credit europe bank

Annual Report 2022

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Who We Are

About Credit Europe Bank

Credit Europe Bank N.V. (CEB) is a public limited company with a full banking license, established in 1994 in the Netherlands. The Bank is headquartered in Amsterdam and has approximately 1,100 employees in seven countries. It operates 27 branches, 53 ATMs, and around 8,100 point-of-sale terminals. More than 850,000 retail and corporate customers entrust their financial affairs to CEB.

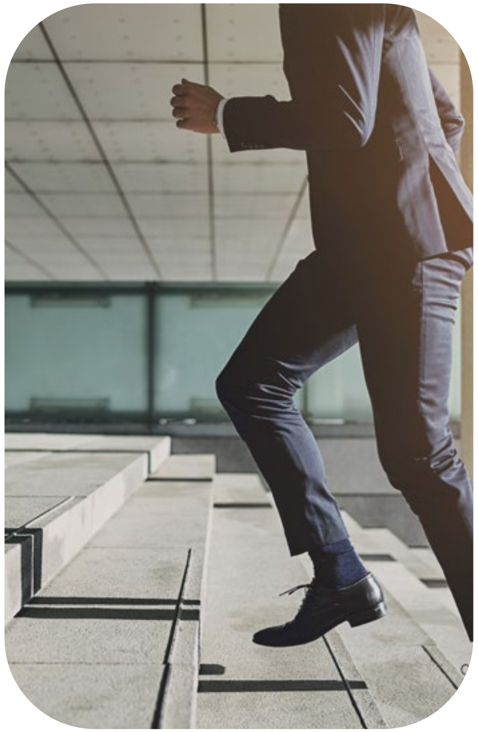
Who We Are

Our Core Values

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

Diversity
We promote diversity as one of the main aspects of our corporate culture. Our diversified background and footprint in different regions allow us to view matters relevant to our stakeholders from different perspectives.

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



Who We Are

Our Base Values

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

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

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

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

What We Do

Bank Business Model and Strategy

CEB is a niche bank that, based on its history, has developed a unique identity over the past 28 years.

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

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

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

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

We serve our international corporate and retail customer client base with a differentiated approach. We offer structured and tailor-made products and services to our corporate customers, while our retail products are standard and easy to use.

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

To our retail and SME customers, we offer non-complex and transparent products, mainly in the form of savings, credit cards and residential mortgages. We have maintained a strategy of integration of business lines, and proximity to clients, providing our services in six different

What We Do

European countries and through a network of branches, ATMs, and sales points in Romania, empowered by a wealth of local knowledge.

We have almost 30 years' experience in international trade and commodity finance and have gained extensive experience and expertise in acting as a bridge for our customers in key importing and exporting countries.

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

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

In the Netherlands and Germany, we offer retail savings products via internet and mobile banking.

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

At CEB, we place our employees at the heart of the Bank to strengthen our culture and leadership. We promote unity, diversification, transparency and alignment across our organization, including among our subsidiaries and branches.

In all areas of the Bank, we invest in employees' professionalism, expertise and customer focus. By adopting an overarching and inclusive sustainability framework, we aim to meet the needs and expectations of key stakeholders while contributing to sustainable development.

To sustain our long-term growth ambitions, we combine prudent capital and liquidity management with sound risk management, regulatory compliance, and transparent corporate governance. Pursuing our operations in line with the latest environmental, social, and governance (ESG) standards, we strive to sustain CEB as a future-fit organization. We believe this strategy safeguards the interests of all our stakeholders.

What We Do

The Bank's high-level strategy can be summarized as follows, with further details available within the Report:

Identity

Credit Europe Bank is an entrepreneurial and respected international niche bank offering a dynamic portfolio of products to its corporate and retail clients.

Enablers

Improved Ratings

Digital Transformation

Principles

Efficient
Increase service quality and cohesiveness across the Bank for increased customer satisfaction, profitability and value creation

Adaptive
Raise awareness of changing conditions and enhance our ability to embrace and adapt to change

Sustainable
Future-proof our organization via a long-term, integrative approach designed to make meaningful impact

Pillars

Future-fit
Optimize, align, improve, expand and diversify our offerings

Rethink-Redesign
Enhance our structures, processes and governance to update our organization

Stronger together
Strengthen our leadership, culture and approach to put people at the heart of our Bank

The Bank's key strategic directions cover a three-year period. They include:

- Enhancing the value proposition of international trade finance and strengthening the Supply Chain Finance business,
- Increasing the franchise value of the retail banking business in Romania,
- Focusing on the originate-to-distribute (OTD) lending model,
- Further improving synergy and cooperation among business lines as well as CEB banks/subsidiaries; reaching more balanced and diverse income resources between different business lines and segments/clients,
- Further diversifying the assets structure at different levels,
- Embedding digitalization into the entire organization,
- Continuously investing in people and culture,
- Further optimizing capital structure,
- Focusing on extending the Bank's ESG management framework by incorporating further environmental (e.g., biodiversity) and social (e.g., human rights) aspects and developing a carbon emission reduction roadmap.

Where We Operate

Our Network

Western Europe
Corporate banking and trade finance services in the Netherlands, Switzerland, and Malta

Online only retail banking services in Germany and the Netherlands

Ukraine
Corporate and commercial banking services[1]

Turkey
Representative office in Istanbul

Romania
Retail and commercial banking services

22 branches in nine cities

Dominant market player, with 163,000 active credit cards

Strong partner merchant network with around 8,100 point-of-sale terminals

Our Credit Ratings (As of March 2023)

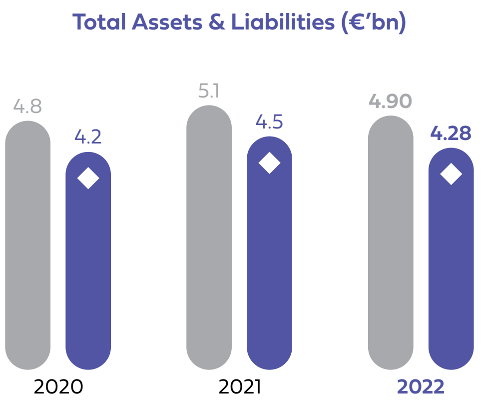
Fitch Long Term Issuer Default Rating B+ /Stable Outlook
Moody´s Long Term Credit Risk rating Ba3 / Negative Outlook

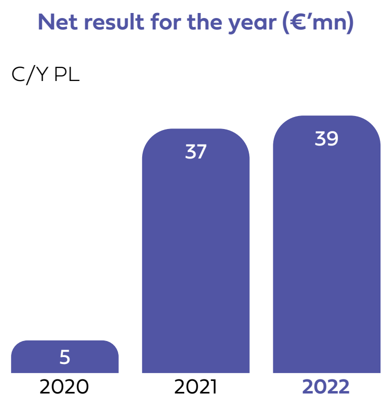
Our Top 3 Emerging Market Exposures

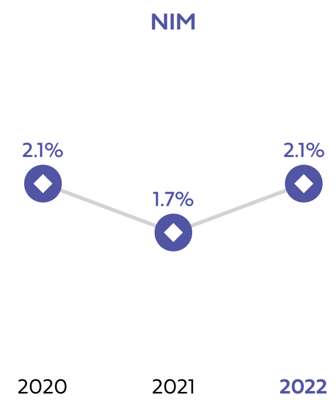
Country	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Romania	1,144,795	1,196,413	1,200,282	1,118,303	1,303,719
Turkey	501,641	631,324	749,067	713,371	886,015
China	252,810	235,214	137,443	45,411	5,551

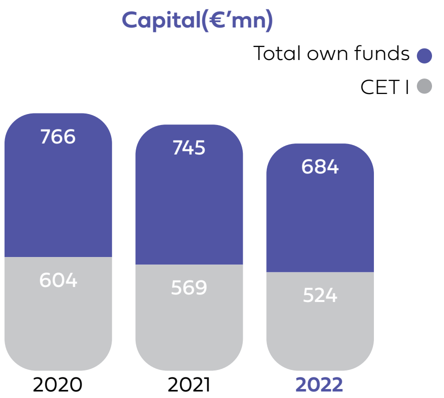
[1] *Due to the war in 2022 the activities of CEB Ukraine where mainly focused on collection of the existing loans.*

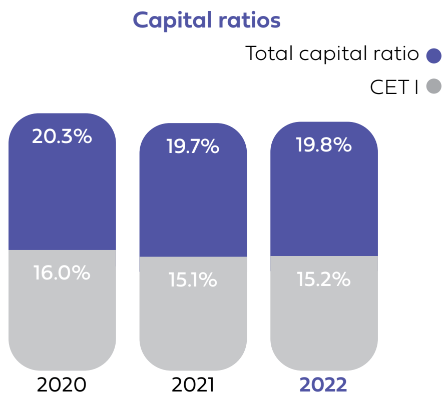
Financial & Non-financial Highlights

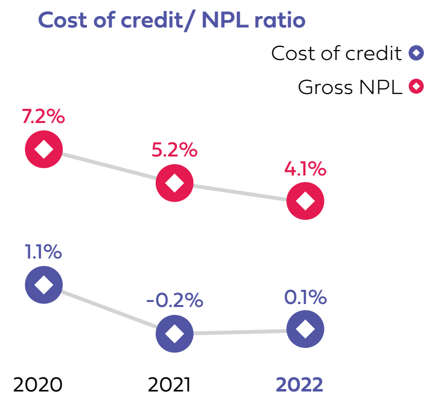






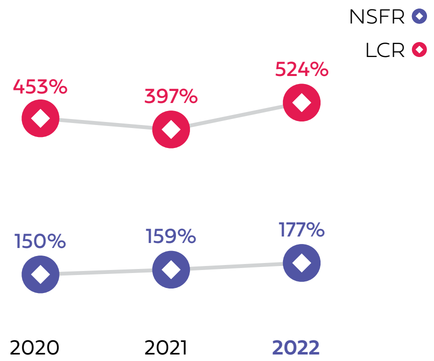




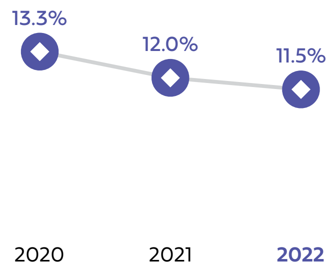


Financial & Non-financial Highlights

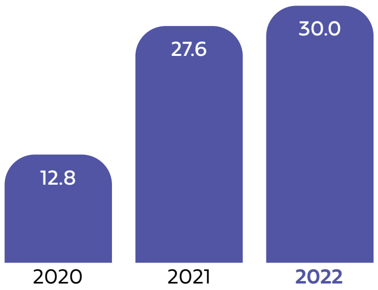
Liquidity ratios



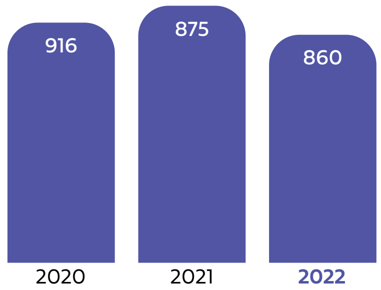
Leverage ratio



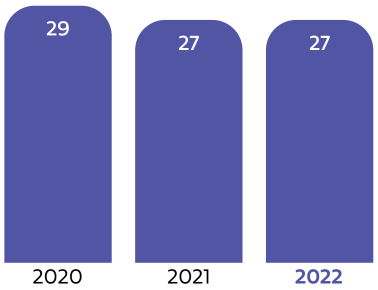
Trade Finance volume (€'bn)



Number of customers (th)



Number of branches



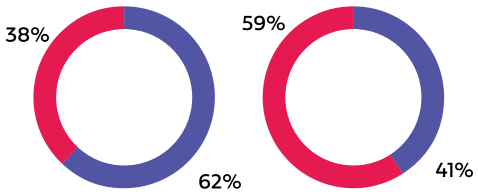
Financial & Non-financial Highlights

WORKFORCE BREAKDOWN (GENDER)

All staff

M
F

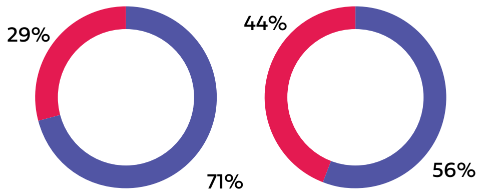
CEB NV %
CEB Consolidated %



Senior Management[2]

