

Credit Europe Bank N.V.

**Condensed Consolidated
Interim Financial Statements**

June 30, 2016

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CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2016

In thousands of EURO unless otherwise indicated

	Notes	June 30, 2016	December 31, 2015
Assets			
Cash and balances at central banks	4	416,615	532,139
Financial assets at fair value through profit or loss	5	3,090	7,578
Financial investments	6	909,628	1,022,454
Loans and receivables - banks	7	546,890	450,562
Loans and receivables - customers	8	5,455,639	5,482,829
Derivative financial instruments	10	252,945	450,758
Equity accounted investments		5,640	5,049
Property and equipment		187,986	194,131
Intangible assets		21,402	20,007
Deferred tax assets		20,065	21,972
Current tax assets		5,593	7,049
Other assets	11	154,267	166,450
Total assets		7,979,760	8,360,978
Liabilities			
Due to banks	12	663,640	469,054
Due to customers	13	5,156,848	5,467,021
Derivative financial instruments	10	289,323	453,313
Issued debt securities	14	392,633	440,540
Deferred tax liabilities		33,975	37,929
Current tax liabilities		6,668	6,902
Other liabilities	15	51,688	49,595
Total liabilities (excluding subordinated liabilities)		6,594,775	6,924,354
Subordinated liabilities	16	505,456	561,747
Total liabilities		7,100,231	7,486,101
Equity			
Equity attributable to owners of the Company		877,682	873,043
Equity attributable to non-controlling interests		1,847	1,834
Total equity	17	879,529	874,877
Total equity and liabilities		7,979,760	8,360,978
Commitment and contingencies	27	1,054,788	1,090,461

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF INCOME

For the period ended June 30, 2016

In thousands of EURO unless otherwise indicated

	Notes	January 1- June 30, 2016	January 1- June 30, 2015
Interest and similar income		267,120	310,355
Interest expense and similar charges		(114,357)	(149,105)
Results on risk management derivatives, not designated in hedge accounting relationship		(39,173)	(45,884)
Net interest income	18	113,590	115,366
Fees and commissions income		52,643	59,572
Fees and commissions expense		(22,331)	(25,707)
Net fee and commission income	19	30,312	33,865
Net trading income	20	9,266	27,640
Results from financial transactions	21	9,156	65,737
Other operating income		17,699	15,157
Operating income		36,121	108,534
Net impairment loss on financial assets	9	(66,510)	(107,966)
Net operating income		113,513	149,799
Personnel expenses	22	(48,578)	(55,515)
General and administrative expenses	23	(31,046)	(33,368)
Depreciation and amortization		(9,621)	(8,978)
Other operating expenses		(3,542)	(9,484)
Other impairment losses	24	(1,822)	(11,417)
Total operating expenses		(94,609)	(118,762)
Share of profit of associate		253	233
Operating profit before tax		19,157	31,270
Income tax expense		863	(6,465)
Profit for the period		20,020	24,805
Profit for the period attributable to:			
Equity owners of the Company		19,954	24,758
Non-controlling interests		66	47

CREDIT EUROPE BANK N.V.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the period ended June 30, 2016
In thousands of EURO unless otherwise indicated

	January 1- June 30, 2016	January 1- June 30, 2015
Profit for the period	20,020	24,805
Items that are or may be reclassified to the statement of income:		
Change in translation reserve	28,483	68,388
Change in fair value reserve	(3,773)	(20,024)
Change in net investment hedge reserve	(40,011)	(97,249)
Change in cash flow hedge reserve	(90)	(233)
Items that will never be reclassified to the statement of income:		
Change in tangible assets revaluation reserve	23	(84)
Other comprehensive income for the period	(15,368)	(49,202)
Total comprehensive income for the period	4,652	(24,397)

	January 1- June 30, 2016	January 1- June 30, 2015
Total comprehensive income attributable to:		
Equity owners of the Company	4,639	(24,287)
Non-controlling interests	13	(110)
Total comprehensive income	4,652	(24,397)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2016

In thousands of EURO unless otherwise indicated

	Attributable to equity owners of the Company									
	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Translation reserve	Total	Non- controlling interest	Total equity
At January 1, 2016	632,464	163,748	444,444	201	(31,994)	646	(328,982)	880,527	1,834	882,361
Adjustment on correction of error (net of tax) ^(*)	-	-	(7,614)	-	-	-	130	(7,484)	-	(7,484)
At January 1, 2016 (restated)	632,464	163,748	436,830	201	(31,994)	646	(328,852)	873,043	1,834	874,877
Total comprehensive income										
Change in fair value reserve	-	-	-	(3,737)	-	-	-	(3,737)	(36)	(3,773)
Change in translation reserve	-	-	-	-	-	-	28,500	28,500	(17)	28,483
Change in net investment hedge reserve	-	-	-	-	(40,011)	-	-	(40,011)	-	(40,011)
Change in cash flow hedge reserve	-	-	-	-	-	(90)	-	(90)	-	(90)
Change in tangible assets revaluation reserve	-	-	23	-	-	-	-	23	-	23
Profit for the period	-	-	19,954	-	-	-	-	19,954	66	20,020
Total comprehensive income	-	-	19,977	(3,737)	(40,011)	(90)	28,500	4,639	13	4,652
Transactions with owners of the Bank	-	-	-	-	-	-	-	-	-	-
At June 30, 2016	632,464	163,748	456,807	(3,536)	(72,005)	556	(300,352)	877,682	1,847	879,529

^(*) Refer to Note 2

CREDIT EUROPE BANK N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2016

In thousands of EURO unless otherwise indicated

	Attributable to equity owners of the Company									
	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Cash flow hedge reserve	Translation reserve	Total	Non- controlling interest	Total equity
At January 1, 2015	429,500	266,712	406,757	(12,716)	11,472	(173)	(317,300)	784,252	1,829	786,081
Total comprehensive income										
Change in fair value reserve	-	-	-	(19,863)	-	-	-	(19,863)	(161)	(20,024)
Change in translation reserve	-	-	-	-	-	-	68,384	68,384	4	68,388
Change in net investment hedge reserve	-	-	-	-	(97,249)	-	-	(97,249)	-	(97,249)
Change in cash flow hedge reserve	-	-	-	-	-	(233)	-	(233)	-	(233)
Change in tangible assets revaluation reserve	-	-	(84)	-	-	-	-	(84)	-	(84)
Profit for the period	-	-	24,758	-	-	-	-	24,758	47	24,805
Total comprehensive income	-	-	24,674	(19,863)	(97,249)	(233)	68,384	(24,287)	(110)	(24,397)
Transactions with owners of the Bank										
Increase in share capital	100,000	-	-	-	-	-	-	100,000	-	100,000
Transfer from share premium	102,964	(102,964)	-	-	-	-	-	-	-	-
Equity decrease resulting from business combinations	-	-	(9,104)	-	-	-	-	(9,104)	-	(9,104)
At June 30, 2015	632,464	163,748	422,327	(32,579)	(85,777)	(406)	(248,916)	850,861	1,719	852,580

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2016

In thousands of EURO unless otherwise indicated

	Notes	January 1- June 30, 2016	January 1- June 30, 2015
Cash flows from operating activities			
Profit for the period		20,020	24,805
Adjustments for:			
Net impairment loss on financial assets	9	66,510	107,966
Depreciation and amortization		9,621	8,978
Other impairment losses		1,822	11,417
Income tax expense		(863)	6,465
Net interest income	18	(113,590)	(115,366)
		(16,480)	44,265
Changes in:			
Financial assets at fair value through profit or loss		322	(1,485)
Financial investments		(12,938)	(42,215)
Loans and receivables - banks		(96,328)	(362,359)
Loans and receivables - customers		1,086	379,724
Other assets		211,130	(19,545)
Due to banks		194,586	(6,365)
Due to customers		(310,173)	(152,153)
Other liabilities		(176,298)	10,195
Interest received		315,035	347,277
Interest paid		(195,419)	(229,919)
Taxes paid		(4,834)	(6,835)
Net cash used in operating activities		(90,311)	(39,415)
Cash flows from investing activities			
Acquisition of financial investments and financial assets at fair value through profit or loss	6, 7	(2,152,029)	(3,614,254)
Proceeds from sales of financial investments and financial assets at fair value through profit or loss	6, 7	2,278,222	3,566,775
Acquisition of property and equipment		(3,649)	(1,505)
Proceeds from sale of property and equipment		192	1,020
Acquisition of intangibles		(2,508)	(2,764)
Acquisition of subsidiaries		-	(9,105)
Net cash used in investing activities		120,228	(59,833)
Cash flows from financing activities			
Proceeds from the issue of debt securities		84,095	316,128
Repayment of long-term funding		(234,726)	(95,897)
Proceeds from the issue of ordinary shares		-	-
Net cash from financing activities		(150,631)	320,231
Net decrease in cash and cash equivalents			
Cash and cash equivalents at January 1		532,139	375,330
Effect of exchange rate fluctuations on cash and cash equivalents held		5,190	6,931
Cash and cash equivalents at June 30	5	416,615	603,244

CREDIT EUROPE BANK N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

1. Corporate information

General

Credit Europe Bank N.V., herein after ‘the Bank’, is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises four branches in the Netherlands, Germany, Belgium and Malta. The Consolidated Financial Statements of the Bank as of June 30, 2016, comprise the figures of the Bank, its subsidiaries and other controlled entities. Together they are referred to as the ‘Bank’.

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

The Bank’s registered office is Karspeldreef 6A, 1101 CJ Amsterdam, Netherlands.

Changes to the Group

There is no significant change to the Group within 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

2. Basis of preparation

The Bank's condensed consolidated interim financial statements as of June 30, 2016, have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's 2015 consolidated annual financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended December 31, 2015.

These interim financial statements were authorized for issue by the Bank's Managing Board and the Supervisory Board on September 16, 2016.

