem Frederik Nagel holds a master's in economics from VU University, Amsterdam. In the past two decades, he has been working in different regional and group roles within ING, including taking responsibility for all credit risk in the bank and insurance business, as well as building its standard controls and compliance and repositioning ING's business while CEO of ING Bank Turkey. In his last role within ING, Mr. Nagel acted as CRO for ING Group as well ING's banking and insurance business up to its IPO in 2014, and he was member of ING Group's executive board. Currently, Mr. Nagel is a non-executive board member within several financial institutions. In these various executive and non-executive roles, he has obtained extensive in-depth knowledge and understanding of the global banking and insurance business, credit risk management, compliance risk management, financial management and reporting, and strategy development and planning. Mr. Nagel, who is a Singaporean national, was appointed as an independent member to the Supervisory Board in January 2021, and his current term expires in 2025.

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In early 2022, the war between Russia and Ukraine brought new and unexpected uncertainties. At this point in time, CEB is doing everything in its power to support our colleagues and their families in Ukraine.

2021 was marked by the ongoing COVID-19 global pandemic. Despite the rollout of immunization programs especially in the world's advanced economies, new coronavirus variants emerged that complicated the situation. Certain recovery from the pandemic and a return to normal continued to evade much of the world. That said, real economic recovery took hold as people and companies learned to embrace a new normal. Global travel resumed despite shifting restrictions that varied by country. Consumer spending picked up, as did inflation with interest rate hikes on the horizon as signaled by the Fed and other major central banks. Oil prices also rose and with them a new set of challenges. Severe supply chain disruptions threatened the nascent economic recovery worldwide. Political strife continued in the US despite the new President Biden, climate change disasters roiled various regions of the world. One thing was certain: volatility looked here to stay.

After the extreme challenges of the previous year, 2021 was a better year for CEB. Recovery in the markets was reflected in CEB's business model and asset quality as well as in its revenues, especially in trade finance, both in CEB N.V. and CEB (Suisse). During the year, the bank completed several major digital initiatives, including digitization of deposit holder onboarding in Germany and the Netherlands. Focused efforts further bolstered our credit card franchise in Romania. CEB is moving forward across all its regions.

At CEB, sustainability and ESG also remain a top priority. In Q4 2021, we appointed a Sustainability Officer at our bank. This position will help CEB take sustainability to the next level across the entire organization. Sustainability also means business continuity and people management. CEB increasingly sees its Human Resources Division as a strategic partner and a change agent. Human Resources is currently spearheading several key initiatives related to management of growth, employee self-awareness, leadership coaching, and remote/hybrid working models. These efforts are designed to prepare CEB for the future. In 2022, Human Resources will focus on diversity as a top priority – a critical issue for a growing multinational organization like ours.

The Supervisory Board wishes to thank all employees working in the CEB Group of companies for their hard work and commitment demonstrated in 2021. We also extend our appreciation to CEB's customers and correspondents for their ongoing support and cooperation. As a special note, we would like to express our gratitude to the former CEO, Murat Basbay, who left the Managing Board at the end of 2021. We are also glad to announce the appointment of our new CEO, Senol Aloglu. The Supervisory Board acknowledges the departure of Murat Ozyegin and Mehmet Gulesci from their positions on the board. We thank them for their valuable contributions and are pleased to welcome Aysecan Ozyegin Oktay on our board as the successor of Murat Ozyegin. The new governance structure that includes an Executive Committee (ExCo) alongside the Managing Board was established as from March 2022. This revised structure is designed to create more synergy and efficiency between CEB's major businesses. We take this opportunity to extend a warm welcome and wish every success to the new ExCo members: Zeyno Davutoglu, Besir Amcaoglu and Muammer Kayhan.

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Net result allocation

The Supervisory Board has reviewed the Report of the Managing Board and the financial statements for 2021, comprising the balance sheet and profit and loss accounts. The financial statements further include explanatory notes and other information, including the report of the external auditors, KPMG Accountants N.V., for the year ending December 31, 2021.

We propose and advise that the general meeting of shareholders adopts these financial statements. Furthermore, we propose to distribute the full amount of the net result for the year to our sole shareholder, Credit Europe Group N.V., 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 March 2022, the Supervisory Board of CEB consists of five members as there is one vacancy. These members are Hector de Beaufort (Chairperson), Aysecan Ozyegin Oktay (Vice-chairperson), Korkmaz Ilkorur, Seha Ismen Ozgur, and Wilfred Nagel. All members of the Supervisory Board have a background and experience in banking, investment, or law. For more detailed information on the members of the Supervisory Board, see the Profile of the Supervisory Board included on pages 71-72, which is deemed to be incorporated herein by reference. The current term for which each Supervisory Board member has been appointed can be found in Section B of the Corporate Governance chapter.

Wilfred Nagel qualifies as a financial expert within the meaning of Section 2 Paragraph 3 of the July 26, 2008, Ruling on the establishment of an audit committee. Hector de Beaufort, chairperson of the Supervisory Board, is senior partner with Clifford Chance in Amsterdam, specializing in boardroom counselling and strategic advice. Furthermore, he focuses on the legal side of merger and acquisition transactions and corporate finance and is chief legal officer at Pon Holdings B.V.

CEB does not comply with best practice provision 2.1.7 (i) of the Corporate Governance Code, which requires that there is at most one Supervisory Board member who meets the criteria laid down in best practice provision 2.1.8 (i)–(v), as two current members of the Supervisory Board meet these criteria. The majority of the Supervisory Board members are independent within the meaning of best practice provision 2.1.8. Mr. De Beaufort, chairperson of the Supervisory Board, meets the independence requirements set out in best practice provision 2.1.9.

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 tasks are 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 period is presented to the Supervisory Board for review and approval. Any interim material changes to the strategy are also submitted for approval by the Supervisory Board, and the execution of CEB's strategy is discussed in its quarterly meetings.

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Report of the Supervisory Board

The Remuneration Report can be found on page 67.

Mr. Ilkorur has been reappointed to the Supervisory Board with effect from August 2020 for a term of two years. The reappointment of Mr. Ilkorur is in line with the retirement schedule of the Supervisory Board that was agreed with the bank's regulator, DNB. With this reappointment, the continuity of the Supervisory Board is preserved, considering the expiration of the appointment terms of several Supervisory Board members in the upcoming period, while new members will also join the Supervisory Board during Mr. Ilkorur's continued presence.

The bank's shareholders and Supervisory Board have appointed Mr. De Beaufort as chairperson of the Supervisory Board for another term of two years from February 15, 2021. Similar to the reasons for reappointment of Mr. Ilkorur, the reappointment of Mr. De Beaufort is in line with the Supervisory Board's retirement schedule as agreed with DNB. The bank and its shareholder(s) considered it essential that Mr. De Beaufort continued his position as chairperson of the Supervisory Board for another two years to preserve the cohesion of the board.

Committees
The Supervisory Board is supported by four committees: Audit and Risk, Corporate Governance and Nomination, HR and Remuneration, and Compliance Oversight. All Supervisory Board members have a standing invitation to attend the subcommittee meetings of which they are not a member, and in practice they do attend these meetings.

The main objective of each committee is as follows:

Audit and Risk: The Audit and Risk Committee assists the Supervisory Board in monitoring the status of and developments in the bank's risk-management system and internal control system, including the activities of the risk-management function, internal audit function, and internal control-related issues. The committee monitors the financial reporting process, oversees the accounting policies and practices, and ensures that CEB maintains adequate internal control systems and processes. 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 their independence, remuneration, and other permitted services executed for the bank.

In 2021 the following Supervisory Board members were members of this subcommittee: Wilfred Nagel (Chairperson), Mehmet Gulesci (Vice-Chairperson), and Korkmaz Ilkorur. The committee meetings were attended by all committee members.

Corporate Governance and Nomination: This committee 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 and Nomination Committee in 2021: Hector de Beaufort (Chairperson), Murat Ozyegin (succeeded by Aysecan Ozyegin Oktay as from 1 October 2021), and Mehmet Gulesci. The committee meetings were attended by all committee members.

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HR and Remuneration: This committee advises the Supervisory Board in all areas of HR and Remuneration in general and in issues pertaining to the Managing Board and identified staff. Furthermore, 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. In addition, the committee is engaged in succession planning.

Members of the HR and Remuneration Committee in 2021 were Murat Ozyegin (Chairperson) (succeeded by Aysecan Ozyegin Oktay as from 1 October 2021), Hector de Beaufort, and Seha Ismen Ozgur. The committee meetings were attended by all committee members.

Compliance Oversight: The Compliance Oversight Committee assists the Supervisory Board in overseeing the bank's overall compliance framework, which is designed to respond to the various compliance and regulatory risks the bank is exposed to according to applicable local and international legal and regulatory requirements. The committee keeps the Supervisory Board updated on developments and best practices in compliance and reviews these for applicability to CEB. It further gives guidance to the Managing Board on how to further improve CEB's overall compliance framework.

In 2021, this committee consisted of the following Supervisory Board members: Korkmaz Ilkorur (Chairperson), Wilfred Nagel, and Seha Ismen Ozgur. The committee meetings were attended by all committee members.

Supervisory Board meetings

In 2021, the Supervisory Board had four meetings in accordance with predetermined schedules. In addition, several other meetings were held at specific times when certain matters were to be discussed. The meeting in December 2021 coincided with a consolidated budget meeting.

The meetings in 2021 were attended by all Supervisory Board members. As a rule, the Managing Board is always present at Supervisory Board meetings, with the exception of the executive session, in which the Supervisory Board discusses its own overall functioning, culture, and relationship with the Managing Board.

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

The Supervisory Board performed an annual self-evaluation for 2021, considering the functioning of the Supervisory Board, its committees, cooperation between board members, and cooperation with the Managing Board. The outcome of the evaluation was discussed in a separate meeting of the Supervisory Board. In addition, the Supervisory Board evaluated the functioning of the Managing Board and its individual members in a closed session. The outcome of this evaluation was discussed with members of the Managing Board individually.

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Audit and Risk Committee
The Audit and Risk Committee discussed the quarterly results, interim financial statements, and financial statements. Other key topics were financial and non-financial risks, the risk profile, regulatory reports, internal audit activities, and reports of the external auditor. This includes the ICAAP, ILAAP, CEB's risk appetite policy, and periodic reporting on information security and operational risks. At each meeting, the risk-management function and internal audit function reported the functioning of the internal control system and risk-management processes. The Audit and Risk Committee assessed the external and internal audit plans and took notice of the key audit reports, findings and recommendations, and related follow-up activities. The discussions on financial and non-financial risks were supported by analysis of the credit portfolio, including concentration and country risks. Specific attention was given to the updates of risk appetite policy and the development and implementation of an ESG framework. The Audit and Risk Committee met four times during 2021 in the presence of the Managing Board, risk-management function, internal audit function, and external auditor. The committee also held closed meetings with the external and internal auditors. All relevant items discussed by the Audit and Risk Committee were reported to the Supervisory Board.

Corporate Governance and Nomination Committee
Two meetings for the year 2021 took place. 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 were discussed. These included expected laws and plans for 2021 and 2022, the succession of Messrs. Ozyegin and Gulesci (both Supervisory Board members), and an analysis of the duties and obligations of the Corporate Governance and Nomination Committee. The CEO and the Managing Board member -inter alia- responsible for compliance were present at all committee meetings.

HR and Remuneration Committee
In 2021, this committee met four times. The focus during these meetings was on cultural transformation, future way of working, performance evaluation 2020 (including CEB's fixed and variable remuneration packages), group consolidated HR Report, CEB Group Remuneration Policy (update), CEB nationalities and diversity, reflection/summary of HR activities 2021, and Outlook HR 2022 and beyond. The CEO, CFO, and the bank's HR division director participated in all meetings.

Compliance Oversight Committee
This committee met four times in 2021 and was joined during these meetings by members of the Managing Board, including the CRO, who is also responsible for the compliance of CEB and any CEB group entity with or pursuant to the Wwft. During these meetings, which were also attended by the Division Director – Compliance, the key focus was on the status of compliance topics at group level, in particular, the areas of AML and sanctions compliance, presented through the compliance dashboard and regulatory issues affecting the bank.

Amsterdam, March 24, 2022
Hector de Beaufort, Chairperson
Aysecan Ozyegin Oktay Vice-Chairperson
Korkmaz Ilkorur
Seha Ismen Ozgur
Wilfred Nagel

** The Corporate Governance chapter, pages 56-67, and the Remuneration Report, pages 67-70, are deemed to be incorporated herein by reference*

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Germany (Branch)
Credit Europe Bank N.V.
Speicherstr. 57–59
60327 Frankfurt am Main
Germany

Malta (Branch)
Credit Europe Bank N.V.
Tower Road 143/2, Sliema SLM 1604
Malta

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

Romania (Subsidiary)
Credit Europe Bank (Romania) SA
Anchor plaza Building, B section
26Z Timisoara Blvd., 6th district
Bucharest
Romania

Switzerland (Subsidiary)
Credit Europe Bank (Suisse) SA
80, Rue du Rhone
1204 Geneva
Switzerland

Ukraine (Subsidiary)
JSC Credit Europe Bank
Shovkovychna street, building 42-44,
01024 Kyiv city
Ukraine

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2021

In thousands of EURO

	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and balances at central banks	5	934,648	666,135
Financial assets at FVTPL	6	87,706	87,762
- Trading assets		68,511	64,925
-Non-trading assets mandatorily at FVTPL		19,195	22,837
Financial investments	7	693,291	785,626
Loans and receivables - banks	8	283,387	203,973
Derivative financial instruments	9	69,593	189,239
Loans and receivables - customers	10	2,753,014	2,564,524
Current tax assets		1,249	1,435
Deferred tax assets	32	79,324	55,802
Other assets	12	43,329	108,565
Inventory	12	47,942	50,960
Assets held for sale	38	597	6,160
Investment in associates and joint ventures	13	2,280	6,319
Property and equipment	14	99,133	91,902
Investment property	14	2,856	2,697
Intangible assets	15	7,120	5,265
Total assets		**5,105,469**	**4,826,364**
Liabilities			
Due to banks	16	799,098	677,183
Derivative financial instruments	9	87,878	165,424
Due to customers	17	3,326,040	3,127,179
Current tax liabilities		948	3,771
Other liabilities	18	33,976	46,351
Provisions	19	9,963	10,290
Deferred tax liabilities	32	18,183	20,675
Sub-total liabilities (excluding subordinated liabilities)		**4,276,086**	**4,050,873**
Subordinated liabilities	20	176,891	162,916
Total liabilities		**4,452,977**	**4,213,789**
Equity			
Equity attributable to owners of the Company		650,761	610,860
Equity attributable to non-controlling interests		1,731	1,715
Total equity	21	**652,492**	**612,575**
Total equity and liabilities		**5,105,469**	**4,826,364**

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2021

In thousands of EURO

	Notes	January 1-December 31, 2021	January 1-December 31, 2020
Interest income from financial instruments measured at amortized cost and		120,492	135,461
Interest income from financial instruments measured at FVTPL		5,587	5,817
Interest expense from financial instruments measured at amortized cost		(37,285)	(44,486)
Net interest income	22	**88,794**	**96,792**
Fees and commissions income		36,126	28,052
Fees and commissions expense		(4,840)	(4,184)
Net fee and commission income	23	**31,286**	**23,868**
Revenue from repossessed assets	27	49,794	23,685
Net trading results	24	(1,332)	(10,657)
Net results on derecognition of financial assets measured at amortized cost	25	-	114
Net results from investment securities	26	5,377	13,305
Other operating income	27	5,053	8,580
Operating income		**9,098**	**11,342**
Net impairment result on financial assets	11	4,586	(30,524)
Net operating income		**183,558**	**125,163**
Personnel expenses	28	(55,860)	(54,072)
Core operating expenses	29	(25,174)	(25,671)
Depreciation and amortization	14,15	(12,644)	(11,668)
Other operating expenses	30	(3,018)	(7,064)
Expenses related to repossessed assets	27	(52,136)	(24,010)
Other impairment (losses)/reversal	31	(1,039)	1,124
Total operating expenses		**(149,871)**	**(121,361)**
Share of profit of associate	13	(5,718)	(1,016)
Operating profit before tax		**27,969**	**2,786**
Income tax result	32	9,473	1,938
Net results for the year		**37,442**	**4,724**
Net results for the year attributable to:			
Equity owners of the Company		37,397	4,678
Non-controlling interests		45	46

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

In thousands of EURO

	January 1-December 31, 2021	January 1-December 31, 2020
Net results for the year	**37,442**	**4,724**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net result on hedge of net investments	(6,829)	(1,589)
Exchange differences on translations of foreign operations	897	(11,302)
Income tax relating to the above	13,171	2,223
Net change on foreign currency translation	**7,239**	**(10,668)**
Debt instruments at fair value through other comprehensive income		
Net change in fair value during the year	(5,070)	16,208
Changes in allowances for expected credit losses	(114)	184
Reclassification adjustments to the income statement	(3,208)	(13,589)
Income tax relating to the above	3,010	10
Net change on debt instruments at FVOCI	**(5,382)**	**2,813**
Other comprehensive income that will not be reclassified to the income statement		
Tangible revaluation reserves:		
Tangible revaluation reserves	363	(1,271)
Income tax relating to the above	(57)	2,551
Net change on tangible revaluation reserves	**306**	**1,280**
Equity instruments at FVOCI		
Net change in fair value during the year	390	(6,126)
Income tax relating to the above	(78)	1,225
Net change on equity instruments at FVOCI	**312**	**(4,901)**
Other comprehensive income for the year, net of tax	**2,475**	**(11,476)**
Total comprehensive income for the year, net of tax	**39,917**	**(6,752)**
Attributable to:		
Equity holders of the parent	39,901	(6,800)
Non-controlling interest	16	48

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Tangible revaluation reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2021	**563,000**	**163,748**	**51,027**	**4,692**	**(99,355)**	**161**	**(72,413)**	**610,860**	**1,715**	**612,575**
Total comprehensive income										
Change in fair value reserve	-	-	-	(5,352)	-	-	-	**(5,352)**	(30)	**(5,382)**
Change in foreign currency translation reserve	-	-	-	-	-	-	902	**902**	(5)	**897**
Change in net investment hedge reserve	-	-	-	-	6,342	-	-	**6,342**	-	**6,342**
Change in fair value of equity instruments at FVOCI	-	-	4,439	(4,133)	-	-	-	**306**	6	**312**
Change in tangible revaluation reserve	-	-	-	-	-	306	-	**306**	-	**306**
Profit for the year	-	-	37,397	-	-	-	-	**37,397**	45	**37,442**
At December 31, 2021	**563,000**	**163,748**	**92,863**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**650,761**	**1,731**	**652,492**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the year ended December 31, 2021

In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Tangible revaluation reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2020	**563,000**	**163,748**	**39,424**	**7,152**	**(99,989)**	**5,441**	**(61,116)**	**617,660**	**3,211**	**620,871**
Total comprehensive income										
Change in fair value reserve	-	-	-	2,810	-	-	-	**2,810**	3	**2,813**
Change in foreign currency translation reserve	-	-	-	-	-	-	(11,297)	**(11,297)**	(5)	**(11,302)**
Change in net investment hedge reserve	-	-	-	-	634	-	-	**634**	-	**634**
Change in fair value of equity instruments at FVOCI	-	-	365	(5,270)	-	-	-	**(4,905)**	4	**(4,901)**
Change in other reserve	-	-	6,560	-	-	(5,280)	-	**1,280**	-	**1,280**
Profit for the year	-	-	4,678	-	-	-	-	**4,678**	46	**4,724**
Total comprehensive income	**-**	**-**	**11,603**	**(2,460)**	**634**	**(5,280)**	**(11,297)**	**(6,800)**	**48**	**(6,752)**
Transactions with owners of the Bank										
Decrease in equity attributable to non-controlling interests (Note 21)	-	-	-	-	-	-	-	**-**	(1,544)	**(1,544)**
At December 31, 2020	**563,000**	**163,748**	**51,027**	**4,692**	**(99,355)**	**161**	**(72,413)**	**610,860**	**1,715**	**612,575**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

In thousands of EURO

	Notes	January 1-December 31, 2021	January 1-December 31, 2020
Profit for the year from continuing operations		**37,442**	**4,724**
Adjustments for:			
Net impairment (reversal)/loss on financial assets	11	(4,586)	30,524
Depreciation and amortization	14,15	12,644	11,668
Net impairment on non-financial assets	31	1,039	(1,124)
Income tax expense	32	(9,473)	(1,938)
Net interest income		(88,794)	(96,792)
Effect of exchange rate differences		11,616	(13,716)
Provisions		1,275	(424)
		(38,837)	**(67,078)**
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(6,911)	(5,937)
Net change in financial assets at fair value through profit or loss	6	(809)	145,430
Loans and receivables - banks		(79,414)	(16,026)
Loans and receivables - customers		(182,237)	140,027
Other assets		140,746	(30,785)
Due to banks		121,915	194,379
Due to customers		198,860	(274,544)
Other liabilities		(45,698)	11,800
		146,452	**164,344**
Interest received		129,131	148,353
Interest paid		(35,363)	(43,539)
Income taxes paid		(4,687)	(2,276)
Net cash used in operating activities		**196,696**	**199,804**
Cash flows from investing activities			
Acquisition of financial investments	7	(763,895)	(1,258,270)
Proceeds from sales of financial investments	7	847,428	1,015,655
Acquisition of property and equipment	14	(11,722)	(26,934)
Proceeds from sale of property and equipment	14	789	32,642
Acquisition of intangibles	15	(4,811)	(3,431)
Dividends received	27	2,071	296
Net cash used in investing activities		**69,860**	**(240,042)**
Cash flows from financing activities			
Payment of lease liabilities		(2,243)	(2,333)
Net cash from financing activities		**(2,243)**	**(2,186)**
Net cash from continuing operations		**264,313**	**(42,424)**
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		626,245	670,336
Effect of exchange rate fluctuations on cash and cash equivalents held		1,995	(1,667)
Cash and cash equivalents at December 31	5	**892,553**	**626,245**

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1. Corporate information

General

Credit Europe Bank N.V., herein after 'the Bank', is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta. The Consolidated Financial Statements of the Bank as of December 31, 2021, comprise the figures of the Bank, its subsidiaries and associates. Together they are referred to as the 'Bank'.

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.

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

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

Changes to the Group

In line with the Bank's strategy, the decision has been taken to unwind the Dubai operations in the first quarter of 2022. Financial results of Credit Europe Bank Dubai are not classified as discontinued operations as per IFRS 5-32, since the shares and its assets and liabilities are not sold; instead, this is a natural unwinding of a subsidiary.

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 it was adopted by the European Union (EU), and have been approved by the Managing Board and the Supervisory Board on March 24, 2022.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

Accounting policies for the most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are made in the following sections:

- Impairment losses on financial assets measured at amortized costs (Note 11)
- Impairment of instruments measured at FVOCI (Note 11)
- Provisions (Note 19)
- Income tax expense, tax assets and liabilities (Note 32)
- Fair value of financial instruments (Note 33)

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

Judgments, assumptions and estimation uncertainties

i. Determination of control over investee

Management applies its judgment to determine whether the control indicators set out in 'Significant Accounting Policies' indicate that the Bank controls an entity.

ii. Fair value of financial instruments

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

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The chosen valuation technique makes maximum use of observable market input and relies as little as possible on estimates specific to the Bank. Please refer to Note: 33 "Fair Value Information" for significant unobservable inputs.

iii. Impairment losses on loans and receivables

Collective impairment

The calculation of expected credit losses requires management to apply judgment and make estimates and assumptions. These judgments, estimates and assumptions are an inherent part of the calculation, which includes probability of default (PD), loss given default (LGD) and exposure at default (EAD) models, the determination of a significant increase in credit risk, the selection of appropriate scenarios and macroeconomic factors and the expected credit loss measurement period. These inputs are based on the best available information and are subject to frequent reassessment. The Bank considers a number of quantitative and qualitative factors like forbearance status, warning signals, 30 days past-due back stop to identify and assess significant increase in credit risk.

Individual impairment

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

iv. Impairment calculation methodology for Stage 3 portfolio

Probability-weighted scenarios

At least two different scenarios for each impairment assessment with probability-weighted estimates from Gone Concern (baseline, alternative) and/or Going Concern approaches are used.

The specific probability for each scenario is determined by taking into consideration past events, current conditions and forecast information within the following scales;

- 25% - Low likelihood
- 50% - Moderate
- 75% - Highly probable

For non-performing loans (NPL's) that are under legal proceedings, both baseline and alternative scenarios from Gone Concern approach are chosen, as the operating cash flow of a debtor ceased.

Appraisal companies declare two different value of the property in their valuation reports: Market Value (MV) and Urgent Sale Value (USV). USV is the announced cash sale price for a relevant property by the professional seller, who is conversant to offer it for sale in a certain period of time (3-6 months). "Urgent Sale Value" is used for non-consensual sales.

Time-to-sell

Parent company determines time-to-sell period based on asset type, quality, geographical area located, current and expected market conditions. Parent company also sets the period based on an expert judgment. For NPLs that the enforcement collection has already initiated and still ongoing, the period is determined by consulting legal department in each analysis term. Parent company executes foreclosure procedures for its portfolio in below listed countries:

- Russia 4 – 6 years
- Romania 3 – 5 years
- Turkey 3 – 5 years

Recovery rate

Parent company applies recovery rates based on asset type, quality and the way of liquidation (consensual or enforcement sale) in order to reflect the possible haircut during the sale of pledged assets.

Stage 3 impairment allowances reflect an unbiased and probability-weighted amount that is determined by the Bank through evaluating a range of possible outcomes. Management assess the probable scenarios and judges the suitability of respective weights to be applied. Changes in the scenarios and weights would have a significant effect on the impairment allowances.

v. 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.

vi. Valuation of repossessed assets

The repossessed assets are initially measured at fair value and classified as non-current assets held for sale, property 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 repossessed assets, the Bank engages an independent valuation specialist and the valuation has been performed using the most appropriate technique within income approach, cost approach or benchmarking approach.

e) Going concern

Having made appropriate enquiries, the Board is satisfied that the Bank 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.

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3. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the financial statements of the Bank.

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

a) Change in accounting policies

There is no change in accounting policy for the reporting period.

b) Basis of consolidation

Business combinations

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

Non-controlling interests

NCI are measured at their proportionate share of the acquiree`s identifiable net assets at the date of acquisition.

Changes in the Bank`s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

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

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

Loss of control

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

Investments in associates and joint ventures (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 joint ventures are accounted for using the equity method (equity-accounted investments) and are recognized initially at cost. The cost of the investment includes transaction costs.

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

Transactions eliminated on consolidation

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.

c) 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:

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

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

Foreign operations

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

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign

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operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal.

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

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

Hedge of a net investment in a foreign operation

Reference is made to note 3-i.

d) Financial assets and liabilities

Recognition

Financial assets, with the exception of loans and advances 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. Financial liabilities, with the exception of balances due to customers, are recognised on the date that the entity becomes a party to the contractual provisions of the instrument. 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 derivatives until settlement.

Financial instruments are initially measured at fair value, and transaction costs are added to, or subtracted from, this amount, except in the case of financial assets and financial liabilities recorded at FVTPL.