M
F

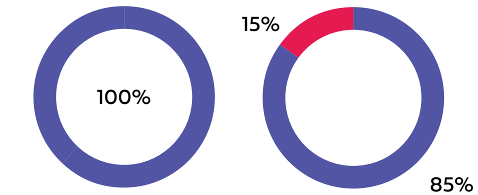
CEB NV %
CEB Consolidated %



Managing Board

M
F

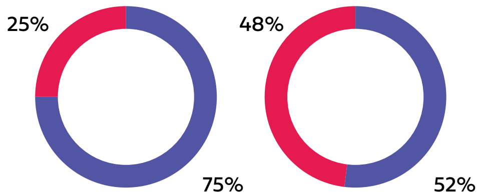
CEB NV %
CEB Consolidated %



Managers[3]

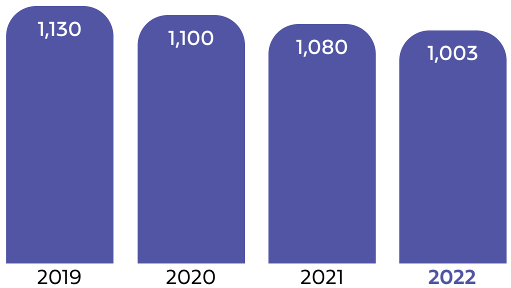
M
F

CEB NV %
CEB Consolidated %



[2]*All managers directly reporting into a Managing Board member.*
[3]*All managers excluding Senior Management and Managing Board.*

Total consolidated number of employees



Data: December 2022

Five-year Key Figures

€ millions	2022	2021	2020	2019	2018
Total assets	4,896	5,105	4,826	4,920	5,084
Cash and balances at central banks	1,104	935	666	737	652
Loans and receivables – banks	461	283	204	188	432
Loans and receivables – customers	2,482	2,753	2,565	2,742	2,699
Securities	269	551	670	549	695
Due to banks	441	799	677	483	416
Due to customers	3,417	3,326	3,127	3,402	3,650
Equity	620	652	613	621	585
Total Income	200	179	156	185	195
Preprovision Income	53	30	33	48	46
Result for the year	39	37	5	20	21
Common Equity Tier 1 ratio %	15.2%	15.1%	16.0%	15.7%	14.9%
Tier 1 ratio %	16.6%	16.2%	17.1%	16.8%	16.0%
Total capital ratio %	19.8%	19.7%	20.3%	20.2%	19.4%
LCR - Liquidity coverage ratio %	524%	397%	453%	509%	375%
Non-performing exposure %	4.1%	5.2%	7.2%	7.8%	8.8%
Non-performing loans coverage ratio %	132%	117%	125%	107%	122%

CEO Letter

Undoubtedly, 2022 proved to be a historic year. It marked the start of the war between Russia and Ukraine – one of the first major conflicts in Europe since Cold War ended. In addition to causing a humanitarian crisis in the heart of Europe, the war significantly impacted global food and energy prices. Supply chain disruptions that arose during the pandemic were prolonged, also affecting raw material prices and other goods and services.

Around the world, countries were faced with high inflation, slowdowns in economic growth and, critically, dramatic increases in the cost of living. The average global inflation rate surged from 4.35% in 2021 to 7.4% in 2022. Major central banks responded to these developments by raising their key interest rates, and some adopted quantitative tightening measures in the course of the year. The sharp rise in global inflation, combined with rising interest rates and the possibility of a recession, presents an uncertain economic outlook.

The year started with increased risk on CEB's Russian and Ukrainian exposures, which resulted in additional provisions. Our efficient credit risk management ensured that we were able to collect all Russia-Ukraine related short-term trade finance exposures and reverse a major part of the initially booked provisions. With higher policy rates, a stronger US dollar, and significantly higher trade finance volumes compared to the first half of the year, achieved by both our Amsterdam and Geneva teams, the second half of 2022 was financially much better for us. As a result of the impressive 2022 second-half performance, CEB's annual trade finance volume increased from EUR 27.6 billion in 2021 to EUR 30 billion in 2022.

Some large and important transactions were successfully closed by the Commercial Real Estate (CRE), Marine Finance, Financial Institutions and Loan Trading teams while preserving our strong liquidity buffers. We are also pleased to note that the newly initiated Supply Chain Finance operation started to generate more business.

For our Corporate Lending and Project Finance (CL&PF) team, last year was a transition period. We had begun adapting our teams and focus to the EU and other Western European markets. As planned, in 2022, the CL&PF team started to book new CRE transactions in the targeted markets. The total number of new transactions surpassed EUR 125 million and a strong new business pipeline for 2023 is established.

In spite of keeping a lower book size and being cautious entering into new commitments, the performance of the Loan Trading was satisfactory. They generated EUR 700 million volume and around EUR 7 million of revenues.

On the other hand, our asset quality continued to improve for three consecutive years, significantly lowering its Stage 3 and Stage 2 exposures. Consequently. we have lowered our NPL ratio below 5% as of 2022-end. Another achievement was about the divestment of our repossessed assets portfolio. We have taken concrete actions in that regard during 2022, as a result of which the portfolio amount will be much lower at the end of 2023.

CEB expanded its market share in the Romanian credit cards market by introducing innovative products, new digital channels, and insightful activation campaigns. The number of online and in-store POS systems has reached over 10,000. Additionally, CEB was among the first three banks in Romania to introduce virtual cards.

I would like to take this opportunity to express my gratitude to my colleagues for their excellent work and, most importantly, for their commitment to the Bank's strict anti-money laundering and sustainability strategy.

Our priorities and main corporate objectives continue to be sustainability, good and transparent governance, and digital transformation. In 2022, we established the Sustainability Committee in order to manage our sustainability work more effectively and holistically. We also joined the Partnership for Carbon Accounting Financials (PCAF).

Technology and finance have been interconnected throughout history. Banks have historically been among the first industries to adopt new innovations and technology. CEB believes that digitalization is essential for both its services and its operations. Therefore, we started the corporate banking digital transformation project and developed in-house mobile and online banking services, which will be made available to customers by Q2 2023.

Another accomplishment worth highlighting is the successful completion of CEB Switzerland's CoreFinans conversion. In October 2022, CoreFinans went live in Geneva after a two-year implementation period, and it has already made our operations much more efficient.

CEO Letter

Even as technology is advancing at the speed of light, the world is changing quickly, and the future appears to be more AI-based, businesses will still need people. We maintain our belief that a company's most valuable assets are its people, not its technology. And we also think that the best key performance indicator for determining a company's value is the level of employee alignment and satisfaction.

This year, our Human Resources team focused on diversity, a crucial topic for a developing multinational organization like ours (with around 25 different nationalities in the head office alone). As such, we launched the Grow Together program, a development program designed to support our cultural transformation into an even better organization. Our goal is to maintain a work environment where everyone feels included and welcomed, and where each employee can fully express themselves. As a member of CEB for more than 20 years, I wholeheartedly support this initiative – and I hope that everyone else at CEB also supports it. We will continue to build on this foundation in 2023 to create more engaged and aligned teams.

As mentioned in last year's Report, the Executive Committee (ExCo) was established to ensure clear and effective communication and discussions, while strengthening the synergy among business lines. In 2022, greater synergy and efficiency between the Bank's major business lines demonstrated the value of ExCo.

CEB's Chair of the Supervisory Board, Hector de Beaufort, will step down on the day of the AGM to be held in March, 2023, after serving on the Board for 12 years. Wilfred Nagel will succeed him as the Chair. As a result of this change, the composition of several of the sub-committees of the Supervisory Board will be adjusted as well. In addition, I am delighted to announce that Mr. Ali Fuat Erbil joined our Supervisory Board in May 2022.

I would like to extend a sincere welcome to Mr. Erbil and cordially thank Mr. de Beaufort on our behalf for contributing his time, resources and exceptional talents to CEB.

Last year was particularly complicated. There were numerous difficulties in international politics, business, and the global economy. But, because of our skills and agile nature, CEB was able to adapt rapidly – making all the difference.

On behalf of the ExCo I would like to thank our customers, business partners and employees for their support, dedication and trust during yet another trying time.

On February 6, we were deeply saddened by the news of the devastating earthquakes that have thus far claimed tens of thousands of lives in Turkey and Syria. Our shareholder, Fiba Group moved rapidly to support search and rescue efforts and address the needs of those injured and displaced by the earthquake.

Our hearts and our prayers are still with all those who have lost their lives, their loved ones, and those who are injured. To the best of our capacities, we will continue helping the region, in the long run.

We also expect and hope for an immediate peace agreement between Russia and Ukraine, and we are relieved that our colleagues in Kyiv have remained safe thus far.

It looks as if 2023 will not be an easy year either. Many difficulties and uncertainties lie ahead of us. However, as we have in the past, we are certain that the CEB Family will be able to get through any challenges. To reinforce our unity, we identified three key areas that will help us to achieve our ambitions for the years to come. These are: future fit, rethink/redesign, and stronger together.

With the help of all our stakeholders, we are confident that we will accomplish our goals for the upcoming year.

Members of the Executive Committee

Senol Aloglu (1965, male)
Chief Executive Officer/Managing Board member*

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

Batuhan Yalniz (1973, male)
Chief Risk Officer/Managing Board member*

Zeyno Davutoglu (1966, female)
Head of Bank Relations and Supply Chain Finance

Muammer Kayhan (1968, male)
Head of Corporate Banking

Besir Amcaoglu (1972, male)
Head of Retail Banking[4] and Treasury

*Statutory Director
[4]As from 1 March 2023.

Report of the Managing Board

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

Report of the Managing Board

Major Business Lines

RETAIL BANKING

Western Europe
In 2022, Credit Europe Bank's Western Europe retail banking unit started a comprehensive data quality initiative. Planned and executed in close cooperation with experts from the Bank's Data and IT teams, the large-scale program aims to improve retail banking's future viability with regard to three critical dimensions. First, to improve compliance with both European and local regulations; second, to raise efficiency and security within the retail portfolio operations; and third, to enable data-driven decision making as well as future AI-based process automation.

Within the first nine months of the program, launched in March 2022, more than 40,000 customer data sets were successfully processed, reviewed, updated and enhanced. While mainly focusing on the German portfolio in 2022, the initiative will continue in 2023 with a focus primarily on the Dutch client portfolio.

Our Western European retail operations, centralized in Frankfurt, Germany, continues to offer competitive, transparent, and non-complex products comprising deposits in the Netherlands and Germany. In 2022, we served around 125,000 deposit holders through telephone, online, and mobile banking. Our Eurozone deposit volume of EUR 2.1 billion formed a sustainable and important pillar of funding for the Bank.

Romania
In 2022, CEB reached around 21,000 credit card sales in the Romanian market and the total turnover of credit cards reached EUR 285 million. Through its credit card portfolio, including Card Avantaj, Optimo Card and Diamond Card, the Bank offers clients various payment instruments suited to their needs. CEB remained one of the top players in the Romanian credit card market, with 163,000 active cards and approximately 19% market share among banks. Launching "SoftPOS" for the SME segment and for large distributors who require mobile collection, and the "virtual card" to provide an extra layer of security and control for individual clients, CEB was among the first banks to introduce both products in the market. CEB started to collaborate with SelfPay, enabling customers to pay their statements at more than 8,500 locations nationwide. CEB's other retail banking focus in Romania was its stable and granular retail deposit base, which was EUR 251 million as of December 2022. The Bank continued to issue residential mortgage loans in the Romanian market and, in 2022, its issuance volume reached EUR 22.6 million.

Report of the Managing Board

Major Business Lines

CORPORATE BANKING

Corporate Banking continues to be one of the Bank's core activities and is a major revenue contributor. The products and services offered by Corporate Banking are: structured trade and commodity finance (STCF), corporate lending and project finance (CL&PF), and marine finance (MF). These products and services are provided to an international client portfolio by our teams located in Amsterdam, Geneva, Malta and Bucharest. In 2022, the newly established supply chain finance (SCF) business also started to originate its first transactions in Amsterdam.