Use of estimates and judgments

The preparation of interim 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. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

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

Correction of error

In the second quarter of 2016, Credit Europe Leasing (Romania) SA, the Bank's direct subsidiary, has undergone statutory audit of its 2015 records. As part of the audit, it was determined that the measurement of assets held for sale was incorrect due to the overvalued market quotes. As a consequence, other assets were overstated. The error has been corrected by restating the affected financial statement line items for the prior period, as follows:

Impact on equity	December 31, 2015
Other assets	(7,484)
Total assets	(7,484)
Profit for the year	(7,614)
Translation reserve	130
Net impact on equity	(7,484)

Notes to Consolidated Financial Statements

3. Segment information

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

The Bank has seven (2015: seven) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

3. Segment information (*continued*)

	June 30, 2016							
	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	4,682	131,136	61,906	33,424	15,880	11,072	9,020	267,120
Interest income – other segments	-	17,125	-	8,766	-	1,964	1,118	28,973
Interest revenue	4,682	148,261	61,906	42,190	15,880	13,036	10,138	296,093
Interest expenses – external	87	(57,784)	(32,688)	(17,965)	(5,411)	424	(1,020)	(114,357)
Interest expense – other segments	-	(17,426)	-	(5,102)	-	(4,259)	(2,186)	(28,973)
Interest expense	87	(75,210)	(32,688)	(23,067)	(5,411)	(3,835)	(3,206)	(143,330)
Results on risk management derivatives, not designated in hedge accounting relationship	-	(34,834)	-	(2,030)	(517)	(1,240)	(552)	(39,173)
Net interest income	4,769	38,217	29,218	17,093	9,952	7,961	6,380	113,590
Net commission income – external	(17)	13,579	9,131	2,423	3,741	817	638	30,312
Net commission income – other segments	-	(2,115)	-	-	2,116	(1)	-	-
Trading and other income	464	13,968	5,970	5,200	6,054	2,611	1,854	36,121
Trading and other income – other segments	-	-	-	-	-	-	-	-
Net impairment loss on financial assets	(626)	(11,286)	(27,843)	(2,446)	(16,744)	(3,073)	(4,492)	(66,510)
Depreciation and amortization expense	(244)	(2,229)	(2,652)	(1,884)	(865)	(603)	(1,144)	(9,621)
Other operating expenses	(2,378)	(26,205)	(27,204)	(7,054)	(11,478)	(7,610)	(3,059)	(84,988)
Equity accounted earnings	-	-	-	-	-	-	253	253
Operating profit before taxes	1,968	23,929	(13,380)	13,332	(7,224)	102	430	19,157
Income tax expense	94	4,704	588	(1,037)	(2,583)	(627)	(276)	863
Profit for the period	2,062	28,633	(12,792)	12,295	(9,807)	(525)	154	20,020
Other information at 30 June 2016 -								
Financial position								
Total assets	168,059	4,867,635	764,238	645,348	360,458	885,408	288,614	7,979,760
Total liabilities	3,403,105	1,731,983	611,897	442,039	298,054	484,341	128,812	7,100,231
Equity accounted investments	-	-	-	-	-	-	5,640	5,640
Income statement								
Reversal of impairment allowances no longer required	-	-	3,629	3,883	-	422	16	7,950

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

3. Segment information (*continued*)

	June 30, 2015							
	West Europe Retail	West Europe Wholesale	Russia Retail	Russia Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	7,873	109,939	96,259	57,554	17,109	12,257	9,364	310,355
Interest income – other segments	-	19,073	-	5,041	-	1,622	748	26,484
Interest revenue	7,873	129,012	96,259	62,595	17,109	13,879	10,112	336,839
Interest expenses – external	(1,112)	(57,769)	(43,514)	(37,051)	(9,082)	833	(1,410)	(149,105)
Interest expense – other segments	-	(9,947)	-	(8,560)	-	(6,081)	(1,896)	(26,484)
Interest expense	(1,112)	(67,716)	(43,514)	(45,611)	(9,082)	(5,248)	(3,306)	(175,589)
Results on risk management derivatives, not designated in hedge accounting relationship	-	(40,013)	-	(1,096)	-	(4,775)	-	(45,884)
Net interest income	6,761	21,283	52,745	15,888	8,027	3,856	6,806	115,366
Net commission income – external	565	13,957	10,994	2,521	3,669	814	1,345	33,865
Net commission income – other segments	-	(2,401)	-	-	2,405	(3)	(1)	-
Trading and other income	1,040	66,850	6,988	4,996	1,712	25,668	1,280	108,534
Trading and other income – other segments	-	(370)	-	397	-	(27)	-	-
Net impairment loss on financial assets	(4,229)	(21,564)	(58,253)	(583)	(11,161)	(8,721)	(3,455)	(107,966)
Depreciation and amortization expense	(300)	(2,229)	(3,429)	(1,638)	(798)	(515)	(69)	(8,978)
Other operating expenses	(4,048)	(33,266)	(32,493)	(9,059)	(14,389)	(14,058)	(2,471)	(109,784)
Equity accounted earnings	-	-	-	-	-	-	233	233
Operating profit before taxes	(211)	42,260	(23,448)	12,522	(10,535)	7,014	3,668	31,270
Income tax expense	35	(8,729)	4,249	(2,405)	2,580	(2,162)	(33)	(6,465)
Profit for the period	(176)	33,531	(19,199)	10,117	(7,955)	4,852	3,635	24,805
Other information at 30 June 2015 -								
Financial position								
Total assets	261,537	5,014,572	1,012,898	1,225,968	483,329	752,118	266,228	9,016,650
Total liabilities	3,564,813	2,064,950	904,982	820,930	313,256	327,607	167,532	8,164,070
Equity accounted investments	-	-	-	-	-	-	20,806	20,806
Income statement								
Reversal of impairment allowances no longer required	3,369	367	1,223	1,798	-	787	315	7,859

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

4. Cash and balances at central banks

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

	June 30, 2016	December 31, 2015
Balances with central banks	359,304	488,048
Cash on hand	57,311	44,091
Total	416,615	532,139

Deposits at central banks include reserve deposits amounting to EUR 72,589 (2015: EUR 106,437), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

5. Financial assets at fair value through profit or loss

	June 30, 2016	December 31, 2015
Financial assets held for trading		
Equity instruments	1,553	1,832
Bank bonds	1,537	1,434
Government bonds	-	4,312
Total	3,090	7,578

As of June 30, 2016, EUR 3,090 (2015: EUR 6,616) of the total is listed securities.

As of June 30, 2016, there is no financial asset that may be sold or re-pledged under repurchase agreements (2015: none).

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

6. Financial investments

	June 30, 2016	December 31, 2015
Available-for-sale financial investments	909,628	1,022,454
Total	909,628	1,022,454

As of June 30, 2016, the fair value of financial assets that may be sold or re-pledged under repurchase agreements is EUR 462,785 (2015: EUR 106,767). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

	June 30, 2016	December 31, 2015
Available-for-sale portfolio		
Government bonds	512,149	480,144
Bank bonds	291,423	336,955
Forfeiting loans	58,057	152,846
Equities	25,204	29,407
Corporate bonds	22,795	23,102
Total	909,628	1,022,454

As of June 30, 2016, EUR 826,678 (2015: EUR 844,226) of the total is listed securities and EUR 82,950 (2015: EUR 178,228) is non-listed financial instruments.

The movement in available-for-sale portfolio may be summarized as follows:

	June 30, 2016	December 31, 2015
Balance at the beginning of the period	1,022,454	1,243,658
Additions	1,710,704	4,365,415
Disposals (sale and redemption)	(1,832,731)	(4,607,694)
Net changes in fair value	(3,764)	8,702
Amounts written off	-	(483)
Exchange differences	12,965	12,856
Balance at the end of the period	909,628	1,022,454

7. Loans and receivables - banks

	June 30, 2016	December 31, 2015
Placements with other banks	526,133	442,554
Loans and advances	21,682	8,933
Subtotal	547,815	451,487
Allowance for impairment	(925)	(925)
Total	546,890	450,562

Placements with other banks that are not available in the Bank's day-to-day operations amount to EUR 123,265 (2015: EUR 162,201).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

8. Loans and receivables - customers

	June 30, 2016	December 31, 2015
Commercial loans	3,943,242	3,630,436
Consumer loans	1,020,309	1,148,993
Public sector loans	289,994	495,451
Credit card loans	330,330	317,510
Finance lease receivables, net	46,832	44,887
Private banking loans	43,134	42,192
Subtotal	5,673,841	5,679,469
Individually assessed allowances for impairment	(31,981)	(21,934)
Collectively assessed allowances for impairment	(186,221)	(174,706)
Total	5,455,639	5,482,829

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

Details of finance lease receivables are summarized below:

	June 30, 2016	December 31, 2015
Not later than 1 year	24,320	24,388
Later than 1 year and not later than 5 years	30,340	27,996
Later than 5 years	1,118	631
Gross lease receivables	55,778	53,015
Not later than 1 year	(4,405)	(3,822)
Later than 1 year and not later than 5 years	(4,395)	(4,242)
Later than 5 years	(146)	(64)
Unearned interest income	(8,946)	(8,128)
Finance lease receivables, net	46,832	44,887

9. Loan impairment charges and allowances

	June 30, 2016	June 30, 2015	December 31, 2015
Balance at the beginning of the period	197,565	209,809	209,809
New impairment allowances	74,460	115,297	187,515
Reversal of impairment allowances no longer required	(7,950)	(7,859)	(20,481)
Amounts written off	(60,111)	(79,551)	(149,476)
Currency translation differences	15,163	13,659	(30,287)
Reclassifications	-	628	485
Balance at the end of the period	219,127	251,983	197,565
Breakdown of balance at the end of the period			
Consumer loans	129,490	171,626	119,920
Commercial loans	62,938	40,083	46,039
Credit card loans	20,074	35,291	25,343
Finance lease receivables	5,700	4,058	5,338
Loans to banks	925	925	925
Total	219,127	251,983	197,565

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Net impairment loss on financial assets in income statement	June 30, 2016	June 30, 2015
New impairment allowances	74,460	115,297
Reversal of impairment allowances no longer required	(7,950)	(7,859)
Net impairment loss on financial assets	66,510	107,438

In 2015, EUR 528 of the credit loss charge recognized in income statement is related to financial investment held as available-for-sale.