Classification and measurement

Financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

The Bank classifies and measures its derivative and trading portfolio at FVTPL.
The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

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

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

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

Impairment allowances

IFRS 9 introduced forward-looking expected loss model for impairment allowances. 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 Bank classifies its financial assets in '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. In line with the Capital Requirement Regulations (CRR) the Bank defines defaulted exposures 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.

The Bank aligns the definition of credit impaired under IFRS 9 (Stage 3) with default definition of CRR. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Bank recognizes a loss allowance for expected credit losses on amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees in accordance with IFRS 9.

The Bank's corporate ECL model leverages the data, systems and processes of the probability of default (PD) models that are developed in line with Internal Rating-Based Approach (IRB) regulations. Internally developed PD models produce the likelihood of default in the upcoming 12 months period and they are through the cycle (TTC) in nature with a margin of conservativism as required by IRB. However, IFRS9 calibration is required to be fair (unbiased), Point in Time (PIT) and forward looking. To meet IFRS9 requirements, IRB scores are calibrated to PIT and forward-looking anchor points that are constructed via macroeconomic models, which are developed for main portfolios, and the macroeconomic outlook expectations under multiple scenarios.

For ECL calculation, Loss Given Default (LGD) is also an important metric. LGD is the expected loss of the Bank as a percentage of Exposure at Default (EAD) arising in case a borrower defaults on a loan in the upcoming 12 months period. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Bank utilizes regulatory figures for PIT LGD parameters due to the insufficient number of internal data.

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For retail and credit card portfolios there are PD and LGD models dedicated to IFRS9. Models, which are in use, 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 utilizes multiple economic scenarios representing the base case, benign and adverse forecasts. To generate alternative macroeconomic scenarios and to forecast the key macroeconomic factors globally under each scenario, The Bank collaborates with the external party TSKB (Industrial Development Bank of Turkey). TSKB is the first privately owned investment and development bank that was established in 1950 in Istanbul with the support of the World Bank, the Central Bank of the Republic of Turkey (CBRT) and Turkish private commercial banks. The Economic Research Department of TSKB provides consultancy services on macroeconomic scenario analysis and projections at global and local levels. The focal points of the local analyses are Developed Markets, Emerging Markets, and more specifically the countries/regions where the Bank has material credit exposure.

Key macroeconomic variables used in the determination of the allowance for wholesale credit losses include GDP, inflation rate, exchange rate, unemployment rate, crude oil price and export volume among others. The Bank uses regional economic variables in its models to reflect the geographical diversity of its portfolios, where appropriate. Forward looking adjustments are applied to 4 years term structure construction of ECL parameters, PD and LGD, utilizing macroeconomic model outputs. For retail portfolio, the key risk driver is GDP estimations taken from different issuers, which are Fondul Monetar International, European Commission, Ministry of Finance, for 3 years term structure.

The IFRS 9 macroeconomic models are developed based on statistical techniques and supported by expert judgements. The Bank diversifies macroeconomic models with regards to portfolio and risk country of the asset. Separate models are developed for the PD estimates of Balance Sheet Lending (BSL), Commercial Real Estate (CRE), Marine Finance (MF), and Trade Finance (TF) portfolios. Due to the macroeconomic volatility observed in Turkey in the last few years, the Balance Sheet Lending macroeconomic model that is applied to Turkish corporate exposures is distinguished from the one that is applied to the exposures in other geographies. The macroeconomic models that are developed for Balance Sheet Lending portfolio utilize the Bank's own default rates as target variable to forecast PDs for the 4 upcoming years. Since Commercial Real Estate, Marine Finance and Trade Finance portfolios are low-default portfolios, appropriate proxies or expert models are utilized and changes between the consecutive projections for these proxies are used to obtain PD estimates for the upcoming 4 years. All the macroeconomic models have high performance ($R2 \geq 50\%$) and are in line with the expert judgements. For retail portfolio, Bank has 4 categories; SME, mortgage, credit cards and personal needs. For all portfolios, Bank is calculating PDs based on historical data observed in 2015-2021 and estimating marginal PD's for the next 30 years, first 3 years having incorporated FLI. GDP is the key risk driver in the calculation of FLI. LGD is calculated for unsecured portfolio, separately for performing and non-performing portfolio, based on the same historical recoveries 2015-2021. For secured portfolio Bank is applying haircuts to 3 types of collaterals: mortgage, commercial and other mortgage. The haircuts are calculated based on sold collaterals for the last 6 years and forecasted on 3 years, based on HPI index.

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The table below shows the forward looking economic variables used in each of the model for the ECL calculations.

ECL Parameter	Portfolio	Variable
PD	Balance Sheet Lending - Turkey	Exchange Rate (TRY/EUR) - change (%)
		Government budget balance (% of GDP)
	Balance Sheet Lending - Rest of World	Volume of exports (Advanced Economies) (% of GDP)
		Inflation (Emerging and Developing Europe) (%)
	Commercial Real Estate	Unemployment rate (Emerging and Developing Europe) (%)
		Volume of exports (Advanced Economies) (% of GDP)
	Marine Finance	Crude oil price (US Dollars/Barrel)
	Trade Finance	Volume of exports (Emerging and Developing Europe) (% of GDP)
		GDP (world) - change (%)
		Crude oil price (US Dollars/Barrel)

The pace of recovery from COVID shock differed across major economies, but the rebound has been strong in 2021. The pre-pandemic growth rates are reached if not exceeded by many advanced economies. In assessing information about possible future economic conditions, The Bank utilizes multiple economic scenarios representing the base case, optimistic and adverse forecasts. There are five main drivers forming macro-economic scenarios. The Bank considers evaluation of the pandemic as a main factor since there is a still considerable uncertainty. Despite the booster vaccination and the reduced number of deaths and hospitalization after the variant Omicron, potential emergence of new variants still threatens the significant progress made so far in limiting the spread of this viral illness. The second driver is decoupling between economies. As countries suffered varying degrees of contraction in the first half of 2020, the recovery which has followed has also been unequal with different rates in almost every country and sector. Accordingly, the world economy has faced new challenges due to this unequal situation. The divergence between countries is causing disruptions in the supply chain and concerns over raising inflation along with energy and oil prices price surge can be counted as a third driver. In the meantime, reducing carbon emission is an important theme in recent years. The lack of consensus over implementations in this area pose uncertainties over economic policy. Therefore, climate risks and economic policy uncertainties serve as a fourth driver in the scenarios. The last driver is political and geopolitical tensions. Ongoing disagreements over geopolitical issues have crucial impact over such prospects.

In the base case scenario, it is assumed that the Covid-19 continues at a slower pace with different variants, but the economic impact is contained in the countries which have achieved significant progress in vaccination. However, countries which have been unable to carry out vaccination process effectively may be more vulnerable. This scenario assumes that full control of pandemic can only be achieved in the second half of 2022. Baseline scenario also assumes that issues with supply chain could continue along with the inflationary concerns. Despite interest in reducing carbon emissions, there is no immediate consensus on tool and methods. In the meantime, geopolitical tensions remain elevated, similar to the levels seen in recent years. The optimistic scenario assumes that pandemic is brought under control by early 2022 thanks to effective vaccination rollout and the divergence in economic performance between different countries is decreased. Accordingly, supply chain disruptions and cost pressures related inflationary concerns ease. While this scenario assumes that policymakers reach a consensus on the policies reducing climate risks, global geopolitical uncertainties could also ease in this environment. On the other hand, pessimistic scenario assumes that pandemic worsens with global economic activity contracting in 2022. There is an increase in supply chain disruptions and inflationary concerns while decoupling in economic activity between countries deepens. In this environment, less importance may be placed on reducing climate risk and global disagreements may increase due to lack of consensus on all issues. The table below shows the projections for the abovementioned model parameters under three scenarios and their weights.

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		December 31,2021					
		2022	**2023**	**2024**	**2025**	**2026**	**Assigned Weighting**
Balance Sheet Lending - Turkey / PD							
Upside	Exchange Rate (TRY/EUR) - change (%)	9.82	8.62	8.40	6.79	5.44	15%
	Government budget balance (% of GDP)	-2.95	-3.03	-2.62	-2.04	-1.37	
Base Case	Exchange Rate (TRY/EUR) - change (%)	16.24	11.77	8.40	6.79	5.44	55%
	Government budget balance (% of GDP)	-3.48	-3.39	-3.23	-3.02	-2.75	
Downside	Exchange Rate (TRY/EUR) - change (%)	28.44	19.69	11.77	9.13	7.05	30%
	Government budget balance (% of GDP)	-5.28	-4.35	-4.09	-3.93	-3.83	
Balance Sheet Lending - Rest of World / PD							
Upside	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	15%
	Inflation (Emerging and Developing Europe) (%)	6.69	5.82	5.66	5.57	5.54	
Base Case	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	55%
	Inflation (Emerging and Developing Europe) (%)	8.51	7.74	7.41	7.33	7.42	
Downside	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	30%
	Inflation (Emerging and Developing Europe) (%)	12.26	9.58	8.51	8.10	7.86	
Commercial Real Estate / PD							
Upside	Unemployment rate (Emerging and Developing Europe) (%)	8.88	8.46	8.11	7.80	7.55	15%
	Volume of exports (Advanced Economies) (% of GDP)	68.28	69.88	71.27	72.53	73.65	
Base Case	Unemployment rate (Emerging and Developing Europe) (%)	9.13	8.82	8.67	8.58	8.49	55%
	Volume of exports (Advanced Economies) (% of GDP)	66.79	68.00	68.79	69.58	70.38	
Downside	Unemployment rate (Emerging and Developing Europe) (%)	10.81	10.12	9.74	9.64	9.63	30%
	Volume of exports (Advanced Economies) (% of GDP)	60.91	61.99	62.65	63.22	63.70	
Marine Finance / PD							
Upside	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	15%
Base Case	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	55%
Downside	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	30%
Trade Finance / PD							
Upside	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.87	51.79	52.76	53.45	54.20	15%
	GDP (world) - change (%)	5.53	4.46	4.31	4.24	4.16	
	Crude oil price (US Dollars/Barrel)	75.54	75.47	74.92	74.14	73.16	
Base Case	Volume of exports (Emerging and Developing Europe) (% of GDP)	50.42	51.19	51.91	52.41	53.00	55%
	GDP (world) - change (%)	4.34	3.79	3.34	3.45	3.56	
	Crude oil price (US Dollars/Barrel)	69.53	69.09	67.18	65.73	64.73	
Downside	Volume of exports (Emerging and Developing Europe) (% of GDP)	47.49	48.54	49.36	49.76	50.13	30%
	GDP (world) - change (%)	-2.82	3.47	3.06	2.88	2.76	
	Crude oil price (US Dollars/Barrel)	46.91	49.66	50.93	51.54	51.70	

December 31,2020

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

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The table below shows the projections of GDP for retail portfolio under the three scenarios and their weights.

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		2022	2023	2024	Assigned Weighting
Retail PD					
Upside	GDP (Romania) - change (%)	5.10	5.10	4.80	20%
Base Case	GDP (Romania) - change (%)	4.90	4.70	4.40	40%
Downside	GDP (Romania) - change (%)	2.40	2.30	2.20	40%

The Bank performs model monitoring analysis annually and reviews all internal rating models, IFRS9 ECL calculation assumptions together with the point-in-time PD calibrations and macroeconomic models. Based on the half-year back-testing results, the Bank redeveloped its Balance Sheet Lending-Rest of the World and Commercial Real Estate PD macro models. Additionally, the Bank updated its calibrations in line with portfolio specific PIT anchor points, which are based on the most recent observed default rates for each portfolio and the forward looking adjustments, in the last quarter of 2021.

After calculation of PD and LGD metrics on portfolio basis, CEB applies management overlays at individual borrower level and sectoral and company specific differences are taken into account. These management overlays can be classified under three main topics: overriding the ratings of some clients, overriding the LGD at individual borrower level and overriding stage transition of some customers. All modelled results are closely scrutinized on case-by-case basis to determine the necessity for using management overlays in order to incorporate risk, which is not fully captured by the models. Management overlays can have either positive or negative impact on ECL amount. For the 2021 year-end ratings, 5 negative and 6 positive management overlays have been applied. The Bank increases the total model-based provisional impact by EUR 1.0 million through management overlays.

The update of macroeconomic forecasts and calibration studies have mainly resulted in improvements in customer ratings and LGD levels. The major uncertainty caused by Covid outbreak in 2020 resulted in overly conservative default rate predictions for 2021. However, we didn't experience any major asset quality issues related to Covid-19. The payment holidays that were provided to adversely affected borrowers has expired in Q4 2020 and no new payment holidays is extended in 2021. Only one obligor in Leisure and Tourism sector, who received temporary payment holiday, is restructured and moved to Stage 2 in 2021. All the restructured exposures performs in line with their payment schedule and no Covid-19 related default is observed in 2021. Lower realized default rates compared to the projected ones accompanied with improved macro-economic forecasts have resulted in rating improvements across the corporate portfolio. The total impact of the IFRS9 model updates & management overlays of the performing corporate assets is calculated as EUR 9.1 million reversal as of the implementation date. Despite the reversals, the Bank has not yet returned to the pre-pandemic provision levels.

The Bank performs several sensitivity analysis for wholesale portfolio semi-annually to assess the impact of a potential deviation in the underlying assumptions (PD, LGD, macroeconomic scenario weights, macroeconomic variable projections) on impairment levels. The first sensitivity analysis shows that 5% increase in the LGD forecasts across the entire portfolio results in EUR 3.1 million increase in impairment levels. The second scenario was designed to analyze the impairment impact of 1 notch downgrade throughout the entire corporate portfolio even though it is a very unlikely scenario. Downgrading all ratings by 1 notch results in EUR 10.4 million increase in impairment. While this extreme scenario increases the PD levels by 150%, it also causes transitions from Stage 1 to Stage 2 for the exposures with lower PDs at origination. The third and fourth scenarios analyze the impact of changing scenario weights and worsening pessimistic scenario projections of macroeconomic variables by 25%, respectively. The third scenario has an impact of EUR 2.1 million provision increase whereas the fourth scenario results in a provision increase of EUR 2.3 million.

Given the macro-economic volatility observed in Turkey in the past few years, Turkish corporate portfolio is under close monitoring and periodic FX stress test analysis is run on the portfolio. Despite the observed exchange rate instability in 2021, the credit risk of CEB's Turkish portfolio remained stable throughout the year. Qualitative and quantitative FX sensitivity analysis of Turkish portfolio also reinforces this observation. Quantitative stress test

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analysis result shows that roughly doubling the yearly average EUR/TRY rate in 2021 would have only EUR 1.4 million additional provisional impact. The relative insensitivity of Turkish portfolio against FX movements can be explained by the composition of the portfolio, its collateral structure and FX earning capabilities of the Turkish borrowers. Roughly 45% of the FX risk in Turkish portfolio results from short term trade finance related exposures. Another 20% of the FX exposures are against borrowers with strong FX earning capacity. The rest of the exposures are mainly collateralized with immovable property with strong LTV ratios. Based on individual borrower deep-dive analysis, the exposures that are considered sensitive to FX volatility are provisioned accordingly and negative management overlay is applied when deemed necessary. As of 2021-end, the negative management overlay due to the FX sensitivity resulted in an additional EUR 2.3 million provision.

Subsequent events

CEB had been closely monitoring the Russia-Ukraine tension and scaling down its trade finance risk appetite in the region. Following Russia's invasion of Ukraine on 24 February 2022, which classifies as a non-adjusting subsequent event in accordance with IAS 10, CEB accelerated its deleveraging and shifted its focus to collections of open exposures.

Exposures to Ukraine
On the Ukrainian side, CEB has a subsidiary operating in Ukraine. CEB's exposure to Ukraine mainly comprises of two components: i) the exposures of CEB subsidiary in the Ukraine ii) the trade finance exposures to Ukraine of other entities within the CEB group. The Ukrainian exposures of EUR 56 million gross as of year-end are reduced to approximately EUR 30 million gross as of 22 March 2022.

Exposures of CEB UA
Corporate loans provided by CEB UA are direct working capital loans with a short to medium-term structure. In the first quarter of 2022, all the Ukrainian corporate loans, amounting to roughly EUR 10.3 mio, are classified as non-performing. The rest of CEB UA's balance sheet comprises of the Bank's liquid assets related to the Ukraine Central Bank and government T-bills. Upon to the date of the financial statements, both government agencies have met their payment obligation to CEB, which were due in March 2022. The primary liability of CEB UA is wholesale deposits collected in Ukraine.

We note that the maximum exposure to loss on the exposures of CEB UA is capped at the net asset value as of 31 December 2021 of EUR 14.5 million. We furthermore note that CEB NV's regulatory own funds (used for purposes of determining the regulatory capital ratios) are not impacted as CEBNV's equity participation of EUR 14.5 million in CEB UA is already fully deducted from its own funds.

Ukraine Trade Finance exposures
As of 22 March 2022, the amount of TF exposures related to Ukraine is EUR 7.3 million. The exposure is classified as non-performing forborne in March 2022 due to distressed restructuring. The exposure is expected to be paid gradually until September 2022.

Exposures to Russia
On the Russian side, CEB's exposure has three sub-categories:
— i) short-term trade finance exposures,
— ii) corporate loans composed of long-term Commercial Real Estate financing,
— ii) CEB's 10% minority interest in CEB Russia,

The Russian lending exposures (items i and ii as per above) amounting to EUR 61 million gross as of 2021 year-end is reduced to EUR 48 million gross as of 22 March 2022.

Concerning corporate and trade finance exposures, CEB does – at the time of preparation of these financial statements - not have any customers or goods sanctioned by the EU or US, so CEB is not directly affected by the sanctions so far. CEB's sanctions-related compliance monitoring processes are tightened. That said, the exclusion of certain Russian Banks from the SWIFT or Russian Central Bank's restrictions on FX transfers abroad may have a negative impact on

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our effort to collect loans and liquidate our positions. The ratings and Loss Given Default (LGD) expectations of the corporate exposures have materially deteriorated in 2022.

The Banks' 10% equity stake in CEB Russia valued at EUR 12.2 million as at year-end 2021 is fully hedged against currency volatility. The net impact of the deterioration in country and currency risk premiums and forward-looking macro-economic outlook as per 22 March 2022 is in the range of a EUR 1 to EUR 2 million net decrease in the value of the Banks' 10% equity stake in CEB Russia, when taking into account the offsetting effect on the Rubble cross-currency swaps.

Beside credit-risk exposures, CEB has two Russian joint ventures, Cirus Holding and Ikano Finance Holding, amounting to EUR 2.3 million as at year-end 2021. Due to the deterioration in both country and currency risk premiums and forward-looking macro-economic outlook, these two Russian joint ventures are completely written-off in the first quarter of 2022.

In closing
At this moment it is not possible to provide a reliable estimate of the financial impact of the significant increase in credit risk associated with the remaining Ukrainian and Russian lending exposures, which represent a gross exposure of EUR 65 million as 22 March 2022. Additional impairments will be reflected in the financials in the first quarter of 2022. The excess regulatory capital of CEB is sufficient to absorb the above losses without breaching the minimum capital requirements as set by DNB. Furthermore, the bank does not foresee any liquidity issues as a result of the invasion.

Regarding CEB's risk appetite going forward, the bank does not enter into any new deals in Ukraine or Russia. CEB does not have exposure to any funding or derivative counterparty in Russia. We will continue to monitor the impact on our business on a continuous basis, including daily monitoring of exposures and counterparties and the impact on operational processes such as updates to sanctions regulations and cyber security threats, if any.

Stage assignment

The staging assessment, especially for portfolios with longer tenor, has a significant impact on impairment calculation. The Bank has established a framework to perform an assessment at the end of each reporting period to determine whether the credit risk has increased significantly since initial recognition.

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 quality deterioration" indicators like distressed restructuring, significant change in probability of default (PD) or other warning signals. An exposure is past-due when principal, interest or fee has not been paid at the date it was due.

Stage 2

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

- Credit Quality Deterioration

a. Warning Signals: CEB monitors obligors whose financial performance is likely to deteriorate, or has already deteriorated, alerted through assessment triggers. This assessment is used to capture the qualitative triggers that cause underperformance, which are not caught by the quantitative elements.

b. Significant Change in Probability of Default: CEB recognizes credit quality deterioration if the PD at impairment calculation date is relatively 400% higher than the PD at the value date of the credit. For the significant credit quality deterioration assessment, 12-month PDs are utilized instead of lifetime PDs as a proxy. That said; this assumption is validated annually through an analysis of stage assessment utilizing lifetime PDs.

c. Rating is 19 or worse: In addition to a relative PD threshold used to compare the origination and current PDs, the Bank also has an absolute PD threshold to detect significant credit quality deterioration. If the credit exposure has a PD of 21% or higher at impairment calculation date, then it is classified as Stage 2 regardless of its initial PD.

- Performing Forborne: There is a rebuttable presumption that performing forborne exposures are classified as Stage 2.
- Past-due 31 up to 90 days
- Unrated customers: If the transaction is unrated for more than 30 days from the value date of the credit at impairment calculation date, the transaction is classified as stage 2.

Last but not the least; credit experts review the entire corporate portfolio semi-annually to qualitatively assess whether any obligor and all of its exposures have significant credit quality deterioration.

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. 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 all 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.
- mortgage clients who apply Darea in Plata Law in Romania (DIP law).

In 2016, the Parliament of Romania adopted the Darea in Plata Law (subsequently known as DIP Law - no. 77/2016). DIP, which came into force in Romania, entitled borrowers (specific conditions are defined in the law) 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 Bank.

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

Assets can move in both directions through the stages of the impairment model. Certain probation or cure periods apply for forborne and non-performing exposures to move between stages, and these are applied to be compliant with the relevant European Banking Authority (EBA) guidelines. The non-performing forborne classification is discontinued and such an exposure is reclassified from Stage 3 to Stage 2 only after a 1-year cure period has passed and there are no concerns regarding the full repayment of the exposure. The performing forborne classification is discontinued and such an exposure is reclassified from Stage 2 to Stage 1 only after a 2 years probation period and there are no concerns regarding the full repayment of the exposure.

Write-offs

The Bank writes off the NPLs that are recognized as unrecoverable. When there are no reasonable expectations of recovery, than the Bank ensures that impaired exposure or part of it is written-off. The exposure could be written off when:

a) It is not legally enforceable to recover funds (or part of it) via sale or appropriate of collateral and from the borrower or from any third party,

b) It is legally enforceable to recover funds from the borrower or any third party, but there is very low probability of happening so.

A partial write-off can be done when there is evidence that the borrower is unable to repay the amount of the exposure in full, meaning that there is reasonable expectation of recovering a part of exposure.

Financial liabilities

The Bank classifies its financial liabilities and subsequently measures at amortized cost, except for financial guarantee contracts and loan commitments.

Derecognition

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. The difference recognised as a derecognition gain or loss, unless an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

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

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

Derecognition other than for substantial modification of terms and conditions

Financial assets

The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) when:

- the contractual rights to the cash flows from the financial asset expire;
- the Bank retains the contractual rights to receive cash flows of the financial asset, but assumes a contractual obligation (‘pass-through’ arrangement) to pay the cash flows in full without material delay to a third party;

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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 under “Net results on derecognition of financial assets measured at amortized cost” line.

The Bank enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred asset, or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all risks and rewards include, for example, securities lending and repurchase transactions.

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

Financial liabilities

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

Offsetting and collateral

The Bank enters into master netting arrangements with counterparties wherever possible, and when appropriate, obtains collateral. The Bank receives and gives collateral in the form of cash and marketable securities in respect of derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending and securities borrowing transactions.

The Bank obtained property and equipment by taking possession of collateral it held as security for loans and advances. The total amount of such assets held on December 31, 2021 amounted to EUR 59,787 (2020: EUR 53,313). The Bank does not intend to use these assets in its operations and pursues timely realisation of the collateral in an orderly matter.

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 flow, derivatives with positive and negative fair values are not netted, even if they are held with the same counterparty. In addition, current accounts with positive and negative balances held with the same counterparties are not netted.

Amortised cost measurement

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

Fair value measurement

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

e) Cash and cash equivalents

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

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

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

f) Financial assets measured at fair value through other comprehensive income

i. Debt securities

'Debt securities' are classified as at FVOCI when both of the following conditions are met;

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

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

ii. Equity instruments

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

g) Loans and receivables

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and receivables that do not meet "solely payments of principal and interest" (SPPI) criterion are classified as "non-trading assets mandatorily at fair value through profit loss".

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

h) Derivatives held for trading

The financial assets are classified based on the business model and SPPI assessments as outlined in Note 3g) above.

i) Derivatives held as economic hedge and hedge accounting

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

The Bank designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedge accounting relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk-management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge accounting 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.

The Bank applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU 'carve out' version of IAS 39. Under the EU 'IAS 39 carve-out', hedge accounting may be applied, in respect of fair value macro hedges, deposits and hedge ineffectiveness is only recognized when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket. Since hedged item is a portfolio of specific time deposits, prepayment is not a risk.

These hedging relationships are discussed below. Please refer to item '3-w-iii' for the accounting of ineffectiveness.

Fair value hedge accounting

Fair value hedge accounting adopted by CEB NV with the objective to manage the bank's interest rate and foreign currency exposures. From a hedge accounting point of view, the Bank designates the hedged risk as the exposure to changes in the fair value of a recognized financial asset or liability or an unrecognized firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss.

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 expired, sold, terminated, exercised, or if 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 unless the hedged item is derecognized. If hedged item is sold or settled, fair value adjustment is recognised immediately in the income statement.

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

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

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- Differences in currencies (basis spread)

Additionally, for portfolio (macro) fair value hedge accounting of the Bank's fixed rate deposits portfolio, although it is very low probability due to the nature of deposits, the ineffectiveness can also arises from possible prepayments.

-Micro fair value hedges

A fair value hedge accounting relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate loans, fixed rate debt instruments at FVOCI and fixed rate issued subordinated loans. These hedge accounting relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to discontinue voluntarily the hedging relationship, the hedge accounting relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

-Portfolio (macro) fair value hedges

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

Net investment hedges

When a derivative is designated as the hedging instrument in a hedge accounting 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 net investment hedge 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.

j) 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

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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 using the effective interest rate and recorded in the income statement as 'interest income and expense from financial instruments measured at amortized cost".

k) Leasing

i. Bank as a lessee

Right of use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment as it is applied to other property and equipment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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.

l) Property and equipment

The Bank has adopted the "revaluation method" for its land and buildings as of December 31, 2019. A valuation surplus is recorded in OCI and credited to the tangible revaluation reserve in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation deficit is recognised in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The Bank has elected to transfer the revaluation surplus to retained earnings in full, upon disposal of the asset. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Other property and equipment is measured at cost less accumulated depreciation and any accumulated impairment.

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

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

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

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

m) 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 operating expenses" as 'change in fair value of investment property'. Fair value is based on a valuation by independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

n) Intangible assets

Software and other intangible assets

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

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

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

o) Assets held for sale and discontinued operations

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

Assets classified as held for sale are 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 are disclosed separately in the statement of financial position. Property and equipment and intangible assets once reclassified as held for sale are not depreciated or amortized.

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

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

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

p) Inventories

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

q) 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.

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r) Deposits, issued debt securities and subordinated liabilities

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

Deposits, issued debt securities and subordinated liabilities are initially measured at fair value, less 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.