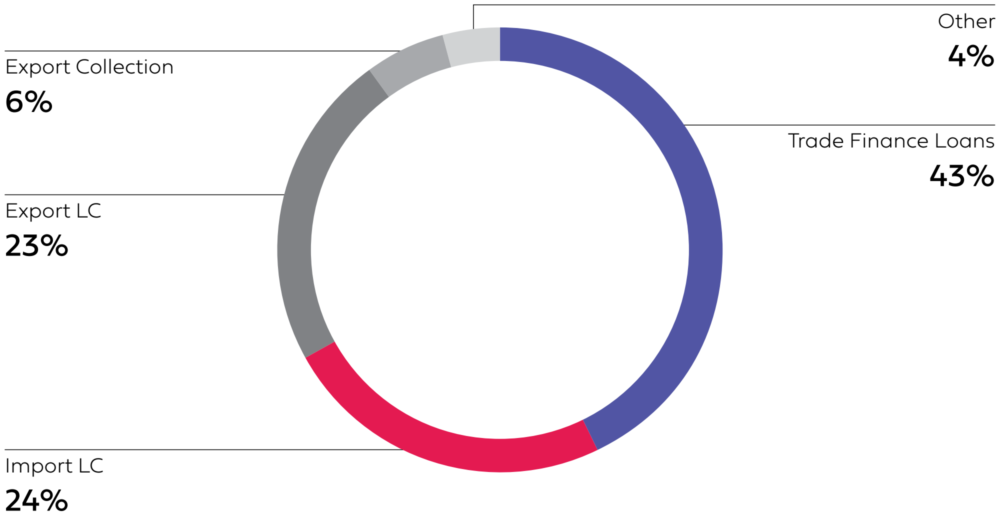
After a strong 2021, CEB Corporate Banking consolidated its position in 2022. Despite the slight decline in volumes due to the Russia-Ukraine conflict, the operating income was above the budget.

In 2022, CEB's structured trade and commodity finance (STCF) activities demonstrated another record year in terms of both volume and operating income. CEB's annual trade finance volume/flow reached EUR 30 billion in 2022 compared to EUR 27.6 billion in 2021. Despite the importance of Russia and Ukraine in the commodity business, the Bank's STCF teams liquidated all exposure in Russia and Ukraine during the first half of 2022 without any loss, replacing them with alternative regions in the second half of the year.

In Marine Finance (MF), the steady but cautious growth recorded in recent years was maintained in 2022, thanks to the finalization of prudently selected deals within the Bank's key acceptance criteria. MF exposure reached EUR 331 million by end of 2022.

In corporate lending and project finance (CL&PF) activities, following a transition period in 2021 in which our teams and business adapted their focus to EU, particularly to Western European markets, new transactions from these geographies started to come to the Credit Committee in 2022; these were approved and first withdrawals were made. We concluded the year with a total exposure of EUR 576 million.

TF Volume/annual flow - Product Mix



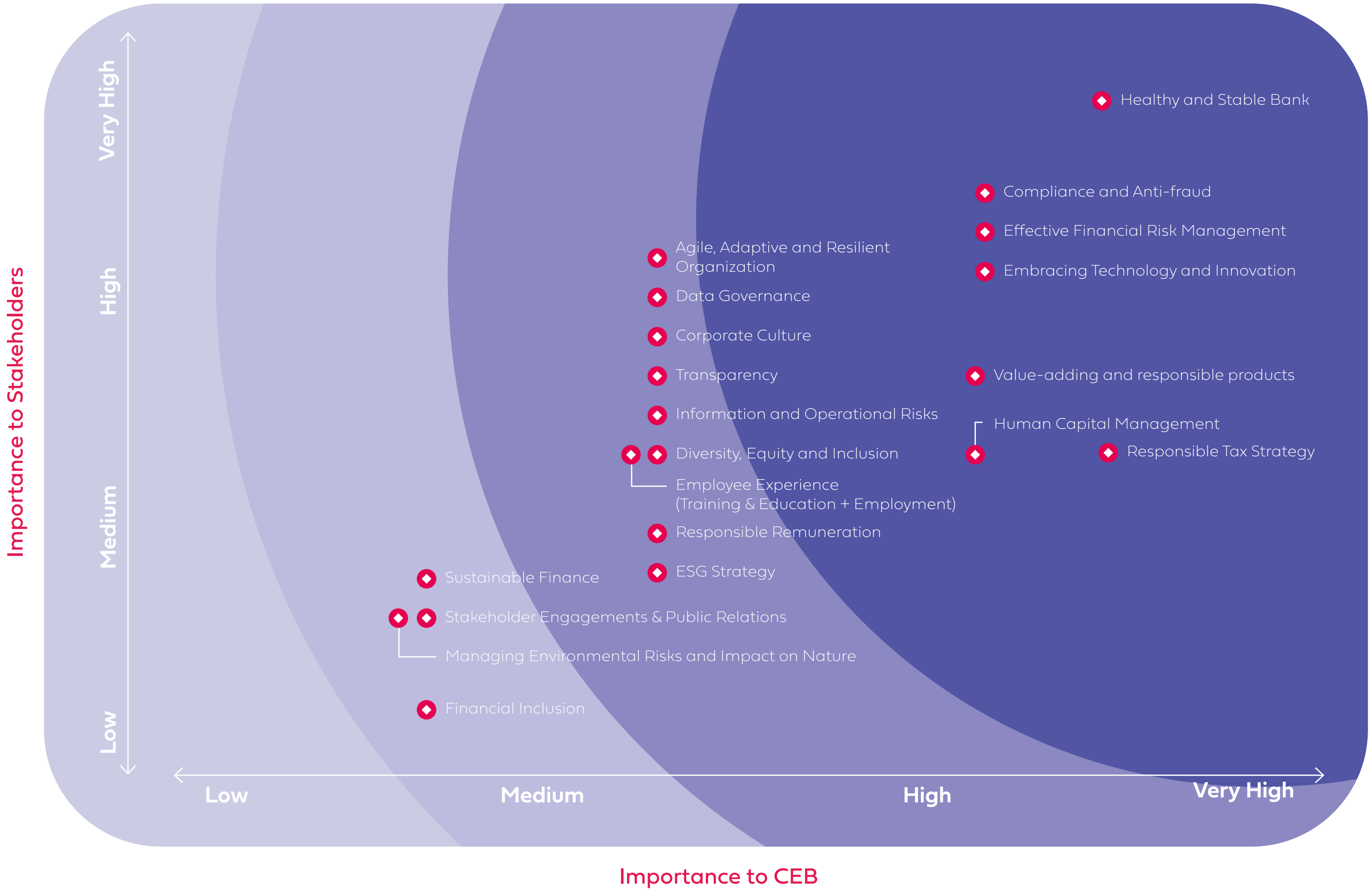
Report of the Managing Board

Non-financial Review

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

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

In order to report on the most important non-financial information, CEB assessed which topics are material to its development, performance, position, and impact. As part of this process, current trends, sectoral reports, peer reports and various sustainability frameworks were analyzed to determine an inclusive list of potential material topics. In 2022, two new topics were added to the material topics list in light of both the Bank's updated strategy and the trends gaining importance, namely, 'corporate culture' and 'managing environmental risks and impact on nature'. This list was then assessed by CEB's Managing Board and the representatives of the following key stakeholder groups: customers, shareholder(s), subsidiaries, authorities, regulators, and credit rating agencies. Additionally, an employee survey was conducted in Amsterdam to understand their expectations on which topics are material for CEB. The resulting material topics distribution is shown in the materiality matrix below. The color codes used in the matrix and the accompanying table containing subtopics indicate the level of disclosure provided for the given topics. Dark blue signifies the most elaborated topics, whereas light blue indicates less extensively disclosed topics in line with their materiality scores.



Report of the Managing Board

Non-financial Review

	Material Topic	Subtopics
1	Healthy and Stable Bank	Capital ratios | Credit rating | Capital planning | Risk management | Social Charter | Banking Code
2	Responsible Tax Strategy	Complying with the spirit as well as the letter of tax law
3	Compliance and Anti-fraud	Compliance with applicable regulations | Business ethics | Code of conduct | Anti-corruption| Anti-bribery | Anti-money laundering | Anti-competitive behavior
4	Effective Financial Risk Management	Strategy to manage financial risks
5	Embracing Technology and Innovation	Taking advantage of the opportunities of digitization and managing related risks | Cybersecurity | Automation | Fintech competition
6	Value-adding and Responsible Products	Customer focus | Customer relationship | Easy to use and transparent retail products | Customer Privacy
7	Human Capital Management	Occupational Health | Performance Management | Competitive remuneration
8	Agile, Adaptive and Resilient Organization	Responding to challenges and changes in an agile, adaptive, and efficient way | Creating solid processes | Covid-19 pandemic management
9	Data Governance	Data accountability | Data prioritization | Metadata and data lineage | Data quality and controls | Data security | Data retention | Policies, standards and processes
10	Corporate Culture	Strengthening the adoption of core values via leadership and improving collaboration between different functions to successfully execute CEB's Business Strategy
11	Transparency	Clear policies and performance disclosure; Internal toward employees and external parties
12	Information and Operational Risks	Customer privacy (GDPR) | Data security | Cybersecurity | System availability
13	Diversity, Equity and Inclusion	Diversity, inclusion and equal opportunity employees | Board and senior management diversity
14	Employee Experience (Training & Education + Employment)	Attract and retain people | Employee engagement | Training and education
15	Responsible Remuneration	Remuneration policy, including variable payments and highest salary vs. median salary
16	ESG Strategy	ESG governance | Integration of short- and longer-term environmental and social impacts into strategic planning activities and risk management
17	Sustainable Finance	The provision of finance to investments taking into account environmental, social and governance considerations
18	Stakeholder Engagements & Public Relations	Effective stakeholder engagement | Strengthening and communicating the CEB brand | Consideration of social, environmental, or economic impacts on local communities
19	Managing Environmental Risks and Impact on Nature	Climate change | Biodiversity | Pollution | Circular economy
20	Financial Inclusion	Ability to ensure broad access to products and services in the context of underserved markets and population groups

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

Healthy and Stable Bank

Having a strong capital base and maintaining the Bank's risk profile within its risk appetite is one of the main pillars of CEB's strategy. To achieve this goal, we continuously strive to improve our risk and capital management capabilities. Through detailed budgeting and internal capital adequacy assessment processes, CEB ensures that it holds enough capital to cover its material risks while maintaining a healthy balance sheet and profitable business over the next three years. The budgeting and scenario/stress testing processes incorporate macro-outlook into CEB's three-year plan. Throughout 2022, CEB maintained its strong capital ratios. As of December 31, 2022, our common equity tier 1 (CET1) ratio, which represents our CET1 capital as a percentage of our risk-weighted assets, stood at 15.20% (compared to 15.07% in 2021). In addition, with a 1:7 capital to asset leverage, CEB is currently one of the least leveraged banks in the Netherlands.

On the asset side, improving asset quality remains among the Bank's key points of attention. In 2022, CEB succeeded in lowering its non-performing loan (NPL) ratio to below 5% and the Bank is committed to further reducing the NPL ratio. Utilizing a systematic, focused and proactive approach, CEB developed a set of strategic objectives and underlying work programs extending over the next three years and closely monitors its alignment with these objectives. To manage its NPL portfolio effectively, CEB sets realistic and sufficiently ambitious NPL reduction targets and defines the operation plan to achieve these targets. CEB is dedicated to reduce the NPL ratio to below 3% in the short- to medium-term period. Additionally, the Bank annually updates its divestment plan, which defines the potential measures to reduce foreclosed assets that are repossessed from defaulted borrowers as a means of collection. In 2022, the foreclosed assets were slashed by approximately 30%. CEB aims to cut more than 70% of the remaining foreclosed assets over the next three years.

On the liability side, CEB has a stable, granular and geographically diversified deposit base, which is the core funding source for the Bank. We offer easy-to-use and transparent deposit products to our clients in all our branches and banking subsidiaries. The total size of customer deposits as of year-end 2022 is EUR 3.4 billion, 68% of which is originated from retail customers. Throughout 2022, CEG maintained its diverse funding mix and strong available liquidity base.

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Despite the uncertainties caused by the Russia-Ukraine war, CEB increased its business volumes and profitability by swiftly and accordingly revising its business strategy. The Bank's net profit for the current year stands at EUR 39 million, marking a strong improvement on EUR 20 million one-off adjusted results (i.e., excluding EUR 17.6 million tax credit (note 32. Taxation)).