Individually assessed allowances for impairment

	June 30, 2016	June 30, 2015	December 31, 2015
Balance at the beginning of the period	22,859	13,294	13,294
New impairment allowances	12,768	36,771	56,286
Reversal of impairment allowances no longer required	(1,278)	(896)	(507)
Amounts written off	(2,662)	(32,649)	(37,113)
Currency translation differences	1,219	(1,811)	(9,101)
Balance at the end of the period	32,906	14,709	22,859

Collectively assessed allowances for impairment

	June 30, 2016	June 30, 2015	December 31, 2015
Balance at the beginning of the period	174,706	196,515	196,515
New impairment allowances	61,692	78,526	131,229
Reversal of impairment allowances no longer required	(6,672)	(6,963)	(19,974)
Amounts written off	(57,449)	(46,902)	(112,363)
Currency translation differences	13,944	15,470	(21,186)
Reclassifications	-	628	485
Balance at the end of the period	186,221	237,274	174,706

In the second quarter 2016 the new mortgage loan entered into force in Romania. The law stipulates that borrowers may transfer ownership of their properties to the banks and thereby settle their debt, even if the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private persons in any currency and applies retrospectively. As the Bank believes that this violates the Romanian constitution, legal action has been initiated. As of June 30, 2016, application of the law resulted in EUR 22,695 collective impairment allowance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended June 30, 2016

10. 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 and options.

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

	June 30, 2016			December 31, 2015		
	Nominal Amounts	Fair values - assets	Fair values - liabilities	Nominal Amounts	Fair values - assets	Fair values - liabilities
<i>Derivatives held for trading</i>						
<i>Interest rate derivatives</i>						
Swaps	55,978	2,803	3,106	-	-	-
Options (purchased)	58,318	166	-	24,320	-	-
Options (sold)	(35,620)	-	158	(24,320)	-	-
Subtotal	78,676	2,969	3,264	-	-	-
<i>Currency derivatives</i>						
Swaps	5,443,881	90,732	122,755	5,508,508	137,325	153,358
Forwards	423,966	6,321	6,116	964,715	45,692	47,738
Options (purchased)	2,181,021	52,362	1,146	2,663,600	84,989	-
Options (sold)	(2,181,021)	715	52,205	(2,670,382)	-	85,226
Subtotal	5,867,847	150,130	182,222	6,466,441	268,006	286,322
<i>Other derivatives</i>						
Commodity swaps	43,756	8,118	7,166	158,797	41,285	40,095
Equity options (purchased)	183,920	10,158	44	201,633	6,385	-
Equity options (sold)	(183,920)	130	10,244	(201,633)	-	6,385
Subtotal	43,756	18,406	17,454	158,797	47,670	46,480
Total derivatives	5,990,279	171,505	202,940	6,625,238	315,676	332,802

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

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

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

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

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Fair value hedges

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of its fixed rate EUR customer deposits and cross-currency swaps to hedge its exposure to market interest rates on certain loans and advances.

The fair value of derivatives designated as fair value hedges are as follows:

	June 30, 2016			December 31, 2015		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values - assets	Fair values - liabilities
<i>Instrument type:</i>						
Interest rate swaps	135,204	5,951	-	136,738	6,215	-
Currency swaps	(147,753)	-	7,504	(134,247)	-	2,287
Total	(12,549)	5,951	7,504	2,491	6,215	2,287

During 2016, EUR 59 loss relating to the ineffective portion of fair value hedges was recognized in the income statement (2015: EUR 4 loss).

Net investment hedges

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

The fair value of derivatives designated as net investment hedges is as follows:

	June 30, 2016			December 31, 2015		
	Nominal Amounts	Fair values -assets	Fair values -liabilities	Nominal Amounts	Fair values - assets	Fair values -liabilities
<i>Instrument type:</i>						
Currency swaps	1,035,244	50,575	40,064	1,061,944	106,379	43,021
Total	1,035,244	50,575	40,064	1,061,944	106,379	43,021

During 2016, EUR 8 loss relating to the ineffective portion of net investment hedges was recognized in the income statement (2015: EUR 5 loss).

Cash flow hedges

The Bank uses cross-currency swaps to hedge part of its foreign currency risk related with USD denominated assets.

The fair value of derivatives designated as cash flow hedge is as follows:

	June 30, 2016			December 31, 2015		
	Nominal Amounts	Fair values - assets	Fair values -liabilities	Nominal Amounts	Fair values - assets	Fair values -liabilities
<i>Instrument type:</i>						
Currency swaps	174,831	24,914	38,815	190,489	22,488	75,203
Total	174,831	24,914	38,815	190,489	22,488	75,203

During 2016 no losses relating to the ineffective portion of cash flow hedges was recognized in the income statement (2015: none).

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

	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as				
Held for trading	171,505	202,940	315,676	332,802
Net investment hedge	50,575	40,064	106,379	43,021
Fair value hedge	5,951	7,504	6,215	2,287
Cash flow hedge	24,914	38,815	22,488	75,203
Total	252,945	289,323	450,758	453,313

11. Other assets

	June 30, 2016	December 31, 2015
Assets held for sale	77,426	80,962
POS, plastic cards and ATM related receivables	15,326	18,460
Receivables from DNB	15,970	17,700
Prepayments to suppliers	11,748	15,978
Items in the course of settlement	9,396	11,094
Accounts receivable	6,324	6,685
Tax related receivables	4,668	4,584
Amounts held as guarantee	3,405	3,751
Materials and supplies	2,109	2,280
Deferred acquisition costs	1,814	1,542
Other assets	6,081	3,414
Total	154,267	166,450

‘Assets held for sale’ represents collaterals repossessed after clients were not able to meet their payment obligations.

12. Due to banks

	June 30, 2016	December 31, 2015
Time deposits	554,383	347,427
Syndication loan	69,589	70,053
Current accounts	39,668	51,574
Total	663,640	469,054

The amount of repo transactions in time deposits is EUR 252,916 (2015: EUR 46,529).

CREDIT EUROPE BANK N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2016****13. Due to customers**

	June 30, 2016	December 31, 2015
Retail time deposits	2,479,185	2,339,862
Retail saving and demand deposits	1,600,689	1,656,820
Corporate time deposits	495,469	865,093
Corporate demand deposits	581,505	605,246
Total	5,156,848	5,467,021

As of June 30, 2016, the Bank maintained customer deposit balances of EUR 354,627 (2015: EUR 360,870), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of June 30, 2016, EUR 2,213,124 (2015: EUR 2,670,154) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

14. Issued debt securities

	June 30, 2016	December 31, 2015
Fixed rate debt securities		
Within 1 year	307,863	133,291
More than 1 year but less than 5 years	-	234,471
More than 5 years	84,770	72,778
Total	392,633	440,540

15. Other liabilities

	June 30, 2016	December 31, 2015
Accrued expenses	9,922	8,872
Litigation provision (*)	7,323	7,592
Unearned premiums reserve	5,192	6,044
Staff related liabilities	4,925	5,787
Payables to suppliers	1,893	4,347
Non-current tax related payable	3,398	3,863
Items in the course of settlement	1,907	3,663
Credit card payables	2,117	2,011
Deferred payment liability under letters of credit	3,745	-
Payables regarding insurance agreements	788	769
Deferred income	669	554
Provisions	165	205
Other liabilities	9,644	5,888
Total	51,688	49,595

(*) EUR 6,395 relates to litigations regarding abusive clauses in consumer contracts, in which the Bank and the Bank's subsidiary, Credit Europe Bank (Romania) S.A., are involved as of June 30, 2016.

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16. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, the Bank and other Group companies. These liabilities, except for the subordinated bonds issued by Credit Europe Bank Ltd. on November 12, 2012 for an amount of USD 250 million, qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for DNB.

	Year of maturity	June 30, 2016	December 31, 2015
USD 250 million subordinated notes with a fixed interest rate of 8.50 % p.a.	2019	89,373	137,406
USD 50 million Tier II loan with a fixed interest rate of 10 % p.a.	2022	45,424	46,327
USD 400 million Tier II loan with a fixed interest rate of 8 % p.a.	2023	370,659	378,014
Total		505,456	561,747

17. Capital and reserves

	June 30, 2016	December 31, 2015
Share capital	632,464	632,464
Share premium	163,748	163,748
Retained earnings	456,807	436,830
Fair value reserve	(3,536)	201
Translation reserve	(300,352)	(328,852)
Hedging reserve	(71,449)	(31,348)
Equity attributable to owners of the Company	877,682	873,043
Equity attributable to non-controlling interests	1,847	1,834
Total equity	879,529	874,877

As of June 30, 2016, the authorized share capital is EUR 1,000 million (2015: EUR 1,000 million) and consists of EUR 1,000 million (2015: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 632.5 million (2015: 632.5 million) ordinary shares with a face value of EUR 1.