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

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and, an ECL provision under IFRS 9 – as set out in Note 19.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position except for the following cases:

-if the Bank designates the loan commitments as financial liabilities at fair value through profit or loss,

- if the Bank has a practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments,

- if the loan commitments can be settled net in cash or by delivering or issuing another financial instrument,

- if the commitments are to provide a loan at a below-market interest rate

t) 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 measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

u) 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.

v) 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.

w) Recognition of income and expenses

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

The Bank measures disaggregated revenue categories in note 23 ‘Net fee and commission income’ and revenues from shipbuilding activities in note 27 ‘Other operating income’ according to IFRS 15 “Revenue from Contracts with Customers”. Relevant items in note 22 “Net interest income” and note 24 ‘Net trading results” are measured in accordance with IFRS 9 “Financial Instruments”.

i. Interest income and expenses

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest results on instruments classified at amortised cost and assets measured at FVOCI is presented in ‘Interest income/expense from financial instruments measured at amortized cost and FVOCI’. Interest result on instruments designated and mandatorily at fair value are presented in ‘Interest income/expense from financial instruments measured at FVTPL’. Interest on derivatives used in hedge accounting are presented in line with the underlying asset/lability.

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

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 are generally recognized on an accrual basis. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs), and are recognized as an adjustment to the effective interest rate of the loan.

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

iii. Net trading results

'Net trading results' comprises gains and losses arising from changes in the fair value and disposal of financial assets and liabilities held for trading, changes in the fair value of loans to customers that are reclassified as financial assets mandatorily at fair value through profit and loss, and dividends received from trading instruments. Realized and unrealized gains and losses on derivative financial instruments not designated in a hedge accounting relationship are recognized under net trading results as well as any ineffectiveness recorded on hedge accounting.

iv. Net results from investment securities

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

v. Revenue from contracts with customers

Revenue from construction contracts, sale of goods and chartering activities earned by non-banking subsidiaries of the Bank are presented as part of 'other operating income' in the statement of profit and loss.

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

Management assesses shipbuilding construction contracts and considers IFRS 15's guidance for the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of goods and services to the customer and the timing of the related payments.

Revenue from the shipbuilding construction costs is recognized over time based on the criteria that the Bank's performance does not create an asset with an alternative use to the Bank and the Bank has enforceable right to payment for performance obligation completed to date. The Bank entitled to invoice customers for construction contracts based on achieving a series of performance related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and invoice for the related milestone payment. The Bank will recognize a "contract asset" for any work performed.

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

Charter income is recognized on a straight-line basis during the period of the contract.

x) 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.

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y) Dividends on ordinary shares

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

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

z) Equity components

Foreign currency translation reserve

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

Net investment hedge reserve

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

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

Fair value reserve

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

Tangible revaluation reserve

The tangible revaluation reserve includes the cumulative net revaluation surpluses arising from the revaluation of land and buildings. Please refer to Note 14-a 'Property and equipment' for details.

aa) Segment reporting

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

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Changes in IFRS effective in 2021

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

The following amendments to standards are effective, were endorsed and adopted by the EU for annual periods beginning after 1 January 2021.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform

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

-The first phase of IBOR Transition related changes have been operational since early 2021. CEB banking system is able to handle in-arrears compounding, lookback, delay, lockout, spread-inclusive or exclusive compounding for Interest Rate and Cross-currency Swaps. The market and index data is also complete with ON indices (such as SOFR, ESTR, SARON); OIS or RFR curves and since Q4 also term SOFR rates.

-Created know-how is being leveraged in the 2nd phase of the IT Project which is ongoing to tackle loan and securities modules and are largely at UAT stage. For the loan module, the approach was determined to apply in-arrears compounding and lookback without observation shift, in line with LMA guidelines and so far being the most commonly used approach. For Floating Rate Notes the Bank has applied similar functionality as derivatives, and also developing lookback with observation shift capabilities in line with practice the Bank observes in the market. The Bank targets the loan module changes to be in production before year end, and securities module to be in Q1 2022.

-For derivatives valuations, all cleared swaps' discount curves were changed to SOFR and ESTR curves in line with LCH. Since our first SOFR Swap trade in April 2021, the Bank has switched all our USD IRS activity from LIBOR to SOFR.

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

-The Bank also largely completed its efforts to either amend its CSAs (ISDA) bilaterally with counterparties to move on to ESTR and SOFR from EONIA and Fed Funds Effective Rate where needed, or agree with counterparties to start using ESTR when EONIA is discontinued. The Bank also adhered to ISDA 2021 EONIA Collateral Agreement Fallbacks Protocol in October 2021.

-The Bank carried out a mapping exercise to identify the existing loan agreements which are impacted the LIBOR transition. In conjunction with this exercise, the Bank has engaged a leading international law firm for the amendment and transition process. The Bank has prepared documentation for client communication documentation together with relevant guidance notes setting out the background of the benchmark transition, new interest calculation methodology

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(conventions) and FAQs for its clients. The Bank is amending its existing loan agreements and newly issued loans by the Bank are SOFR loans. In addition to this, the Bank includes appropriate credit adjustment spread in line with current market practice and negotiates the margin.

-The Bank is also watching developments with regards to the retail mortgage portfolio linked to CHF LIBOR. On 12 February 2021, EU delegated regulation 2021/168 was published in the Official Journal of the European Union, amending the EU Benchmark Regulation. Among other things, the change gave the European Commission the power to mandate the use of a designated replacement. The European Commission published a Delegated Regulations in the Official Journal of the European Union, nominating the replacement rates for CHF LIBOR. The Regulations stepped into force on 11 November 2021. This means that as of 1 January 2022, all references to CHF LIBOR in contracts will automatically be replaced with references to SARON 3M compounded plus an adjustment spread. The Bank is working on the related client communication.

Hedge Accounting

From hedge accounting perspective, the Bank has three interest rate swaps referencing USD LIBOR being recognized as fair value hedge. Total notional of the hedging items is equal to the total notional of hedged items which is USD 180 million. These hedge relationships will mature in 2022, before IBOR benchmark transition deadline.

The interest rates swaps fixed receivers versus Libor6M+Spread whereas hedged item is fixed payer. Thus, interest rate risk is the only risk that the Bank hedged in these relationships. The Bank assumes that occurrence of the future cash flows will still be highly probable.

During the period of uncertainty, the Bank will not discontinue fair value hedge accounting if hedge fails the 80-125% range as indicated on the paragraph AG105 (b) on the IAS39 retrospective assessment.

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

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New standards and interpretations not yet adopted

The following amendments to standard is effective but has not been endorsed by the EU for annual periods beginning after 1 January 2021.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the effect of adopting these standards on its consolidated financial statements.

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

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

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4. Segment information

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

The Bank has five (2020: five) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, 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 and the Netherlands.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany, Malta and Switzerland.
- Romania retail: includes retail loans and funds entrusted from retail customers in Romania.
- Romania wholesale: includes loans to non-retail customers and funds entrusted from non-retail customers in Romania.
- Other: includes Bank's operations in Ukraine, Dubai 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.

4. Segment information *(continued)*

December 31, 2021	West Europe Retail	West Europe Wholesale	Romania Retail*	Romania Wholesale	Other	Total
Interest income – external	214	88,722	22,083	11,986	3,074	126,079
Interest income – other segments	-	5,466	-	105	137	5,708
Interest revenue	**214**	**94,188**	**22,083**	**12,091**	**3,211**	**131,787**
Interest expenses – external	-	(29,411)	(6,309)	(1,146)	(419)	(37,285)
Interest expense – other segments	-	(1,284)	-	(1,482)	(2,942)	(5,708)
Interest expense	-	**(30,695)**	**(6,309)**	**(2,628)**	**(3,361)**	**(42,993)**
Net interest income	**214**	**63,493**	**15,774**	**9,463**	**(150)**	**88,794**
Net commission income – external	10	25,533	5,256	194	293	31,286
Net commission income – other segments	-	(443)	600	(1)	(156)	-
Revenue from repossessed assets	-	9,359	-	1,483	38,951	49,794
Trading and other income	82	4,155	2,037	240	2,585	9,098
Trading and other income– other segments	-	(15)	-	-	15	-
Net impairment loss on financial assets	(67)	9,941	(8,648)	2,352	1,008	4,586
Depreciation and amortization expense	(91)	(5,536)	(3,006)	(1,763)	(2,248)	(12,644)
Other operating expenses	(798)	(56,732)	(13,034)	(12,711)	(1,816)	(85,091)
Expenses related to repossessed assets	-	(16,336)	(1,395)	(209)	(34,196)	(52,136)
Share of profit of associate	-	-	-	-	(5,718)	(5,718)
Operating profit before taxes	**(650)**	**33,419**	**(2,416)**	**(952)**	**(1,432)**	**27,969**
Income tax expense	208	8,548	1,407	(385)	(305)	9,473
Profit for the year	**(442)**	**41,967**	**(1,009)**	**(1,337)**	**(1,737)**	**37,442**
Other information at 31 December 2021 - Financial position						
Total assets	106,462	3,907,252	326,196	673,542	92,017	5,105,469
Total liabilities	2,277,816	1,443,701	265,862	430,974	34,624	4,452,977
Investment in associates and joint ventures	-	-	-	-	2,280	2,280
Assets held for sale	-	-	-	-	597	597
Other information at 31 December 2021 - Income statement						
Reversal of impairment allowances no longer required	559	12,927	1,919	3,201	(34)	18,572

(*) "The Mortgage Payment Law ("Dare in Plata" or "DIP"), which came into force in Romania in April 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. The DIP law was updated in May 2020, whereby the law became a hardship based law, with hardship eligibility criteria mathematically formulated. By its motivation, issued in September 2021, Romanian Constitutional Court declared hardship criteria as constitutional. The Bank has modified its ECL methodology accordingly and recognized additional credit losses charge of EUR 10.2 million. This amount is presented in "Romania Retail" segment.

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4. Segment information *(continued)*

						December 31, 2020
	West Europe Retail	**West Europe Wholesale**	**Romania Retail**	**Romania Wholesale**	**Other**	**Total**
Interest income – external	2,761	93,940	22,478	15,320	6,779	141,278
Interest income – other segments	-	4,501	-	245	301	5,047
Interest revenue	**2,761**	**98,441**	**22,478**	**15,565**	**7,080**	**146,325**
Interest expenses – external	-	(34,256)	(7,450)	(1,672)	(1,108)	(44,486)
Interest expense – other segments	-	(925)	-	(1,511)	(2,611)	(5,047)
Interest expense	**-**	**(35,181)**	**(7,450)**	**(3,183)**	**(3,719)**	**(49,533)**
Net interest income	**2,761**	**63,260**	**15,028**	**12,382**	**3,361**	**96,792**
Net commission income – external	16	16,747	5,975	225	905	23,868
Net commission income – other segments	-	227	620	(2)	(845)	-
Revenue from repossessed assets	-	2,235	-	177	21,273	23,685
Trading and other income	636	6,718	698	4,296	(1,006)	11,342
Trading and other income– other segments	-	(416)	-	14	402	-
Net impairment loss on financial assets	(114)	(20,105)	2,444	(3,332)	(9,417)	(30,524)
Depreciation and amortization expense	(175)	(4,226)	(3,162)	(1,822)	(2,283)	(11,668)
Other operating expenses	(18)	(58,845)	(13,358)	(10,919)	(2,589)	(85,729)
Expenses related to repossessed assets	-	(4,034)	(1,104)	-	(18,826)	(23,964)
Share of profit of associate	-	-	-	-	(1,016)	(1,016)
Operating profit before taxes	**3,106**	**1,561**	**7,141**	**1,019**	**(10,041)**	**2,786**
Income tax expense	(994)	5,415	(1,523)	(806)	(154)	1,938
Profit for the year	**2,112**	**6,976**	**5,618**	**213**	**(10,195)**	**4,724**
Other information at 31 December 2020 - Financial position						
Total assets	140,493	3,571,070	331,356	683,039	100,406	4,826,364
Total liabilities	2,257,485	1,242,161	291,214	384,197	38,732	4,213,789
Investment in associates and joint ventures	-	-	-	-	6,319	6,319
Assets held for sale	-	5,275	-	-	885	6,160
Other information at 31 December 2020 - Income statement						
Reversal of impairment allowances no longer required	71	4,488	2,364	400	-	7,323

Information about major customers

As of December 31, 2021, there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2020: 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, 2021	December 31, 2020
Balances with central banks	918,786	649,057
Cash on hand	15,862	17,078
Total	**934,648**	**666,135**

Deposits at central banks include reserve deposits amounting to EUR 42,095 (2020: EUR 39,890), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and balances at central banks	934,648	666,135
Less: reserve deposits at central banks	(42,095)	(39,890)
Cash and cash equivalents in the statement of cash flows	**892,553**	**626,245**

6. Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial assets held for trading		
Trading loans	65,457	64,678
Equity instruments	2,166	-
Corporate bonds	888	-
Bank bonds	-	247
Total financial assets held for trading	**68,511**	**64,925**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	16,197	22,837
Equity instruments	2,998	-
Total non-trading financial assets mandatorily at FVTPL	**19,195**	**22,837**
Total financial assets at fair value through profit or loss	**87,706**	**87,762**

As of December 31, 2021, EUR 9,108 (2020: EUR 2,647) are listed financial instruments and EUR 78,598 (2020: EUR 85,115) are non-listed financial instruments.

As of December 31, 2021, there are no financial asset that have been sold or re-pledged under repurchase agreements (2020: None).

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

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

December 31, 2021

	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	**64,925**	**22,837**	**87,762**
Additions	789,650	2,998	792,648
Disposals (sale, collection and redemption)	(789,977)	(7,444)	(797,421)
Net interest income	-	(429)	(429)
Net changes in fair value	3,856	1,232	5,088
Exchange differences	57	1	58
Balance at the end of the year	**68,511**	**19,195**	**87,706**

December 31, 2020

	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	**204,267**	**23,646**	**227,913**
Additions	1,010,409	-	1,010,409
Disposals (sale, collection and redemption)	(1,156,134)	-	(1,156,134)
Net interest income	-	(797)	(797)
Net changes in fair value	5,937	(180)	5,757
Exchange differences	446	168	614
Balance at the end of the year	**64,925**	**22,837**	**87,762**

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7. Financial investments

	December 31, 2021	December 31, 2020
Financial investments at FVOCI	676,169	785,626
Financial investments at amortized cost	17,122	-
Total	**693,291**	**785,626**

As of December 31, 2021, EUR 130,318 financial assets may have been sold or re-pledged under repurchase agreements (2020: EUR 51,351). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchange markets where the Bank acts as an intermediary.

	December 31, 2021	December 31, 2020
Government bonds	482,216	480,983
Loans and advances	125,471	115,868
Equities	43,351	42,240
Bank bonds	26,106	12,521
Corporate bonds	16,147	134,014
Total	**693,291**	**785,626**

As of December 31 2021, EUR 553,823 (2020: EUR 653,383) of the total are listed financial instruments and EUR 139,468 (2020: EUR 132,243) are non-listed financial instruments.

The Bank elected to apply the FVOCI option to the equity investments, which consists of instruments that provide a strategic source of stable dividend income as well as the interest retained in a former subsidiary.

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

			December 31, 2021
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	17,967	815	Based on quoted market prices
CEB Russia - minority share*	12,285	937	Discounted cash flow
Other	13,100	319	Based on quoted market prices
Total	**43,351**	**2,071**	

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

(*) Please refer to Note 33 'Fair value hierarchy' for significant unobservable inputs.

The movement in investment securities may be summarized as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**785,626**	**537,482**
Additions	763,895	1,258,270
Disposals (sale and redemption)	(848,365)	(1,015,655)
Net changes in fair value	(6,050)	5,788
Amortization	(1,611)	1,671
Transfers into other financial asset classes	(1,885)	-
Exchange differences	1,681	(1,930)
Balance at the end of the year	**693,291**	**785,626**

8. Loans and receivables – banks

	December 31, 2021	December 31, 2020
Placements with other banks	229,301	148,017
Loans and advances	54,282	56,297
Subtotal	**283,583**	**204,314**
Allowances for expected credit losses	(196)	(341)
Total	**283,387**	**203,973**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 47,832 (2020: EUR 17,347).

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

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2021	**204,314**	**(341)**	**-**	**-**	**-**	**-**	**204,314**	**(341)**
Originated or purchased	174,028	(108)	-	-	-	-	174,028	(108)
Matured or sold	(140,715)	213	-	-	-	-	(140,715)	213
Re-measurement	45,397	40	-	-	-	-	45,397	40
Exchange differences	559	-	-	-	-	-	559	-
At December 31, 2021	**283,583**	**(196)**	**-**	**-**	**-**	**-**	**283,583**	**(196)**

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2020	**188,308**	**(360)**	**-**	**-**	**925**	**(925)**	**189,233**	**(1,285)**
Originated or purchased	107,283	(228)	-	-	-	-	107,283	(228)
Matured or sold	(103,708)	243	-	-	-	-	(103,708)	243
Re-measurement	12,431	5	-	-	-	-	12,431	5
Amounts written off	-	-	-	-	(925)	925	(925)	925
Exchange differences	-	(1)	-	-	-	-	-	(1)
At December 31, 2020	**204,314**	**(341)**	**-**	**-**	**-**	**-**	**204,314**	**(341)**

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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, 2021			**December 31, 2020**		
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	155,340	2,934	2,934	60,000	27,064	26,630
Foreign currency swaps	51,118	22,846	22,878	537,249	110,140	113,753
Foreign currency forwards	8,145	175	170	47,129	514	1,718
Foreign currency options (purchased)	-	-	-	68,087	2,937	-
Foreign currency options (sold)	-	-	-	65,587	-	3,085
Total	**214,603**	**25,955**	**25,982**	**778,052**	**140,655**	**145,186**
Derivatives in economic hedge relationship						
Interest rate swaps	7,006	161	161	7,032	-	-
Foreign currency swaps	1,274,309	39,035	53,241	1,706,509	38,319	7,859
Forwards	287,949	922	727	96,790	62	867
Total	**1,569,264**	**40,118**	**54,129**	**1,810,331**	**38,381**	**8,726**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	457,413	273	34	582,133	9,282	8,824
Foreign currency swaps	17,627	129	-	24,689	188	-
Total	**475,040**	**402**	**34**	**606,822**	**9,470**	**8,824**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	346,366	3,118	7,733	316,495	733	2,688
Total	**346,366**	**3,118**	**7,733**	**316,495**	**733**	**2,688**
Total Derivatives	**2,605,273**	**69,593**	**87,878**	**3,511,700**	**189,239**	**165,424**

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

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

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

-Fair value hedges in hedge accounting relationships

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

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

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

December 31, 2021	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Fixed rate corporate loans	11,141	-	-	5,890
Fixed rate FVOCI debt instruments	120,500	-	-	2,933
Fixed rate subordinated liabilities	-	159,584	-	2,970
Subtotal	**131,641**	**159,584**	**-**	**11,793**
Portfolio fair value hedges				
Fixed rate customer deposits	-	158,897	-	332
Subtotal	**-**	**158,897**	**-**	**332**
Total	**131,641**	**318,481**	**-**	**12,125**

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

The following table sets out the outcome of the Bank's hedging strategy set out in Note 3-i "Derivatives held as economic hedge and hedge accounting", in particular to changes in the fair value of the hedged items and hedging instruments used as the basis for recognising ineffectiveness. Ineffectiveness has been recognised under PL line "Net trading result". Main source of ineffectiveness are the minor notional/schedule/interest rate differences of hedged and hedging items, floating leg of hedging item and the differences in yield curves used for hedged and hedging items during hedge ineffectiveness tests.

December 31, 2021		**Gains /(losses) attributable to the hedged risk**		**Hedge ineffectiveness**
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Interest rate swaps	(41)	42	1
Fixed rate corporate loans	Foreign currency contracts	(1,506)	1,448	(58)
Fixed rate FVOCI debt instruments	Interest rate swaps	(5,241)	5,328	87
Subtotal		**(6,788)**	**6,818**	**30**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	3,019	(3,784)	(765)
Subtotal		**3,019**	**(3,784)**	**(765)**
Total micro fair value relationships		**(3,769)**	**3,034**	**(735)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	693	(831)	(137)
Subtotal		**693**	**(831)**	**(137)**
Total portfolio fair value hedge relationships		**693**	**(831)**	**(137)**
Total		**(3,076)**	**2,203**	**(872)**

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

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

December 31, 2021	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Foreign currency contracts	14,467	3,160	-	17,627
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	-	130,699	130,699
Fixed rate subordinated liabilities				
Interest rate swaps	-	158,597	-	158,597
Fixed rate customer deposits				
Interest rate swaps	-	168,117	-	168,117
Total	**14,467**	**329,874**	**130,699**	**475,040**

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

-Net investment hedges

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

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

		December 31, 2021
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	1,664	1,936
RON	709	(3,090)
CHF	5,472	5,813
UAH	32	1,218
TRY	(1,080)	(4,861)
Total	**6,797**	**1,016**

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

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

December 31, 2021	Carrying amount of hedging instruments			Changes in fair value of hedging instruments used for hedging ineffectiveness		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	20,250	45	2	(1,664)	-	(1,664)
RON swaps	178,943	1,416	1,533	(709)	-	(709)
CHF swaps	130,366	(304)	4,915	(5,472)	-	(5,472)
UAH swaps	4,000	19	40	(32)	-	(32)
TRY swaps	12,807	1,943	1,243	1,080	-	1,080
Total	**346,366**	**3,119**	**7,733**	**(6,797)**	**-**	**(6,797)**

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

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

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
USD swaps	20,250	-	-	20,250
RON swaps	51,502	81,809	45,632	178,943
CHF swaps	44,909	55,928	29,529	130,366
TRY swaps	982	8,105	3,720	12,807
UAH swaps	4,000	-	-	4,000
Total at December 31, 2021	**121,643**	**145,842**	**78,881**	**346,366**

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

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10. Loans and receivables – customers

	December 31, 2021	December 31, 2020
Commercial loans	2,393,942	2,304,939
Consumer loans	239,866	243,538
Public sector loans	86,539	3,182
Credit card loans	85,510	86,344
Finance lease receivables, net	5,320	6,139
Subtotal	**2,811,177**	**2,644,142**
Allowances for expected credit losses	(58,163)	(79,618)
Total	**2,753,014**	**2,564,524**

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

Details of finance lease receivables are summarized below:

	December 31, 2021	December 31, 2020
Not later than 1 year	1,198	1,232
Later than 1 year and not later than 5 years	3,926	4,020
Later than 5 years	655	1,659
Gross lease receivables	**5,779**	**6,911**
Not later than 1 year	(144)	(200)
Later than 1 year and not later than 5 years	(308)	(508)
Later than 5 years	(7)	(64)
Unearned interest income	**(459)**	**(772)**
Finance lease receivables, net	**5,320**	**6,139**

11. Loans to customers, impairment charges and allowances

December 31, 2021

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**1,866,993**	**(14,399)**	**539,825**	**(32,530)**	**237,325**	**(32,690)**	**2,644,143**	**(79,619)**
Originated or purchased	1,490,779	(2,648)	3,004	12	592	(5,363)	**1,494,375**	**(7,999)**
Matured or sold	(1,082,300)	7,193	(83,526)	5,790	(68,758)	6,049	**(1,234,584)**	**19,032**
Transfers to Stage 1	246,286	(11,675)	(246,234)	11,655	(52)	20	-	-
Transfers to Stage 2	(81,752)	686	83,533	(1,189)	(1,781)	503	-	-
Transfers to Stage 3	(3,404)	17	(15,192)	1,757	18,596	(1,774)	-	-
Re-measurement	(88,681)	10,613	(14,682)	(6,994)	36,128	(14,310)	**(67,235)**	**(10,691)**
Amounts written off	-	-	-	-	(25,741)	25,741	**(25,741)**	**25,741**
Exchange differences	(138)	(38)	364	(47)	(7)	(4,542)	**219**	**(4,627)**
Balance at year end	**2,347,783**	**(10,251)**	**267,092**	**(21,546)**	**196,302**	**(26,366)**	**2,811,177**	**(58,163)**

December 31, 2020

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**2,190,756**	**(14,753)**	**359,805**	**(14,950)**	**258,059**	**(36,647)**	**2,808,620**	**(66,350)**
Originated or purchased	1,124,575	(4,542)	-	-	17,946	-	**1,142,521**	**(4,542)**
Matured or sold	(1,023,335)	(647)	(65,100)	448	(44,896)	3,697	**(1,133,331)**	**3,498**
Transfers to Stage 1	54,026	(4,706)	(54,026)	4,706	-	-	-	-
Transfers to Stage 2	(358,334)	8,471	361,093	(8,662)	(2,759)	191	-	-
Transfers to Stage 3	(22,198)	91	(43,764)	2,466	65,962	(2,557)	-	-
Re-measurement	(71,125)	1,867	11,064	(17,201)	(36,227)	(12,686)	**(96,288)**	**(28,020)**
Amounts written off	-	-	-	-	(14,755)	14,755	**(14,755)**	**14,755**
Exchange differences	(27,372)	(180)	(29,247)	663	(6,005)	557	**(62,624)**	**1,040**
Balance at year end	**1,866,993**	**(14,399)**	**539,825**	**(32,530)**	**237,325**	**(32,690)**	**2,644,143**	**(79,619)**

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

	December 31, 2021				December 31, 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans to customers at amortized cost	4,630	3,854	(3,925)	4,559	**(29,713)**
Loans to banks at amortized cost	115	-	-	115	**29**
Debt securities measured at FVOCI	(248)	-	-	(248)	**(77)**
Credit related commitments (non-cash loans)	(3)	164	-	161	**(781)**
Net impairment loss on financial instruments	**4,493**	**4,018**	**(3,925)**	**4,586**	**(30,524)**

Loans and receivables written off during the year amounting to EUR 1,137 (2020: EUR 8,166) are still subject to enforcement activity.

12. Other assets and inventories

	December 31, 2021	December 31, 2020
Repossessed assets classified as inventories*	47,942	50,960
Contract assets	11,428	19,633
Insurance receivables	7,970	11,704
Receivables from DSB	6,259	18,548
Prepayments to suppliers	3,998	8,162
Materials and supplies	2,443	7,530
Accounts receivable	1,829	33,485
Other assets	9,402	9,503
Total	**91,271**	**159,525**

(*) The repossessed assets classified as inventories includes land, commercial and residential real estate amounting to EUR 39 million (2020: EUR 44 million), artworks amounting to EUR 6 million (2020: EUR 7.5 million) and yacht amounting to EUR 2 million (2020: None).

13. Investment in associates and joint ventures

For 2021 and 2020 the movements of the Bank's interest in associates and joint ventures are as follows:

	Balance at January 1, 2021	**Additions / (Disposals)**	**Result for the year**	**Foreign currency translation reserve**	**Balance at December 31, 2021**
Cirus Holding B.V.	4,118	1,374	(3,630)	418	2,280
Ikano Finance Holding B.V.	2,076	-	(2,088)	12	-
Stichting Credit Europe Custodian Service*	125	(125)	-	-	-
	6,319	**1,249**	**(5,718)**	**430**	**2,280**

	Balance at January 1, 2020	**Additions / (Disposals)**	**Result for the year**	**Foreign currency translation reserve**	**Balance at December 31, 2020**
Cirus Holding B.V.	6,448	-	(882)	(1,448)	4,118
Ikano Finance Holding B.V.	2,276	-	(134)	(66)	2,076
Stichting Credit Europe Custodian Service	125	-	-	-	125
	8,849	**-**	**(1,016)**	**(1,514)**	**6,319**

(*) Stichting Credit Europe Custodian is dissolved in the course of 2021.