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

The most material tax topics within CEB are:

Responsible Approach
CEB does not use processes that do not meet the intentions or spirit of the law or those where the commercial motives to use such a structure undermine the tax standards.

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

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

Tax Risk and Controls
CEB has its own risk matrixes for each tax field and measures possible risky areas within those tax fields. The Bank's Internal Audit Department monitors (while the 1st line owns/controls) and comments on those risky areas, and we keep in contact with relevant tax authorities as necessary. CEB engages external advisors to file advance pricing agreement and advance tax ruling.

Further tax related information is available in the Notes to Consolidated Financial Statements.

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

Failure to recognize and address compliance risks can result in reputational risk that can harm CEB's financial standing. For this reason, CEB ensures adherence to its integrity and ethical standards and its compliance risks are identified and managed in a timely manner.

Anti-money Laundering and Anti-terrorist Financing
Sound anti-money laundering and anti-terrorist financing (AML/CTF) standards constitute a key component of CEB's efforts to prevent being misused for money laundering and terrorist financing through any of the Bank's products or services, including but not limited to payment services and trade finance services.

The Bank's global AML/CTF policy provides clear guidance to all its entities and their staff on preventing the involvement of CEB in any criminal activity and participating in international efforts to combat money laundering and terrorist financing.

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

AML/CTF-related laws, standards and guidance are changing constantly and rapidly. CEB recognizes that fulfilling its gatekeeper's role can be realized only with adequately trained employees. To that end, CEB facilitates mandatory training sessions for the Managing Board and all other staff on a regular basis.

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After the successful completion of the AML Improvement Program in 2021, which focused on corporate banking related customers and processes as well as bank relations, CEB initiated in 2022 several actions to further strengthen its AML/CTF framework in relation to its retail banking operations. Such actions should ensure that CEB remains compliant with applicable regulations, guidance as issued by local competent authorities and generally accepted market practices, for example, in the area of digital onboarding of new retail customers, periodic review of existing retail customers and transaction monitoring.

No instances of failures in CEB's post-transaction monitoring solution were reported in 2022.

Sanctions and Restrictive Measures

CEB is legally obliged to comply fully with all legislative and regulatory provisions on sanctions in force in the respective jurisdictions. Hence, CEB must ensure that the statutory duties resulting from the various applicable sanctions legislation/regulations are fulfilled by all its offices.

Adherence to sanctions regulations is enforced within CEB through a combination of continuous screening, e.g., name checking of (prospective) customers, (non-)immediate shareholders, UBOs, directors and authorized signatories, and the filtering of transactions as presented to CEB prior to the actual processing of such transactions; the latter is conducted to prevent launching and maintaining relationships with customers and processing transactions with parties that are targets of applicable sanctions regulations and included in respective sanctions lists. In addition, external third parties with whom CEB does business are subject to sanctions screening.

To ensure that the Bank's staff are informed regarding applicable sanctions legislation/regulations and the obligation to comply with such legislation/regulations, CEB provides induction and regular sanctions compliance training to staff on relevant profiles and management, and retains proper training records.

As a minimum, CEB complies with UN, EU, UK and US sanctions regimes. In addition, CEB complies with all local sanctions lists of the jurisdictions in which it operates.

In 2022, CEB complied with the reporting obligation as included in Article 5(g) of Council Regulation (EU) 833/2014 and the reporting requirements under Article 1(z) of Council Regulation (EC) 756/2006.

Customer Tax Integrity

The management of tax integrity risks posed by customers continued to be a key topic in 2022.

CEB has policies and procedures in place to avoid tax evasion. The Bank recognizes that the legal establishment, business structures and transactions of some customers can be motivated by tax incentives, exemptions or other tax benefits legally offered by specific (offshore) jurisdictions, as part of tax planning. Under the 'Know Your Customer' (KYC) process, CEB identifies and assesses the tax integrity risk of its customers, based on predefined tax risk indicators. Such an approach is carried out both at the start of the business relationship and during the lifetime of the customer relationship. In 2022, the Bank terminated one business relationship due to the customer falling outside the Bank's tax integrity risk appetite.

CEB remains committed to fulfilling its reporting obligations under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).

Anti-bribery and Anti-corruption

Bribery and other forms of corruption obstruct economic growth and the development of societies worldwide. In addition, it undermines corporate confidence and integrity, and impedes global trade and fair competition.

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CEB strives for transparency and integrity in all business dealings to avoid any improper advantage or the appearance of questionable conduct by its staff or the external third parties with whom CEB does business.

Before entering into any business relationship and during the lifetime of such relationships, the Bank carries out customer due diligence to minimize the risk of being associated with acts of corruption.

In 2022, there were no instances of acceptance or offering of gifts or favors of any significance by CEB staff members from or to consultants, suppliers or customers, that would give rise to the appearance or perception of impropriety.

Anti-fraud
CEB is committed to conducting business in accordance with the highest ethical standards.

Each CEB manager is responsible for instituting and maintaining business processes (based on such principles as 'segregation of duties' and 'four eyes') in a manner that provides reasonable assurance for the prevention, detection and management of fraud, such as forgery, embezzlement, extortion, theft, falsifying company expenses, fictious reports, misappropriation of assets, etc. The Bank furnishes a whistleblower process, called the Internal Alert System, for all employees to raise their concerns and report any incidents; CEB takes all reasonable steps to ensure anonymity upon request. In addition, the Bank has designated a number of specialist areas to assist in the investigating and/or reporting of all identified fraudulent activity, e.g., Compliance, Information Security, Operational Risk, Legal, HR and Internal Audit. In 2022, no incidents were reported via the Internal Alert System.

CEB also effectively manages payment fraud risks, especially those caused by complex mobile threats, through both a well-defined transaction monitoring process and supporting authentication and mobile application protection technologies, while considering the customer's online banking experience.

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

Given the risk appetite statement, the Managing Board, in cooperation with the relevant committees and functions, selects the key risk indicators (KRIs) and corresponding risk tolerance levels to be monitored. These KRIs are an integral part of CEB's operating processes, risk management and internal control framework. In case these KRI's are breached it will have implications, including consequences for the remuneration of the Managing Board and Senior Management.

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

The main risk types are credit, market, interest rate in the banking book (IRRBB), liquidity, operational (non-financial), business, and integrity. These categories can be broken down into various sub-risk types, and the Bank's risk appetite statements apply to both the main risks and sub-risk types. Examples of KRIs in CEB's risk appetite include concentration limits for single counterparties, industry sectors and countries; asset quality limits; capital ratio limits; liquidity ratio limits; market risk parameter limits; and limits for risk parameters based on the Bank's operational, integrity and business risk assessments. More detailed information about the approach that the Group takes to manage main risk types and the main KRIs are available within CEB's Risk and Capital Adequacy Report, as well as on our company website. In addition, CEB's risk governance and the main developments within 2022 are described in the Risk Management and Business Control Section of the Annual Report.

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

Digitalization Program
CEB closely follows developments in the digital banking field and always seeks to offer seamless direct banking solutions to customers in an agile way. Customers expect a transparent and smooth experience that gives them control over their banking products. If a bank fails to meet these expectations, there is a risk of losing customers. Therefore, in 2021, CEB introduced new digital channels that also feature digital onboarding for retail banking in Western Europe. The Bank modernized its digital offerings and launched a digitalization program to make its retail products more appealing to customers. This vision will be applied for Corporate Banking in 2023 and new digital channels will be introduced for CEB NV's corporate customers, followed by CEB Suisse's corporate customers.

Based on a multi-channel "one truth" approach, in which customers consistently have access to the latest information, the greatest emphasis is placed on the mobile channel because this is where the majority of customers conduct most of their banking activities.

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

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

Cloud-native Infrastructure
Staying ahead of the needs of an increasingly connected and demanding customer base requires solutions that are not only secure and supported but also robust and scalable, whereby new features can be delivered in a timely manner. To meet these requirements, CEB has implemented all-new digital banking components, tools and processes within a cloud-native infrastructure. Furthermore, this infrastructure will allow CEB to utilize public clouds for Corporate Banking customers in 2023, thus enabling the Bank to operate without dependency on hardware while also increasing operational efficiency.

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Cybersecurity
CEB accords high priority to cybersecurity within its management agenda and invests in the field based on the outcomes of regular risk assessments. In 2022, the Bank's major cybersecurity development investments included securing cloud workloads, establishing security baselines, and further enhancements of container security.

Introducing a cloud infrastructure requires a new system of handling cybersecurity threats. In 2022, CEB continued to invest in security technologies through, among other processes, transformation to cloud security, thus promoting business agility and accelerating the Bank's digital transformation. The cloud-based platform provides full visibility and security automation across the entire application life cycle, utilizing a modern zero-touch approach to detect and prevent threats.

Value-adding and Responsible Products

Corporate Banking

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

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

The CEB corporate banking platform now goes beyond simply providing finance to its customers; it also assists them in meeting potential business partners and adopts high integrity and ESG standards. Being one of the major business lines of CEB, corporate banking activities play an important role in the financial and non-financial footprint of the Bank. In all corporate banking activities, "product responsibility" means CEB's direct or indirect position and value creation with respect to the following criteria:

- ESG risks,
- Tax integrity,
- AML,
- Corruption,
- Terrorist financing, and
- National and international sanctions.

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

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

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

The Corporate Banking Division may face the following risks while onboarding new clients as well as working with existing ones:

- Clients' activity in a restricted area as per CEB's ESG Risk Framework,
- The involvement of corporate clients and their ultimate beneficial owners or managers in potential breaches of national or international law and regulations on money laundering, corruption, terrorist financing, tax evasion, environment, human rights, etc.,
- Clients and third parties under national and international sanctions,
- Transactions related to goods and countries that are subject to national and international sanctions, and
- Transactions that may be in breach of national or international law and regulations regarding money laundering, corruption, terrorist financing and tax evasion.

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For the purpose of managing those risks, CEB has developed clear internal procedures and instruments, including:

- Highly detailed KYC processes for new clients, repeated periodically for all current clients,
- Manual controls on every transaction,
- Establishment of artificial intelligence filters for an additional control of each transaction,
- Close and continuous collaboration with regulators and external consultants for further improvements in risk management,
- Development of a comprehensive Sustainability Policy to integrate ESG factors into the Bank's business model, and
- ESG risk assessments.

To make sure that all client portfolio is monitored strictly and closely as per above mentioned procedures, conservative KRI ratios are applied internally, such as:

- Percentage of expired KYC files should not exceed 5% of total number of client files at any given time,
- Percentage of KYC files with discrepancy (missing or incorrect documentation) should not exceed 5% of total number of client files at any given time, and
- Percentage of KYC files which has expired for more than 3 months, should not exceed 2.5% of total number of clients at any time.[5]

An excess on any of the above mentioned KRI ratios would automatically trigger red flags in the system and escalation to higher management. Both in 2021 and 2022 CEB client portfolio was well within the given KRI ratio limits.

For the sake of measuring and better controlling the above-mentioned risks, CEB uses third-party services, which operate dynamic data platforms that are constantly revised according to internal and external developments. CEB has also clearly identified the following:

- Countries and jurisdictions presenting risks ranked at low, medium, high, and critical,
- Blacklisted countries based on sanctions, corruption, etc.,
- High-risk ranking for certain sectors, goods, and services, and
- ESG risk ranking.

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

Retail Banking

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

In Western Europe, CEB's retail banking offers sight and term deposits. The most important factors for retail customers when choosing such saving products are attractive interest rates, financial security and customer experience. The Bank's basic product specifications have remained unchanged since its establishment. This easy-to-use and comprehensive product design is a key factor in the loyalty of CEB customers, who have continued to use the Bank's saving products over decades. In the Netherlands and Germany, sight deposits and term deposits are the only two products offered to retail customers. The Retail Banking Division defines a loyal customer as one with a material deposit balance and an account relationship of minimum ten years. As of year-end 2022 the Bank had 70,027 retail clients with material balance, and an average account relationship of 17 years. Of these customers, 92.3% have enjoyed a customer relationship of a decade or longer.