Translation reserve

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

Hedging reserve

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

Fair value reserves

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

CREDIT EUROPE BANK N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2016****18. Net interest income**

	January 1- June 30, 2016	January 1- June 30, 2015
Interest income from:		
Loans and receivables – customers valued at amortized cost	238,455	271,717
Financial investments	16,599	26,270
Derivative financial instruments - hedge accounting	5,462	5,098
Loans and receivables – banks valued at amortized cost	3,682	2,882
Interest on financial lease	2,781	3,371
Financial assets held for trading	108	1,017
Cash and balances at central banks valued at amortized cost	33	-
Subtotal	267,120	310,355
Interest expense from:		
Due to customers valued at amortized cost	45,836	71,333
Issued debt securities valued at amortized cost	26,570	25,274
Subordinated liabilities valued at amortized cost	22,184	25,704
Due to banks valued at amortized cost	11,601	19,694
Derivative financial instruments - hedge accounting	8,002	7,075
Cash and balances at central banks valued at amortized cost	164	25
Subtotal	114,357	149,105
Results on risk management derivatives, not designated in hedge accounting relationship	(39,173)	(45,884)
Total	113,590	115,366

CREDIT EUROPE BANK N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2016****19. Net fee and commission income**

	January 1- June 30, 2016	January 1- June 30, 2015
Fee and commission income		
Credit card fees	25,651	27,999
Cash loan fees	4,842	6,349
Insurance related fees	3,661	5,015
Payment and transaction services fees	3,040	3,584
Letters of credit fees	2,506	3,438
Cash withdrawal fees	2,030	2,658
Commission on account maintenance	2,028	2,323
Foreign exchange transaction fees	2,009	2,281
Portfolio and other management fees	1,753	1,723
Letter of guarantee fees	1,207	1,183
Commissions on fund transfers	670	761
Commissions on fiduciary transactions	636	565
Other fees and commissions	2,610	1,693
Subtotal	52,643	59,572
Fee and commission expense		
Credit card fees	15,311	16,479
Insurance related fees	1,616	2,712
Commission paid to intermediaries/retailers	1,738	2,044
Payment and transaction services fees	1,277	1,927
Collection operation fees	906	975
Account maintenance fees	350	347
Other fee and commission expenses	1,133	1,223
Subtotal	22,331	25,707
Total	30,312	33,865

20. Net trading income

	January 1- June 30, 2016	January 1- June 30, 2015
Foreign exchange	10,499	27,555
Fixed income	1,162	652
Derivatives	(2,395)	(567)
Total	9,266	27,640

CREDIT EUROPE BANK N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As of and for the period ended June 30, 2016****21. Results from financial transactions**

	January 1- June 30, 2016	January 1- June 30, 2015
Net gain from the disposal of available-for-sale investments	8,024	63,288
Forfeiting loans	1,132	2,449
Total	9,156	65,737

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

22. Personnel expenses

	January 1- June 30, 2016	January 1- June 30, 2015
Wages and salaries	38,916	42,158
Social security payments	4,187	4,231
Retirement benefit costs	3,583	4,332
Health insurance costs	436	570
Other employee costs	1,456	4,224
Total	48,578	55,515
Average number of employees	4,176	4,374
Banking activities – Netherlands	227	214
Banking activities - foreign countries	3,949	4,160

The retirement benefit costs of EUR 558 (2015: EUR 579) 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.

23. General and administrative expenses

	January 1- June 30, 2016	January 1- June 30, 2015
Rent and maintenance expenses	11,157	12,689
Communication and information expenses	3,978	4,004
Taxes other than income	3,242	3,923
Professional fees and consultancy	2,330	2,823
Information technology expenses	1,884	1,830
Stationary, office supplies and printing expense	1,591	1,522
Membership fees	1,239	977
Travel and transport expenses	838	929
Advertising and marketing expenses	612	976
Security expenses	707	728
Legal services expenses	401	501
Cleaning expenses	417	442
Insurance premiums	341	313
Representative expenses	376	278
Other expenses	1,933	1,433
Total	31,046	33,368

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24. Other impairment losses

	January 1- June 30, 2016	January 1- June 30, 2015
Property and equipment	1,791	6,680
Assets held for sale	77	4,548
Other	(46)	189
Total	1,822	11,417

25. Taxation

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

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

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

26. Fair value information

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

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

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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.

						June 30, 2016
	Trading	Designated at fair value	Loans and receivables	Available for sale	Other amortised costs	Total carrying amount
Cash and balances at central banks	-	-	416,615	-	-	416,615
Financial assets at fair value through profit or loss	-	3,090	-	-	-	3,090
Financial investments	-	-	-	909,628	-	909,628
Loans and receivables - banks	-	-	546,890	-	-	546,890
Loans and receivables - customers	-	-	5,455,639	-	-	5,455,639
Derivative financial instruments	252,945	-	-	-	-	252,945
Total assets	252,945	3,090	6,419,144	909,628	-	7,584,807
Due to banks	-	-	-	-	663,640	663,640
Due to customers	-	-	-	-	5,156,848	5,156,848
Derivative financial instruments	289,323	-	-	-	-	289,323
Issued debt securities	-	-	-	-	392,633	392,633
Subordinated liabilities	-	-	-	-	505,456	505,456
Total liabilities	289,323	-	-	-	6,718,577	7,007,900

						December 31, 2015
	Trading	Designated at fair value	Loans and receivables	Available for sale	Other amortised costs	Total carrying amount
Cash and balances at central banks	-	-	532,139	-	-	532,139
Financial assets at fair value through profit or loss	-	7,578	-	-	-	7,578
Financial investments	-	-	-	1,022,454	-	1,022,454
Loans and receivables - banks	-	-	450,562	-	-	450,562
Loans and receivables - customers	-	-	5,482,829	-	-	5,482,829
Derivative financial instruments	450,758	-	-	-	-	450,758
Total assets	450,758	7,578	6,465,530	1,022,454	-	7,946,320
Due to banks	-	-	-	-	469,054	469,054
Due to customers	-	-	-	-	5,467,021	5,467,021
Derivative financial instruments	453,313	-	-	-	-	453,313
Issued debt securities	-	-	-	-	440,540	440,540
Subordinated liabilities	-	-	-	-	561,747	561,747
Total liabilities	453,313	-	-	-	6,938,362	7,391,675

Fair value hierarchy

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

Valuation Models

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

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

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

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

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

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

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

Loans to customers designated as available for sale: Fair values of loans are determined by reference to similar instruments trading in active markets and valuation models where all inputs are observable. These models calculate the present value of expected future cash flows. The inputs used include prices available from dealers, brokers or providers of consensus pricing, yield rates and currency exchange rates.

Valuation framework

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

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

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

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

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

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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 a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of June 30, 2016, securities classified as Level 3 include certain diversified payment rights securities.

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

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

Reconciliation

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

	June 30, 2016			December 31, 2015		
	Financial Investments - AFS	Financial Investments - Loans and receivable	Total	Financial Investments - AFS	Financial Investments - Loans and receivable	Total
Balance at January 1	30,520	152,845	183,365	14,929	187,022	201,951
Total gains and losses						
- in net trading income	(623)	1,132	509	-	3,592	3,592
- in OCI	625	(232)	393	-	(97)	(97)
Purchases	-	592,959	592,959	30,397	1,015,319	1,045,716
Settlements	-	(688,647)	(688,647)	-	(1,052,991)	(1,052,991)
Transfers	-	-	-	(14,806)	-	(14,806)
Balance at period end	30,522	58,057	88,579	30,520	152,845	183,365

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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.

June 30, 2016	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	3,090	-	-	3,090
Derivative financial instruments	10	-	252,945	-	252,945
Financial investments	7	796,279	24,770	88,579	909,628
Total		799,369	277,715	88,579	1,165,663
Financial liabilities					
Derivative financial instruments	10	-	289,323	-	289,323
Total		-	289,323	-	289,323
December 31, 2015	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	6,617	961	-	7,578
Derivative financial instruments	10	-	450,758	-	450,758
Financial investments	7	763,048	76,041	183,365	1,022,454
Total		769,665	527,760	183,365	1,480,790
Financial liabilities					
Derivative financial instruments	10	-	453,313	-	453,313
Total		-	453,313	-	453,313

No securities were transferred from Level 1 to Level 2 of the fair value hierarchy in 2016.

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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.

June 30, 2016	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	416,615	-	416,615	416,615
Loans and receivables - banks	7	-	547,322	-	547,322	546,890
Loans and receivables - customers	8	-	-	5,486,814	5,486,814	5,455,639
Total		-	963,937	5,486,814	6,450,751	6,419,144
Financial liabilities						
Due to banks	12	-	663,809	-	663,809	663,640
Due to customers	13	-	5,224,801	-	5,224,801	5,156,848
Issued debt securities	14	391,371	1,433	-	392,804	392,633
Subordinated liabilities	16	88,872	417,158	-	506,030	505,456
Total		480,243	6,307,201	-	6,787,444	6,718,577

December 31, 2015	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	532,139	-	532,139	532,139
Loans and receivables - banks	7	-	447,718	-	447,718	450,562
Loans and receivables - customers	8	-	-	5,471,262	5,471,262	5,482,829
Total		-	979,857	5,471,262	6,451,119	6,465,530
Financial liabilities						
Due to banks	12	-	470,645	-	470,645	469,054
Due to customers	13	-	5,542,714	-	5,542,714	5,467,021
Issued debt securities	14	437,182	1,223	-	438,405	440,540
Subordinated liabilities	16	137,406	430,092	-	567,498	561,747
Total		574,588	6,444,674	-	7,019,262	6,938,362

27. Commitments and contingencies

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

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

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash

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requirements. With respect to credit risk on commitments to extend the credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

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

	June 30, 2016	December 31, 2015
Contingent liabilities with respect to irrevocable letters of credit - import	251,034	244,506
Contingent liabilities with respect to letters of guarantee granted - corporates	97,358	68,712
Contingent liabilities with respect to irrevocable letters of credit - export	45,015	53,988
Contingent liabilities with respect to letters of guarantee granted - banks	24,268	33,159
Contingent liabilities with respect other guarantees	647	671
Total non-cash loans	418,322	401,036
Revocable credit-line commitments	274,833	381,441
Credit-card limits	332,667	307,984
Other commitments	28,966	-
Total	1,054,788	1,090,461

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 30 June 2016, the Bank and the Bank's subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts., for which provision at amount of EUR 6,395 is already provided for in the consolidated statement of financial position. Additionally, Credit Europe Bank (Romania) S.A. performed a comprehensive assessment for the entire retail loan portfolio in order to determine the maximum exposure to risk in respect of potential litigations to be initiated by customers. As result, as at 30 June 2016, the Bank recognized a contingent liability at amount of EUR 11,335.