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

Ikano Finance Holding B.V. is a holding company, which through its wholly owned Russian based subsidiary cooperates with Credit Europe Bank (Russia) Ltd in providing financial services and co-branded cards to the retail customers of IKEA and MEGA in Russia. The Bank holds 50% of the shares.

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14. Property, equipment and investment property

A. Property and equipment

The movement of property and equipment is summarized as follows:

	Land and Buildings	Furniture and Fixtures	Vehicles and Vessels*	Leasehold improvements	Machinery	Total
Balance at January 1, 2021	44,287	12,384	29,269	2,172	3,790	91,902
Additions	5,348	1,701	4,473	38	162	11,722
Disposals	(265)	(272)	(252)	-	-	(789)
Revaluation***	1,900	-	-	-	-	1,900
Depreciation	(3,912)	(1,707)	(2,490)	(414)	(1,254)	(9,777)
Currency translation differences	1,739	1,225	808	90	313	4,175
Balance at December 31, 2021	**49,097**	**13,331**	**31,808**	**1,886**	**3,011**	**99,133**
Cost	92,127	56,570	40,590	4,107	14,263	207,657
Cumulative depreciation and impairment	(43,030)	(43,239)	(8,782)	(2,221)	(11,252)	(108,524)
Balance at December 31, 2021	**49,097**	**13,331**	**31,808**	**1,886**	**3,011**	**99,133**

	Land and Buildings	Furniture and Fixtures	Vehicles and Vessels*	Leasehold improvements	Machinery	Total
Balance at January 1, 2020	74,077	12,109	11,141	71	5,117	102,515
Additions	2,217	2,234	20,060	2,274	149	26,934
Disposals**	(28,895)	(162)	(205)	(4)	-	(29,266)
Revaluation***	3,747	-	-	-	-	3,747
Depreciation	(4,793)	(1,725)	(940)	(152)	(1,144)	(8,754)
Currency translation differences	(2,066)	(72)	(787)	(17)	(332)	(3,274)
Balance at December 31, 2020	**44,287**	**12,384**	**29,269**	**2,172**	**3,790**	**91,902**
Cost	82,958	54,786	35,525	3,952	13,776	190,997
Cumulative depreciation and impairment	(38,671)	(42,402)	(6,256)	(1,780)	(9,986)	(99,095)
Balance at December 31, 2020	**44,287**	**12,384**	**29,269**	**2,172**	**3,790**	**91,902**

*Included in "vehicles and vessels" are assets subject to operating leases where the Bank acts a lessor. At December 31, 2021, the net carrying amount of those assets is EUR 32,870 (2020: EUR 8,964), on which the accumulated depreciation is EUR 5,100 (2020: EUR 2,429).

** In 2020, the Bank sold an office building located in Frankfurt with a total net carrying amount of EUR 27,977 for a cash consideration of EUR 32,052.

*** Land and buildings include a shipyard in Turkey. Impairment testing is performed for the shipyard. Recoverable amount is the higher of fair value and value in use. Value in use is the present value of expected future cash flows from the CGU or group of CGUs. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Impairment testing involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of CGUs.

The recoverable amount of CGU was based on fair value, using independent valuation report. Blend of income (50% weight), market and cost approaches was applied. Income approach uses management's five-year forecasts. The terminal growth rate is USD based consumer inflation rates. The discount rate is based on those observed to be applied to businesses regarded as peers of the CGU.

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The key assumptions applied in calculating the recoverable amount and sensitivities to changes in those assumptions are set out below by reportable segment:

December 31, 2021

		Impairment reversal		Key assumptions		Impact of consequential 1% adverse movement in	
	Recoverable value exceeded arrying amount	**Goodwill**	**Buildings***	**Terminal growth rate**	**Discount rate**	**Terminal growth rate**	**Discount rate**
Shipyard (Turkey)	1,189	-	1,189	2.20%	14.8%	575	910

December 31, 2020

		Impairment allocation		Key assumptions		Impact of consequential 1% adverse movement in	
	Carrying amount exceeded recoverable value	**Goodwill**	**Buildings***	**Terminal growth rate**	**Discount rate**	**Terminal growth rate**	**Discount rate**
Shipyard (Turkey)	1,920	-	1,920	2.0%	12.5%	945	1,312

(*) Land and buildings of Atlas Tersanecilik are measured at Level 3. Please refer to Note 33 ‘Fair value hierarchy’ for significant unobservable inputs.

Fair value measurement disclosures for the revalued properties are provided in Note 33. If the properties were continued to be measured using the cost model, the carrying amounts would have been EUR 48,537.

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The Bank does not have any restrictions on title, and property and equipment pledged as security for liabilities (2020: None). The Bank does not have any contractual commitments for the acquisition of property and equipment.

As of December 31, 2021, the amount of collaterals repossessed in property and equipment is EUR 59,787 (2020: EUR 53,316).

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the year:

December 31, 2021

	Right-of-use assets					
	Land and Buildings	Vehicles	Furniture and Fixtures	Other	Total	Lease Liabilities
As at 1 January 2021	**5,247**	**404**	**243**	**75**	**5,969**	**5,891**
Additions	4,852	54	80	37	**5,023**	4,986
Disposals	(5)	(252)	-	(20)	**(277)**	(262)
Depreciation expense	(2,541)	(67)	(90)	(9)	**(2,707)**	-
Interest expense	-	-	-	-	-	49
Payments	-	-	-	-	-	(2,243)
Currency translation differences	-	-	-	-	-	(381)
As at 31 December 2021	**7,553**	**139**	**233**	**83**	**8,008**	**8,040**

December 31, 2020

	Right-of-use assets					
	Land and Buildings	Vehicles	Furniture and Fixtures	Other	Total	Lease Liabilities
As at 1 January 2020	**6,537**	**678**	**301**	**29**	**7,545**	**7,573**
Additions	2,018	75	82	143	**2,318**	1,838
Disposals	(1,010)	(208)	(85)	(326)	**(1,629)**	(1,013)
Depreciation expense	(2,244)	(143)	(55)	225	**(2,217)**	-
Interest expense	-	-	-	-	-	112
Payments	-	-	-	-	-	(2,333)
Currency translation differences	(54)	2	-	4	**(48)**	(286)
As at 31 December 2020	**5,247**	**404**	**243**	**75**	**5,969**	**5,891**

As of December 31, 2021 the Bank recognised rent expense from short-term leases and leases of low value assets at amount of EUR 551 (2020: EUR 103) and EUR 4 (2020: EUR 15), respectively.

B. Investment property

Reconciliation of carrying amount

	December 31, 2021	December 31, 2020
Balance at 1 January	**2,697**	**2,876**
Currency translation differences	159	(179)
Balance at 31 December	**2,856**	**2,697**

As of December 31, 2021, the amount of collaterals repossessed in investment properties is EUR 2,856 (2020: EUR 2,697). Investment properties are classified as Level 3 in terms of fair value hierarchy.
As of December 31, 2021, the amount of accumulated change in unrealized fair value is EUR 838 negative (2020: EUR 838 negative).

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15. Intangible assets

The movement of intangibles is summarized as follows:

	Patents, licenses and software	Other Intangibles	Total
Balance at January 1, 2021	5,247	18	5,265
Additions	4,795	16	4,811
Disposal	(71)	-	(71)
Amortization	(2,839)	(28)	(2,867)
Currency translation differences	(12)	(6)	(18)
Balance at December 31, 2021	**7,120**	**-**	**7,120**
Cost	43,066	247	43,313
Cumulative amortization	(35,946)	(247)	(36,193)
Balance at December 31, 2021	**7,120**	**-**	**7,120**

	Patents, licenses and software	Other Intangibles	Total
Balance at January 1, 2020	4,762	38	4,800
Additions	3,427	4	3,431
Disposal	-	(12)	(12)
Amortization	(2,902)	(12)	(2,914)
Currency translation differences	(40)	-	(40)
Balance at December 31, 2020	**5,247**	**18**	**5,265**
Cost	39,292	558	39,850
Cumulative amortization	(34,045)	(540)	(34,585)
Balance at December 31, 2020	**5,247**	**18**	**5,265**

16. Due to banks

	December 31, 2021	December 31, 2020
Time deposits	627,427	499,603
Targeted longer term refinancing operations (TLTRO)	144,719	132,006
Current accounts	26,952	45,574
Total	**799,098**	**677,183**

The amount of repo transactions in time deposits is EUR 130,318 (2020: EUR 51,351).

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

17. Due to customers

	December 31, 2021	December 31, 2020
Retail saving and demand deposits	1,305,542	1,216,506
Retail time deposits	1,239,484	1,328,669
Corporate demand deposits	506,378	431,889
Corporate time deposits	274,636	150,115
Total	**3,326,040**	**3,127,179**

As of December 31, 2021, the Bank maintained customer deposit balances of EUR 35,847 (2020: EUR 42,949), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2021, EUR 1,421,435 (2020: EUR 1,282,018) of deposits from customers are expected to be settled in more than 12 months after the balance sheet date.

18. Other liabilities

	December 31, 2021	December 31, 2020
Advances from customers	9,014	24,271
Lease liabilities	8,040	5,891
Accrued expenses	4,819	4,202
Credit card payables	2,531	2,495
Items in the course of settlement	2,486	1,796
Other liabilities	7,086	7,696
Total	**33,976**	**46,351**

19. Provisions

	December 31, 2021	December 31, 2020
Litigation(*)	3,955	3,830
Staff related	4,524	3,772
- Vacation pay liability	*1,636*	*1,518*
- Employee termination benefits	*1,027*	*132*
- Bonus provision	*293*	*68*
- Other	*1,568*	*2,054*
Credit related commitments	1,452	2,660
Other	32	28
Total	**9,963**	**10,290**

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Bank's and the Bank's subsidiary, Credit Europe Bank (Romania) SA, are involved as of December 31, 2021. Further details are provided in Note 35: Commitments and Contingencies.

The table below presents movement in total provisions:

December 31, 2021	Litigation	Staff related	Credit related commitments	Other
At January 1, 2021	**3,830**	**3,772**	**2,660**	**28**
Addition	1,353	2,229	158	19
Provisions used during the year	(24)	(1,384)	-	(14)
Reversal	(786)	(106)	(1,295)	-
Currency translation differences	(418)	13	(71)	(1)
At December 31, 2021	**3,955**	**4,524**	**1,452**	**32**

December 31, 2020	Litigation	Staff related	Credit related commitments	Other
At January 1, 2020	**4,627**	**4,568**	**1,889**	**31**
Addition	374	974	1,245	287
Provisions used during the year	-	(1,353)	(46)	(413)
Reversal	(1,127)	(359)	(422)	-
Currency translation differences	(44)	(58)	(6)	(7)
Other	-	-	-	130
At December 31, 2020	**3,830**	**3,772**	**2,660**	**28**

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.

	Maturity Date	First possible call date	31/12/2021	31/12/2020
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	November 2027	November 2022	132,689	122,076
USD 50 million AT1 instrument with a fixed interest rate of 8.95 % p.a.	Perpetual	December 2022	44,202	40,840
Total			**176,891**	**162,916**

Changes in liabilities arising from financial activities

Subordinated loans	December 31, 2021	December 31, 2020
Balance at the beginning of the year	162,916	177,659
Interest expense	13,041	13,523
Interest paid	(12,677)	(13,330)
Foreign exchange movement	13,611	(14,936)
Balance at December 31	**176,891**	**162,916**

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21. Equity

	December 31, 2021	December 31, 2020
Share capital	563,000	563,000
Share premium	163,748	163,748
Retained earnings	92,863	51,027
Tangible revaluation reserve	467	161
Fair value reserve	(4,793)	4,692
Foreign currency translation reserve	(71,511)	(72,413)
Net investment hedge reserve	(93,013)	(99,355)
Equity attributable to owners of the Parent Company	**650,761**	**610,860**
Equity attributable to non-controlling interests	1,731	1,715
Total equity	**652,492**	**612,575**

As of December 31, 2021, the authorized share capital is EUR 1,000 million (2020: EUR 1,000 million) and consists of EUR 1,000 million (2020: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 563 million (2020: 563 million) ordinary shares with a face value of EUR 1.

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

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

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

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

22. Net interest income

	January 1- December 31, 2021	January 1- December 31, 2020
Interest income from financial instruments measured at amortized cost and FVOCI	**120,492**	**135,461**
Loans and receivables – customers	111,020	124,154
Financial investments	5,339	6,844
Loans and receivables – banks	2,501	3,479
Cash and balances at central banks*	1,463	770
Interest on financial lease	169	215
Interest income from financial instruments measured at FVTPL	**5,587**	**5,817**
Financial assets held for trading	5,158	5,020
Non-trading financial assets mandatorily at FVTPL	429	797
Subtotal	**126,079**	**141,278**
Interest expense from financial instruments measured at amortized cost	**37,285**	**44,486**
Due to customers	19,871	25,344
Subordinated liabilities	9,184	10,912
Due to banks	4,856	5,000
Cash and balances at central banks	3,325	3,118
Lease liabilities	49	112
Subtotal	**37,285**	**44,486**
Total	**88,794**	**96,792**

(*) Negative interest on TLTRO amounting to EUR 1,440 (2020: EUR 681) is booked under this line.

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23. Net fee and commission income

	January 1-December 31, 2021	January 1-December 31, 2020
Fee and commission income		
Letters of credit commissions	12,230	6,245
Cash loan fees	9,816	7,287
Credit card fees	6,759	6,766
Payment and transaction services fees	1,825	1,965
Commission on account maintenance	1,508	1,574
Portfolio and other management fees	589	1,419
Other fees and commissions	3,399	2,796
Subtotal	**36,126**	**28,052**
Fee and commission expense		
Credit card fees	2,699	1,943
Payment and transaction services expense	1,073	1,110
Other fee and commission expenses	1,068	1,131
Subtotal	**4,840**	**4,184**
Total	**31,286**	**23,868**

24. Net trading results

	January 1-December 31, 2021	January 1-December 31, 2020
Foreign exchange	33,472	(20,609)
Trading loans	5,535	5,995
Financial assets mandatorily at FVTPL	1,232	(1,774)
Debt securities	45	522
Derivative financial instruments - hedge accounting	(872)	(1,579)
Dividend on FVTPL investments	-	49
Subtotal	**39,412**	**(17,396)**
Derivative financial instruments - not qualifying for hedge accounting	(40,744)	6,739
of which interest component	*(12,666)*	*(12,044)*
of which MTM component	*1,887*	*(3,394)*
of which FX component	*(29,965)*	*22,177*
Total	**(1,332)**	**(10,657)**

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25. Net results on derecognition of financial assets measured at amortized cost

As of December 31, 2021, there is no (2020: EUR 114) gain recognized as result of financial assets derecognition.

26. Net results from investment securities

	January 1- December 31, 2021	January 1- December 31, 2020
Net gain from disposal of debt instruments at FVOCI	5,377	13,305
Total	**5,377**	**13,305**

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

27. Revenue from repossessed assets and other operating income

i. Revenue from repossessed assets

	January 1- December 31, 2021	January 1- December 31, 2020
Revenue from shipbuilding activities	38,951	21,273
Shipping charter and freight income	8,317	2,235
Gain on disposal of repossessed assets	2,526	177
Total	**49,794**	**23,685**

The revenue in the table above relates to assets that the Bank has repossessed as part of the foreclosure of collateral. In the efforts to maximize the proceeds, the Bank operates these assets while optimizing their performance before selling them. While it is the Bank's intention to sell these assets, they do not yet meet the requirements to be presented as assets held for sale under IFRS 5 and consequently present revenue as revenue from discontinued operations. As of December 31, 2021 the total amount of work in progress relating to the shipbuilding activities amounts to EUR 0.3 million, whereas EUR 9.1 million in advance payments was received.

The table below includes an overview of revenue and expenses associated with repossessed assets.

	January 1- December 31, 2021	January 1- December 31, 2020
Revenue from repossessed assets	49,794	23,685
Direct materials used in shipbuilding activities	20,702	7,108
Vessels running costs	15,120	4,034
Other expenses associated with shipbuilding activities	11,397	10,219
Employee expenses	2,097	1,499
Other	2,820	1,104
Expenses related to repossessed assets	**52,136**	**23,964**
Depreciation (Note 14)	4,256	2,677
Net impairment result (Note 31)	1,409	(1,046)
Expenses related to repossessed assets recognized in other PL items	**5,665**	**1,630**
Net result (pre-tax)	**(8,006)**	**(1,909)**

ii. Other operating income

	January 1- December 31, 2021	January 1- December 31, 2020
Dividend income	2,071	296
Sale of fixed assets	12	3,599
Other income	2,970	4,685
Total	**5,053**	**8,580**

28. Personnel expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Wages and salaries	45,121	43,874
Social security payments	4,325	4,218
Retirement benefit costs	2,910	2,005
Other employee costs	3,504	3,975
Total	**55,860**	**54,072**
Average number of employees	**1,100**	**1,090**
– Netherlands	217	217
– Foreign countries	882	873

The retirement benefit costs of EUR 2,880 (2020: EUR 1,957) 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.

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29. Core operating expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Professional fees and consultancy	3,956	3,989
Communication and information expenses	3,238	3,137
Rent and maintenance expenses	3,204	3,615
Information technology expenses	2,974	3,004
Supervision fees	1,891	1,849
Contributions and subscriptions	1,777	1,118
Legal services expenses	1,554	1,457
Taxes other than income	1,546	1,599
Stationary, office supplies and printing expense	1,060	1,078
Other expenses	3,974	4,825
Total	**25,174**	**25,671**

30. Other operating expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Provision addition	321	1,711
Fines and penalties	193	252
Other	2,504	5,101
Total	**3,018**	**7,064**

31. Other impairment losses

	January 1- December 31, 2021	January 1- December 31, 2020
Property and equipment*	(1,488)	(1,983)
Repossessed assets classified as inventories	2,527	859
Total	**1,039**	**(1,124)**

(*) EUR 299 (2020: EUR 63) and EUR 1,189 (2020: EUR 1,920) impairment reversal recognised in 2021 is presented under “West Europe Wholesale” and “Other” geographical segments respectively in Note 4: Segment information.

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32. 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 2021. A tax rate of 15% applies to the first EUR 245,000 of taxable income in 2021. 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 in 2021, tax losses can be carried forward to be offset against future taxable income for six years and tax losses can be carried back to offset profits for up to one year. However, the Dutch Ministry of Finance has proposed that losses may be carried forward indefinitely and the offset of losses will be limited in a given year against the first €1 million of taxable profit and for taxable profit in excess of this amount, losses may only be offset up to 50% of this excess.

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’. Because of the fiscal unity, all profits and losses of the fiscal unity members are ‘consolidated’ for tax purposes. The main advantages of a fiscal unity are that tax losses of one company can be offset against profits of another company and assets can be transferred to another company without recognizing income at the moment of transfer. On the other hand, each member of the fiscal unity is in principle jointly and individually liable for the income tax liability of the entire fiscal unity.

In 2021 the Dutch Ministry of Finance announced a number of important changes and amendments to the Dutch tax legislation for 2021 and onwards. The most important changes from the Bank’s perspective are as follows:

- the corporate income tax rate applicable to the first bracket is still going to be decreased from 16.5 to 15 per cent. This low rate will apply in 2021 for profits up to EUR 245,000 and in 2022 this threshold will be increased to EUR 395,000.

- Starting 2022, the corporate income tax rate will be increased to 25.8%.

Romania

The applicable tax rate for current and deferred tax is 16% (2020: 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 also 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 the tax authorities suspect tax evasion). 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 December 31, 2021 amounts to 16%.

Switzerland

As of 1 January 2020 due to the new tax regime in Switzerland, Cantonal and federal taxes will be levied at the combined effective rate of 14%. In the financials, the deferred tax amounts have been calculated with the prospective effective tax rate of 14%.

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% (2020: 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.

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	January 1- December 31, 2021	January 1- December 31, 2020
Effective tax rate	(30.87)%	(69.56)%
Income tax recognized in the income statement		
Current income tax	**(1,099)**	**(960)**
Current income tax charge	(1,099)	(1,051)
Adjustment in respect of current income tax of previous year	-	91
Deferred income tax	**10,572**	**2,898**
Relating to origination and reversal of temporary differences	10,572	1,874
The effect of change in tax rate	-	1,024
Income tax reported in income statement	**9,473**	**1,938**

	December 31, 2021	December 31, 2020
Income tax recognized in equity		
Net investment hedge	13,171	2,223
Fair value reserve	3,010	10
Tangible revaluation reserve	(57)	2,551
Income tax reported in equity	**16,124**	**4,784**

Reconciliation of income tax	January 1- December 31, 2021	January 1- December 31, 2020
Operating profit before tax	27,969	2,786
Statutory tax rate	25%	25%
At statutory income tax	**(6,992)**	**(697)**
Utilization of previously unrecognized tax losses*	19,762	-
Tax losses on intercompany loans	1,850	2,477
Income not subject to tax	363	148
Expenditure not allowable for income tax purposes	(342)	1,201
Effect of different income tax rates in other countries	(5,031)	(3,272)
Change in estimates relating to prior years	-	1,343
The effect of change in tax rate	-	1,024
Other	(130)	1,196
Income tax	**9,473**	**1,938**

(*) In the course of 2021, the Bank's application for deductibility of interest component of net investment hedge contracts for the years 2013-2015 was approved by Dutch tax authorities. As result, the Bank recognized EUR 10.4 million deferred tax asset on hedge contracts related to participations still consolidated as of report date and EUR 17.6 million tax benefit in relation to hedge contracts of its Russian operations spun-off in 2018.

Deferred tax assets and liabilities			December 31, 2021			December 31, 2020
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses carried forward	73,127	-	73,127	46,146	-	46,146
Debt securities	2,956	(913)	2,043	42	(955)	(913)
Property, plant and equipment	457	(956)	(498)	467	(956)	(489)
Loans and receivables	928	(3,780)	(2,852)	7,277	(5,478)	1,799
General risk provision	-	(12,535)	(12,535)	-	(13,287)	(13,287)
Other	1,856	-	1,856	1,870	-	1,870
Total	**79,324**	**(18,183)**	**61,141**	**55,802**	**(20,675)**	**35,126**

Deferred tax changes recorded in the income statement	December 31, 2021	December 31, 2020
Deferred tax of fiscal loss	14,765	8,020
Loan impairment provision	(4,164)	(5,472)
Effect of changes in tax rates	-	1,024
Other	(29)	(674)
Total	**10,572**	**2,898**

33. Fair value information

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

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

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

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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, 2021	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	-	934,648	-	-	934,648
Financial assets at FVTPL	-	68,511	19,195	-	-	-	87,706
Financial investments	-	-	-	17,122	676,169	-	693,291
Loans and receivables - banks	-	-	-	283,387	-	-	283,387
Loans and receivables - customers	-	-	-	2,753,014	-	-	2,753,014
Derivative financial instruments	69,593	-	-	-	-	-	69,593
Total assets	**69,593**	**68,511**	**19,195**	**3,988,171**	**676,169**	**-**	**4,821,629**
Due to banks	-	-	-	-	-	799,098	799,098
Due to customers	-	-	-	-	-	3,326,040	3,326,040
Derivative financial instruments	87,878	-	-	-	-	-	87,878
Subordinated liabilities	-	-	-	-	-	176,891	176,891
Total liabilities	**87,878**	**-**	**-**	**-**	**-**	**4,302,029**	**4,389,907**

December 31, 2020	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	0	666,135	-	0	666,135
Financial assets at FVTPL	-	64,925	22,837	-	-	0	87,762
Financial investments	-	-	-	0	785,626	0	785,626
Loans and receivables - banks	-	-	0	203,973	-	0	203,973
Loans and receivables - customers	-	-	0	2,564,524	-	0	2,564,524
Derivative financial instruments	189,239	-	-	-	-	0	189,239
Total assets	**189,239**	**64,925**	**22,837**	**3,434,632**	**785,626**	**0**	**4,497,259**
Due to banks	-	-	-	-	0	677,183	677,183
Due to customers	-	-	-	-	0	3,127,179	3,127,179
Derivative financial instruments	165,424	-	-	-	-	0	165,424
Subordinated liabilities	-	-	-	-	0	162,916	162,916
Total liabilities	**165,424**	**-**	**-**	**-**	**0**	**3,967,278**	**4,132,702**

Fair value hierarchy

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

Valuation Models

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

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

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

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

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

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

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

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

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

Loans mandatorily at fair value through profit or loss: All financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss.

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

Valuation framework

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

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

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

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

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

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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, 2021	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	3,054	-	65,457	68,511
Derivative financial assets	9	-	69,593	-	69,593
Equity instruments measured at FVOCI	7	29,355	-	13,996	43,351
Non-trading assets mandatorily at FVTPL	6	6,055	-	13,140	19,195
Other financial investments	7	507,347	-	125,471	632,818
Total		**545,811**	**69,593**	**218,064**	**833,468**
Financial liabilities					
Derivative financial liabilities	9	-	87,878	-	87,878
Total		**-**	**87,878**	**-**	**87,878**

December 31, 2020	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	247	-	64,678	64,925
Derivative financial assets	9	-	189,239	-	189,239
Equity instruments measured at FVOCI	7	25,864	-	16,376	42,240
Non-trading assets mandatorily at FVTPL	6	2,400	-	20,437	22,837
Other financial investments	7	627,518	-	115,868	743,386
Total		**656,029**	**189,239**	**217,359**	**1,062,627**
Financial liabilities					
Derivative financial liabilities	9	-	165,424	-	165,424
Total		**-**	**165,424**	**-**	**165,424**

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

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Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or an illiquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of December 31, 2021, EUR 13,996 (2020: EUR 16,376) securities were classified as Level 3.

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

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

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

Non trading assets consist of loans mandatorily at fair value through profit or loss, that are measured in line with IFRS 13 requirements using the valuation techniques described in the following table.

Fair value measurement of non-financial assets and liabilities

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

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

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

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

For the amounts recognized in the statement of income, reference is made to Note 31: Other impairment loss.

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

As at December 31, 2021 the Bank has no non-financial liabilities measured at fair value (2020: None).

Significant unobservable inputs used in determination of Level 3 fair values

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

Category	Carrying amount/fair value(in Eur)	Valuation Technique	Input	Range
Financial assets				
Romania- residential and commercial properties Level-3	3,809	Market comparison approach	Price per square meter	730-980 Eur/sqm
		Income capitalization	Unit rental price p.m	9-9.5 Eur/sqm
			Vacancy rate	5%-15%
			Operating expenses p.m	3,000-14,000
			Capitalization rate	9%-10%
Romania- commercial properties Level-3	8.694	Market comparison approach	Price per square meter	600 Eur/sqm
		Income capitalization	Unit rental price p.m	7.5 Eur/sqm
			Vacancy rate	10%-20%
			Operating expenses p.m	5,000-34,000
			Capitalization rate	8%-12%
Vessels Level-3	637	Third party pricing	Broker price	n.a
Non-trading assets mandatorily at FVTPL	**13,140**			
Trading assets - *Trading loans at FVTPL*	**65,457**	Third party pricing	Broker price	n.a
Other financial investments - *Trading loans at FVOCI*	**125,471**	Third party pricing	Broker price	n.a
Equity instruments measured at FVOCI			Projections of future cash flows	
Minority shares	**12,285**	Discounted cash flow	Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium)	1.55% 5.00% 1.91% 4.38%
Investment fund	**1,711**	Net asset value	n.a	n.a
Total- Level 3 financial assets	**218,064**			
Non-financial assets				
Western Europe- land/buildings	15,641	Market comparison approach Income capitalization	Price per square meter IRR/Yield	13-14 Eur/sqm/month 5.65%-5.8%
Romania- land/ buildings	8,058	Market comparison approach Income capitalization	Price per square meter	600-2,800 Eur/sqm/month
Turkey- shipyard*	23,397	Income approach Market comparison approach Cost approach	n.a	n.a
Sub-total land/buildings	**47.096**			
Turkey- commercial properties	2,856	Discounted cash flow	Unit rental price Rent increase rate	2.10 -9.50 Eur/sqm/month - 47 Eur/room 2.5%-4%
Sub-total investment properties	**2,856**			
Ukraine- commercial and residential properties	597	Market comparison approach	n.a	n.a
Sub-total assets held for sale	**597**			
Total Level 3 non-financial assets	**50,549**			

(*)Please refer to Note 14 for the valuation of Atlas Tersanecilik.