In Romania, in addition to these products, we offer current accounts, credit and debit cards, and residential mortgage loans. Moreover, we have a branch network in Romania to serve our customers. The Retail Banking Division is working on projects aimed at increasing the engagement of the retail banking portfolio for a better customer experience. As of year-end 2022, the Avantaj2go credit card mobile app enrolled-customer numbers rose to 129,492 customers compared to 96,263 customers at year-end 2021. Furthermore, the newly launched Virtual card, offering a better e-commerce experience, reached 2,258 customers within a short period.

Dutch and German customers are protected by the Dutch Deposit Guarantee Scheme (DGS) and Romanian savers by the Romanian Deposit Guarantee Fund. Both schemes guarantee protection and insurance for up to a maximum of EUR 100,000 per customer per bank, and they cover nearly all retail deposits held by the Bank. This scheme, combined with the low-risk appetite of the Bank, safeguards customers' deposits.

[5]Three months after the KYC expiry date, business escalates the case to the Compliance Management Committee (CMC). CMC makes the decision on a further course of action (including accounts to be put on hold or termination of the relationship with such customer).

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The retail deposit market in Western Europe remains challenging, conditions have altered since the reversal in interest rates as of mid-2022. The most important factors for customers choosing saving products are financial security, convenience, transparency, good customer service and attractive interest rates. Due to the recently high dynamic in the retail savings market, saving customers are in search of offerings outside their existing banks. This situation supports two major trends in the market: (1) Customers prefer sight deposits rather than term deposits because of the higher flexibility; and (2) Saving platforms and comparison providers are poised to play a more influential role as intermediaries and first points of contact for customers. CEB is closely monitoring these developments and the Bank's current strategy is to sustain its position in the savings market.

A competition in the Western Europe retail savings market has intensified in the recent years, customer experience has become an even more important differentiator in retail banking – critical to the Bank's success in a highly competitive environment. CEB closely monitors developments in digital banking to stay abreast of the latest trends and innovations. The Bank's retail customers in all countries can apply for an account and maintain their products 24/7 via online, mobile and telebanking channels. Furthermore, CEB maintains a close and interactive relationship with its customers to gather first-hand insight regarding their perception of the Bank's products, channels and communication. This feedback forms the foundation for a broad range of optimization activities, carried out continuously.

The number of customer complaints is considered a performance indicator that can express the overall satisfaction of the client base. In 2022, the Bank's Retail Banking Division measures were 420 complaints (607 complaints in 2021) against a five-year-average of 638 (843 in 2021). By year-end, around 90% of these complaints were closed. In Romania, retail banking customers registered in total 2,100 complaints against a five-year average of 3,275 complaints. Most complaints are related to the Bank's most important product, credit cards; CEB is constantly improving the customer experience in this area with new products and channels.

In 2022, CEB Romania launched the SoftPOS product, which is an Android-based card acceptance mobile application for merchants. The product will onboard SMEs and large distributors that need mobile collection tools. In Q4 2022, CEB Romania launched the Virtual Card product for credit cards, which can be issued directly from the mobile application AVANTAJ2go and used online and offline with digital wallets. At the end of Q4, CEB Romania started a collaboration with SelfPay for the collection of payments for credit cards. This service will provide convenience for credit card customers in paying their statement amounts; the service is also expected to contribute to enhanced customer loyalty and will be an effective anti-attrition tool. Also in Q4 2022, CEB Romania extended the insurance products distribution to the existing client portfolio through distance contracting. In 2023, CEB will further concentrate on digital transformation in the Romanian market, investing in the development and design of digital channels and products in order to increase the experience of the existing customers and to acquire new customers.

Furthermore, CEB Romania is currently developing a Mobile Banking application to continue improving the customer experience. The Digital Onboarding flow, designed for different retail products such as current accounts and debit and credit cards, will be also beneficial for reaching more individual clients in areas within the country that lack branch network coverage.

The Digital Customer Data Update flow will also be launched in 2023. This platform will ease access for existing retail clients to this operation, which must be fulfilled periodically by each bank in Romania per the law. Concurrently, it will enhance the position of clients located in areas with no branch network coverage.

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

CEB's retail banking has many policies and procedures in place that reflect the regulatory requirements across the EU and in local markets. The Bank's Code of Conduct provides the framework for maintaining the highest possible standards of professionalism.

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The most important policies and procedures include the following:

- AML/KYC Procedure,
- Customer Complaint Handling Procedure,
- Code of Conduct,
- Foreign Account Tax Compliance Act and Common Reporting Standard Policy,
- Internal Alert System Policy (whistle-blower policy),
- Conflict of Interest Handling Policy, and
- Personal Data Disposal Procedure.

The Bank's Internal Audit Department regularly enforces adherence to and the correct application of the applicable rules/regulations and internal policies and procedures as a result of their periodically performed audits.

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

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

Human Capital Management

The year 2022 was one of transitions and continued volatility. The year started as 2021 had ended, with relatively strict Covid measures still in effect in Europe. However, in the second quarter of 2022, most of these measures became less restrictive, and we sought a new balance in terms of meeting online or in person, and coming to the office or not. Our observations and experience indicated that this so-called hybrid way of working was here to stay; the Bank decided to use 2022 to adapt to this new way of working.

In light of the consequences of hybrid working, we have focused on further enhancing the way we work together. CEB specifically focused on how to maintain and improve our cooperation and collaboration among colleagues and between teams and divisions. A cultural program was initiated to support these ambitions, involving every colleague within the Bank from the Managing Board to individual team members.

We continued to benefit from the flexibility of the hybrid work model with the ability to organize live, local (social) events and online quarterly staff meetings involving all employees.

In observing the year from a human perspective, we see that 2022 was extremely challenging, due to various international crises and the resulting uncertainties and opacity. The war in Ukraine on February 24 initiated by Russian military forces resulted in a new and harsh reality. This war, one that few could have imagined a few months earlier, would continue to have an impact in the foreseeable future. The Bank offers ongoing support to our colleagues in the Kiev office, sometimes by offering employment with the Bank outside Ukraine. From an economic perspective, our employees faced the consequences of the war with, inter alia, inflation rates spiking to record levels and a global energy crisis.

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Hybrid Working
The Bank moved into adopting the hybrid work model as a normal element of the current way of working. The planned pilot (a minimum of one and a maximum of three days per week at the office) could not start in 2021 due to another lockdown but launched in April 2022 and ran until the end of the year. We asked colleagues for their feedback in November through a pulse survey that covered hybrid working within the Bank as well as their general engagement levels. Overall, the hybrid work model is highly appreciated. Both managers and employees state that their productivity is equal or greater in the hybrid working environment. In addition, the flexibility that comes with hybrid working is much appreciated. The majority of staff indicates that the infrastructure to support the hybrid working model is in place from a technical point of view. Based on the survey outcomes, CEB will continue to apply a hybrid working model; to facilitate this, the physical working environment at the office will be subject to further improvement. The Bank has commenced a project to address these issues and, based on the outcomes, the Managing Board will make a decision in the first half of 2023.

Occupational Health
As noted above, the continued impact of the Covid pandemic affected the wellbeing of our employees. In 2022, the Bank frequently updated employees regarding relevant announcements and the impact of local governmental guidelines. In addition, the Bank, committed to safeguarding the interrelationships between colleagues, organized several online events, including Quarterly Staff Meetings, to share strategic updates, spotlight a department, and conduct Q&A sessions on a wide range of topics relevant to employees. Furthermore, the Bank organized some live events, such as a summer BBQ, as well as virtual teambuilding experiences and drinks.

To better support our employees, CEB launched a wellbeing platform providing easy 24/7 access to video-guided healthy work breaks, such as neck and shoulder relaxation, energy boosters, mindfulness, yoga and healthy eating tips.

We will extend support towards elements like external health checks, mental coaching and access to psychologists, because we feel that each employee should be offered the opportunity to benefit from sharing their personal feelings and experiences with a professional, in order to learn how to deal with whatever life brings to the table – both at home and at work.

One of the Bank's aims in initiating wellbeing initiatives is to ensure employee wellbeing and maintain a full productive workforce. CEB NV's current sick leave (at 2.0%) is well below the 2022 country average of the Netherlands (5.0%) as stated by the Centraal Bureau voor de Statistiek (CBS).

Performance Management
The Bank started to work with a new platform to drive employee engagement, performance and development. This platform is used for a more structured approach to performance management and provides transparency around communicating goals, monitoring performance, sharing feedback, and capturing notes after one-on-one or team meetings. The platform also offers a wide variety of elective and mandatory e-learning modules to support employee development. In 2022, the platform was launched covering CEB NV, including its branch offices, and CEB Suisse.

Competitive Remuneration
Research shows that compensation is one of three key reasons that employees consider accepting another role. In view of the tight labor market trends in the geographies where we operate, the Bank is aware of the importance of offering compensation compatible with market practices; in addition, inflation rates in Europe spiked to record levels in 2022.

Accordingly, CEB increased its Dutch employees' salaries in line with the new Banking Collective Labor Agreement (CLA) as adopted in December 2022. Similar inflation related salary increases are being done for our employees in other countries. In 2023, the Bank will execute another extensive benchmarking exercise to ensure that its compensation offerings are in line with the current sector practices in the Netherlands.

With regards to social protection for employees, CEB adheres to at least the minimum standards of each country where it operates. In many instances CEB offers more than the minimum requirements.

Family-related Leave
In line with regulatory requirements, CEB offers its employees family-related leave in the countries where it operates. This policy includes family care leave, maternity and paternity leave, and parental leave (paid or unpaid).

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Agile, Adaptive, and Resilient Organization
To maintain a sustainable business strategy, CEB must be an agile, adaptive and resilient organization. For this, an integrated IT approach is essential.

Previously, the Bank's IT strategies were defined per country/market. While this approach offered advantages in terms of providing flexibility to address different needs/requirements at the subsidiary level, it also entailed certain drawbacks, such as barriers to consolidating these stand-alone strategies at the Group level.

To establish an integrated IT approach, the following actions are taken:

1. A Group-wide IT Strategy Committee was formed, and Committee meetings are held annually.

2. Adoption of Banking as a Service (BaaS) approach which enables:

   - Group-wide data governance,
   - Well managed system security,
   - Strong compliance functions,
   - A scalable banking system, and
   - Enhanced integration of business and IT at the consolidated level.

In 2022, the core banking conversion project for CEB Suisse was finalized. A similar core banking conversion project is planned in 2023 for CEB Romania.

3. DevSecOPS

The Bank also takes a more integrated approach on software releases, implementing a cloud-based software distribution model at Group level, through which a continuous improvement process takes place. The benefits of a cloud-based approach include:

- Cost-effectiveness: Paying for resources used rather than building and maintaining the infrastructure,
- Scalability: Resource usage can be easily increased or decreased as needed without any upfront investment,
- Reliability: Designed for high availability and can offer uptimes of 99.9% or higher,
- Flexibility: A wide range of services and tools that can be used to build and deploy the applications,
- Improved Security: Continuous investment from providers in security and having teams of experts working to ensure that the platforms are secure, and
- Testing: Early, often and fast.

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

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

CEB's leadership encourages teamwork, accountability and remote communication using agile methodologies.

The Bank's business stakeholders and developers work together to align CEB's products with customer needs and company goals. This is executed via scrum teams, which create a more responsive and efficient working environment while enhancing cross-functional collaboration. CEB is aiming to increase the level of agile maturity in collaboration with a consultancy firm, which serves our teams by providing agile coaching and helping them to maintain and, where necessary, improve the organizational structure and effectiveness.

CEB intends to continue fostering this agile mindset within the Bank for the upcoming years under the leadership of its Managing Board.

Data Governance
Data governance is a systematic approach, which will enable the Bank to derive value from data and become a more data-driven organization by delivering necessary analytics tools. Key objectives under the data governance umbrella include:

- Providing high speed and high-quality data to stakeholders,
- Improving regulatory compliance and data security,
- Increasing stakeholder awareness and support, and
- Reducing the time spent on manual data.

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Aligned with the Bank's strategy in 2022, the Bank's Data Office kept data quality and regulatory compliance in the retail customer data domain as paramount; the necessary tools were facilitated to succeed; and further digitalization was achieved. In addition, Transaction Due Diligence dashboarding activities were completed, further strengthening compliance. As well, and in line with the Group-wide IT strategy, the core banking conversion project for CEB Suisse reporting and management information deliverables was achieved and the implementation of a consolidated risk data management tool was successfully rolled out.