Lease commitments

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

	June 30, 2016	December 31, 2015
Operating lease commitment - bank as lessee and rent commitments		
Not later than 1 year	9,562	8,578
Later than 1 year and not later than 5 years	12,237	12,417
Total	21,799	20,995

	June 30, 2016	December 31, 2015
Operating lease commitment - bank as lessor		
Not later than 1 year	7,577	7,568
Later than 1 year and not later than 5 years	7,257	8,467
Total	14,834	16,035

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

During the current year EUR 10,270 was recognized as an expense in the statement of income in respect of operating leases (2015: EUR 9,674).

28. Related parties

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

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

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

	June 30, 2016				December 31, 2015			
	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Ultimate Parent Company	Associates and joint ventures	Other Related Parties
Assets								
Loans and receivables – banks	-	-	-	1,268	-	-	-	8,496
Loans and receivables – customers	12,437	-	208	161,395	9,616	47	-	162,488
Derivative financial instruments	27	4,148	-	48,839	637	4,860	-	106,106
Liabilities								
Due to banks	-	-	3,479	368	-	-	3,155	2,002
Due to customers	515	25,117	19	194,250	396	18,015	3	388,760
Derivative financial instruments	23	3,753	-	14,760	868	2,330	-	16,948
Commitment and contingencies	-	-	-	15,716	-	-	-	15,724

All credit risk exposures related to derivative financial instruments are fully collateralized through pledge agreements. As of June 30, 2016, the Bank does not have any provisions regarding related party balances (2015: None).

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

	January 1- June 30, 2016				January 1- June 30, 2015			
	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	222	-	-	1,256	236	2	520	2,256
Interest expense	-	(21)	(115)	(337)	17	(100)	-	(1,189)
Commission income	2	23	-	700	14	35	14	2,532
Commission expense	-	-	-	(318)	-	-	-	(220)
Net trading income	(1)	-	-	1,092	(6)	13	-	556
Other operating income	-	-	9	56	-	-	-	137
Operating expenses	-	-	-	(758)	-	-	-	(787)

Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 11 (2015: 11). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	June 30, 2016	December 31, 2015
Loans and receivables - customers	296	327

As of June 30, 2016, the Bank does not have any provisions regarding the balances with key management personnel (2015: None).

Key management costs, including remuneration and fees for the year ended June 30, 2016 amounted to EUR 2,267 (2015: EUR 2,669). Pension plan contribution amounted to EUR 58 (2015: EUR 81).

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Intra-group balances that are eliminated during consolidation process:

	June 30, 2016	December 31, 2015
Assets		
Financial investments	5,542	56,157
Loans and receivables - banks ^(*)	269,797	412,255
Loans and receivables – customers	181,890	171,455
Derivative financial instruments	45,889	84,815
Other assets	92	62
Liabilities		
Due to banks	445,431	579,101
Due to customers	6,256	4,609
Derivative financial instruments	45,889	84,815
Issued debt securities	5,542	34,949
Subordinated liabilities	-	21,208
Other liabilities	92	62
Commitments and contingencies	31,737	40,156
	January 1- June 30, 2016	January 1- June 30, 2015
Interest income	28,973	26,484
Interest expense	(28,973)	(26,484)
Commission income	2,116	2,401
Commission expense	(2,116)	(2,401)

^(*) Includes EUR 7,234 exposure fully collateralized by securities (2015: EUR 2,794).

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30. 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	QUANTITATIVE
<p>Governance</p> <ul style="list-style-type: none"> - 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 <p>Reputation</p> <ul style="list-style-type: none"> - Ensure high financial reporting transparency and efficient external communications 	<p>Credit risk concentration</p> <ul style="list-style-type: none"> - Diversified exposure within different geographies through retail, SME and corporate clients. - Low sovereign exposure <p>Liquidity</p> <ul style="list-style-type: none"> - No risk tolerance for liquidity risk, restrictions on short-term funding and credit-sensitive liabilities - Insignificant liability concentration <p>Trading and ALM</p> <ul style="list-style-type: none"> - 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 risk management governance structure:

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

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

In line with the ARC recommendations we continued to invest in the Bank's risk management systems in 2014, including but not limited to the streamlining of the credit process, particularly with regard to capital planning, and implementing integrated stress testing tools.

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

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Regulatory Capital

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

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

The Bank applies the standardized approach for credit risk, market risks and operational risk. Banks are expected to meet the capital-requirements constraints imposed by the Basel III accord.

The Bank's total own funds consist of Core Tier I capital (also named as common Equity Tier I, CET 1), Additional Tier I capital (AT 1) and Tier II capital. The various elements making up both components are presented in the table below:

	June 30, 2016	December 31, 2015
Total Equity (*)	879,529	874,877
- Current year profit (1)	(19,954)	(39,200)
- Eligible 1st half year profit after approval	-	-
- Non-eligible minority interest (2)	(1,065)	(1,111)
- Deductions from revaluation Reserve - AFS	3,536	(201)
Prudential filters		
- Cash flow hedge reserve	(536)	(644)
- Prudent valuation	(1,244)	(1,598)
- Intangible asset (2)	(21,117)	(19,725)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(2,838)	(1,801)
- transitional adjustments to CET1 Capital (3)	(2,122)	80
Core Tier I	834,189	810,677
Perpetual Tier I capital	-	-
Additional Tier I	-	-
Total Tier I capital	834,189	810,677
Tier II capital		
Subordinated capital	405,332	413,337
Total Tier II capital	405,332	413,337
Total own funds	1,239,521	1,224,014

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

(*) Total Equity shown here does not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 2.

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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	June 30, 2016	December 31, 2015
Capital ratio	18.16%	17.60%
Tier I ratio	12.22%	11.66%
Core Tier I	12.22%	11.66%
RWA	6,826,244	6,955,508

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

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

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

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

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

Internal Rating Models and Scorecards

In 2016, the Bank is in the process of migrating from the existing 11-grade rating scale to a new 21-grade master scale -which covers both corporate and retail lending. 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.

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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 CEB NV 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.

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.

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30. a. Credit exposure

Maximum credit-risk exposure

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

Maximum credit-risk exposure, net of impairment allowances

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

The off-balance credit risk exposure comprises:

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

	June 30, 2016	December 31, 2015
Balance sheet items		
Balances with central banks	359,304	488,048
Financial assets designated at fair value through profit or loss	3,090	7,578
Financial investments	909,628	1,022,454
Loans and receivables - banks	547,815	451,487
Loans and receivables - customers	5,673,841	5,679,469
Derivative financial instruments	252,945	450,758
Subtotal	7,746,623	8,099,794
Off- balance sheet items		
Issued letters of guarantee	123,621	102,542
Issued irrevocable letters of credit	296,049	298,494
Undrawn credit-card limits	332,667	307,984
Total off-balance sheet*	752,337	709,020
Maximum credit risk exposure	8,498,960	8,808,814

*Excluding revocable credit line commitments

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

Concentration of credit exposure

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

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30.b. Sector concentration

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

			June 30, 2016		December 31, 2015	
	On-balance sheet	Off- balance sheet	Total exposure(*)	% of total exposure	Total exposure(*)	% of total exposure
Exposure to central governments and financial institutions						
Exposure to central governments and central banks	359,304	-	359,304	36.89%	488,048	47.75%
Exposure to financial institutions	547,815	66,794	614,609	63.11%	534,012	52.25%
Total exposure to central governments and financial institutions	907,119	66,794	973,913	100.00%	1,022,060	100.00%
Corporate exposure						
Real estate	565,727	-	565,727	12.37%	607,107	13.72%
Construction & installation	556,025	41,615	597,640	13.07%	453,927	10.23%
Leisure & tourism	524,467	6,215	530,682	11.61%	423,052	9.54%
Shipping & shipyards	308,126	400	308,526	6.75%	322,044	7.26%
Iron & steel	85,329	45,877	131,206	2.87%	270,275	6.09%
Financial services & investments	234,906	2,596	237,502	5.19%	245,454	5.53%
Energy/coal	257,289	27,054	284,343	6.22%	243,500	5.49%
Oil & derivatives	186,463	135,949	322,412	7.05%	224,001	5.05%
Transportation, logistics & warehousing	147,340	1,513	148,853	3.26%	153,198	3.45%
Textile, clothing, ready-made wearing & leather	148,223	14,777	163,000	3.57%	147,433	3.32%
Petrochemical, plasticizers & derivatives	69,344	33,842	103,186	2.26%	111,493	2.51%
Retail	113,982	2,204	116,186	2.54%	85,796	1.93%
Fertilizers	58,275	6,990	65,265	1.43%	73,092	1.65%
Soft commodities & agricultural products	83,546	1,787	85,333	1.87%	67,178	1.51%
Food, beverage & tobacco	124,842	922	125,764	2.75%	59,119	1.33%
Building materials	19,849	-	19,849	0.43%	52,237	1.18%
Telecommunications	38,310	-	38,310	0.84%	42,960	0.97%
Media & publishing	1,407	4	1,411	0.03%	35,055	0.79%
Public loans	289,994	-	289,994	6.34%	495,451	11.17%
Other	408,279	28,359	436,638	9.55%	322,933	7.28%
Total exposure to corporate clients and private banking	4,221,723	350,104	4,571,827	100.00%	4,435,305	100.00%
Exposure to retail customers and SMEs						
Exposure to retail customers	891,323	332,667	1,223,990	68.47%	1,302,224	69.61%
Exposure secured by residential real estate	459,478	-	459,478	25.71%	472,465	25.26%
Exposure to SME	101,317	2,772	104,089	5.82%	95,970	5.13%
Total exposure to retail customers and SMEs	1,452,118	335,439	1,787,557	100.00%	1,870,659	100.00%
Total credit risk exposure*	6,580,960	752,337	7,333,297	100.00%	7,328,024	100.00%

*Excluding financial assets and derivatives.