Reconciliation of Level 3 financial assets

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

				December 31, 2021				December 31, 2020
	Financial Assets-FVOCI	Financial Assets at FVTPL-Non-Trading	Financial Assets at FVTPL-Trading	Total	Financial Assets-FVOCI	Financial Assets at FVTPL-Non-Trading	Financial Assets at FVTPL-Trading	Total
Balance at January 1	**132,244**	**20,437**	**64,678**	**217,359**	**25,280**	**21,606**	**192,779**	**239,665**
Total gains and losses								
- in net trading results	2,493	-	3,856	6,349	(50)	(1,848)	6,045	4,147
- in net interest income	-	429	-	429	-	511	-	511
- in OCI	(5,226)	-	-	(5,226)	(3,309)	-	-	(3,309)
Purchases/additions	183,248	-	771,902	955,150	115,843	-	951,545	1,067,388
Settlements/Collections/Sales	(174,413)	(7,444)	(775,024)	(956,881)	-	-	(1,085,214)	(1,085,214)
Exchange differences	1,121	(282)	45	884	(5,520)	168	(477)	(5,829)
Balance at the year end	**139,467**	**13,140**	**65,457**	**218,064**	**132,244**	**20,437**	**64,678**	**217,359**

EUR 7 gain included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2020: EUR 9 loss).

Reconciliation of Level 3 non-financial assets

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

December 31, 2021	Land&Buildings	Investment properties	Assets held for sale
Balance at the beginning of the year	**44,496**	**2,697**	**6,160**
Addition	496	-	-
Disposals	(260)	-	(5,653)
Depreciation	(1,371)	-	-
Change in fair value	1,900	-	(4)
Exchange differences	1,835	159	94
Balance at the year end	**47,096**	**2,856**	**597**

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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, 2021	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	934,648	-	934,648	934,648
Loans and receivables - banks	8	-	283,510	-	283,510	283,387
Loans and receivables - customers	10	-	-	2,766,037	2,766,037	2,753,014
Total		-	**1,218,158**	**2,766,037**	**3,984,195**	**3,971,049**
Financial liabilities						
Due to banks	16	-	798,880	-	798,880	799,098
Due to customers	17	-	3,338,322	-	3,338,322	3,326,040
Subordinated liabilities	20	-	176,766	-	176,766	176,891
Total		-	**4,313,968**	-	**4,313,968**	**4,302,029**

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	666,135	-	666,135	666,135
Loans and receivables - banks	8	-	203,951	-	203,951	203,973
Loans and receivables - customers	10	-	-	2,580,919	2,580,919	2,564,524
Total		-	**870,086**	**2,580,919**	**3,451,005**	**3,434,632**
Financial liabilities						
Due to banks	16	-	677,281	-	677,281	677,183
Due to customers	17	-	3,144,255	-	3,144,255	3,127,179
Subordinated liabilities	20	-	160,671	-	160,671	162,916
Total		-	**3,982,207**	-	**3,982,207**	**3,967,278**

34. 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, 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, 2021

				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	69,593	-	69,593	(14,347)	(17,865)	-	37,381
Total	**69,646**	**-**	**69,646**	**(14,347)**	**(17,865)**	**-**	**37,434**
Liabilities							
Derivative liabilities	87,878	-	87,878	(14,347)	(6,367)	-	67,164
Repo agreements *	130,318	-	130,318	-	-	-	130,318
Total	**218,196**	**-**	**218,196**	**(14,347)**	**(6,367)**	**-**	**197,482**

December 31, 2020

				Related Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts	Offsetting Counterparty Position in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collaterals Received/ Pledged	Financial Instrument Collaterals Recognized in the Off Balance Sheet	Net Amount
Assets							
Derivative assets	189,239	-	189,239	(121,160)	(45,878)	-	22,201
Reverse repo agreements	20	-	20	-	-	-	20
Total	**189,259**	**-**	**189,259**	**(121,160)**	**(45,878)**	**-**	**22,221**
Liabilities							
Derivative liabilities	165,424	-	165,424	(121,160)	(10,255)	-	34,009
Repo agreements *	51,351	-	51,351	-	-	-	51,351
Total	**216,775**	**-**	**216,775**	**(121,160)**	**(10,255)**	**-**	**85,360**

(*) Reference is made to Note 16: 'Due to Banks'.

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35. 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.

	December 31, 2021	December 31, 2020
Contingent liabilities with respect to irrevocable letters of credit - import	733,166	315,387
Contingent liabilities with respect to irrevocable letters of credit - export	250,814	174,418
Contingent liabilities with respect to letters of guarantee granted - corporates	54,016	52,265
Contingent liabilities with respect other guarantees	7,626	3,438
Contingent liabilities with respect to letters of guarantee granted - banks	4,734	12,345
Total non-cash loans	**1,050,356**	**557,853**
Credit-card limits	178,719	179,412
Credit-line commitments	91,256	42,611
Total	**1,320,331**	**779,876**

Litigation claims

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

As at December 31, 2021, the Bank and the Bank's subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 2,852 (2020: EUR 2,712) is already provided for in the consolidated statement of financial position.

36. Related parties

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

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

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

				December 31, 2021				December 31, 2020
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Assets								
Loans and receivables – banks	-	-	-	310	-	-	-	3,621
Loans and receivables – customers	30,408	-	-	130,433	28,773	-	-	141,031
Derivative financial instruments	20	-	-	18,110	97	-	-	46,606
Liabilities								
Due to banks	-	-	-	443	-	-	-	23,413
Due to customers	629	1,997	85	71,566	861	6,622	87	121,087
Derivative financial instruments	2	-	-	2,928	8	-	-	43,766
Subordinated liabilities	44,202	-	-	-	40,840	-	-	-
Commitment and contingencies	-	-	-	88	-	-	-	91

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of December 31, 2021, the Bank does not have any stage 3 provisions regarding related party balances (2020: None).

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

				January 1- December 31, 2021				January 1- December 31, 2020
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Interest income	920	-	-	3,724	1,209	162	-	3,216
Interest expense	(3,786)	-	-	(446)	(3,927)	-	-	(414)
Commission income	5	14	-	753	16	88	-	1,100
Commission expense	-	-	-	(479)	-	-	-	(292)
Net trading results	(84)	-	-	(3,101)	(279)	30	-	22
Other operating income	-	-	-	1,019	-	-	-	63
Operating expenses	-	-	-	(603)	-	-	-	(563)
Share of profit of associate	-	-	(5,718)	-	-	-	(1,016)	-

In the course of 2021, EUR 4,286 loan sold to related parties (2020: EUR 9,775), and no gain recognized (2020: None) in the consolidated statement of income. Pricing of the loans have been determined in accordance with arm's length principle.

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

	December 31, 2021	December 31, 2020
Loans and receivables - customers	11	-

As of December 31, 2021, the Bank does not have any provisions regarding the balances with key management personnel (2020: None). Key management costs, including remuneration and fees for the year ended December 31, 2021 amounted to EUR 3,356 (2020: EUR 3,596). Pension plan contribution amounted to EUR 182 (2020: EUR 174).

37. 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

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

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

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

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

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

Regulatory Capital

CEB follows Capital Requirement Directive and Capital Requirement Regulation for Capital Requirement calculation. Related documents are following:

CRD

- Directive 2013/36/EU on access to the activity of credit institution and the prudential supervision of credit institutions and investment firms (CRD IV), 26 June 2013[1]
- DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures[2]

CRR

- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)[3]
- REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012[4]

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, 2021	December 31, 2020
Total Equity	**652,492**	**612,575**
- Current year profit (1)	(37,397)	(4,678)
- Non-eligible minority interest (2)	(1,330)	(1,305)
Prudential filters		
- Prudent valuation	(832)	(998)
- Intangible asset (2)	(7,120)	(5,265)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(52,416)	(22,294)
- CIU Investment deductions	(1,712)	-
- transitional adjustments to IFRS 9 provisions (50%) (3)	17,179	25,499
Core Tier I	**568,864**	**603,534**
Perpetual Tier I capital	44,202	40,855
Additional Tier I	**44,202**	**40,855**
Total Tier I capital	**613,066**	**644,389**
Tier II capital		
Subordinated capital	131,721	121,228
Total Tier II capital	**131,721**	**121,228**
Total own funds	**744,787**	**765,617**

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

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

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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, 2021	December 31, 2020
Capital ratio	19.73%	20.32%
Tier I ratio	16.24%	17.10%
Core Tier I	15.07%	16.02%
RWA	**3,774,474**	**3,767,359**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

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

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

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

Stress testing

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

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

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

37. 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, 2021	December 31, 2020
Balance sheet items		
Balances with central banks	918,786	649,057
Financial assets measured at fair value through profit or loss	87,706	87,762
Financial investments	693,291	785,626
Loans and receivables - banks	283,583	204,314
Loans and receivables - customers	2,811,177	2,644,142
Derivative financial instruments	69,593	189,239
Subtotal	**4,864,136**	**4,560,140**
Off- balance sheet items		
Issued letters of guarantee	66,376	68,048
Issued irrevocable letters of credit	928,118	441,370
Undrawn credit-card limits	178,719	179,412
Other commitments and contingent liabilities	91,256	42,611
Total off-balance sheet	**1,264,469**	**731,441**
Maximum credit risk exposure	**6,128,605**	**5,291,581**

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.

37.b. Sector concentration

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

				December 31, 2021		December 31, 2020
	On-balance sheet	**Off-balance sheet**	**Total exposure**	**% of total exposure**	**Total exposure**	**% of total exposure**
Balances with central banks	918,786	46,678	965,464	15.75%	674,057	12.74%
Financial assets measured at fair value through profit or loss	87,706	-	87,706	1.43%	87,762	1.66%
Financial investments	693,291	-	693,291	11.31%	785,626	14.85%
Loans and receivables - banks	283,583	260,374	543,957	8.88%	395,624	7.48%
Loans and receivables - customers	2,811,177	957,417	3,768,594	61.49%	3,159,275	59.70%
Loans and receivables - corporate	*2,469,513*	*775,469*	*3,244,982*	*52.95%*	*2,633,513*	*49.77%*
Oil & Derivatives	*518,038*	*542,832*	*1,060,870*	*17.31%*	*714,765*	*13.51%*
Iron-Steel-Metals & Alloys	*247,021*	*107,206*	*354,227*	*5.78%*	*213,787*	*4.04%*
Shipping & Shipyard	*284,021*	*16,210*	*300,231*	*4.90%*	*187,061*	*3.54%*
Real Estate	*279,250*	*9,153*	*288,403*	*4.71%*	*365,136*	*6.90%*
Leisure & Tourism	*274,118*	*64*	*274,182*	*4.47%*	*316,313*	*5.98%*
Soft Commodities & Agricultural Products	*137,894*	*10,416*	*148,310*	*2.42%*	*122,180*	*2.31%*
Energy & Coal	*101,612*	*24,385*	*125,997*	*2.06%*	*97,058*	*1.83%*
Technology, IT & Electronic Equipment	*113,114*	*-*	*113,114*	*1.85%*	*-*	*-*
Financial Service & Investment	*109,778*	*2,726*	*112,504*	*1.84%*	*235,877*	*4.46%*
Fertilizers	*68,875*	*26,332*	*95,207*	*1.55%*	*56,107*	*1.06%*
Petrochemical, Plasticizers & Derivatives	*64,219*	*9,372*	*73,591*	*1.20%*	*49,907*	*0.94%*
Transportation, Logistics & Warehousing	*32,917*	*466*	*33,383*	*0.54%*	*43,024*	*0.81%*
Holding	*30,408*	*-*	*30,408*	*0.50%*	*17,473*	*0.33%*
Retail	*23,101*	*4,752*	*27,853*	*0.45%*	*28,132*	*0.53%*
Media & Publishing	*22,607*	*-*	*22,607*	*0.37%*	*25,107*	*0.47%*
Construction & Installation	*18,661*	*3,069*	*21,730*	*0.35%*	*63,874*	*1.21%*
Automotive & Derivatives	*18,996*	*1,415*	*20,411*	*0.33%*	*18,129*	*0.34%*
Building Materials	*4,308*	*11,931*	*16,239*	*0.26%*	*8,091*	*0.15%*
Public loans	*86,539*	*-*	*86,539*	*1.41%*	*3,182*	*0.06%*
Other	*34,036*	*5,140*	*39,176*	*0.64%*	*68,310*	*1.29%*
Loans and receivables - retail customers and SMEs	*341,664*	*181,948*	*523,612*	*8.54%*	*525,761*	*9.94%*
Exposure to retail customers	*90,390*	*180,780*	*271,170*	*4.42%*	*273,882*	*5.18%*
Exposure secured by residential real estate	*234,911*	*-*	*234,911*	*3.83%*	*235,340*	*4.45%*
Exposure to SME	*16,363*	*1,168*	*17,531*	*0.29%*	*16,539*	*0.31%*
Derivative financial instruments	*69,593*	*-*	*69,593*	*1.14%*	*189,239*	*3.58%*
Total credit risk exposure	**4,864,136**	**1,264,469**	**6,128,605**	**100.00%**	**5,291,583**	**100.00%**

The top five industries account for 70.20% (2020: 70.09%) of the total corporate portfolio, reflecting the traditional business areas of the Bank where it possesses strong expertise and profound industry practice.

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37.c. Geographical concentration

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

December 31, 2021	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	204,977	71	-	713,738	918,786
Financial assets measured at FVTPL	-	-	12,503	-	57,488	17,715	87,706
Financial investments	12,284	860	173,292	28,171	124,611	354,073	693,291
Loans and receivables - banks	6	57,101	235	-	34,926	191,315	283,583
Loans and receivables - customers	55,344	465,379	602,287	27,895	455,868	1,204,404	2,811,177
Derivative financial instruments	-	12,422	3	-	-	57,168	69,593
Total balance sheet	**67,634**	**535,762**	**993,297**	**56,137**	**672,893**	**2,538,413**	**4,864,136**
Off-balance sheet items	5,516	95,562	203,116	42	299,627	660,606	1,264,469
Total credit-risk exposure	**73,150**	**631,324**	**1,196,413**	**56,179**	**972,520**	**3,199,019**	**6,128,605**

December 31, 2020	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	184,777	115	-	464,165	649,057
Financial assets measured at FVTPL	-	1,207	17,869	-	64,678	4,008	87,762
Financial investments	16,376	-	180,376	13,992	112,297	462,585	785,626
Loans and receivables - banks	759	43,790	415	-	55,893	103,457	204,314
Loans and receivables - customers	67,577	601,761	620,701	58,963	421,888	873,252	2,644,142
Derivative financial instruments	-	14,492	2	-	679	174,066	189,239
Total balance sheet	**84,712**	**661,250**	**1,004,140**	**73,070**	**655,435**	**2,081,533**	**4,560,140**
Off-balance sheet items	3,084	87,817	196,142	2,737	208,368	233,293	731,441
Total credit-risk exposure	**87,796**	**749,067**	**1,200,282**	**75,807**	**863,803**	**2,314,826**	**5,291,581**

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

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

LIABILITY	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets*	Total exposure
December 31, 2021	103	85,777	738,827	22,708	358,041	3,007,560	4,213,016
December 31, 2020	21,015	47,499	682,831	9,852	196,932	3,011,657	3,969,786

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

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37.d. Collaterals and other credit enhancements obtained

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

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

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

Breakdown of collateralized exposure by collateral type					December 31, 2021
	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	918,786	-	-	-	-
Financial assets measured at fair value through profit or loss	87,706	12,273	7,294	19,567	22%
Financial investments	693,291	-	-	-	-
Loans and receivables - banks	283,583	221	-	221	0%
Loans and receivables - customers	2,811,177	474,294	1,176,226	1,650,520	59%
Derivative financial instruments	69,593	-	-	-	-
Total balance sheet	**4,864,136**	**486,788**	**1,183,520**	**1,670,308**	**34%**
Off-balance sheet	1,264,469	16,210	-	16,210	1%
Total credit risk exposure	**6,128,605**	**502,998**	**1,183,520**	**1,686,518**	**28%**

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

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

37.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets per external mapped to the Fitch`s credit rating scale, as of December 31, 2021 and 2020.

	External rating class						December 31, 2021
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
Demand deposits with central banks	634,991	1,361	204,977	71	-	77,386	918,786
Financial assets measured at fair value through profit or loss	193	1,427	30,087	28,472	-	27,527	87,706
Financial investments	200,451	52,400	273,749	77,086	-	89,605	693,291
Loans and receivables - banks	78,650	64,520	10,511	61,555	4	68,343	283,583
Loans and receivables - customers	86,539	-	-	112,253	-	2,612,385	2,811,177
Derivative financial instruments	1,147	5,592	305	-	-	62,549	69,593
Off-balance sheet	11,099	131,243	77,014	82,121	-	962,992	1,264,469
Total	**1,013,070**	**256,543**	**596,643**	**361,558**	**4**	**3,900,787**	**6,128,605**

	External rating class						December 31, 2020
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
Demand deposits with central banks	435,849	537	184,777	115	-	27,779	649,057
Financial assets measured at fair value through profit or loss	-	3,223	-	51,440	-	33,099	87,762
Financial investments	167,314	14,687	318,467	96,010	-	189,148	785,626
Loans and receivables - banks	49,093	19,943	38,116	69,959	2	27,201	204,314
Loans and receivables - customers	59,712	-	-	104,582	-	2,479,848	2,644,142
Derivative financial instruments	16,641	36,560	1,236	-	-	134,802	189,239
Off-balance sheet	2,835	86,535	39,247	87,005	293	515,526	731,441
Total	**731,444**	**161,485**	**581,843**	**409,111**	**295**	**3,407,403**	**5,291,581**

Credit risk rating process

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

The grades are composed of the following categories:

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

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

December 31, 2021	**Stage 1**		**Stage 2**		**Stage 3**		**TOTAL**	
Loans and receivables - customers	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
Investment grade	899,712	(882)	-	-	-	-	899,712	(882)
Non-investment grade	2,324,517	(7,698)	114,901	(5,041)	-	-	2,439,418	(12,739)
Sub-standard	69,898	(1,670)	157,538	(16,501)	-	-	227,436	(18,171)
Non-performing	-	-	-	-	200,348	(26,366)	200,348	(26,366)
Non rated	1,627	(1)	52	(4)	-	-	1,679	(5)
Total	**3,295,754**	**(10,251)**	**272,491**	**(21,546)**	**200,348**	**(26,366)**	**3,768,593**	**(58,163)**

December 31, 2020	**Stage 1**		**Stage 2**		**Stage 3**		**TOTAL**	
Loans and receivables - customers	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
Investment grade	610,289	(89)	25,107	(245)	-	-	635,396	(334)
Non-investment grade	1,536,399	(9,539)	418,223	(20,740)	-	-	1,954,622	(30,279)
Sub-standard	162,826	(4,045)	103,043	(11,545)	-	-	265,870	(15,590)
Non-performing	-	-	-	-	237,325	(32,690)	237,325	(32,690)
Non rated	66,062	(726)	-	-	-	-	66,062	(726)
Total	**2,375,576**	**(14,399)**	**546,373**	**(32,530)**	**237,325**	**(32,690)**	**3,159,275**	**(79,619)**

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

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2020, the bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

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

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

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

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

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

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

December 31, 2021	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	**2,469,513**	**(32,285)**	**2,437,228**	**470,139**	**935,910**	**1,406,049**	**58%**
Stage 1	2,167,617	(9,531)	2,158,086	364,525	778,809	1,143,334	53%
Stage 2	167,250	(12,691)	154,559	14,152	116,955	131,107	85%
Stage 3	134,646	(10,063)	124,583	91,462	40,146	131,608	106%
Retail loans (incl. mortgages)	**325,301**	**(25,589)**	**299,712**	**3,742**	**224,721**	**228,463**	**76%**
Stage 1	167,917	(694)	167,223	102	85,912	86,014	51%
Stage 2	98,910	(8,853)	90,057	3,589	84,656	88,245	98%
Stage 3	58,474	(16,042)	42,432	51	54,153	54,204	128%
SME loans	**16,363**	**(289)**	**16,074**	**413**	**15,595**	**16,008**	**100%**
Stage 1	12,249	(26)	12,223	413	11,591	12,004	98%
Stage 2	932	(2)	930	-	932	932	100%
Stage 3	3,182	(261)	2,921	-	3,072	3,072	105%
Total exposure	**2,811,177**	**(58,163)**	**2,753,014**	**474,294**	**1,176,226**	**1,650,520**	**60%**
Total Stage 3 (NPLs)	196,302	(26,366)	169,936	91,513	97,371	188,884	111%

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

The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus, the total coverage for Bank's NPL as of December 31, 2021 is 127% (2020:125%).

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Further credit quality breakdown of retail loans are as below:

December 31, 2021	Gross loans	ECL	Net loans	Total collateral	Collateral to net loans
Credit cards	**85,510**	**(1,319)**	**84,191**	**-**	**-**
Stage 1	78,822	(505)	78,317	-	-
Stage 2	5,873	(90)	5,783	-	-
Stage 3	815	(724)	91	-	-
Mortgage	**234,746**	**(23,991)**	**210,755**	**224,752**	**107%**
Stage 1	85,620	(186)	85,434	85,912	101%
Stage 2	91,826	(8,720)	83,106	84,687	102%
Stage 3	57,300	(15,085)	42,215	54,153	128%
Other retail	**5,045**	**(279)**	**4,766**	**3,711**	**78%**
Stage 1	3,475	(3)	3,472	102	3%
Stage 2	1,210	(43)	1,167	3,558	305%
Stage 3	360	(233)	127	51	40%
Total retail exposure	**325,301**	**(25,589)**	**299,712**	**228,463**	**76%**
Total Stage 3 (NPLs)	58,475	(16,042)	42,433	54,204	128%

December 31, 2020	Gross loans	ECL	Net loans	Total collateral	Collateral to net loans
Credit cards	**86,207**	**(1,548)**	**84,659**	**-**	**-**
Stage 1	55,449	(583)	54,866	-	-
Stage 2	30,012	(468)	29,544	-	-
Stage 3	746	(497)	249	-	-
Mortgage	**235,339**	**(10,043)**	**225,296**	**217,113**	**96%**
Stage 1	84,648	(209)	84,439	69,676	83%
Stage 2	99,375	(3,119)	96,256	98,080	102%
Stage 3	51,316	(6,715)	44,601	49,357	111%
Other retail	**8,145**	**(499)**	**7,646**	**4,199**	**55%**
Stage 1	6,043	(26)	6,017	3,783	63%
Stage 2	1,321	(66)	1,255	347	28%
Stage 3	781	(407)	374	69	18%
Total retail exposure	**329,810**	**(12,209)**	**317,601**	**221,312**	**70%**
Total Stage 3 (NPLs)	52,962	(7,738)	45,224	49,426	109%

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

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

	Stage 1		Stage 2		Stage 3		December 31, 2021
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**TOTAL**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**
Corporate loans	139,218	55,730	147,293	791	45,346	78,223	466,601
Retail loans (incl. mortgage)	-	-	4,036	172	11,097	251	15,556
SME	-	-	165	-	1,729	41	1,935
Total exposure	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**

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

(*) Terms and conditions

NPL ratio

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

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						December 31, 2021
	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	918,786	125,471	16,584	283,583	2,811,177	**4,155,601**
NPLs (Gross)	-	-	16,584	-	196,302	**212,886**
Gross NPL ratio						**5.1%**
ECL	-	-	(387)	-	(58,163)	**(58,550)**
NPLs (Net)	-	-	16,197	-	138,139	**154,336**
Net NPL ratio						**3.7%**

						December 31, 2020
	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	TOTAL
Gross exposure	649,057	115,868	24,465	204,314	2,644,142	**3,637,846**
NPLs (Gross)	-	-	23,631	-	237,325	**260,956**
Gross NPL ratio						**7.2%**
ECL	-	-	(1,628)	-	(79,618)	**(81,246)**
NPLs (Net)	-	-	22,003	-	157,707	**179,710**
Net NPL ratio						**4.9%**

37.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, 2021
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	2,453,143	841	-	7,666	7,863	2,469,513
Retail loans and residential mortgage loans	247,644	17,339	8,336	16,687	35,295	325,301
SME loans	13,410	19	171	2,599	164	16,363
Total loans and advances to customers	**2,714,197**	**18,199**	**8,507**	**26,952**	**43,322**	**2,811,177**

						December 31, 2020
Gross Exposure	**Loans that are not past due**	**Loans less than 30 days past due**	**Loans 30 or more but less than 60 days past due**	**Loans 60 or more but less than 90 days past due**	**Loans 90 days or more past due**	**Total loans to customers**
Corporate loans	2,223,164	1,873	-	14,520	59,121	2,298,678
Retail loans and residential mortgage loans	249,899	19,907	8,469	19,120	32,415	329,810
SME loans	12,493	161	152	2,848	-	15,654
Total loans and advances to customers	**2,485,556**	**21,941**	**8,621**	**36,488**	**91,536**	**2,644,142**

As of December 31, 2021, EUR 2,589,342 (2020: EUR 2,373,566) of total exposure is neither past due nor impaired, EUR 25,532 (2020: EUR 33,251) of total exposure is past due but not impaired.