As a next step, compliance data domains will be improved and kept in the spotlight, budget- versus-actual reports will be digitalized, an activity-based costing model will be covered, and advanced statistical models for the deposit business will be implemented during 2023, targeting the following milestones:

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

Corporate Culture

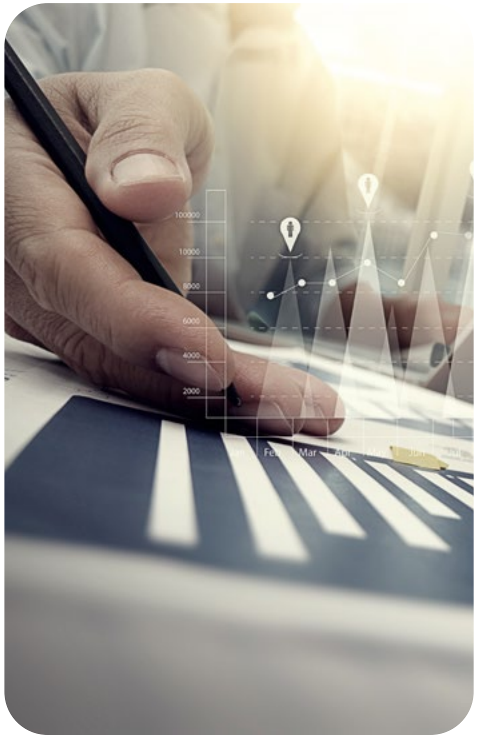
Our DNA is based on being an entrepreneurial and international niche bank. This requires a strong corporate culture – and our people are crucial to forming and cherishing this culture. This group of talented individuals works together and fuels the Company with their ideas and ambitions. Open lines of communication and full transparency are a prerequisite for sustaining this spirit. By listening to each other, sharing and remaining open to feedback, we are working towards becoming an even more efficient and adaptive bank for ourselves, for our clients and for our communities. We believe this is vital for the Bank's sustainable value creation.

Due to the many challenges the sector has faced in the past, a more conservative and risk-averse culture emerged at CEB. We will build on this while focusing on becoming more intrapreneurial and celebrating new ideas, thoughts and ambition by ensuring a safe environment where every team member feels comfortable openly expressing their ideas and feedback. In 2022, we worked on an umbrella narrative to support this cultural transformation. Further, changes were made to the governance structure of the Bank (e.g., establishing an Executive Committee) and the Bank's Executive Committee embarked on a leadership development program. As well, the Grow Together program was launched to raise self-awareness and support effective collaboration. (More information on this program can be found in the Non-financial Review chapter under 'Employee Experience'). At the beginning of 2023, an internal communications officer was hired to further facilitate this process and the implementation of the umbrella narrative will be among the main priorities in this regard in 2023.

Transparency

A great deal of attention is given to increasing transparency for all CEB's stakeholders. As clearly stated in our business model and strategy, the products and services offered by CEB are non-complex, easy to understand, and transparent. The Bank publishes its annual reports, interim (semi-annual) condensed consolidated financial statements, and risk and capital adequacy (Pillar III) reports biannually on its corporate website (www.crediteuropebank.com). In 2022, all external mandatory disclosures were made in a timely manner and without exceeding any deadlines.

The Bank has two credit ratings from Moody's and Fitch, which are also published on the corporate website. CEB's Bank Relations Division is responsible for investor relations and provides answers to queries that may arise from corporate lenders (mainly correspondent banks of CEB) and bondholders. To increase



internal transparency, presentations are conducted by the Bank's CEO or CFO on financial and non-financial matters during quarterly staff events. In addition, thematic sessions are organized, e.g., on strategy and financial results. During 2023, our communications advisor will work on further improving the Bank's internal communications and enhance internal transparency.

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

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

In view of the above, CEB defines information security management as a continual cyclical process, which includes the identification and assessment of information security risks as well as the implementation and monitoring of controls aimed at mitigating those risks to an acceptable level. Information security management is a part of CEB's internal control framework. Key requirements of defense in depth, people, third parties, facilities, technology, and processes are considered when executing the information security cycle. The applied approach regarding the management of information security risks results in:

i. The increase of information security awareness across the Bank, and
ii. Risk-based decision-making for an essential level of information security and for increased protection of CEB's information assets. CEB's risk-management governance (lines of defense, tone at the top, and management and committee structures) and crisis communication processes apply the concept of managing cybersecurity risks.

This is not only focused on IT infrastructure but also on people, processes, and technology. The governance represents the architecture within which information security management operates in the Bank, whereby each staff member of the Bank is accountable for managing the information security risks within their area of accountability. The structure clearly assigns and governs the responsibilities of all staff members, including the first, second, and third lines of defense.

CEB has set the following principles for sound and effective management of information security:

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

Key Risks and Related Controls
CEB is aware of the risks of internet and cloud business models, digital transformation, and mobility. All these developments have a significant impact on the banking industry. CEB acknowledges the risks of attacks, including cyberattacks, which may target the Bank's main payment systems, such as SWIFT and third-party provider channels. The same applies to digital products that are entry points for the external world, regardless of whether the solutions are on the premises or in the cloud. All these channels have their respective regulations or special frameworks, such as the SWIFT Customer Security Framework, regulatory technical standards, and EBA's and DNB's respective control objectives and guidelines. CEB's compliance with these standards is at the highest level, and all channels are subject to risk assessments by both internal and external parties. Regular simulated phishing exercises and awareness training sessions are conducted to equip employees to prevent targeted attacks, and CEB carried on implementing the process for monitoring brand abuse in 2022. The number of takedown sites for brand abuse in 2022 was four (4).

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

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

CEB has identified business continuity as a key area of risk, and the Bank performs impact analyses on required resources and periodic tests on important business processes.

In 2022, it continued strengthening its cybersecurity and resilience to enable it to cope with the emerging and sophisticated cyber threats in the financial sector. Enhancements were also made in the areas of operational risk management, information security, data protection, and business continuity.

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

CEB actively monitors operational risks losses, which also includes information security and cyber risks. In addition, the loss data is analyzed to deep dive the root causes of such incidents and prevent similar losses.

The Bank's consolidated net operational losses in 2022 are listed below.

Risk Category

Internal Fraud	-
External Fraud	-
Employment Practices and Workplace Safety	-
Clients, Products & Business Practices	●
Damage to Physical Assets	-
Business Disruption and System Failures	●
Execution, Delivery & Process Management	●

○ *Annual total loss amount is lower than EUR 5.000*
● *Annual total loss amount is between EUR 5,000 and 30,000*
● *Annual total loss amount is between EUR 30,000 and 60,000*
● *Annual total loss amount over EUR 60,000*

In 2022, the total operational risk-related (including cyber and information technology risks) financial net loss amount incurred was below defined risk appetite levels. By considering the total financial loss amount, the Bank's operational risk profile is assessed as being within acceptable levels.

CEB performs information security activities with company-wide application of:

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

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Diversity, Equity and Inclusion

CEB's employees are essential enablers in achieving business targets. Therefore, facilitating a safe workplace where they can thrive is the Bank's main objective for long-term success. To create and maintain such an environment, our focus is on diversity, equity and inclusion ('DEI').

Diversity is among the Bank's three core values: Our diversified background and footprint in different regions allows us to entertain different perspectives – a crucial component of our ability to attract talent and meet our strategic targets.

Within the Bank, we aim to safeguard equity through unbiased assessment of an individual's potential and performance, based on the knowledge, skills, behaviors and experience as relevant to the role's requirements. An inclusive culture is fostered, where our people can safely share their perspectives, skills and experience. We aim to form fair, inclusive and equity-based decisions with regard to, among others, recruitment, performance evaluation, remuneration, development opportunities and career progression.

Following the introduction of the Gender Balance Act, the Bank determined appropriate and ambitious targets to promote gender diversity on its boards; in certain categories of managerial functions, targets were set and actions are being taken to achieve these targets. In 2022, the Bank's Diversity and Inclusion Policy was updated to further instill it into the organization. The Policy sets out the Bank's commitment to inclusion, equity and diversity. A diverse workforce, inter alia, helps us to fulfill our purpose, as different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. Among the main DEI actions taken in 2022 were the organization of a Diversity & Inclusion Awareness workshop for the Bank's Management Team, and the performance of a Gender Pay Gap Analysis in line with applicable regulations. To note, in general, no gender distinction in terms of remuneration was detected; however, for a few individual cases, an insignificant gap was identified and immediate action was taken accordingly. Other actions in 2022 included the updating of internal policies and procedures, such as providing more flexible employment terms (e.g., part-time options), to further promote diversity; and initiating a further review of the Bank's succession planning from a diversity and inclusion perspective. The main item for improvement remains the establishment of a balanced gender ratio among CEB's staff. While the male-female ratio is well-balanced at the consolidated level of the Banking Group, there is room for improvement at entity level in the different countries and within the different seniority levels. For more information on Board diversity, please refer to the Corporate Governance chapter of the Annual Report (Section D).

In 2023 and thereafter, CEB's focus will be on tangible initiatives and activities, the recruitment process, and succession planning. This includes setting up a DEI working group, and planning diversity and inclusion awareness workshops for all employees, as well as setting effective DEI targets for 2023.

Please refer to Chapter Financial & Non-financial Highlights for information on the gender breakdown of the Bank's workforce.

Employee Experience

Attract and Retain Employees

At CEB, we continue to enhance the employee experience by highlighting employee engagement and learning and development initiatives. Additionally, CEB also provides a hybrid working environment, and employee wellbeing and transparent performance management (more information can be found in the Human Capital Management chapter). To support the provision of an optimal employee experience, we also focus on simplifying and digitizing HR systems and processes.

Employee Engagement

To support employees in their contribution to the Banks's cultural transformation, two related key performance indicators (KPIs) were introduced.

The first company KPI is "Development", directed towards personal development. The process includes the formation of a personal development plan by the employee and the manager, selecting the relevant learning intervention and reflecting on progress. Offering the opportunity for personal development is a strong driver for employee engagement; individuals are challenged in a positive way, enjoy sustainable employability and the opportunity to remain relevant in the marketplace, and feel acknowledged by the Bank's investment in them.

The second company KPI is "Increasing Self-Awareness", determined to stimulate collaboration within the Bank among employees, teams and, ultimately, divisions. CEB encourages effective collaboration among employees and values its multidisciplinary team structure, which in return enhances the Bank's customer services and employee engagement.

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The engagement survey is an important tool for measuring employee engagement. In 2022, we measured the employee Net Promotor Score (e-NPS) for the first time, via two pulse surveys consisting of a limited number of questions. In addition to the e-NPS-related question, the survey focus covered the direction of the Bank, alignment with the Bank's goals, collaboration, general working environment, and the hybrid working environment. We are utilizing the results of these surveys as input for fine-tuning activities directed towards enhancing employee engagement. In November 2022, 73% of the Bank's employees agreed or strongly agreed with the statement, "Overall, I'm satisfied with Credit Europe Bank as an employer". The e-NPS score rose to -5 in November from -18 in June. However, as these were the first two surveys in which the e-NPS was measured, we will use future survey outcomes to observe trends and establish a baseline to better monitor our progress.

Learning and Development (Training and Education)

Building on 2021, and in consideration of the economic, regulatory and technical challenges and the complexity of the business, we initiated several Learning & Development (L&D) initiatives related to self-awareness, collaboration and leadership. These were carried out adjacent to regular on-the-job training, professional development and mandatory (e-)learning modules. The latter category was offered to new employees to get acquainted with the regulations, policies and procedures and conduct policies that are important for every employee within the Bank.

To raise self-awareness and support effective collaboration, we launched the Grow Together program. We offered extensive training to all employees within the Bank to create awareness of their personal behavioral preferences, and ways of working and communicating. We used a globally recognized methodology and training institute that supported us in designing and facilitating the training sessions. The program featured a development questionnaire explaining the theoretical background and establishment of the personal profile along with exercises putting theory into practice. In 2023, the Bank will continue to execute the Grow Together program, focusing on team effectiveness, based on the same methodology.