The top five industries account for 50.85% (2015: 46.82%) 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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30.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of June 30, 2016:

							June 30, 2016
	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	Total exposure
Balance sheet items							
Demand deposits with central banks	26,155	-	98,661	6,603	-	227,885	359,304
Financial assets designated at fair value through profit or loss	-	4	1,055	-	-	2,031	3,090
Financial investments	40,750	238,033	211,865	841	35,652	382,487	909,628
Loans and receivables - banks	76,485	16,803	16,315	252	6,060	431,900	547,815
Loans and receivables - customers	1,482,690	1,395,382	934,443	58,995	143,775	1,658,556	5,673,841
Derivative financial instruments	820	71,245	83	214	-	180,583	252,945
Total balance sheet	1,626,900	1,721,467	1,262,422	66,905	185,487	2,883,442	7,746,623
Off-balance sheet items	224,869	64,938	138,295	4,179	89,693	230,363	752,337
Total credit-risk exposure	1,851,769	1,786,405	1,400,717	71,084	275,180	3,113,805	8,498,960

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2015:

							December 31, 2015
	Russia	Turkey	Romania	Ukraine	Other emerging markets	Developed markets	Total exposure
Balance sheet items							
Demand deposits with central banks	15,353	-	101,647	1,504	-	369,544	488,048
Financial assets designated at fair value through profit or loss	-	472	1,372	-	-	5,734	7,578
Financial investments	121,470	267,681	205,724	8,052	66,648	352,879	1,022,454
Loans and receivables - banks	77,655	46,409	19,777	473	2,272	304,901	451,487
Loans and receivables - customers	1,559,287	1,327,452	923,403	58,142	106,206	1,704,979	5,679,469
Derivative financial instruments	1,558	138,060	12	-	-	311,128	450,758
Total balance sheet	1,775,323	1,780,074	1,251,935	68,171	175,126	3,049,165	8,099,794
Off-balance sheet items	225,542	135,361	124,354	261	71,162	152,340	709,020
Total credit-risk exposure	2,000,865	1,915,435	1,376,289	68,432	246,288	3,201,505	8,808,814

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30.d. Collaterals and other credit enhancements obtained

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

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

- Financial collaterals, which includes any kind of documentary collateral, such as bills of exchange or trade-related promissory notes. Cash collaterals, credit derivatives and other guarantees are also part of this group.
- Physical collaterals comprise other collaterals not mentioned under 'financial collaterals'.

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

Breakdown of collateralized exposure by collateral type					June 30, 2016
	Total exposure, net	Fair value of financial collaterals	Fair value of physical collaterals	Total collaterals obtained	Collaterals to total net exposure
Balance sheet					
Demand deposits with central banks	359,304	-	-	-	-
Financial assets designated at fair value through profit or loss	3,090	-	-	-	-
Financial investments	909,628	-	-	-	-
Loans and receivables - banks	547,815	180,579	-	180,579	33%
Loans and receivables - customers	5,673,841	389,309	2,130,734	2,520,043	44%
Derivative financial instruments	252,945	24,184	-	24,184	10%
Total balance sheet	7,746,623	594,072	2,130,734	2,724,806	35%
Off-balance sheet	752,337	25,020	14,100	39,120	5%
Total credit risk exposure	8,498,960	619,092	2,144,834	2,763,926	33%

Breakdown of collateralized exposure by collateral type					December 31, 2015
	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	488,048	-	-	-	-
Financial assets designated at fair value through profit or loss	7,578	-	-	-	-
Financial investments	1,022,454	-	-	-	-
Loans and receivables - banks	451,487	60,174	-	60,174	13%
Loans and receivables - customers	5,679,469	483,636	2,271,096	2,754,732	49%
Derivative financial instruments	450,758	153,346	-	153,346	34%
Total balance sheet	8,099,794	697,156	2,271,096	2,968,252	37%
Off-balance sheet	709,020	22,090	14,743	36,833	5%
Total credit risk exposure	8,808,814	719,246	2,285,839	3,005,085	34%

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

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30.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets, as of June 30, 2016 and December 31, 2015. In assessing the credit quality of its financial assets, the Bank obtains ratings from eligible credit assessment institutions, namely Fitch, Standard & Poor's (S&P) and Moody's. In order to compare assets, the ratings below were mapped to Fitch's rating scale.

June 30,
2016

	External rating class		BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
	AAA / AA-	A+ / A-					
Demand deposits with central banks	227,676	209	98,661	26,155	6,603	-	359,304
Financial assets designated at fair value through profit or loss	-	-	4	-	-	3,086	3,090
Financial investments	37,814	43,986	279,221	294,401	841	253,365	909,628
Loans and receivables - banks	67,126	275,339	51,454	68,532	-	85,364	547,815
Loans and receivables - customers	289,994	-	-	95,075	6,492	5,282,280	5,673,841
Derivative financial instruments	7,073	129,061	12,029	3,218	-	101,564	252,945
Off-balance sheet	543	21,731	25,430	8,627	4,979	691,027	752,337
Total	630,226	470,326	466,799	496,008	18,915	6,416,686	8,498,960

December
31, 2015

	External rating class		BBB+ / BBB-	BB+ / B-	Below B-	No rating	Total
	AAA / AA-	A+ / A-					
Demand deposits with central banks	369,368	176	101,647	15,353	1,504	-	488,048
Financial assets designated at fair value through profit or loss	-	-	472	4,312	-	2,794	7,578
Financial investments	31,945	73,827	280,920	319,340	8,052	308,370	1,022,454
Loans and receivables - banks	92,540	123,443	75,050	66,675	100	93,679	451,487
Loans and receivables - customers	495,451	-	-	107,950	6,564	5,069,504	5,679,469
Derivative financial instruments	67,272	200,718	2,272	2,380	-	178,116	450,758
Off-balance sheet	1,573	1,932	30,597	10,797	8,758	655,363	709,020
Total	1,058,149	400,096	490,958	526,807	24,978	6,307,826	8,808,814

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

The total amount of impaired assets included in the tables above is EUR 361,459 (2015: EUR 338,727). The total amount of provisions allocated for these assets is EUR 157,636 (2015: EUR 148,388), while EUR 925 is allocated for loans to banks.

Loans and receivables - customers

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

The Bank differentiates between the following categories of assets in the loan portfolio:

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

Impairment allowances

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

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

Individual Assessment

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

Collective Assessment

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

The Bank calculates collective impairment allowances for retail portfolios using the dynamic statistical model, based on analysis of the portfolio's default and recovery rates according to historical data. The same approach is

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implemented across the Bank's entities, with adjustment for specific local conditions. The methodology remained unchanged in 2016.

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

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

	June 30, 2016							
	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	4,221,723	(28,964)	(26,419)	4,166,340	363,305	1,594,761	1,958,066	47%
Performing loans	3,851,751	-	(22,378)	3,829,373	359,962	1,322,232	1,682,194	44%
Sub-Standard Loans	223,072	-	(3,861)	219,211	3,343	184,350	187,693	86%
NPL	146,900	(28,964)	(180)	117,756	-	88,179	88,179	75%
Retail loans (incl. mortgages)	1,350,801	-	(149,724)	1,201,077	22,658	453,173	475,831	40%
Performing loans	1,076,993	-	(23,552)	1,053,441	14,491	368,743	383,234	36%
Sub-Standard Loans	81,688	-	(8,772)	72,916	-	22,346	22,346	31%
NPL	192,120	-	(117,400)	74,720	8,167	62,084	70,251	94%
SME loans	101,317	(3,017)	(10,078)	88,222	3,346	82,800	86,146	98%
Performing loans	76,525	-	(1,883)	74,642	3,346	66,693	70,039	94%
Sub-Standard Loans	2,353	-	(120)	2,233	-	2,249	2,249	101%
NPL	22,439	(3,017)	(8,075)	11,347	-	13,858	13,858	122%
Total exposure	5,673,841	(31,981)	(186,221)	5,455,639	389,309	2,130,734	2,520,043	46%
Total NPL	361,459	(31,981)	(125,655)	203,823	8,167	164,121	172,288	85%

	December 31, 2015							
	Gross loans	Provisions for individually assessed assets (-)	Provisions for collectively assessed assets (-)	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	4,119,354	(20,968)	(18,794)	4,079,592	449,457	1,673,583	2,123,040	52%
Performing loans	3,765,467	-	(17,198)	3,748,269	449,281	1,423,473	1,872,754	50%
Sub-Standard Loans	239,646	-	(1,568)	238,078	176	166,130	166,306	70%
NPL	114,241	(20,968)	(28)	93,245	-	83,980	83,980	90%
Retail loans (incl. mortgages)	1,466,705	-	(145,465)	1,321,240	30,524	517,729	548,253	41%
Performing loans	1,155,933	-	(18,800)	1,137,133	17,053	394,383	411,436	36%
Sub-Standard Loans	110,482	-	(7,990)	102,492	5,338	51,242	56,580	55%
NPL	200,290	-	(118,675)	81,615	8,133	72,104	80,237	98%
SME loans	93,410	(966)	(10,447)	81,997	3,655	79,784	83,439	102%
Performing loans	68,396	-	(2,140)	66,256	3,655	62,665	66,320	100%
Sub-Standard Loans	4,509	-	(556)	3,953	-	4,353	4,353	110%
NPL	20,505	(966)	(7,751)	11,788	-	12,766	12,766	108%
Total exposure	5,679,469	(21,934)	(174,706)	5,482,829	483,636	2,271,096	2,754,732	50%
Total NPL	335,036	(21,934)	(126,454)	186,648	8,133	168,850	176,983	95%

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Further credit quality breakdown of retail loans are as below:

	June 30, 2016				
	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	330,330	(20,074)	310,256	-	-
Performing loans	311,428	(5,287)	306,141	-	-
Sub-Standard Loans	-	-	-	-	-
NPL	18,902	(14,787)	4,115	-	-
Car loans	211,861	(22,072)	189,789	211,716	112%
Performing loans	182,830	(4,367)	178,463	182,830	102%
Sub-Standard Loans	3,188	(1,308)	1,880	3,188	170%
NPL	25,843	(16,397)	9,446	25,698	272%
Mortgage	459,478	(72,166)	387,312	240,749	62%
Performing loans	280,755	(7,709)	273,046	185,547	68%
Sub-Standard Loans	65,948	(5,244)	60,704	19,159	32%
NPL	112,775	(59,213)	53,562	36,043	67%
Other retail	349,132	(35,412)	313,720	23,366	7%
Performing loans	301,980	(6,241)	295,739	14,856	5%
Sub-Standard Loans	12,552	(2,168)	10,384	-	-
NPL	34,600	(27,003)	7,597	8,510	112%
Total retail exposure	1,350,801	(149,724)	1,201,077	475,831	40%
Total NPL	192,120	(117,400)	74,720	70,251	94%