37.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, 2021

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	**55,344**	**263,291**	**465,267**	**27,843**	**455,868**	**1,201,900**	**2,469,513**
Stage 1	34,178	236,187	263,390	26,239	405,723	1,201,900	**2,167,617**
Stage 2	-	17,967	101,655	1,333	46,295	-	**167,250**
Stage 3	21,166	9,137	100,222	271	3,850	-	**134,646**
Retail loans (incl. mortgages)	**-**	**322,633**	**112**	**52**	**-**	**2,504**	**325,301**
Stage 1	-	165,820	110	-	-	1,987	**167,917**
Stage 2	-	98,425	2	52	-	431	**98,910**
Stage 3	-	58,388	-	-	-	86	**58,474**
SME loans	**-**	**16,363**	**-**	**-**	**-**	**-**	**16,363**
Stage 1	-	12,249	-	-	-	-	**12,249**
Stage 2	-	932	-	-	-	-	**932**
Stage 3	-	3,182	-	-	-	-	**3,182**
Total exposure	**55,344**	**602,287**	**465,379**	**27,895**	**455,868**	**1,204,404**	**2,811,177**

December 31, 2020

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	**67,577**	**280,711**	**601,669**	**58,892**	**421,887**	**867,942**	**2,298,678**
Stage 1	46,970	216,166	266,723	45,589	363,737	773,133	**1,712,318**
Stage 2	-	48,904	225,579	1,016	44,689	84,658	**404,846**
Stage 3	20,607	15,641	109,367	12,287	13,461	10,151	**181,514**
Retail loans (incl. mortgages)	**-**	**324,336**	**92**	**71**	**1**	**5,310**	**329,810**
Stage 1	-	141,858	84	-	1	4,196	**146,139**
Stage 2	-	129,631	8	71	-	998	**130,708**
Stage 3	-	52,847	-	-	-	116	**52,963**
SME loans	**-**	**15,654**	**-**	**-**	**-**	**-**	**15,654**
Stage 1	-	8,535	-	-	-	-	**8,535**
Stage 2	-	4,271	-	-	-	-	**4,271**
Stage 3	-	2,848	-	-	-	-	**2,848**
Total exposure	**67,577**	**620,701**	**601,761**	**58,963**	**421,888**	**873,252**	**2,644,142**

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37.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

Liquidity risk indicators

	December 31, 2021	December 31, 2020
NSFR	159%	150%
LCR	397%	453%

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Discounted amounts based on remaining contractual maturity	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	December 31, 2021 Total
Assets							
Cash and balances at central banks	934,648	-	-	-	-	-	**934,648**
Financial assets measured at FVTPL	2,167	-	23,869	54,224	888	6,558	**87,706**
Financial investments	300,672	87,663	68,853	51,847	140,905	43,351	**693,291**
Loans and receivables – banks	212,958	50,515	19,914	-	-	-	**283,387**
Loans and receivables – customers	985,679	316,462	147,232	730,512	403,193	169,936	**2,753,014**
Tangible and intangible assets	-	-	-	-	-	109,109	**109,109**
Other assets	24,340	4,343	85,477	104,925	4,071	21,158	**244,314**
Total assets	**2,460,464**	**458,983**	**345,345**	**941,508**	**549,057**	**350,112**	**5,105,469**
Liabilities							
Due to banks	520,112	116,435	44,130	118,421	-	-	**799,098**
Due to customers**	1,151,979	198,571	554,055	1,035,000	386,435	-	**3,326,040**
Other liabilities	21,116	11,018	55,876	30,279	2,870	29,789	**150,948**
Subordinated liabilities	-	-	45,723	-	131,168	-	**176,891**
Total liabilities	**1,693,207**	**326,024**	**699,784**	**1,183,700**	**520,473**	**29,789**	**4,452,977**
Cumulative liquidity gap	**767,257**	**900,216**	**545,777**	**303,585**	**332,169**	**652,492**	**652,492**

Discounted amounts based on remaining contractual maturity	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	December 31, 2020 Total
Assets							
Cash and balances at central banks	666,135	-	-	-	-	-	**666,135**
Financial assets measured at FVTPL	6,154	834	24,215	49,544	5,027	1,988	**87,762**
Financial investments	362,669	41,221	86,099	84,982	168,415	42,240	**785,626**
Loans and receivables – banks	129,406	35,213	39,354	-	-	-	**203,973**
Loans and receivables – customers	836,344	221,479	123,668	642,369	536,029	204,635	**2,564,524**
Tangible and intangible assets	-	-	-	-	-	99,864	**99,864**
Other assets	80,856	74,269	110,757	119,755	991	31,852	**418,480**
Total assets	**2,081,564**	**373,016**	**384,093**	**896,650**	**710,462**	**380,579**	**4,826,364**
Liabilities							
Due to banks	362,186	142,468	40,523	132,006	-	-	**677,183**
Due to customers**	900,134	210,633	735,253	921,483	359,676	-	**3,127,179**
Other liabilities	33,844	70,438	62,786	44,182	3,147	32,114	**246,511**
Subordinated liabilities	-	-	1,406	40,840	120,670	-	**162,916**
Total liabilities	**1,296,164**	**423,539**	**839,968**	**1,138,511**	**483,493**	**32,114**	**4,213,789**
Cumulative liquidity gap	**785,400**	**734,877**	**279,002**	**37,141**	**264,110**	**612,575**	**612,575**

(*) As at December 31, 2021, total on demand assets amount to EUR 1,243,642 (2020: EUR 1,105,756) and total on demand liabilities amount to EUR 489,265 (2020: EUR 421,060) are disclosed under "Up to 1 month" column.

(**) Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms because either management has the discretionary ability to manage the cash flows or because 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 Bank, indicates that these deposits provide a stable source of funding.

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As at December 31, 2021 and 2020, the contractual maturities of due to customers based on discounted amounts are as follows:

	December 31, 2021	December 31, 2020
Up to 1 month	2,004,746	1,704,772
1-3 months	160,408	150,227
3-12 months	312,648	539,669
1-5 years	799,115	686,452
Over 5 year	49,123	46,059
Total	**3,326,040**	**3,127,179**

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows:

Undiscounted amounts based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	December 31, 2021 Total
Due to banks	520,120	116,519	44,270	118,421	-	-	(232)	**799,098**
Due to customers	1,152,226	198,935	556,705	1,053,741	389,730	-	(25,297)	**3,326,040**
Other liabilities	21,117	10,974	44,918	43,229	2,870	29,788	(1,948)	**150,948**
Subordinated liabilities	-	-	54,577	26,560	148,875	-	(53,121)	**176,891**
Total liabilities	**1,693,463**	**326,428**	**700,470**	**1,241,951**	**541,475**	**29,788**	**(80,598)**	**4,452,977**
Off-balance sheet liabilities								
Irrevocable letters of credit	983,980	-	-	-	-	-	-	**983,980**
Credit-line commitments	91,256	-	-	-	-	-	-	**91,256**
Guarantees	66,376	-	-	-	-	-	-	**66,376**
Other	178,719	-	-	-	-	-	-	**178,719**
Total off-balance	**1,320,331**	**-**	**-**	**-**	**-**	**-**	**-**	**1,320,331**

Undiscounted amounts based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	December 31, 2020 Total
Due to banks	362,384	142,474	40,523	132,006	-	-	(204)	**677,183**
Due to customers	900,183	210,695	737,544	941,313	362,971	-	(25,527)	**3,127,179**
Other liabilities	33,844	70,331	35,964	71,889	3,147	32,114	(778)	**246,511**
Subordinated liabilities	-	-	1,406	76,253	147,230	-	(61,973)	**162,916**
Total liabilities	**1,296,411**	**423,500**	**815,437**	**1,221,461**	**513,348**	**32,114**	**(88,482)**	**4,213,789**
Off-balance sheet liabilities								
Irrevocable letters of credit	489,805	-	-	-	-	-	-	**489,805**
Guarantees	68,048	-	-	-	-	-	-	**68,048**
Credit-line commitments	42,611	-	-	-	-	-	-	**42,611**
Other	179,412	-	-	-	-	-	-	**179,412**
Total off-balance	**779,876**	**-**	**-**	**-**	**-**	**-**	**-**	**779,876**

(*) This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values.

37.j. Market risks

Market risk is defined as the current or prospective threat to the Bank's earnings and capital because 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 'limited' 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.

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 under normal market conditions.

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 VaR of trading FX positions and treasury products, measured at 99% confidence interval, is EUR 2 million. This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

The Bank started to measure the market risk of its loan trading portfolio in the trading book via the internal historical simulation method, based also on VaR methodology, starting from March 2021. As of 31st of December 2021, VaR has been calculated as EUR 0.3 million for the loan trading portfolio in the trading book.

The internal limit for the 10-day VaR of the loan trading portfolio, measured at 95% confidence interval, is EUR 3.75 million.

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 FX positions and treasury products (2021)*	**Total**	**Diversification effect**	**Interest-rate risk**	**Foreign-exchange risk**
Average	384	100%	9	384
Maximum	741	100%	9	741
Minimum	128	100%	9	128
Period-end	180	100%	-	180

Value-at-risk figures - Trading FX positions and treasury products (2020)	**Total**	**Diversification effect**	**Interest-rate risk**	**Foreign-exchange risk**
Average	107	98%	8	107
Maximum	355	100%	8	355
Minimum	1	67%	8	1
Period-end	355	100%	-	355

(*) Values in thousand Euros

37.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 ‘limited’ risk appetite 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 then analysed.

According to the revised EBA guidelines applicable since December 31, 2019, CEB applies six additional interest rate shock scenarios on the top of +/-200 bps parallel shock to capture parallel and non-parallel gap risks for Economic Value of Equity (EVE). The capital requirement is based on the maximum EVE impact under all these scenarios. As of December 31, 2021, EVE drops by EUR 16.7 million in case of a short rates shock down scenario (2020: EUR 16 million in case of a steepener shock).

The interest rate repricing gap table below is prepared to determine the Bank’s exposure to interest rate risk because 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.

Additionally, the Bank calculates the projected net interest income for +/-200 bps parallel shift of the yield curve. As of 31 December 2021, NII drops by EUR 12 million in case of -200 bps shock over 12 months from the reporting date.

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December 31, 2021	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	934,460	-	-	-	-	188	934,648
Financial assets measured at FVTPL	31,402	24,915	27,131	-	888	3,370	87,706
Financial investments	168,095	60,425	215,115	72,184	134,435	43,037	693,291
Loans and receivables - banks	209,860	50,316	19,946	-	-	3,265	283,387
Loans and receivables - customers	1,546,869	622,923	243,484	136,402	53,397	149,939	2,753,014
Tangible and intangible assets	-	-	-	-	-	109,109	109,109
Other assets	-	-	-	-	-	244,314	244,314
Total assets	**2,890,686**	**758,579**	**505,676**	**208,586**	**188,720**	**553,222**	**5,105,469**
Liabilities							
Due to banks	518,210	116,273	44,332	120,170	-	113	799,098
Due to customers	1,809,744	127,593	342,609	667,104	49,065	329,925	3,326,040
Other liabilities	-	-	-	-	-	150,948	150,948
Subordinated liabilities	-	-	176,891	-	-	-	176,891
Total liabilities	**2,327,954**	**243,866**	**563,832**	**787,274**	**49,065**	**480,986**	**4,452,977**
Off-balance interest-sensitivity gap	(16,691)	(40,954)	136,331	11,715	(108,196)	-	(17,795)
Net gap	**546,041**	**473,759**	**78,175**	**(566,973)**	**31,459**	**72,236**	**562,461**

December 31, 2020	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	665,884	-	-	-	-	251	666,135
Financial assets measured at FVTPL	24,212	25,153	6,244	19,807	-	12,346	87,762
Financial investments	243,720	42,237	129,666	178,802	118,926	72,275	785,626
Loans and receivables - banks	121,702	35,165	39,369	-	-	7,737	203,973
Loans and receivables - customers	1,453,928	515,582	225,720	145,484	74,609	149,201	2,564,524
Tangible and intangible assets	-	-	-	-	-	99,864	99,864
Other assets	-	-	-	-	-	418,480	418,480
Total assets	**2,509,446**	**618,137**	**400,999**	**344,093**	**193,535**	**760,154**	**4,826,364**
Liabilities							
Due to banks	361,385	142,400	40,514	132,710	-	174	677,183
Due to customers	1,528,462	138,627	534,369	575,285	46,054	304,382	3,127,179
Other liabilities	-	-	-	-	-	246,511	246,511
Subordinated liabilities	-	-	-	162,916	-	-	162,916
Total liabilities	**1,889,847**	**281,027**	**574,883**	**870,911**	**46,054**	**551,067**	**4,213,789**
Off-balance interest-sensitivity gap	(42,783)	849	(88,742)	294,176	(135,028)	-	28,472
Net gap	**576,816**	**337,959**	**(262,626)**	**(232,642)**	**12,453**	**209,087**	**431,960**

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

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37.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 9), 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 37.j.) is inclusive of the foreign-exchange risk.

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Currency analysis for the year ended December 31, 2021 and 2020:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	December 31, 2021 Total
Cash and balances with central banks	733,283	1,110	77,878	116,888	-	82	-	5,407	**934,648**
Financial assets measured at FVTPL	16,190	71,213	303	-	-	-	-	-	**87,706**
Financial investments	427,345	63,824	20,903	140,764	12,284	28,171	-	-	**693,291**
Loans and receivables – banks	71,572	205,753	4,783	182	11	-	250	836	**283,387**
Loans and receivables – customers	1,180,978	1,192,222	86,566	250,405	2,752	4,622	19,720	15,749	**2,753,014**
Derivative financial instruments	63,755	5,436	-	17	38	-	347	-	**69,593**
Equity-accounted investments	2,280	-	-	-	-	-	-	-	**2,280**
Property and equipment	19,758	61,875	6,576	13,544	-	227	9	-	**101,989**
Intangible assets	5,554	-	-	1,481	-	71	14	-	**7,120**
Other assets	97,369	24,448	3,046	34,514	235	631	11,687	511	**172,441**
Total assets	**2,618,084**	**1,625,881**	**200,055**	**557,795**	**15,320**	**33,804**	**32,027**	**22,503**	**5,105,469**
Due to banks	407,359	214,697	124	175,420	1	-	288	1,209	**799,098**
Due to customers	2,666,825	374,146	37,458	212,035	-	19,451	11,218	4,907	**3,326,040**
Derivative financial instruments	82,762	1,149	-	100	98	-	3,769	-	**87,878**
Other liabilities	26,158	4,277	19,515	11,021	-	321	1,610	168	**63,070**
Subordinated liabilities	-	176,891	-	-	-	-	-	-	**176,891**
Total liabilities	**3,183,104**	**771,160**	**57,097**	**398,576**	**99**	**19,772**	**16,885**	**6,284**	**4,452,977**
Net on-balance sheet position	**-**	**854,721**	**142,958**	**159,219**	**15,221**	**14,032**	**15,142**	**16,219**	**1,217,512**
Off-balance sheet net position	-	(836,299)	(148,763)	(150,794)	(20,284)	-	(19,878)	(15,874)	(1,191,892)
Net open position	**-**	**18,422**	**(5,805)**	**8,425**	**(5,063)**	**14,032**	**(4,736)**	**345**	**25,620**

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	December 31, 2020 Total
Cash and balances with central banks	519,291	1,800	27,987	114,597	-	115	-	2,345	**666,135**
Financial assets measured at FVTPL	32,929	54,833	-	-	-	-	-	-	**87,762**
Financial investments	496,261	92,763	12,283	153,951	16,376	13,992	-	-	**785,626**
Loans and receivables – banks	26,544	147,830	2,099	256	14	-	25,635	1,595	**203,973**
Loans and receivables – customers	1,059,618	1,084,417	103,112	215,794	4,402	3,997	92,229	955	**2,564,524**
Derivative financial instruments	183,656	2,623	91	21	156	-	2,580	112	**189,239**
Equity-accounted investments	6,319	-	-	-	-	-	-	-	**6,319**
Property and equipment	19,396	55,559	3,388	15,934	-	307	15	-	**94,599**
Intangible assets	3,303	17	-	1,910	-	28	7	-	**5,265**
Other assets	125,527	38,482	3,880	47,229	372	966	5,999	467	**222,922**
Total assets	**2,472,844**	**1,478,324**	**152,840**	**549,692**	**21,320**	**19,405**	**126,465**	**5,474**	**4,826,364**
Due to banks	291,436	221,321	109	146,521	16,358	-	319	1,119	**677,183**
Due to customers	2,614,896	242,679	24,609	225,096	1	6,729	11,598	1,571	**3,127,179**
Derivative financial instruments	158,351	3,227	46	102	263	-	3,429	6	**165,424**
Other liabilities	33,585	14,986	15,417	12,622	-	376	2,866	1,235	**81,087**
Subordinated liabilities	-	162,916	-	-	-	-	-	-	**162,916**
Total liabilities	**3,098,268**	**645,129**	**40,181**	**384,341**	**16,622**	**7,105**	**18,212**	**3,931**	**4,213,789**
Net on-balance sheet position	**-**	**833,195**	**112,659**	**165,351**	**4,698**	**12,300**	**108,253**	**1,543**	**1,237,999**
Off-balance sheet net position	-	(822,163)	(107,946)	(161,129)	(281)	-	(109,559)	(104)	(1,201,182)
Net open position	**-**	**11,032**	**4,713**	**4,222**	**4,417**	**12,300**	**(1,306)**	**1,439**	**36,817**

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

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37.m Operational risk

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

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

Operational risk events and significant control incidents are reported and analysed through the Operational Risk Incident Management framework. The effectiveness of the Bank's controls is assessed through the annual Internal Control Framework evaluations and the execution of Risk Control Self-Assessments in 2021. The Bank carried on a detailed Risk Control Self-Assessment for all critical processes in 2021. The risks identified as being above risk appetite, were reported to Managing Board for further risk mitigation, acceptance for a limited period, transfer or avoidance. Furthermore, in order to;

- strength the front line responsibility for operational risk management and
- check whether key controls are working as intended

The Bank initiated control-testing activities in 2021. The governance mechanism of control testing is built and the roles and responsibilities of different functions are clarified. The results of control testing activities is planned to be shared with Non-Financial Risk Committee and Managing Board to monitor the effectiveness of internal control environment.

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. On the other hand, early warning limits are defined for the operational risk metrics in order to trigger intensified risk monitoring In addition to promote the monitoring capability of operational risks, key risk indicator (KRI) framework is improved in 2021. A new, comprehensive KRI set is in place and periodically reported to Non-Financial Risk Committee and Audit Risk Committee for better risk monitoring.

New products, or changes to existing products, are subject to the Product Approval and Review Process. Key Risk Indicators are established and regularly monitored. In addition, 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.

38. Assets held for sale

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

As of December 31, 2021, following repossessed assets have been classified as "Assets held for sale":

- commercial & residential real estates (EUR 597), for which marketing activities are ongoing.

39. Subsequent events

Please refer to note 3-d for details.

40. List of participations

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

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

Amsterdam, March 24, 2022

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Parent Company Financial Statements

As of and for the year ended December 31, 2021

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CREDIT EUROPE BANK N.V.

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2021

In thousands of EURO

	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and balances with central banks	b	636,401	436,452
Amount due from banks	c	211,896	187,034
Loans and advances to customers	d	2,119,533	2,000,110
Debt securities	e	476,853	575,823
- Debt instruments measured at FVOCI		436,681	538,001
- Equity instruments measured at FVOCI		40,172	37,822
Derivative financial instruments	f	49,036	189,184
Investments in group companies	g	384,697	362,344
Investments in associates	g	2,280	6,319
Intangible assets	h	5,553	3,302
Property and equipment	i	18,998	18,643
Inventories	j	12,814	12,243
Assets held for sale		-	5,275
Other assets	j	86,173	105,482
Total assets		**4,004,234**	**3,902,211**
Liabilities			
Amount due to banks	k	520,939	426,737
Amount due to customers	l	2,540,177	2,498,837
Derivative financial instruments	f	69,787	162,400
Other liabilities	m	14,401	16,016
Provisions	g,n	31,278	24,445
Subordinated loans	o	176,891	162,916
Total liabilities		**3,353,473**	**3,291,351**
Equity			
Share capital	p	563,000	563,000
Share premium		163,748	163,748
Legal reserves	q	111,233	121,019
-Fair value reserve		(4,793)	4,692
-Affiliated companies		280,083	287,934
-Currency translation differences		(71,511)	(72,413)
-Net investment hedge		(93,013)	(99,355)
-Tangible revaluation reserve		467	161
Other reserves		(232,468)	(251,013)
Unappropriated result		45,248	14,106
Total equity		**650,761**	**610,860**
Total equity and liabilities		**4,004,234**	**3,902,211**

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STATEMENT OF INCOME

For the year ended December 31, 2021

In thousands of EURO

	Notes	January 1-December 31, 2021	January 1-December 31, 2020
Interest and similar income		84,390	91,197
Interest expense and similar charges		(30,491)	(36,472)
Net interest income	r	**53,899**	**54,725**
Results from investment securities and participating interests	s	(2,606)	2,981
Fees and commissions income		17,987	14,016
Fees and commissions expense		(1,992)	(1,924)
Net fee and commission income	t	**15,995**	**12,092**
Net trading results	u	(3,420)	(9,722)
Net results on derecognition of financial assets measured at amortized cost		-	114
Other operating income	v	4,419	5,836
Operating income		**999**	**(3,772)**
Net operating income		**68,287**	**66,026**
Personnel expenses	w	(29,213)	(28,084)
Core operating expenses	x	(11,767)	(11,235)
Depreciation and amortization	h,i	(2,491)	(3,346)
Other operating expenses	y	(2,611)	(5,020)
Net impairment result on financial assets	z	3,572	(17,980)
Other impairment reversal		299	66
Total operating expenses		**(42,211)**	**(65,599)**
Operating profit before tax		**26,076**	**427**
Income tax result		11,321	4,251
Profit for the year		**37,397**	**4,678**

CREDIT EUROPE BANK N.V.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

In thousands of EURO

			Legal Reserves							
	Issued capital	Share premium	Fair value reserve	Affiliated companies	Currency translation differences	Net investment hedge	Tangible revaluation reserve	Other reserves	Unappropriated results	Total
At January 1, 2021	**563,000**	**163,748**	**4,692**	**287,934**	**(72,413)**	**(99,355)**	**161**	**(251,013)**	**14,106**	**610,860**
Change in fair value reserve	-	-	(9,485)	-	-	-	-	4,439	-	**(5,046)**
Change in foreign currency translation reserve	-	-	-	-	902	-	-	-	-	**902**
Change in tangible revaluation reserve	-	-	-	-	-	-	306	-	-	**306**
Change in net investment hedge reserve	-	-	-	-	-	6,342	-	-	-	**6,342**
Total income and expense for the year recognized directly in equity	**-**	**-**	**(9,485)**	**-**	**902**	**6,342**	**306**	**4,439**	**-**	**2,504**
Profit for the year	-	-	-	(7,851)	-	-	-	-	45,248	**37,397**
Transfer from retained earnings	-	-	-	-	-	-	-	14,106	(14,106)	**-**
At December 31, 2021	**563,000**	**163,748**	**(4,793)**	**280,083**	**(71,511)**	**(93,013)**	**467**	**(232,468)**	**45,248**	**650,761**

CREDIT EUROPE BANK N.V.

STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the year ended December 31, 2021

In thousands of EURO

			Legal Reserves							
	Issued capital	**Share premium**	**Fair value reserve**	**Affiliated companies**	**Currency translation differences**	**Net investment hedge**	**Tangible revaluation reserve**	**Other reserves**	**Unappropriated results**	**Total**
At January 1, 2020	**563,000**	**163,748**	**7,152**	**297,362**	**(61,116)**	**(99,989)**	**5,441**	**(281,495)**	**23,557**	**617,660**
Change in fair value reserve	-	-	(2,460)	-	-	-	-	365	-	**(2,095)**
Change in foreign currency translation reserve	-	-	-	-	(11,297)	-	-	-	-	**(11,297)**
Change in other reserve	-	-	-	-	-	-	(5,280)	6,560	-	**1,280**
Change in net investment hedge reserve	-	-	-	-	-	634	-	-	-	**634**
Total income and expense for the year recognized directly in equity	**-**	**-**	**(2,460)**	**-**	**(11,297)**	**634**	**(5,280)**	**6,925**	**-**	**(11,478)**
Profit for the year	-	-	-	(9,428)	-	-	-	-	14,106	**4,678**
Transfer from retained earnings	-	-	-	-	-	-	-	23,557	(23,557)	**-**
At December 31, 2020	**563,000**	**163,748**	**4,692**	**287,934**	**(72,413)**	**(99,355)**	**161**	**(251,013)**	**14,106**	**610,860**

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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.

Although CEB is not listed in the Netherlands, it voluntarily adheres to the principles and best practices of the Dutch Corporate Governance Code, also known as the "Code Tabaksblat". Additionally, as banking organization, CEB also underwrites the Basel Committee rules on Enhancing Corporate Governance for Banking Organisations (the "Basel Rules").

The accounting policies that are used in the preparation of these parent financial statements are consistent with the accounting policies used in preparation of the Consolidated Financial Statements of the Bank, as set out in those financial statements.

The additional accounting policies that are specific to the Parent Company Financial Statements of CEB are set out below.

Financial Instruments

Classification and measurement of loans and receivables from intra group companies is based on accounting policy consistent with the one used in preparation of consolidated financial statements. As result, as of December 31, 2021, EUR 77,374 (2020: EUR 77,810) of loans and receivables from intra group companies were classified as "non-trading assets mandatorily at FVTPL" because their cash flow characteristics do not satisfy SPPI criteria.

The Bank applied expected credit loss model under IFRS 9 in parent company financial statements.

The Bank applies paragraph 107a of the Dutch Accounting Standard 100. Under this paragraph, the Bank eliminates the expected credit losses on loans to subsidiaries in the same line item.

Investment in subsidiaries

The Group companies are stated at their net asset value, determined based on 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 Bank 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.

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Corporate Information

Credit Europe Bank N.V., herein after 'the Bank', is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta.

The Bank was founded as a specialized trade-finance bank, which aimed to participate actively 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.

A. 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 three (2020: three) 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 and the Netherlands.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany and Malta.
- Romania retail: includes mortgage loans of retail customers in Romania and related portfolio administration fees.

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

CREDIT EUROPE BANK N.V.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

A. Segment information *(continued)*

				December 31, 2021
	West Europe Retail	West Europe Wholesale	Romania Retail	Total
Interest income	214	80,045	4,131	84,390
Interest expenses	-	(27,449)	(3,042)	(30,491)
Net interest income	**214**	**52,596**	**1,089**	**53,899**
Net commission income	10	15,810	175	15,995
Trading and other income	70	6,174	-	6,244
Net impairment loss on financial assets	(67)	12,408	(8,769)	3,572
Depreciation and amortization expense	(91)	(2,400)	-	(2,491)
Other operating expenses	(798)	(42,494)	-	(43,292)
Share of profit of associate	-	(7,851)	-	(7,851)
Operating profit before taxes	**(662)**	**34,243**	**(7,505)**	**26,076**
Income tax expense	208	9,150	1,963	11,321
Profit for the year	**(454)**	**43,393**	**(5,542)**	**37,397**
Other information at 31 December 2021 - Financial position				
Total assets	106,462	3,787,778	110,900	4,005,140
Total liabilities	2,278,143	1,076,236	-	3,354,379
Investment in associates and joint ventures	-	-	-	359,019
Other information at 31 December 2021 - Income statement				
Reversal of impairment allowances no longer required	605	11,489	-	12,094

CREDIT EUROPE BANK N.V.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

A. Segment information *(continued)*

	West Europe Retail	West Europe Wholesale	Romania Retail	December 31, 2020 Total
Interest income	2,761	84,353	4,083	91,197
Interest expenses	-	(32,969)	(3,503)	(36,472)
Net interest income	**2,761**	**51,384**	**580**	**54,725**
Net commission income	16	11,825	251	12,092
Trading and other income	(2,962)	11,598	-	8,636
Net impairment loss on financial assets	(114)	(19,044)	1,178	(17,980)
Depreciation and amortization expense	(175)	(3,171)	-	(3,346)
Other operating expenses	(18)	(44,255)	-	(44,273)
Share of profit of associate	-	(9,427)	-	(9,427)
Operating profit before taxes	**(492)**	**(1,090)**	**2,009**	**427**
Income tax expense	(994)	5,747	(502)	4,251
Profit for the year	**(1,486)**	**4,657**	**1,507**	**4,678**
Other information at 31 December 2020 - Financial position				
Total assets	140,493	3,644,372	117,346	3,902,211
Total liabilities	2,258,516	1,032,835	-	3,291,351
Investment in associates and joint ventures	-	-	-	349,175
Assets held for sale	-	5,275	-	5,275
Other information at 31 December 2020 - Income statement				
Reversal of impairment allowances no longer required	71	4,438	-	4,509

Information about major customers

As of December 31, 2021 there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2020: None).