CEB recognizes that developing the Bank's workforce is of crucial importance. Therefore, we continue to prioritize learning and development to support the achievement of our strategic direction. Learning and development activities will continue to target both professional and personal development. Professional development focuses on strengthening expert knowledge and technical skills to assist employees in succeeding in their roles. Personal development involves improving mental and social skills to facilitate enhanced self-awareness and collaboration, and the agility to meet changing stakeholder demands and expectations described under cultural transformation.

The post-pandemic hybrid working model is here to stay and CEB has successfully embraced and adapted this model. The hybrid work environment provides numerous positive aspects such as flexibility and employee satisfaction, but also necessitates additional efforts to maintain employee engagement; the lack of frequent personal interactions among employees impacts employee recognition. To overcome this challenge and to stimulate an open feedback culture, CEB introduced a holistic performance management system. Additionally, one of the Bank's strategic pillars is to strengthen its leadership, culture and mindset and to put employees at the heart of the organization.

Responsible Remuneration

CEB is bound to the Group Remuneration Policy (at the level of Credit Europe Group N.V.), which was updated in June 2022 in accordance with applicable laws and regulations. For further details on CEB's remuneration policy, please refer to the Remuneration Report included in the Corporate Governance chapter.

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ESG Strategy

Aligned with the Bank's strategy, one of CEB's three core principles is to stand as a future-proof organization through the adoption of an integrated and long-term approach to creating a positive impact. As a sound ESG management approach is essential in adhering to this principle, CEB has taken several steps to further integrate sustainability into its activities. The Sustainability Committee, chaired by the CEO, was restructured to include members from each key business function, ensuring an interdisciplinary approach and effective communication of ESG-related updates within the Bank. The first important decision made by the Sustainability Committee in 2022 was the approval of the Sustainability Policy. The Policy outlines the Bank's approach to implementing environmental, social and governance (ESG) components into its business operations and conducting business by adopting a 'people, planet and profit'-oriented approach.

CEB continues to pursue its four-year action plan (2021-2024), as submitted to De Nederlandsche Bank (DNB) DNB (based on the European Central Bank (ECB) Expectations), that includes the implementation of comprehensive assessment and management risks, as well as disclosure of climate-related and environmental risks. As such, CEB implemented a number of initiatives in 2022. In the direction of adopting a sector-specific approach to tailor its ESG approach, CEB developed the following sector-specific policies and business plans:

- **Fossil Fuel Policy**
  Initially discussed as a Coal Policy, the Policy was soon updated to include the Oil & Gas sector and renamed the Fossil Fuel Policy. Together with a phase-out timeline targeted to the end of 2024 for thermal coal direct financing, this Policy also includes certain risk appetite limits and prohibited activities with regards to the fossil fuel industry for which CEB will no longer provide direct financing. Additionally, regarding trade financing activities for metallurgical coal, CEB will follow the technological advances in low carbon alternatives (e.g., electrification of steel production) and revisit the timing of a total exit from coal.

- **Marine Finance Business Plan**
  The Bank updated its Marine Finance business plan, inter alia, an ESG-risk acceptance criteria with regard to the financed vessels' energy efficiency and carbon emissions intensity parameters. These acceptance criteria were set in line with the International Maritime Organization's (IMO) upcoming regulations containing the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII). CEB has proactively adopted the thresholds set by the upcoming regulation as of July 2022 and is committed to no longer financing new vessels that have low carbon emissions performance.

- **Commercial Real Estate (CRE)**
  Similar to the Marine Finance Business Plan, CEB also updated its CRE Business plan, inter alia, to include ESG-risk acceptance criteria. Since buildings are currently responsible for around 39% of global energy-related carbon emissions, 28% of which arise from operational emissions (energy consumption), the Bank determined an energy performance threshold, as per the Energy Performance Certificate (EPC) of the building, and will no longer provide financing to new CRE clients who are unable to meet the established thresholds.

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Furthermore, the Bank took a decisive step and became a Member of the Partnership for Carbon Accounting Financials (PCAF) in 2022. CEB has committed to monitoring and disclosing its financed emissions, along with its operational carbon footprint, in the upcoming period. The Bank has initiated a project to calculate its Scope 1 and 2 (own operations) emissions, the first part of which was completed for the Bank's headquarters. In 2023, the scope will be extended to cover the Bank's branches and subsidiaries.

As ESG knowledge among our employees will play a major role in CEB's ability to achieve a long-term and sustainable business model, the Bank places great importance on implementing an inclusive ESG training plan covering all employees and incorporating their differing needs. In 2022, the training plan encompassed a series of Board-level trainings, including the Bank's Supervisory Board and Executive Committee Members; these sessions will continue in 2023. In addition, function-specific ESG and climate risk trainings were held in 2022, and an external training plan was developed with the aim of increasing the competencies of key employees participating in the Bank's ESG objectives, such as the Managing Board, Risk Management function and the Sustainability Officer. The Bank acknowledges ESG trainings as a continuous program and efforts will also continue in 2023.

Please refer to the Diversity and Inclusion chapter of this Report for CEB's related management approach and initiatives.

Sustainable Finance

The United Nations Sustainable Development Goals are an essential part of business frameworks and investment decisions, and the financial sector plays a crucial role in achieving these goals. According to the latest Global Risks Report published by the World Economic Forum in early 2023, failure to mitigate climate change, along with failure of climate-change adaptation, are identified as the top two most severe long-term risks, followed by natural disasters and extreme weather events. Accordingly, financial institutions' commitment to climate alignment continues to be invaluable.

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

To better understand and monitor the climate risk impact on CEB's balance sheet, the Bank further extended its materiality assessment to quantify and manage these risks and identify potential opportunities. CEB monitors carbon emissions for its balance sheet, covering corporate, bank and sovereign exposures, including trends since 2017. The calculation methodology that was developed and the metrics to monitor the portfolio are in line with the methodology deployed by PCAF. These emissions' trends are used to evaluate the risk appetite for sectors with high carbon emissions.

CEB is aware that more concrete steps should be taken in obligor-level ESG risk-assessment processes. These risks may trigger financial losses and should be explicitly assessed as part of the lending process and incorporated into credit risk policies and procedures. Accordingly, since 2021, CEB implements an ESG Risk Assessment Framework for corporate customers, developed by interdisciplinary internal experts in line with supervisory expectations, at a consolidated level that includes the Bank's subsidiaries. In 2023, this Framework will be revised to adopt the upcoming regulatory requirements, including the Corporate Sustainability Reporting Directive (CSRD).

EU Taxonomy

Regulation (EU) 2020/852 ('EU Taxonomy' or 'Taxonomy') aims to establish an internal market that works for the sustainable development of Europe, based, among other components, on balanced economic growth and a high level of protection and improvement of the quality of the environment. According to the regulatory requirements under Article 8 of the EU Taxonomy Regulation and supplementing Disclosures Delegated Act, credit institutions are expected to disclose the Taxonomy-eligibility of their covered financial assets covering activities relating to climate change mitigation and adaptation as of January 2022. The remaining four environmental objectives covering the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems are yet to be adopted in 2023.

The EU Taxonomy is introduced in phases and the non-financial institutions are yet to report on their Taxonomy-alignment in 2023 while the financial institutions will report on their EU Taxonomy-alignment in 2024. In order to develop a long-term EU Taxonomy integration plan, CEB will monitor its non-financial counterparties' Taxonomy-alignment disclosures in 2023 to extend dialogue with the counterparties covered by the Regulation for enhanced data collection purposes. Based on its current business model, CEB has not yet integrated EU Taxonomy into its product design mechanism but considers the related Taxonomy-alignment technical criteria as part of its sector-specific ESG strategies.

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

Since CEB does not provide special-purpose loans with environmental objectives, the information disclosed on Taxonomy eligible and non-eligible activity related asset ratios cover general purpose loans granted by CEB. This calculation is based on actual data provided by counterparties subject to EU Taxonomy, covering the KPI referring to the share of their turnover generated from Taxonomy-eligible activities. CEB has initiated the counterparty communication process. The lack of robust and complete EU Taxonomy-eligibility data together with varying format and time of public disclosure between counterparties subject to NFRD are still a main constraint which affect the accuracy of ratios and presentation of Taxonomy-eligibility ratios. Determination of counterparties subject to NFRD is based on internally available data obtained through KYC process and covers large public interest companies with more than 500 employees. However, data availability and quality will increase over the upcoming periods in line with maturing counterparty disclosures. Furthermore, the transition from NFRD to Corporate Sustainability Reporting Directive ((Directive (EU) 2022/2464, 'CSRD') together with adoption of the European Sustainability Reporting Standards will further facilitate the disclosure maturity and integration of technical screening criteria to CEB's business strategy.

Based on the available data, CEB's Taxonomy-eligible activities relate to loans to households collateralized by residential immovable property and exposures to financial and non-financial institutions subject to the NFRD.

EU Taxonomy-eligibility disclosure

Category	Dec 31, 2022	Dec 31, 2021	Definition
Total covered assets (in thousands of EURO)	4,024,832	4,381,552	Total amount of assets included in the Green Asset Ratio (GAR) calculation as the denominator
Taxonomy-eligible activity	6%	5%	Ratio of total EU Taxonomy covered activities of counterparties subject to NFRD, households and local governments to total covered assets (excluding the trading book and exposures to sovereigns, central governments and supranational issuers)
Taxonomy non-eligible activity	6%	8%	Ratio of total non-EU Taxonomy covered activities of counterparties subject to NFRD, households and local governments to total covered assets (excluding the trading book and exposures to sovereigns, central banks and supranational issuers)

Excluded assets' proportions to total covered assets

Category	Dec 31, 2022	Dec 31, 2021	Definition
Exposures to undertakings not subject to NFRD	79%	76%	Ratio of exposures to financial and non-financial undertakings that are not subject to NFRD to total covered assets
Derivatives	3%	2%	Ratio of derivatives to total covered assets
On-demand interbank exposures	6%	3%	Ratio of on-demand interbank loans to total covered assets
Sovereign Exposures	35%	32%	Ratio of exposures to sovereigns (including central banks and supranational issuers) to total covered assets
Trading Book	2%	2%	Ratio of exposures in the trading book to total covered assets

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

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Stakeholder Engagement and Public Relations

CEB believes maintaining effective stakeholder engagement is essential for creating mutually beneficial relationships, whether building on existing relationships or fostering new ones. Understanding and addressing stakeholder expectations enables the Bank to make more informed decisions. In 2023, there will be a continued focus on the relation management of our stakeholders, including but not limited to our shareholder(s), regulators, customers and employees. As to CEB's employees, several internal surveys will be launched and there will be an increased focus on internal communications (see also the Employee Experience chapter). In respect to the latter, an internal communications role was created, a (interim) communications officer was hired and the Bank's narrative was defined. In addition, continued attention will be paid to maintaining the relation with our shareholder(s), regulators and customers. Moreover, a public relations/communications agency has been engaged to initiate relations with selected media outlets.

Managing Environmental Risks and the Impact on Nature

CEB is conscious of its responsibility to conserve natural resources and minimize the direct and indirect impact on nature, and continually aims at a more efficient use of the resources required for its business activities. Prior to the Covid-19 pandemic, CEB established a sustainability working group that explored initiatives to contribute to a better environmental performance in the workplace. Several actions such as the extended waste separation of carton, paper and glass, the banning of plastic bottles and plastic/paper containers, and further promotion of the consumption of tap water were implemented. In 2022, CEB piloted and adopted a hybrid working model going forward. In 2023, certain improvements and transitions in the workplace, designed to effectively support hybrid working, will be executed. As part of these developments, resource and energy efficiency will remain important criteria.

The Bank has taken several essential steps to monitor, manage and reduce its environmental impact, so far covering climate-related initiatives (please refer to the 'ESG strategy' chapter of this Report for further details). However, other environmental aspects, including but not limited to biodiversity loss, pollution and the circular economy, have gained significant importance for the sector to address. As a result, 'Managing Environmental Risks and the Impact on Nature' has been included among the list of potential material topics for the Bank. Since this is a new area for the Bank, it recognizes the need to develop certain competencies and initiatives to identify and collect data and manage other environmental risks arising from its direct and indirect operations. Accordingly, in 2023, the Bank will execute training sessions on environmental topics and introduce a risk identification and assessment approach for other environmental risks as part of its overall risk management framework.