	December 31, 2015				
	Gross loans	Provisions (-)	Net loans	Total collateral	Collateral to net loans
Credit cards	317,510	(25,343)	292,167	-	-
Performing loans	293,336	(6,040)	287,296	-	-
Sub-Standard Loans	-	-	-	-	-
NPL	24,174	(19,303)	4,871	-	-
Car loans	244,611	(24,335)	220,276	244,468	111%
Performing loans	208,297	(3,107)	205,190	208,300	102%
Sub-Standard Loans	4,115	(1,626)	2,489	4,114	165%
NPL	32,199	(19,602)	12,597	32,054	254%
Mortgage	472,465	(55,695)	416,770	272,870	65%
Performing loans	281,352	(4,540)	276,812	186,050	67%
Sub-Standard Loans	89,615	(3,227)	86,388	47,126	55%
NPL	101,498	(47,928)	53,570	39,694	74%
Other retail	432,119	(40,092)	392,027	30,915	8%
Performing loans	372,948	(5,113)	367,835	17,087	5%
Sub-Standard Loans	16,752	(3,137)	13,615	5,339	39%
NPL	42,419	(31,842)	10,577	8,489	80%
Total retail exposure	1,466,705	(145,465)	1,321,240	548,253	41%
Total NPL	200,290	(118,675)	81,615	80,237	98%

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

The total amount of NPL as of June 30, 2016 is EUR 361,459 (2015: EUR 338,727). The total NPL ratio as of June 30, 2016, is 6.37% (2015: 5.96%). The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus the total coverage for Bank's NPL as of June 30, 2016 is 108% (2015:110%).

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

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	June 30, 2016	December 31, 2015
Loans to Customers (Gross)	5,673,841	5,679,469
NPLs (Gross)	361,459	335,036
Provisions	(218,202)	(196,640)
NPLs (Net)	143,257	138,396
Net NPL ratio	2.6%	2.5%

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

As of June 30, 2016, the performing forbearance measure of the total loan portfolio is EUR 321,027 (June 30, 2015: 301,777).

30.g. Aging of loans and advances to customers

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

	June 30, 2016					
Net 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	4,037,684	37,810	1,157	30,667	114,405	4,221,723
Retail loans and residential mortgage loans	979,657	103,522	54,604	21,199	191,819	1,350,801
SME loans	66,616	10,704	748	810	22,439	101,317
Total loans and advances to customers	5,083,957	152,036	56,509	52,676	328,663	5,673,841

	December 31, 2015					
Net exposure	Loans that are not past due	Loans less than 30 days past due	Loans 30 or more but less than 60 days past due	Loans 60 or more but less than 90 days past due	Loans 90 days or more past due	Total loans to customers
Corporate loans	3,946,120	53,600	4,012	10,588	105,034	4,119,354
Retail loans and residential mortgage loans	1,097,759	98,471	46,288	24,208	199,979	1,466,705
SME loans	66,385	3,688	1,857	975	20,505	93,410
Total loans and advances to customers	5,110,264	155,759	52,157	35,771	325,518	5,679,469

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

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

	June 30, 2016						
Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	723,073	368,767	1,394,932	56,674	143,775	1,534,502	4,221,723
Performing loans	625,209	289,559	1,352,601	33,944	129,069	1,421,369	3,851,751
Sub-Standard Loans	47,878	51,090	9,740	13,721	-	100,643	223,072
NPL	49,986	28,118	32,591	9,009	14,706	12,490	146,900
Retail loans (incl. mortgages)	707,174	517,252	-	2,321	-	124,054	1,350,801
Performing loans	633,422	331,509	-	931	-	111,131	1,076,993
Sub-Standard Loans	7,540	66,199	-	6	-	7,943	81,688
NPL	66,212	119,544	-	1,384	-	4,980	192,120
SME loans	52,443	48,424	450	-	-	-	101,317
Performing loans	44,718	31,357	450	-	-	-	76,525
Sub-Standard Loans	1	2,352	-	-	-	-	2,353
NPL	7,724	14,715	-	-	-	-	22,439
Total exposure	1,482,690	934,443	1,395,382	58,995	143,775	1,658,556	5,673,841

	December 31, 2015						
Gross exposure	Russia	Romania	Turkey	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	754,775	331,668	1,327,452	55,874	106,206	1,543,379	4,119,354
Performing loans	681,569	242,237	1,276,074	32,772	106,206	1,426,609	3,765,467
Sub-Standard Loans	30,453	63,623	16,793	13,969	-	114,808	239,646
NPL	42,753	25,808	34,585	9,133	-	1,962	114,241
Retail loans (incl. mortgages)	761,685	541,152	-	2,268	-	161,600	1,466,705
Performing loans	668,585	337,190	-	778	-	149,380	1,155,933
Sub-Standard Loans	9,110	92,987	-	252	-	8,133	110,482
NPL	83,990	110,975	-	1,238	-	4,087	200,290
SME loans	42,827	50,583	-	-	-	-	93,410
Performing loans	37,369	31,027	-	-	-	-	68,396
Sub-Standard Loans	418	4,091	-	-	-	-	4,509
NPL	5,040	15,465	-	-	-	-	20,505
Total exposure	1,559,287	923,403	1,327,452	58,142	106,206	1,704,979	5,679,469

30.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. The Bank considers funding and liquidity as a major source of risk. The Bank's minor and very limited tolerance towards liquidity risk is explicitly reflected in 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 the Bank'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

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As of and for the period ended June 30, 2016

Based on remaining maturity							June 30, 2016
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Total
Assets							
Cash and balances at central banks	416,615	-	-	-	-	-	416,615
Financial assets designated at FVPL	1,537	-	-	-	-	1,553	3,090
Financial investments	9,688	71,106	133,871	226,568	443,191	25,204	909,628
Loans and receivables – banks	516,961	9,077	13,346	7,506	-	-	546,890
Loans and receivables – customers	866,562	344,672	947,621	2,050,224	1,042,737	203,823	5,455,639
Tangible and intangible assets	-	-	-	-	-	209,388	209,388
Other assets	35,023	35,115	165,667	87,826	9,841	105,038	438,510
Total assets	1,846,386	459,970	1,260,505	2,372,124	1,495,769	545,006	7,979,760
Liabilities							
Due to banks	452,833	81,336	103,989	25,482	-	-	663,640
Due to customers	1,270,422	412,747	1,260,555	1,537,510	675,614	-	5,156,848
Issued debt securities	388	66,559	171,186	69,730	84,770	-	392,633
Other liabilities	79,330	41,174	147,015	70,668	10,030	33,437	381,654
Subordinated liabilities	-	-	-	89,373	416,083	-	505,456
Total liabilities	1,802,973	601,816	1,682,745	1,792,763	1,186,497	33,437	7,100,231
Cumulative liquidity gap	43,413	(98,433)	(520,673)	58,688	367,960	879,529	879,529

Based on remaining maturity							December 31, 2015
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Total
Assets							
Cash and balances at central banks	532,139	-	-	-	-	-	532,139
Financial assets designated at FVPL	961	-	-	472	4,313	1,832	7,578
Financial investments	6,119	61,183	278,473	264,963	382,309	29,407	1,022,454
Loans and receivables – banks	406,109	17,385	17,059	10,009	-	-	450,562
Loans and receivables – customers	1,119,233	427,140	683,217	2,113,666	952,925	186,648	5,482,829
Tangible and intangible assets	-	-	-	-	-	214,138	214,138
Other assets	70,496	84,287	238,575	120,111	27,792	110,017	651,278
Total assets	2,135,057	589,995	1,217,324	2,509,221	1,367,339	542,042	8,360,978
Liabilities							
Due to banks	186,210	157,716	99,891	25,237	-	-	469,054
Due to customers	1,397,857	308,181	1,090,829	1,828,945	841,209	-	5,467,021
Issued debt securities	805	77,110	228,065	134,560	-	-	440,540
Other liabilities	102,694	78,933	207,478	101,833	27,893	28,908	547,739
Subordinated liabilities	-	-	-	137,406	424,341	-	561,747
Total liabilities	1,687,566	621,940	1,626,263	2,227,981	1,293,443	28,908	7,486,101
Cumulative liquidity gap	447,491	415,546	6,607	287,847	361,743	874,877	874,877

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As of and for the period ended June 30, 2016

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

Current accounts and demand deposits from customers are distributed in accordance with the average monthly withdrawal behaviour of customers over the last 7 years on the basis of management's belief that despite of these funds from customers being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicates that these deposits provide a stable source of funding.

As at June 30, 2016 and 2015, the contractual maturities of customer deposits are as follows:

	June 30, 2016	December 31, 2015
Up to 1 month	2,528,669	2,934,749
1-3 months	254,496	320,095
3-12 months	1,182,243	896,098
1-5 years	1,019,750	1,136,064
Over 5 year	171,690	180,015
Total	5,156,848	5,467,021

30.j. Market risks

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

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

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

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

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

The internal limit for the 10-day trading portfolio, with VaR at 99% - confidence interval, is EUR 8 million (2015: EUR 8 million). This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

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

Value-at-risk figures - Trading Book (2016)	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	548	87%	551	34
Maximum	1,831	100%	1,829	125
Minimum	25	35%	-	6
Period-end	119	83%	113	30

Value-at-risk figures - Trading Book (2015)	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	293	88%	264	62
Maximum	601	103%	602	233
Minimum	14	21%	-	8
Period-end	202	98%	192	15

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

One of the Bank's major risks under Pillar II is the interest-rate risk on the banking book. The Bank defines interest-rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates. The trading book is also subject to interest-rate risk, but this type of risk is dealt with under the Market Risk: Value-at-Risk section. The Bank has a 'minor' risk tolerance towards interest-rate risk in its banking book.