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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, 2021	December 31, 2020
Balances at central bank	636,352	436,386
Cash on hand	49	66
Total	**636,401**	**436,452**

Deposits at central banks include reserve deposits amounting to EUR 21,729 (2020: EUR 18,783), which represents the mandatory deposit and is not available the Bank's day-to-day operations.

C. Amounts due from banks

	December 31, 2021	December 31, 2020
Loans and advances	79,837	65,684
Placement with other banks	66,689	75,912
Trading loans	65,457	45,560
Subtotal	**211,983**	**187,156**
Allowances for credit losses	(87)	(122)
Total	**211,896**	**187,034**

Loans and receivables from intra group companies amount to EUR 32,327 (2020: EUR 49,776). The amount that will not mature within one year is EUR 30,014 (2020: EUR 52,108).

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 28,712 (2020: EUR 11,271).

Placement with other related parties' amount to EUR 9 (2020: EUR 760)

There is not any amount related to receivables regarding securities that have been acquired in reverse repo transactions. (2020: None)

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D. Loans and advances to customers

	December 31, 2021	December 31, 2020
Commercial loans	1,869,510	1,806,206
Consumer loans	111,958	122,676
Non-trading assets mandatorily at FVTPL	93,571	100,647
Public loans	86,539	3,182
Trading loans	-	19,117
Subtotal	**2,161,578**	**2,051,828**
Allowances for credit losses	(42,045)	(51,718)
Total (*)	**2,119,533**	**2,000,110**

(*) None of these loans is subordinated.

Loans and receivables from intra group companies amount to EUR 120,958 (2020: EUR 113,079). Loans and receivables from other related party companies amount to EUR 131,399 (2020: EUR 130,900).

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. (2020: None)

As of December 31, 2021, EUR 1,056,324 (2020: EUR 1,146,858) of loans and advances to customers are not expected to mature within one year.

E. Debt securities

December 31, 2021	Debt and equity instruments measured at FVOCI (*)
Government bonds	268,957
Loans and advances	125,471
Equities**	40,172
Bank bonds	26,106
Corporate bonds	16,147
Total	**476,853**

December 31, 2020	Debt and equity instruments measured at FVOCI (*)
Government bonds	275,598
Corporate bonds	134,014
Loans and advances	115,868
Equities**	37,822
Bank bonds	12,521
Total	**575,823**

(*) As of December 31, 2021, EUR 337,385 of the total are listed securities (2020: EUR 443,580). There is no bond issued by intra group companies in 2021 (2020: None). The amount that will not mature within one year is EUR 212,524 (2020: EUR 278,936).
(**) The Bank elected to apply FVOCI option to the equities, which are considered as a strategic source of stable dividend income and interest retained in a former intra group company.

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

December 31, 2021			
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	17,967	815	Based on quoted market prices
CEB Russia - minority share*	12,285	937	Discounted cash flow
Other	9,921	81	Based on quoted market prices
Total	**40,172**	**1,833**	

December 31, 2020			
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	18,780	-	Based on quoted market prices
CEB Russia - minority share*	16,376	-	Discounted cash flow
Other	2,666	48	Based on quoted market prices
Total	**37,822**	**48**	

(*) Please refer to Note 33 'Fair value hierarchy' for significant unobservable inputs.

The movement of investment in former intra group company's equity instrument may be summarized as follows:

	December 31, 2021	December 31, 2020
Balance at January 1	**16,376**	**25,280**
Total gains and losses		
- in OCI	(6,149)	(3,384)
Dividend received	937	-
Exchange differences	1,121	(5,520)
Balance at the year end	**12,285**	**16,376**

F. Derivative financial instruments

In the ordinary course of business, CEB enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

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

	December 31, 2021			December 31, 2020		
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	155,340	2,934	2,934	60,000	26,708	26,230
Foreign currency swaps	51,118	22,759	24,721	543,335	111,704	114,460
Foreign currency forwards	8,145	175	170	47,129	517	1,719
Foreign currency options (purchased)	-	-	-	68,087	2,937	-
Foreign currency options (sold)	-	-	-	65,587	-	3,085
Total	**214,603**	**25,868**	**27,825**	**784,138**	**141,866**	**145,494**
Derivatives in economic hedge relationship						
Foreign currency swaps	790,080	19,648	34,195	1,239,340	37,115	5,393
Total	**790,080**	**19,648**	**34,195**	**1,239,340**	**37,115**	**5,393**
Derivatives in fair value hedge						
Interest rate swaps	457,413	273	34	582,133	9,282	8,825
Foreign currency swaps	17,627	129	-	24,689	188	-
Total	**475,040**	**402**	**34**	**606,822**	**9,470**	**8,825**
Derivatives in net investment hedge						
Foreign currency swaps	346,366	3,118	7,733	316,495	733	2,688
Total	**346,366**	**3,118**	**7,733**	**316,495**	**733**	**2,688**
Total Derivatives	**1,826,089**	**49,036**	**69,786**	**2,946,795**	**189,184**	**162,400**

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

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

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

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

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

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December 31, 2021	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Fixed rate corporate loans	11,141	-	-	5,890
Fixed rate FVOCI debt instruments	120,500	-	-	2,933
Fixed rate subordinated liabilities	-	159,584	-	2,970
Subtotal	**131,641**	**159,584**	**-**	**11,793**
	-	-	-	-
Portfolio fair value hedges				
Fixed rate customer deposits	-	158,897	-	332
Subtotal	**-**	**158,897**	**-**	**332**
Total	**131,641**	**318,481**	**-**	**12,125**

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

The following table sets out the outcome of the Bank's hedging strategy set out in Note 3-i "Derivatives held as economic hedge and hedge accounting", in particular to changes in the fair value of the hedged items and hedging instruments used as the basis for recognising ineffectiveness:

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December 31, 2021		**Gains /(losses) attributable to the hedged risk**		**Hedge ineffectiveness**
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Interest rate swaps	(41)	42	1
Fixed rate corporate loans	Foreign currency contracts	(1,506)	1,448	(58)
Fixed rate FVOCI debt instruments	Interest rate swaps	(5,241)	5,328	87
Subtotal		**(6,788)**	**6,818**	**30**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	3,019	(3,784)	(765)
Subtotal		**3,019**	**(3,784)**	**(765)**
Total micro fair value relationships		**(3,769)**	**3,034**	**(735)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	693	(831)	(137)
Subtotal		**693**	**(831)**	**(137)**
Total portfolio fair value hedge		**693**	**(831)**	**(137)**
Total		**(3,076)**	**2,203**	**(872)**

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

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

December 31, 2021	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Interest rate swaps	-	-	-	-
Foreign currency contracts	14,467	3,160	-	17,627
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	-	130,699	130,699
Fixed rate subordinated liabilities				
Interest rate swaps	-	158,597	-	158,597
Fixed rate customer deposits				
Interest rate swaps	-	168,117	-	168,117
Total	**14,467**	**329,874**	**130,699**	**475,040**

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

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-Net investment hedges

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

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

		December 31, 2021
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	1,664	1,936
RON	709	(3,090)
CHF	5,472	5,813
UAH	32	1,218
TRY	(1,080)	(4,861)
Total	**6,797**	**1,016**

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

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

December 31, 2021	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	20,250	45	2	(1,664)	-	(1,664)
RON swaps	178,943	1,416	1,533	(709)	-	(709)
CHF swaps	130,366	(304)	4,915	(5,472)	-	(5,472)
UAH swaps	4,000	19	40	(32)	-	(32)
TRY swaps	12,807	1,943	1,243	1,080	-	1,080
Total	**346,366**	**3,119**	**7,733**	**(6,797)**	**-**	**(6,797)**

December 31, 2020	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for hedging ineffectiveness**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	22,539	298	14	7,947	-	7,947
RON swaps	168,566	475	2,824	(3,000)	-	(3,000)
CHF swaps	125,390	(40)	(150)	(2,473)	-	(2,473)
UAH swaps	-	-	-	(2,459)	-	(2,459)
TRY swaps	-	-	-	898	(128)	770
Total	**316495**	**733**	**2688**	**913**	**(128)**	**785**

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

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
RON swaps	51,502	81,809	45,632	178,943
CHF swaps	44,909	55,928	29,529	130,366
USD swaps	20,250	-	-	20,250
TRY swaps	982	8,105	3,720	12,807
UAH swaps	4,000	-	-	4,000
Total at December 31, 2021	**121,643**	**145,842**	**78,881**	**346,366**

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

G. Investments in group companies and associates

For 2021, the movement of participating interests in Group companies and associates is as follows:

	Balance at 1 Jan-2021	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2021	Provision for period losses	Net carrying amount at 31-Dec-2021
Credit Europe Bank (Romania) SA	192,603	2	(1,364)	7,975	-	(3,210)	196,006	-	196,006
Credit Europe (Suisse) Bank SA	123,848	-	(155)	2,394	-	5,628	131,715	-	131,715
Credit Europe Bank (Dubai) Ltd	28,941	-	-	(626)	-	2,355	30,670	-	30,670
JSC Credit Europe Bank (Ukraine)	12,261	-	(9)	1,129	(906)	1,497	13,972	-	13,972
Etkin Deger Gayrimenkul Yatirim A.S.	-	12,688	-	(445)	-	(4,187)	8,056	-	8,056
Feniks Gayrimenkul Yatirim A.S.	1,982	-	-	(8)	-	141	2,115	-	2,115
Ziyaret Gayrimenkul Yatirim A.S.	2,255	-	-	(641)	-	(708)	906	-	906
Yenikoy Enterprises B.V.	-	-	-	4,516	-	(51)	4,465	(3,633)	832
Seyir Gayrimenkul Yatirim A.S.	434	-	-	(8)	-	(1)	425	-	425
Credit Europe Leasing (Ukraine) LLC	20	-	-	8	-	(289)	(261)	261	-
Hunter Navigation Ltd.	-	-	-	(1,140)	-	(63)	(1,203)	1,203	-
Credit Europe Asset Management S.A.	-	-	-	(4,769)	-	123	(4,646)	4,646	-
Angora-1 Shipping Ltd	-	-	-	(504)	-	(32)	(536)	536	-
Angora-2 Shipping Ltd	-	-	-	(1,598)	-	(77)	(1,675)	1,675	-
Angora-3 Shipping Ltd	-	-	-	(1,515)	-	(71)	(1,586)	1,586	-
Angora-4 Shipping Ltd	-	-	-	(1,851)	-	(78)	(1,929)	1,929	-
Mysia Shipping Ltd	-	-	-	(1,052)	-	(61)	(1,113)	1,113	-
Hitit Shipping Ltd	-	5,288	-	(2,139)	-	(175)	2,974	(2,974)	-
Cappadocia Shipping Ltd	-	-	-	(1,859)	-	(269)	(2,128)	2,128	-
Cirus Holding B.V. (Associate)	4,118	1,374	-	(3,630)	-	418	2,280	-	2,280
Stichting Credit Europe Custodian Services (Associate)	125	(125)	-	-	-	-	-	-	-
Ikano Finance Holding B.V. (Associate)	2,076	-	-	(2,088)	-	12	-	-	-
Total	**368,663**	**19,227**	**(1,528)**	**(7,851)**	**(906)**	**902**	**378,507**	**8,470**	**386,977**

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G. Investments in group companies and associates (continued)

For 2020, the movement of participating interests in Group companies and associates is as follows:

	Balance at 1 Jan- 2020	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2020	Provision for period losses	Net carrying amount at 31-Dec-2020
Credit Europe Bank (Romania) SA	187,454	-	920	7,384	-	(3,155)	192,603	-	192,603
Credit Europe (Suisse) Bank SA	122,310	-	298	786	-	454	123,848	-	123,848
Credit Europe Bank (Dubai) Ltd	40,233	-	(3)	(8,476)	-	(2,813)	28,941	-	28,941
JSC Credit Europe Bank (Ukraine)	15,214	-	(48)	702	-	(3,607)	12,261	-	12,261
Ziyaret Gayrimenkul Yatirim A.S.	3,130	-	-	(42)	-	(833)	2,255	-	2,255
Feniks Gayrimenkul Yatirim A.S.	2,187	-	-	(8)	-	(197)	1,982	-	1,982
Seyir Gayrimenkul Yatirim A.S.	2,166	(1,742)	-	(1)	-	11	434	-	434
Cappadocia Shipping Ltd	59	-	-	(834)	-	204	(571)	571	-
Hitit Shipping Ltd	10	-	-	(2,673)	-	371	(2,292)	2,292	-
Credit Europe Leasing (Ukraine) LLC	-	-	-	(592)	-	612	20	-	20
Hunter Navigation Ltd.	-	-	-	(200)	-	14	(186)	186	-
Credit Europe Asset Management S.A.	-	-	-	(3,086)	-	-	(3,086)	3,086	-
Yenikoy Enterprises B.V.	-	-	-	(778)	-	333	(445)	445	-
Angora-1 Shipping Ltd	-	-	-	(138)	-	10	(128)	128	-
Angora-2 Shipping Ltd	-	-	-	(130)	-	9	(121)	121	-
Angora-3 Shipping Ltd	-	-	-	(101)	-	7	(94)	94	-
Angora-4 Shipping Ltd	-	-	-	(4)	-	-	(4)	4	-
Mysia Shipping Ltd	-	-	-	(221)	-	16	(205)	205	-
Cirus Holding B.V. (Associate)	6,448	-	-	(882)	-	(1,448)	4,118	-	4,118
Ikano Finance Holding B.V. (Associate)	2,276	-	-	(134)	-	(66)	2,076	-	2,076
Stichting Credit Europe Custodian Services (Associate)	125	-	-	-	-	-	125	-	125
Total	**381,612**	**(1,742)**	**1,167**	**(9,428)**	**-**	**(10,078)**	**361,531**	**7,132**	**368,663**

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Provisions for participations are summarized as follows:

	December 31, 2021	December 31, 2020
Credit Europe Asset Management S.A.	10,539	5,893
Cappadocia Shipping Ltd.	4,449	2,321
Credit Europe Leasing (Ukraine) LLC	2,762	2,501
Angora-4 Shipping Ltd	1,933	4
Angora-2 Shipping Ltd	1,796	121
Angora-3 Shipping Ltd	1,680	94
Hitit Shipping Ltd.	1,428	4,402
Hunter Navigation Ltd.	1,389	186
Mysia Shipping Ltd.	1,318	205
Angora 1 Shipping Ltd.	664	128
Yenikoy Enterprises B.V.	-	3,633
Total	**27,958**	**19,488**

The parent company is liable for the liabilities of the above subsidiaries.

H. Intangible assets

The book value of intangibles is as follows:

	Patents, licenses and software
Balance at January 1, 2021	**3,302**
Addition	3,466
Depreciation	(71)
Amortization	(1,144)
Balance at December 31, 2021	**5,553**
Balance at January 1, 2020	**1,991**
Addition	2,454
Amortization	(1,143)
Balance at December 31, 2020	**3,302**

I. Property, equipment and investment property

A. Property and equipment

The book value of property and equipment is as follows:

	Land and Buildings	Furniture and fixtures	Vehicles	Total
Balance at January 1, 2021	**17,210**	**1,034**	**399**	**18,643**
Additions	669	569	54	**1,292**
Revaluation	662	-	-	**662**
Disposals	-	-	(252)	**(252)**
Depreciation	(665)	(613)	(69)	**(1,347)**
Balance at December 31, 2021	**17,876**	**990**	**132**	**18,998**
Cost	22,876	11,639	536	**35,051**
Revaluation	10,371	-	-	**10,371**
Cumulative depreciation and impairment	(15,371)	(10,649)	(404)	**(26,424)**
Balance at December 31, 2021	**17,876**	**990**	**132**	**18,998**

	Land and Buildings	Furniture and fixtures	Vehicles	Total
Balance at January 1, 2020	**44,798**	**1,369**	**676**	**46,843**
Additions	27	350	75	**452**
Revaluation	1,821	-	-	**1,821**
Disposals	(27,977)	(85)	(208)	**(28,270)**
Depreciation	(1,459)	(600)	(144)	**(2,203)**
Balance at December 31, 2020	**17,210**	**1,034**	**399**	**18,643**
Cost	22,207	11,070	734	**34,011**
Revaluation	9,709	-	-	**9,709**
Cumulative depreciation and impairment	(14,706)	(10,036)	(335)	**(25,077)**
Balance at December 31, 2020	**17,210**	**1,034**	**399**	**(18,643)**

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Set out below, are the carrying amounts of the Bank's right-of use assets and lease liabilities and the movements during the year:

December 31, 2021

	Right-of-use assets				
	Land and Buildings	**Vehicles**	**Furniture and fixtures**	**Total**	**Lease Liabilities**
As at 1 January 2021	**330**	**399**	**243**	**972**	**974**
Additions	641	54	80	**775**	775
Disposals	-	(252)	-	**(252)**	(252)
Depreciation expense	(54)	(65)	(90)	**(209)**	-
Interest expense	-	-	-	-	12
Payments	-	-	-	-	(194)
As at 31 December 2021	**917**	**136**	**233**	**1,286**	**1,315**

December 31, 2020

	Right-of-use assets				
	Land and Buildings	**Vehicles**	**Furniture and fixtures**	**Total**	**Lease Liabilities**
As at 1 January 2020	**384**	**676**	**301**	**1,361**	**1,373**
Additions	-	75	82	**157**	157
Disposals	-	(208)	(85)	**(293)**	(293)
Depreciation expense	(54)	(144)	(55)	**(253)**	-
Interest expense	-	-	-	-	22
Payments	-	-	-	-	(285)
As at 31 December 2020	**330**	**399**	**243**	**972**	**974**

As of December 31, 2021 the Bank recognised rent expense from short-term leases at amount of EUR 482 (2020: None).

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J. Other assets and inventories

	December 31, 2021	December 31, 2020
Deferred tax assets	75,303	49,152
Repossessed assets classified as inventories	12,814	12,243
Receivables from DSB	6,259	18,548
Prepayments and advance payments to suppliers	2,046	2,719
Amounts held as guarantee	994	918
Accounts receivable	432	32,413
Current tax assets	-	316
Other assets and receivables	1,139	1,416
Total	**98,987**	**117,725**

As of December 31, 2021, EUR 81,562 (2020: EUR 67,700) 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, 2021	December 31, 2020
Time deposits	318,714	234,324
Targeted longer term refinancing operations (TLTRO)	144,719	132,006
Current accounts	57,506	60,407
Total	**520,939**	**426,737**

Deposits and current accounts of intra group companies amount to EUR 31,339 (2020: EUR 28,386). Amount of due to banks, which is on demand, is EUR 204,999 (2020: EUR 161,229).

Repo transactions in time deposits amount to EUR 130,318 (2020: EUR 51,351).

The Bank received government grants for its TLTRO III programme in 2020 and 2021. The legal maturity date of the current TLTRO-loans lies between December 2022, June 2023, and March 2024 with a quarterly early repayment option. Both discounts are accounted for as a government grant and recognized in interest expense.

L. Amounts due to customers

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

	December 31, 2021	December 31, 2020
Retail saving and demand deposits	1,265,364	1,170,375
Retail time deposits	1,012,778	1,088,141
Corporate demand deposits	251,925	195,470
Corporate time deposits	10,110	44,851
Total	**2,540,177**	**2,498,837**

As of December 31, 2021, EUR 1,415,788 (2020: EUR 1,271,788) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

As of December 31, 2021, the Bank maintained customer deposit balances of EUR 33,434 (2020: EUR 40,331), 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 4,520 (2020: EUR 3,581).

M. Other liabilities

	December 31, 2021	December 31, 2020
Accrued expenses	3,567	3,073
Staff related liabilities	2,745	2,864
Unfinished settlements	2,486	1,796
Taxes other than income	1,566	1,619
Lease liabilities	1,315	974
Current tax liabilities	374	3,728
Other payables	2,348	1,962
Total	**14,401**	**16,016**

N. Provisions

	December 31, 2021	December 31, 2020
Provisions for participations	27,958	19,488
Litigation provision	1,996	1,841
Non-cash loan provisions	1,305	2,521
Deferred tax liability	19	595
Total	**31,278**	**24,445**

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O. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of CEB. This liability qualifies as capital, taking into account remaining maturities, for determining the consolidated capital adequacy ratio for the Dutch Central Bank (De Nederlandsche Bank - DNB).

	Maturity Date	First possible call date	December 31, 2021	December 31, 2020
USD 150 million subordinated notes with a fixed interest rate of 7.25 % p.a.	November 2027	November 2022	132,689	122,076
USD 50 million AT 1 instrument with a fixed interest rate of 8.95 % p.a.	Perpetual	December 2022	44,202	40,840
Total			**176,891**	**162,916**

The Bank had not any defaults on principal, interest or other breaches with respect to its subordinated liabilities during the years ended 2021 and 2020.

P. Share capital

The authorized share capital is EUR 1,000 million (2020: EUR 1,000 million) and comprises 1,000 million (2020: 1,000 million) ordinary shares with a face value of EUR 1.

The called-up and paid-in capital consists of 563 million (2020: 563 million) ordinary shares with a face value of EUR 1.

Q. Legal reserves

Under Dutch GAAP, legal reserves are required in certain circumstance. The objective of these legal reserves is to protect the creditors (i.e. the Bank is only allowed to pay out profits to its shareholders that it has realized or can be realized when the bank wants to). Legal reserves only relate to the Bank Financial Statements and are not applicable to the Consolidated Financial Statements. Reserves of participations cannot be paid out to the Bank due to local legal requirements.

For the Bank, the following legal reserves are important:

- Participations reserve
- Currency translation differences reserve
- Fair value reserve
- Net investment hedge reserve
- Tangible revaluation reserve

In determining legal reserves, deferred taxes on debt and equity instruments at FVOCI are taken into account. Deferred taxes attributable to equity are calculated on the difference between IFRS and tax values of debt and equity instruments at FVOCI. Hedge accounting reserves are subject to the participation exemption regime according to Dutch tax laws. Accordingly, profits and losses from participations are not taxable in The Netherlands. Due to the participation exemption regime, in practice, the participation hedge results are carried into statement of income for tax purposes and then exempted from taxable profit.

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R. Net interest income

	January 1- December 31, 2021	January 1- December 31, 2020
Interest income from financial instruments measured at amortized cost and FVOCI	**78,803**	**85,380**
Loans and receivables – customers	74,368	80,928
Loans and receivables – banks	3,651	3,218
Cash and balances at central banks	1,440	681
Financial investments	(656)	554
Interest income from financial instruments measured at FVTPL	**5,587**	**5,817**
Other financial assets at fair value through profit or loss	5,158	5,020
Non-trading financial assets mandatorily at FVTPL	429	797
Subtotal	**84,390**	**91,197**
Interest expense from financial instruments measured at amortized cost	**30,491**	**36,472**
Due to customers	16,172	20,768
Subordinated liabilities	9,184	10,912
Cash and balances at central banks	3,193	2,935
Due to banks	1,930	1,835
Lease liabilities	12	22
Subtotal	**30,491**	**36,472**
Total	**53,899**	**54,725**

S. Results from investment securities and participating interests

	January 1- December 31, 2021	January 1- December 31, 2020
Net gain from disposal of debt instruments at FVOCI	5,245	12,409
Net result from participating interests	**(7,851)**	**(9,428)**
- Group companies	(2,133)	(8,412)
- Associates	(5,718)	(1,016)
Total	**(2,606)**	**2,981**

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T. Net fee and commission income

	January 1- December 31, 2021	January 1- December 31, 2020
Fee and commission income		
Cash loan fees	8,004	5,972
Letters of credit commissions	5,775	3,383
Commission on account maintenance	1,276	969
Portfolio and other management fees	606	1,196
Commissions on fund transfers	573	466
Letters of guarantee commissions	564	1,006
Other fees and commissions	1,189	1,024
Subtotal	**17,987**	**14,016**
Fee and commission expense		
Portfolio and other management fee expense	1,221	1,200
Account maintenance fees	389	328
Commission paid to intermediaries/retailers	199	174
Other fee and commission expenses	183	222
Subtotal	**1,992**	**1,924**
Total	**15,995**	**12,092**

U. Net trading results

	January 1- December 31, 2021	January 1- December 31, 2020
Foreign exchange	28,298	(22,028)
Trading loans	5,535	5,995
Financial assets mandatorily at FVTPL	786	(1,774)
Debt securities	45	208
Derivative financial instruments - hedge accounting	(872)	(1,579)
Dividend on FVTPL investments	-	49
Subtotal	**33,792**	**(19,129)**
Derivative financial instruments - not qualifying for hedge accounting	(37,212)	9,407
of which interest component	*(10,312)*	*(10,279)*
of which MTM component	*2,022*	*(3,546)*
of which FX component	*(28,923)*	*23,232*
Total	**(3,420)**	**(9,722)**

CREDIT EUROPE BANK N.V.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

V. Other operating income

	January 1- December 31, 2021	January 1- December 31, 2020
Dividend income	1,833	48
Income from DSB receivables	1,386	690
Rent income	63	557
Sale of fixed assets	12	3,599
Other income	1,125	942
Total	**4,419**	**5,836**

W. Personnel expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Wages and salaries	22,177	21,010
Social security payments	2,796	2,119
Retirement benefit costs	1,975	1,957
Other employee costs	2,265	2,998
Total	**29,213**	**28,084**
Average number of employees	**261**	**259**
Banking activities - Netherlands	217	217
Banking activities - foreign countries	44	42

X. Core operating expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Professional fees and consultancy	2,331	2,350
Supervision fees	1,891	1,849
Contributions and subscriptions	1,723	1,050
Communication and information expenses	1,482	1,271
Rent and maintenance expenses	949	681
Taxes other than income	875	916
Legal services expenses	712	730
Information technology expenses	609	863
Other expenses	1,195	1,525
Total	**11,767**	**11,235**

CREDIT EUROPE BANK N.V.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

Y. Other operating expenses

	January 1- December 31, 2021	January 1- December 31, 2020
Fines and penalties	653	1,334
Provision addition	495	979
Claims service expenses	176	322
Other	1,287	2,385
Total	**2,611**	**5,020**

Z. Net impairment loss on financial assets

	January 1- December 31, 2021				January 1- December 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	1,474	1,625	578	3,677	(17,261)
Credit related commitments (non-cash loans)	28	132	-	160	(724)
Debt securities measured at FVOCI	(265)	-	-	(265)	-
Loans to banks at amortized cost	-	-	-	-	5
Net impairment loss on financial assets	**1,237**	**1,757**	**578**	**3,572**	**(17,980)**

AA. Commitments and contingencies

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

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

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

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

	December 31, 2021	**December 31, 2020**
Contingent liabilities with respect to irrevocable letters of credit - import	489,844	216,848
Contingent liabilities with respect to irrevocable letters of credit - export	139,807	42,462
Contingent liabilities with respect to letters of guarantee granted - corporates	76,328	46,095
Contingent liabilities with respect to letters of guarantee granted - banks	4,200	11,853
Total non-cash loans	**710,179**	**317,258**
Credit-line commitments	151,943	141,750
Total	**862,122**	**459,008**

As of December 31, 2021, EUR 88 (2020: EUR 91) letter of guarantees was granted to related parties.