The Bank's interest-rate risk is monitored for the banking book by means of static re-pricing gap and interest rate sensitivity analyses once a month at all levels and for each major currency in use. Interest-rate sensitivity on the banking book is calculated according to the economic-value approach.

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 analyzed.

Interest-rate sensitivity in the banking book is measured by means of PV01 method. The PV01 method is based on flat upward shifts of each currency's yield curve in magnitudes of one basis point. The economic value impact of these shifts on the banking book is then analyzed. PV01 analysis is complemented with 200 basis-points (bps) scenarios, which consist of the parallel shifts of the yield curves by shifting short-term rates and long-term rates for each individual currency. The interest rate risk on the banking book, excluding the trading book has been calculated as EUR 95.5 million for 2016 with 200 basis point upward parallel rate shock (2015: EUR 67.7 million).

The impact of the curve with the maximal net gain or loss compared to a benchmark curve is then analyzed.

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

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

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As of and for the period ended June 30, 2016

June 30,
2016

	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	337,172	-	-	-	-	79,443	416,615
Financial assets designated at FVPL	-	-	-	-	-	3,090	3,090
Financial investments	9,682	160,821	75,761	259,261	376,526	27,577	909,628
Loans and receivables - banks	337,120	9,000	21,001	-	-	179,769	546,890
Loans and receivables - customers	1,555,659	796,313	1,484,321	1,281,621	155,573	182,152	5,455,639
Tangible and intangible assets	-	-	-	-	-	209,388	209,388
Other assets	-	-	-	-	-	438,510	438,510
Total assets	2,239,633	966,134	1,581,083	1,540,882	532,099	1,119,929	7,979,760
Liabilities							
Due to banks	355,932	195,946	100,505	8,873	-	2,384	663,640
Due to customers	1,919,784	397,949	1,026,443	1,106,718	170,248	535,706	5,156,848
Issued debt securities	388	66,559	171,186	69,730	84,770	-	392,633
Other liabilities	-	-	-	-	-	381,654	381,654
Subordinated liabilities	-	-	-	505,456	-	-	505,456
Total liabilities	2,276,104	660,454	1,298,134	1,690,777	255,018	919,744	7,100,231
Off-balance interest-sensitivity gap	28,566	56,821	(105,137)	7,757	(32,000)	-	(43,993)
Net gap	(7,905)	362,501	177,812	(142,138)	245,081	200,185	635,351

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

December
31, 2015

	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	475,910	-	-	-	-	56,229	532,139
Financial assets designated at FVPL	-	-	-	459	4,000	3,119	7,578
Financial investments	21,734	199,369	157,868	281,334	321,241	40,908	1,022,454
Loans and receivables - banks	237,936	7,376	26,227	-	-	179,023	450,562
Loans and receivables - customers	1,689,950	791,370	1,245,135	1,398,910	158,222	199,242	5,482,829
Tangible and intangible assets	-	-	-	-	-	214,138	214,138
Other assets	-	-	-	-	-	651,278	651,278
Total assets	2,425,530	998,115	1,429,230	1,680,703	483,463	1,343,937	8,360,978
Liabilities							
Due to banks	162,519	204,692	94,306	5,001	-	2,536	469,054
Due to customers	2,284,450	374,993	847,779	1,203,633	176,426	579,740	5,467,021
Issued debt securities	805	77,110	228,065	134,560	-	-	440,540
Other liabilities	-	-	-	-	-	547,739	547,739
Subordinated liabilities	-	-	-	561,747	-	-	561,747
Total liabilities	2,447,774	656,795	1,170,150	1,904,941	176,426	1,130,015	7,486,101
Off-balance interest-sensitivity gap	32,295	118,696	(137,402)	(38,369)	(15,979)	-	(40,759)
Net gap	10,051	460,016	121,678	(262,607)	291,058	213,922	620,196

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

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30.1. 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 10), is recognized in equity.

Trading-related currency positions are quantified with VaR methodology and reported daily for 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.

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Currency analysis for the year ended June 30, 2016:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	255,240	5,726	9,193	74,821	64,452	6,620	-	563	416,615
Financial assets designated at FVPL	-	2,035	-	1,055	-	-	-	-	3,090
Financial investments	419,257	286,917	10,200	161,307	31,106	841	-	-	909,628
Loans and receivables – banks	366,841	102,098	984	1,561	68,025	-	652	6,729	546,890
Loans and receivables – customers	2,149,427	1,801,169	152,145	217,787	734,592	14,816	375,846	9,857	5,455,639
Derivative financial instruments	198,299	27,085	1,201	189	36	214	6,628	19,293	252,945
Equity-accounted investments	5,640	-	-	-	-	-	-	-	5,640
Property and equipment	54,902	83,883	818	16,259	31,826	298	-	-	187,986
Goodwill and other intangible assets	12,498	2,492	-	1,116	5,281	5	10	-	21,402
Other assets	47,333	12,619	2,123	71,562	42,234	2,662	747	645	179,925
Total assets	3,509,437	2,324,024	176,664	545,657	977,552	25,456	383,883	37,087	7,979,760
Due to banks	340,400	179,847	131	59,167	75,175	2,894	376	5,650	663,640
Due to customers	3,748,219	587,626	11,578	423,987	354,645	9,097	5,070	16,626	5,156,848
Derivative financial instruments	228,400	30,676	1,262	240	2,233	-	7,284	19,228	289,323
Issued debt securities	-	261	-	-	392,372	-	-	-	392,633
Other liabilities	20,870	9,481	31,490	9,069	19,100	2,313	1	7	92,331
Subordinated liabilities	-	505,456	-	-	-	-	-	-	505,456
Total liabilities	4,337,889	1,313,347	44,461	492,463	843,525	14,304	12,731	41,511	7,100,231
Net on-balance sheet position	-	1,010,677	132,203	53,194	134,027	11,152	371,152	(4,424)	1,707,981
Off-balance sheet net position	-	(1,004,830)	(131,332)	(92,442)	(81,759)	1,963	(373,180)	4,006	(1,677,574)
Net open position	-	5,847	871	(39,248)	52,268	13,115	(2,028)	(418)	30,407

(*) Euros are not included in the total net position, since it is the Bank's functional currency.

Currency analysis for the year ended December 31, 2015:

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	402,028	4,047	9,508	72,579	41,985	1,625	11	356	532,139
Financial assets designated at FVPL	4,312	1,894	-	1,372	-	-	-	-	7,578
Financial investments	403,948	354,422	10,318	151,457	94,257	8,052	-	-	1,022,454
Loans and receivables – banks	228,131	152,604	1,437	6,781	54,818	-	2,067	4,724	450,562
Loans and receivables – customers	2,088,130	1,958,494	168,925	194,723	758,395	3,967	301,238	8,957	5,482,829
Derivative financial instruments	410,919	18,319	831	4	87	-	7,927	12,671	450,758
Equity-accounted investments	5,049	-	-	-	-	-	-	-	5,049
Property and equipment	55,603	89,330	1,047	16,738	31,075	338	-	-	194,131
Goodwill and other intangible assets	12,398	2,545	-	1,160	3,892	7	5	-	20,007
Other assets	39,272	18,004	668	78,202	56,325	2,757	76	167	195,471
Total assets	3,649,790	2,599,659	192,734	523,016	1,040,834	16,746	311,324	26,875	8,360,978
Due to banks	189,847	141,986	250	457	129,237	-	319	6,958	469,054
Due to customers	4,018,538	823,189	4,636	370,853	221,294	7,256	7,390	13,865	5,467,021
Derivative financial instruments	407,099	19,587	875	818	2,826	74	9,252	12,782	453,313
Issued debt securities	-	145	-	-	440,395	-	-	-	440,540
Other liabilities	25,584	7,717	30,133	11,068	17,047	2,773	78	26	94,426
Subordinated liabilities	-	561,747	-	-	-	-	-	-	561,747
Total liabilities	4,641,068	1,554,371	35,894	383,196	810,799	10,103	17,039	33,631	7,486,101
Net on-balance sheet position	-	1,045,288	156,840	139,820	230,035	6,643	294,285	(6,756)	1,866,155
Off-balance sheet net position	-	(1,041,254)	(160,604)	(173,688)	(192,475)	(132)	(295,070)	9,514	(1,853,709)
Net open position	-	4,034	(3,764)	(33,868)	37,560	6,511	(785)	2,758	12,446

(*) Euros are not included in the total net position, since it is the Bank's functional currency.

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30.m Operational risk

CEB has an Operational Risk Management (ORM) function, the goal of which is to consolidate the existing ORM activities and coordinate implementation of the ORM framework. The framework covers identification, assessment, measurement, mitigation and monitoring of operational risks. Related departments are given awareness trainings to ensure that operational risk management is embedded in day-to-day operations.

31. Subsequent events

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

32. List of subsidiaries

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

Name	Place	Country	June 30, 2016 Interest	December 31, 2015 Interest
Credit Europe Bank (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) SA	Geneva	Switzerland	100.00%	100.00%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Stichting Credit Europe Custodian Services	Amsterdam	The Netherlands	100.00%	100.00%
Hunter Navigation Ltd	Msida	Malta	100.00%	100.00%
Maritime Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Credit Europe Bank (Russia) Ltd	Moscow	Russia	100.00%	100.00%
PJSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Leasing (Romania)	Bucharest	Romania	99.99%	99.99%
Credit Europe Bank (Romania) SA	Bucharest	Romania	98.94%	98.93%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Nomadmed XXI S.L.	Barcelona	Spain	100.00%	100.00%
Mediqueen Maritime Ltd	Msida	Malta	100.00%	100.00%
Medipride Maritime Ltd	Msida	Malta	100.00%	100.00%
Lodestar Maritime Ltd	Msida	Malta	100.00%	100.00%
Medibeauty Maritime Ltd	Msida	Malta	100.00%	100.00%
Diamond Marine Ltd	Msida	Malta	100.00%	100.00%

Amsterdam, September 16, 2016