As of December 31, 2021, EUR 48,275 (2020: EUR 7,047) letter of guarantees was granted to intragroup companies.

AB. Litigation claims

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

As of December 31, 2021, the Bank is involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 1,996 (2020: EUR 1,841) is already provided for in the statement of financial position.

AC. Risk Management

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

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For the year ended December 31, 2021

Regulatory Capital

CEB follows Capital Requirement Directive and Capital Requirement Regulation for Capital Requirement calculation. Related documents are following:

CRD

- Directive 2013/36/EU on access to the activity of credit institution and the prudential supervision of credit institutions and investment firms (CRD IV), 26 June 2013[1]
- DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures[2]

CRR

- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)[3]
- REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012[4]

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, 2021	December 31, 2020
Total Equity	**650,761**	**610,860**
- Current year profit (1)	(37,397)	(4,678)
Prudential filters		
- Prudent valuation	(706)	(865)
- Intangible asset (2)	(5,553)	(3,302)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(57,665)	(27,543)
- CIU Investment deductions	(1,712)	-
- transitional adjustments to CET1 Capital (3)	17,179	25,499
- transitional adjustments to IFRS 9 provisions (50%) (3)	(130,529)	(129,027)
Core Tier I	**434,378**	**470,944**
Perpetual Tier I capital	44,202	40,855
Additional Tier I	**44,202**	**40,855**
Total Tier I capital	**478,580**	**511,799**
Tier II capital		
Subordinated capital	131,721	121,228
Total Tier II capital	**131,721**	**121,228**
Total own funds	**610,301**	**633,027**

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

(2) Under CRD IV frame, additional items listed below shall be deducted fully to enhance own funds quality:
- Non-eligible minority interest
- Other intangible asset (Non-solvency deductible under Basel II framework)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

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

The Bank has 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, 2021	December 31, 2020
Capital ratio	20.19%	20.42%
Tier I ratio	15.83%	16.51%
Core Tier I	14.37%	15.19%
RWA	**3,022,604**	**3,099,337**

AC. i. 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, 2021	December 31, 2020
Balance sheet items		
Balances with central banks	636,352	436,386
Debt securities	476,853	575,823
Amount due from banks	211,982	187,034
Loans and receivables - customers	2,161,579	2,051,828
Derivative financial instruments	49,036	189,184
Subtotal	**3,535,802**	**3,440,255**
Off- balance sheet items		
Issued letters of guarantee	80,528	57,947
Issued irrevocable letters of credit	629,651	259,310
Other commitments and contingent liabilities	151,942	141,750
Total off-balance sheet	**862,121**	**459,007**
Maximum credit risk exposure	**4,397,923**	**3,899,262**

AC. ii. Geographical concentration

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

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure December 31, 2021
Balance sheet items							
Demand deposits with central banks	-	-	-	-	-	636,352	636,352
Debt securities	€ 12,284	860	8,252	-	124,611	330,846	476,853
Amount due from banks	5	15,891	12,598	-	83,081	100,407	211,982
Loans and receivables - customers	45,306	445,584	194,568	20,655	446,843	1,008,623	2,161,579
Derivative financial instruments	-	8,778	-	-	-	40,258	49,036
Total balance sheet	**57,595**	**471,113**	**215,418**	**20,655**	**654,535**	**2,116,486**	**3,535,802**
Off-balance sheet items	5,516	44,872	85,000	-	275,955	450,778	862,121
Total credit-risk exposure	**63,111**	**515,985**	**300,418**	**20,655**	**€ 930,490**	**2,567,264**	**4,397,923**

	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure December 31, 2020
Balance sheet items							
Demand deposits with central banks	-	-	-	-	-	436,386	436,386
Debt securities	16,376	-	-	-	112,297	447,150	575,823
Amount due from banks	756	20,678	10,157	3,057	70,382	82,004	187,034
Loans and receivables - customers	56,645	516,159	234,657	49,838	418,735	775,794	2,051,828
Derivative financial instruments	-	14,451	-	-	1,351	173,382	189,184
Total balance sheet	**73,777**	**551,288**	**244,814**	**52,895**	**602,765**	**1,914,716**	**3,440,255**
Off-balance sheet items	3,084	44,356	85,802	2,544	174,438	148,783	459,007
Total credit-risk exposure	**76,861**	**595,644**	**330,616**	**55,439**	**777,203**	**2,063,499**	**3,899,262**

AC. iii. Geographical concentration of loans advanced to customers, broken down by counterparty type

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

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure December 31, 2021
Corporate loans	**45,306**	**85,020**	**445,584**	**20,655**	**446,843**	**988,710**	**2,032,118**
Stage 1	24,140	85,020	269,212	20,655	396,698	988,710	**1,784,435**
Stage 2	-	-	78,509	-	46,295	-	**124,804**
Stage 3	21,166	-	97,863	-	3,850	-	**122,879**
Retail loans (incl. mortgages)	**-**	**110,190**	**-**	**-**	**-**	**3,715**	**113,905**
Stage 1	-	14,674	-	-	-	3,198	**17,872**
Stage 2	-	60,260	-	-	-	431	**60,691**
Stage 3	-	35,256	-	-	-	86	**35,342**
Total exposure	**45,306**	**195,210**	**445,584**	**20,655**	**446,843**	**992,425**	**2,146,023**

Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure December 31, 2020
Corporate loans	**56,645**	**99,422**	**514,953**	**49,838**	**399,618**	**765,200**	**1,885,676**
Stage 1	36,038	99,422	245,397	41,464	353,948	682,458	**1,458,727**
Stage 2	-	-	185,539	-	44,689	73,946	**304,174**
Stage 3	20,607	-	84,017	8,374	981	8,796	**122,775**
Retail loans (incl. mortgages)	**-**	**117,366**	**-**	**-**	**-**	**6,833**	**124,199**
Stage 1	-	-	-	-	-	5,719	**5,719**
Stage 2	-	85,062	-	-	-	998	**86,060**
Stage 3	-	32,304	-	-	-	116	**32,420**
Total exposure	**56,645**	**216,788**	**514,953**	**49,838**	**399,618**	**772,033**	**2,009,875**

AC. iv. 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

Liquidity risk indicators

	December 31, 2021	December 31, 2020
NSFR	159%	150%
LCR	397%	453%

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NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

Discounted amounts based on remaining contractual maturity	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	December 31, 2021 Total
Assets							
Cash and balances at central banks	636,401	-	-	-	-	-	**636,401**
Debt securities	112,905	82,574	68,853	51,847	120,500	40,174	**476,853**
Amount due from banks	70,784	40,597	12,717	84,238	-	3,560	**211,896**
Loans and receivables – customers	714,608	226,520	122,081	640,924	261,999	153,401	**2,119,533**
Tangible and intangible assets	-	-	-	-	-	24,551	**24,551**
Other assets	21,920	1,916	25,560	100,151	4,071	382,288	**535,906**
Total assets	**1,556,618**	**351,607**	**229,211**	**877,160**	**386,570**	**603,974**	**4,005,140**
Liabilities							
Due to banks	316,594	41,794	44,130	118,421	-	-	**520,939**
Due to customers**	588,031	116,524	419,834	1,029,453	386,335	-	**2,540,177**
Other liabilities	22,034	8,607	32,059	21,133	1,388	31,151	**116,372**
Subordinated liabilities	-	-	45,723	-	131,168	-	**176,891**
Total liabilities	**926,659**	**166,925**	**541,746**	**1,169,007**	**518,891**	**31,151**	**3,354,379**
Cumulative liquidity gap	**629,959**	**814,641**	**502,106**	**210,259**	**77,938**	**650,761**	**650,761**

Discounted amounts based on remaining contractual maturity	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	December 31, 2020 Total
Assets							
Cash and balances at central banks	436,452	-	-	-	-	-	**436,452**
Debt securities	172,653	38,543	85,692	84,982	156,131	37,822	**575,823**
Amount due from banks	66,583	60,705	7,638	45,560	6,548	-	**187,034**
Loans and receivables – customers	630,930	135,379	86,943	596,990	403,050	146,818	**2,000,110**
Tangible and intangible assets	-	-	-	-	-	21,945	**21,945**
Other assets	78,514	74,053	42,974	119,755	991	364,560	**680,847**
Total assets	**1,385,132**	**308,680**	**223,247**	**847,287**	**566,720**	**571,145**	**3,902,211**
Liabilities							
Due to banks	192,401	84,734	17,596	132,006	-	-	**426,737**
Due to customers**	491,494	124,911	610,644	912,223	359,565	-	**2,498,837**
Other liabilities	32,760	70,186	33,612	39,650	3,147	23,506	**202,861**
Subordinated liabilities	-	-	1,406	40,840	120,670	-	**162,916**
Total liabilities	**716,655**	**279,831**	**663,258**	**1,124,719**	**483,382**	**23,506**	**3,291,351**
Cumulative liquidity gap	**668,477**	**697,326**	**257,315**	**(20,117)**	**63,221**	**610,860**	**610,860**

(*) As at December 31, 2021, total on demand assets amount to EUR 879,420 (2020: EUR 837,984) and total on demand liabilities amount to EUR 225,148 (2020: EUR 189,750) are disclosed under "Up to 1 month" column.

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

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NOTES TO FINANCIAL STATEMENTS

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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 Bank, indicates that these deposits provide a stable source of funding.

As at December 31, 2021 and 2020, the contractual maturities of customer deposits are as follows:

	December 31, 2021	December 31, 2020
Up to 1 month	1,572,221	1,419,720
1-3 months	47,545	55,546
3-12 months	207,347	408,874
1-5 years	663,943	568,642
Over 5 year	49,121	46,055
Total	**2,540,177**	**2,498,837**

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows:

Undiscounted amounts based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	December 31, 2021 Total
Due to banks	316,602	41,878	44,270	118,421	-	-	(232)	**520,939**
Due to customers	588,278	116,888	422,484	1,048,194	389,630	-	(25,297)	**2,540,177**
Other liabilities	22,033	8,607	32,059	23,002	1,388	29,859	(1,868)	**115,080**
Subordinated liabilities	-	-	54,577	26,560	148,875	-	(53,121)	**176,891**
Total liabilities	**926,913**	**167,373**	**553,390**	**1,216,177**	**539,893**	**29,859**	**(80,518)**	**3,353,087**
Off-balance sheet liabilities								
Credit-line commitments	151,943	-	-	-	-	-	-	**151,943**
Irrevocable letters of credit	629,651	-	-	-	-	-	-	**629,651**
Guarantees	80,528	-	-	-	-	-	-	**80,528**
Other	-	-	-	-	-	-	-	**-**
Total off-balance	**862,122**	**-**	**-**	**-**	**-**	**-**	**-**	**862,122**

Undiscounted amounts based on remaining contractual maturity	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	December 31, 2020 Total
Due to banks	192,598	84,741	17,596	132,006	-	-	(204)	**426,737**
Due to customers	491,543	124,973	612,935	932,054	362,860	-	(25,528)	**2,498,837**
Other liabilities	32,759	70,186	33,612	40,346	3,147	23,507	(696)	**202,861**
Subordinated liabilities	-	-	1,406	76,253	147,230	-	(61,973)	**162,916**
Total liabilities	**716,900**	**279,900**	**665,549**	**1,180,659**	**513,237**	**23,507**	**(88,401)**	**3,291,351**
Off-balance sheet liabilities								
Credit-line commitments	141,750	-	-	-	-	-	-	**141,750**
Irrevocable letters of credit	259,310	-	-	-	-	-	-	**259,310**
Guarantees	57,948	-	-	-	-	-	-	**57,948**
Other	-	-	-	-	-	-	-	**-**
Total off-balance	**459,008**	**-**	**-**	**-**	**-**	**-**	**-**	**459,008**

(*) This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values.

AT A GLANCE

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS
Statement of Financial Position
Statement of Income
Statement of Changes in Equity
Basis of Preparation
- Notes to Consolidated Financial Statements
Independent Auditor's Report

AC. v. 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, 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 is inclusive of the foreign-exchange risk.

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NOTES TO FINANCIAL STATEMENTS

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Currency analysis for the year ended December 31, 2021 and 2020:

									December 31, 2021
	EUR(*)	**USD**	**CHF**	**RON**	**RUB**	**UAH**	**TRY**	**Others**	**Total**
Cash and balances with central banks	636,401	-	-	-	-	-	-	-	**636,401**
Debt securities	405,665	58,406	498	-	12,284	-	-	-	**476,853**
Amount due from banks	96,247	115,272	112	8	9	-	34	215	**211,896**
Loans and receivables – customers	956,034	1,064,628	58,012	124	2,752	-	22,233	15,749	**2,119,533**
Derivative financial instruments	47,225	1,426	-	-	38	-	347	-	**49,036**
Equity-accounted investments	-	33,573	134,380	195,999	-	14,921	9,011	-	**387,884**
Property and equipment	18,998	-	-	-	-	-	-	-	**18,998**
Intangible assets	5,553	-	-	-	-	-	-	-	**5,553**
Other assets	96,005	1,135	1,408	6	234	-	198	-	**98,986**
Total assets	**2,262,128**	**1,274,440**	**194,410**	**196,137**	**15,317**	**14,921**	**31,823**	**15,964**	**4,005,140**
Due to banks	335,065	185,575	72	2	1	-	209	15	**520,939**
Due to customers	2,339,678	180,738	4,949	7	-	-	11,257	3,548	**2,540,177**
Derivative financial instruments	68,174	1,149	-	-	98	-	367	-	**69,788**
Other liabilities	15,676	16,182	477	10,539	-	3,668	-	42	**46,584**
Subordinated liabilities	-	176,891	-	-	-	-	-	-	**176,891**
Total liabilities	**2,758,593**	**560,535**	**5,498**	**10,548**	**99**	**3,668**	**11,833**	**3,605**	**3,354,379**
Net on-balance sheet position	**-**	**713,905**	**188,912**	**185,589**	**15,218**	**11,253**	**19,990**	**12,359**	**1,147,226**
Off-balance sheet net position	**-**	(709,294)	(191,114)	(181,101)	(20,284)	(4,032)	(19,982)	(12,445)	(1,138,252)
Net open position	**-**	**4,611**	**(2,202)**	**4,488**	**(5,066)**	**7,221**	**8**	**(86)**	**8,974**

									December 31, 2020
	EUR(*)	**USD**	**CHF**	**RON**	**RUB**	**UAH**	**TRY**	**Others**	**Total**
Cash and balances with central banks	436,452	-	-	-	-	-	-	-	**436,452**
Debt securities	474,250	85,197	-	-	16,376	-	-	-	**575,823**
Amount due from banks	63,828	103,237	956	6	10	-	18,799	198	**187,034**
Loans and receivables – customers	825,193	1,024,686	69,595	12	4,402	-	75,267	955	**2,000,110**
Derivative financial instruments	184,307	2,567	-	-	35	-	2,275	-	**189,184**
Equity-accounted investments	112	33,408	125,162	195,165	-	12,494	2,322	-	**368,663**
Property and equipment	18,643	-	-	-	-	-	-	-	**18,643**
Intangible assets	3,302	-	-	-	-	-	-	-	**3,302**
Other assets	114,011	7,108	1,399	110	372	-	-	-	**123,000**
Total assets	**2,120,098**	**1,256,203**	**197,112**	**195,293**	**21,195**	**12,494**	**98,663**	**1,153**	**3,902,211**
Due to banks	227,351	198,944	33	2	1	-	319	87	**426,737**
Due to customers	2,344,856	138,028	3,950	7	-	-	11,618	378	**2,498,837**
Derivative financial instruments	157,280	2,522	-	-	134	-	2,464	-	**162,400**
Other liabilities	16,302	12,936	1,301	5,893	-	2,501	374	1,154	**40,461**
Subordinated liabilities	-	162,916	-	-	-	-	-	-	**162,916**
Total liabilities	**2,745,789**	**515,346**	**5,284**	**5,902**	**135**	**2,501**	**14,775**	**1,619**	**3,291,351**
Net on-balance sheet position	**-**	**740,857**	**191,828**	**189,391**	**21,060**	**9,993**	**83,888**	**(466)**	**1,236,551**
Off-balance sheet net position	**-**	(731,636)	(191,731)	(172,157)	(17,145)	-	(82,000)	(611)	(1,195,280)
Net open position	**-**	**9,221**	**97**	**17,234**	**3,915**	**9,993**	**1,888**	**(1,077)**	**41,271**

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

AD. Remuneration

Key management costs including remuneration and fees:

	December 31, 2021	December 31, 2020
Total remuneration to supervisory board members	651	810
Total remuneration to managing board members	2,705	2,786
Total	**3,356**	**3,596**

Pension plan contribution amount is EUR 182 (2020: EUR 174).

	December 31, 2021	December 31, 2020
Loans and advances		
Outstanding at 1 January	-	10
Granted during the year	11	-
Repaid during the year	-	(10)
Outstanding at 31 December	**11**	**-**

These transactions were concluded at staff terms and market rates. The average interest rate on fixed-interest EUR loans provided to the Managing Board is 4.49% in 2021 (2020: None). There is no guarantee provided to Managing and Supervisory Board members.

Amsterdam, March 24, 2022

Supervisory Board:	Managing Board:
Hector De Beaufort	Şenol Aloğlu
Ayşecan Özyeğin Oktay	Umut Bayoğlu
Seha İşmen Özgür	Batuhan Yalnız
Wilfred Nagel	
Korkmaz İlkorur	

AE. Fees of the auditor

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees have been charged by auditors to the Bank:

	December 31, 2021			December 31, 2020
	KPMG NL	**KPMG-Other**	**Total**	**EY-Total**
Statutory audit of annual accounts	490	171	661	803
Other assurance services	169	201	370	174
Other non-audit services	-	15	15	17
Total	**659**	**387**	**1,046**	**994**

The audit fees relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year.

"Other assurance services" fees comprise services for among others regulatory audits (e.g. COREP/FINREP), regulatory assurance engagements (e.g. segregation of assets, ISAE 3402 on the DGS), regulatory agreed upon procedures (e.g. IRRBB) and review of the interim financial statements.

"Other non-audit services" fees comprise tax compliance services provide to CEB Suisse and a training course on changes in regulatory requirements provided to CEB Romania.

AF. Subsequent events

Please refer to note 3-d for details.

AG. Other information

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	37,397
Dividend distribution of Euro 0.0664 per share	37,397

Independent auditor's report

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

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of Credit Europe Bank N.V. as at 31 December 2021 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying parent company financial statements give a true and fair view of the financial position of Credit Europe Bank N.V. as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 of Credit Europe Bank N.V. ('the Company' or 'the Bank') based in Amsterdam. The financial statements include the consolidated financial statements and the parent company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2021;
2 the following consolidated statements for 2021: the statement of income, the statements of comprehensive income, changes in equity and cash flows; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

1 the parent company statement of financial position as at 31 December 2021;
2 the following parent company statements for 2021: the statement of income and statement of changes in equity; and
3 the notes comprising a summary of additional accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

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

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

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

Audit approach

Summary

Materiality

- Materiality of EUR 8 million
- 1.2% of total equity

Group audit

- Audit coverage of 99% of total assets
- Audit coverage of 95% of revenue

Going concern and Fraud/Noclar

- Going concern: no significant going concern risks identified
- Fraud & Non-compliance with laws and regulations: in our audit we incorporated the risk of management override of controls.

Key audit matters

- Estimation uncertainty with respect to the expected credit loss allowance on loans and advances
- Reliability and continuity of information technology

Opinion

Unqualified

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Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 8 million. The materiality is determined with reference to total equity of the Bank. We consider total equity as the most appropriate benchmark because it provides a consistent year on year basis for determining materiality and is one of the key indicators that users of the financial statements consider to assess the financial position of the Bank. We also concluded it is a more stable indicator of the size of the Bank's operations compared to the Bank's relatively low profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 400.000 would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Credit Europe Bank N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Credit Europe Bank N.V.

Our group audit mainly focused on the significant banking operations in The Netherlands, Romania and Switzerland, as well as the special purpose entities related to repossessed assets.

We have:

— performed audit procedures ourselves for the group component Credit Europe Bank N.V. (parent company), which includes the banking activities in the Netherlands as well as the branches in Germany and Malta;

— made use of the work of other KPMG auditors for the audit of Credit Europe Bank Romania SA and Credit Europe Bank Suisse SA. For one of the special purpose entities relating to repossessed assets we made use of the work of a non-KPMG audit firm.

— performed audit of account balances ourselves for four special purposes entities relating to repossessed vessels and repossessed commercial real estate.

We sent detailed instructions to all component auditors, covering significant areas including the relevant significant risks of material misstatement identified at group level, and set out the information required to be reported to the group audit team. We performed file reviews for all components in scope of the group audit. The Covid-19 international travel implications required us to perform the file reviews remotely. For all components in scope of the group audit, we held conference calls and/or remote meetings with the auditors of the components. During these meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

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Our procedures as described above can be summarized as follows:

Total assets

98%	1%	1%
Audit of the complete reporting package	Audit of account balances	Covered by additional procedures performed at group level

Revenue

95%	0%	5%
Audit of the complete reporting package	Audit of account balances	Covered by additional procedures performed at group level

Audit response to going concern – no significant going concern risks identified

The Managing Board has performed its going concern assessment and has not identified any significant going concern risks. To assess the Managing Board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the Managing Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analysed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks;
- we inspected regulatory correspondence to obtain an understanding of the Company's capital position, that underpins management's assessment of the going concern assumption for financial reporting.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 'non-financial review' of the annual report, the Managing Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

We performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements:

- anti-money laundering and terrorist financing law (Wwft);

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- data protection law;
- fraud, corruption and anti-bribery law;
- prudential and supervision regulations from the Dutch Central Bank;
- sanctions law.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the Company's risk assessment in relation to fraud and non-compliance. Our procedures included, among other things:

- assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance;
- performing relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Legal and Compliance.
- evaluating internal reports from Internal Audit and Compliance on indications of possible fraud and non-compliance;
- evaluating correspondence with relevant supervisory authorities and regulators as well as legal confirmation letters.

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Revenue recognition (a presumed fraud risk)

We assessed the presumed fraud risk on revenue recognition not to be relevant, because the accounting of interest income and commission income is based on automatically generated accruals based on static data taken from the loan source system and therefore concerns routine transactions not subject to management judgement.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit and responded as follows:

Management override of controls (a presumed fraud risk)

Risk:

Management is by definition in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, such as via fictitious journal entries and estimates.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as processes related to journal entries and estimates related to expected credit loss allowances.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior year's estimates with respect to the expected credit loss allowances and the valuation of financial instruments. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

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- We incorporated elements of unpredictability in our audit, among others, by assigning a component auditor to perform a full scope audit of one of the special purposes entities.

Our procedures to address the identified risk of fraud did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to management and the Audit and Risk Committee of the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that could have a material effect on amounts recognised or disclosures provided in the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Estimation uncertainty with respect to the expected credit loss allowance on loans and advances

Description

As disclosed in notes 10, 11 and 37 of the consolidated financial statements, the Bank's portfolio of loans and advances to customers amounts to EUR 2.8 billion net, as at 31 December 2021. These loans and advances to customers are measured at amortised cost, less an allowance for expected credit losses (EUR 58.2 million).

The Bank uses Expected Credit Loss ('ECL') models for the ECL calculation for the portfolio of loans and advances as a whole. The ECL model is a forward-looking model that takes into consideration expected future developments with respect to the Probability of Default, Loss Given Default and Exposures at Default. For credit-impaired exposures (i.e. Stage 3 loans) the Bank determines the ECL allowance individually on an exposure by exposure basis.

As several aspects of the accounting for loan losses require significant judgment of management we consider this a key audit matter. Furthermore, recent economic conditions are outside the bounds of historical experience used to develop ECL model methodologies and results in greater uncertainty to estimate the ECL.

Key judgmental areas include the identification of a significant increase in credit risk, the identification of credit-impaired loans, the modelling of assumptions and parameters, including macro-economic variables, and the development of scenarios of expected future cash flows for the ECL of individually assessed loans.

Our response

Our audit approach comprises of testing of controls and substantive audit procedures. Among others, the procedures included testing of the design and implementation of the Bank's credit risk management and credit risk monitoring procedures, including the recognition and measurement of loans that have a significant increase in credit risk or that are credit-impaired.

For the loans and advances where the Bank applies a collective (portfolio) evaluation approach, we assessed the collective expected credit loss allowance methodology. With the assistance of KPMG credit risk modelling specialists, we have evaluated the models and key assumptions. This included the macro-economic variables used and the adjustments made to the credit risk models to reflect the expected effects of recent economic conditions on ECL.

We have tested the accuracy and completeness of the data used by the Bank for determining the collective expected credit loss allowance. We applied a risk based approach in selecting loan exposures for detailed testing on which we evaluated and challenged management's judgement on the assumed credit quality of the exposure. Furthermore, we evaluated the overall provision process for identification of management bias and reconciled the ECL model outcomes to the general ledger.

For loans and advances where the Bank determines the expected credit loss allowance on an individual loan basis, we examined the entire population in detail. As part of our procedures, we challenged management's expected future cash flows scenarios, the probability applied to those scenarios, we inspected supporting documentation, such as the legal documentation and appraisal reports for collateral, we reconciled underlying loan data used in the expected credit loss allowance calculation and we verified its mathematical accuracy. We considered the impact of the COVID-19 pandemic on the economic conditions in our test approach and when we evaluated the results of our audit procedures.

We considered the adequacy and appropriateness of the disclosures related to ECL allowances within the financial statements.

Our observation

We consider management's key assumptions and estimates relating to the expected credit loss allowance on loans and advances within an acceptable range and we assessed the disclosure in the financial statements to be adequate and in accordance with EU-IFRS.

Reliability and continuity of electronic data processing

Description

Credit Europe and its financial reporting process are highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed on a daily basis. An adequate IT infrastructure ensures the reliability and continuity of the Bank's business processes and the accuracy of financial reporting.
As the reliability and continuity of IT systems may have an impact on automated data processing and given the pervasive nature of the IT general control environment, we consider this a key audit matter.

Our response

— We obtained an understanding of the IT organisation and developments in the IT infrastructure to determine how it impacts the Bank's processes.

— We assessed the impact of changes to the IT environment during the year, either from ongoing internal process optimisation initiatives or in order to meet external reporting requirements.

— We tested the design, implementation and operating effectiveness of General IT Controls related to user access management and change management across applications, databases and operating systems.

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- In some areas where we had observations in terms of the effectiveness of internal controls, we performed additional procedures over the remedial control actions taken by management on access and change management for the related systems.
- We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting.
- We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the annual accounts.
- We inquired with management on their initiatives and processes to address cybercrime.

Our observation

Based on the testing of General IT Controls, including aforementioned additional procedures over remedial control actions taken by management, we obtained sufficient and appropriate audit evidence to support our IT-driven audit approach.

Furthermore, we noted points for improvement in the areas of access and change management that we have shared with the Managing Board and the Supervisory Board.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Credit Europe Bank N.V. on 12 March 2021, as of the audit for the year 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

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Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Managing Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl). This description forms part of our auditor's report.

Amstelveen, 24 March 2022

KPMG Accountants N.V.

N.C. Paping RA

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