Financial Inclusion

In addition its strong presence in emerging economies, CEB aims to work with more SMEs as part of its revised business strategy. In doing so, the Bank hopes to provide access to useful and affordable financial products and services that meet their needs. The non-complex and transparent products provided to CEB's retail and SME customers ensure availability and equality of opportunity for clients accessing the Bank's financial services.

Furthermore, the Bank aims to engage and contribute to the United Nations' Sustainable Development Goal 8[6] by promoting sustained, inclusive and sustainable growth.

[6]*SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*

Report of the Managing Board

Risk Management and Business Control

Risk management and business control are directly anchored in the Bank's strategy and embedded in its organization. CEB implemented a risk management and internal control framework in line with the Bank's business activities and geographical organization. The purpose of such a framework is to set the minimum requirements for risk management and business control in respect to major risks and the successful achievement of CEB's strategic goals.

The Managing Board sets the Bank's risk appetite with the prior approval of the Supervisory Board and the Supervisory Board conducts oversight on the overall risk management and business control, taking into account the applicable local and international legal and regulatory requirements. This is performed in order to respond to the various financial and non-financial risks to which the Bank is exposed. The Managing Board is responsible for implementing and maintaining the risk management policies within the organization and monitoring the risk exposure to ensure that CEB's activities and portfolios are not exposed to unacceptable potential losses or reputational damage.

CEB based its governance framework on a "three lines of defense" model. Each line has a specific role and defined responsibilities with the execution of different controls. The three lines work cooperatively together to identify, assess and mitigate risks. The business units form the first line of defense. The accountability and responsibility for assessing, controlling and mitigating risks affecting their businesses, and the accuracy of financial statements and risk reports with respect to their responsible functions belongs to the first line. The second line consists of the Risk Management, Corporate Credits, Compliance, Financial Control and other control functions. Within CEB's head office and each banking subsidiary, local risk management and compliance functions are operating; these functions operating in the banking subsidiaries report both to local and head office management. The Managing Board ensures that risk management, compliance and other control matters are addressed and discussed with sufficient authority. The third line of defense is the Internal Audit function, which assesses the functioning and effectiveness of the business units, financial risk management and non-financial risk management activities.

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

Note 37 to the Financial Statements elaborates in more detail on the risk management and internal control framework, the risks incurred, and the main risk factors attached to the strategy of the Bank. Our corporate website also provides information on risk management and compliance.

Report of the Managing Board

Risk Management and Business Control

Key Developments in 2022
In 2022, the following events required the specific attention of the Managing Board:

Environmental, Social and Governance (ESG) risks continued to be among CEB's focus areas in 2022. We are mindful of the fact that our business actions can both have an impact on and be impacted by environmental and societal issues. The Bank has taken a number of actions to further incorporate ESG initiatives into existing processes. Please refer to the ESG Strategy and Sustainable Finance chapters of this Report for details.

Besides introducing new environmental risk acceptance criteria for the Marine Finance and Commercial Real Estate portfolios, CEB continued its efforts to enrich its risk appetite framework through supplementing nominal limits with Loss Given Default (LGD)-based concentration limits. To estimate the worst-case LGD metric at obligor level, CEB collaborated with S&P and utilized their proven methodologies for the low default for the Bank, Sovereign and Corporate portfolios. The LGD models of retail portfolios are developed in-house utilizing internal data. The implementation of the new models was finalized in 2022. The worst-case LGD-based risk/limit framework will be introduced in parallel to the nominal limits in the first half of 2023 and will be effective starting from the second half of 2023. In addition, the risk management framework was further extended with additional recovery plan indicators related to market-base and macroeconomic indicators in line with related new EBA guidelines.

Regarding both economic value and earnings-based measures of IRRBB, CEB revised its Non-Maturity Deposits (NMDs) models in 2022 with the external party Prometeia to better describe the key behavioral characteristics of NMDs. The project has been finalized and the results have been reflected in 2022 year-end figures.

In 2022, CEB went live with a new compliance software suite. This suite allows for an integrated approach between first and second line-related compliance processes in the area of transaction monitoring and sanctions compliance. Additional work has been undertaken on improving the operational risk management processes. In 2022, CEB performed its regular risk control self-assessment activities and internal control evaluation, covering every major process and high-risk areas. Credit Europe Bank conducts regulatory self-assessments and takes necessary measures by revising its internal policies and processes and updating its IT systems. Furthermore, to monitor each operational risk type effectively, the new key risk indicator framework and early warning limits defined in 2021 were implemented and have been integrated into the operational risk monitoring process.

In relation to the data improvement program, the integration of the core banking system in CEB Switzerland was finalized in 2022.

In addition, several data centralization, improvement and reporting projects were executed to enhance the content, quality and automation of the data inflow and reporting processes at the consolidated level.

Credit Europe Bank continued strengthening its cyber security and resilience to be able to respond to emerging and sophisticated cyber threats in the financial sector. Furthermore, enhancements were made in the areas of information security, data protection and business continuity. More details are provided in the 'IT and Information and Operational Risk' sections in the Non-Financial Reporting chapter.

CEB recognizes that its Financial Economic Crime (FEC) prevention framework serves as a solid foundation to prevent financial and economic crime risks. Therefore, CEB assesses such a framework on a continuous basis. The issuance of the EBA final report with guidelines on, among others, the organization of the AML/CFT compliance function at group level, resulted in the appointment of a Group Head of Compliance.

Areas of Improvement for 2023
The Bank continues to make necessary preparations to comply with changing regulatory requirements such as 'revised standard approaches in the Basel 3 framework', among others. Data centralization, internal process automation and risk management framework enhancements will remain as focus areas in 2023 as well. CEB will continue to strengthen its operational risk framework, with an additional focus on evaluating control effectiveness by control testing and developing new operational risk stress scenarios.

CEB will continue their work on further strengthening its AML/CTF framework in relation to its retail banking operations, also in order to meet regulatory expectations. Furthermore, the Bank will also continue their close monitoring of the developments regarding the introduction of the new EU AML/CTF package, which aims to further strengthen the EU's AML/CTF rules by introducing, among others, an EU AML/CTF regulation and sixth Directive on Anti-Money Laundering (AMLD6). In addition, the activity report, as issued by CEB's compliance function and presented to the Managing Board of Credit Europe Bank on a regular basis, will be further automated in 2023.

Report of the Managing Board

Risk Management and Business Control

Last but not least, CEB will continue to improve its sustainability framework via more in-debt materiality assessment, higher integration of sustainability risks to its business strategy and the preparation of a sustainability risk policy that documents the governance of climate related risk management processes and strategic targets.

Internal control report
The responsibilities of the Managing Board include compliance with the principles of the Dutch Financial Supervision Act and other regulations. These responsibilities include the implementation of effective risk management and control systems. The risk management and internal control framework aims to ensure reliable financial reporting and to control operational risks and the strategic goals of Credit Europe Bank.

Effectiveness of risk management and internal controls
CEB NV's management's internal control assurance related with effectiveness of risk management and internal controls was based on the Internal Control Framework Evaluation Questionnaire (ICFE) until 2021. To assess the effectiveness of internal controls, strengthen the front-line responsibility for operational risk management, and check whether key controls are working as intended, CEB performed key control testing activities for critical processes in 2022. The results of control testing activities are shared with the Managing Board to monitor the effectiveness of the internal control environment. Also, the results of independent control testing activities are shared with the Internal Audit Department, which audited the performed control testing activities.

Furthermore, the Managing Board relies on the risk management and internal control framework and is supported by the local management of its branches and banking subsidiaries in other countries. This local management provides an annual In Control Statement to the Managing Board, based on a risk control self-assessment.

The Managing Board annually reviews the effectiveness of the risk management and internal control framework. The Internal Audit functions of the Bank's subsidiaries review the self-assessment of the effectiveness of the risk management and internal control framework, taking into account their knowledge on policies and procedures and related audit findings.

The Audit & Risk Committee monitors the key risk indicators and findings of the Internal Audit function. In addition, regular reports are presented to the Audit & Risk Committee by the Managing Board, Internal Audit, Risk Management and Financial Control. Regular risk reports are distributed covering credit risk, market risk, liquidity risk, operational risk, etc. Compliance reports focusing on the management of integrity risks (i.e., conflicts of interest, money laundering, financial sanctions, improper conduct etc.) are regularly presented to the Compliance Oversight Committee. The risk management and internal control processes provide reasonable assurance that the financial reporting does not contain errors of material importance. This includes the going concern basis and confirmation that the risk management and internal control framework regarding financial reporting risks worked properly in the year under review. In view of the above, the Managing Board of Credit Europe Bank believes it is in compliance with Requirements 1.4.2 and 1.4.3 of the Dutch Corporate Governance Code 2017.

Responsibility statement
Pursuant to Article 5:25c, Section 2, Part c of the Dutch Financial Supervision Act, the members of the Managing Board state that, to the best of their knowledge:

- The financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of Credit Europe Bank and the companies included in the consolidation,
- The Annual Report provides a true and fair view of the state of affairs on the balance sheet date and the course of affairs during the financial year 2022 of Credit Europe Bank and its affiliated entities whose information is included in its financial statements, and
- The Annual Report describes the material risks that Credit Europe Bank is facing.

A member of the Managing Board (i.e., the CRO) has been given compliance risk management as a focus area[7], ensuring that an effective compliance function is established and managed under their responsibility within the Bank and under responsibility of local management in each banking subsidiary. This member of the Managing Board is also responsible for the compliance of the Bank and relevant subsidiaries with or pursuant to the Dutch Money Laundering and Terrorist Financing (Prevention) Act (Wet ter voorkoming van witwassen en financieren van terrorisme) (Wwft).

[7] *The Bank's Group Head of Compliance has a direct reporting line to the CRO.*

Outlook

The year 2022 was memorable, with many major developments in the geopolitical and economic spaces. The war in Ukraine had far-reaching consequences in various areas including geopolitical impacts, humanitarian crises, food and energy security, the global security architecture, and the global economy. Geopolitically, the war affected Europe's political and defense landscape, with Sweden and Finland seeking to join NATO and potentially breaking their neutrality. Additionally, it drove important macroeconomic effects such as reducing the global GDP and leading to a rise in global inflation, which was further amplified by post-pandemic economic activity. The average global inflation rate was 7.4% in 2022, surging from 4.35% in 2021 and 3.18% in 2020. Major central banks responded to these developments by increasing their key interest rates and some adopted quantitative tightening measures during the course of the year.

A mixed picture is emerging for the global economy in 2023, with predictions ranging from recovery to decline. Historically high inflation is negatively affecting all economies worldwide while central banks are trying to keep inflation under control and reduce it gradually with tighter monetary policies.

The European Commission expects a rise in real GDP for 2023 in most of the European economies while the World Bank has recently slashed its 2023 global economy growth outlook to 1.7%. There is a high chance of a multi-speed global economy with uneven outcomes, leading to a decline in Europe's real (inflation-adjusted) economic growth. Central bank policies and their impact on the economy will be the crucial factor in 2023, particularly in the US and Europe. The removal of policy accommodation in major economies will be the deciding factor in the economic and financial market landscape for the coming months. All major central banks continue their rate hike cycles at a softer pace this year accompanied by quantitative tightening, but this policy move starts hurting the corporate earnings and may incur a slowdown in economic activity in the next quarters. The outlook for the Chinese economy, another key global market, is also mixed; a few sources project growth and others predict a slowdown. In any case, however, it is crucial to note that the growth outlook for China's economy is slower than recent norms.

Commodity prices in 2023 are expected to be under pressure early in the year, but then could ease back due to the possible global recession. Although stronger-than-average household savings in developed economies are providing a softer landing during the process of fiscal and monetary normalization, there is a small but non-zero probability that the US Federal Reserve will switch to an easing mode by the end of 2023, which should give a renewed lift to commodity demand. The World Bank projects metal prices to decline by 15% in 2023 due to weaker global growth and concerns regarding a slowdown in China.

Risks to the global economy in 2023 include a global recession, food systems failures, a polycrisis from the Ukraine War, and increasing cost-of-living and energy supply crises. Some important political events that need to be monitored during the course of the year are the general elections in Turkey and Spain and senate elections in the Netherlands. We are also closely following the effects of the devastating earthquake in South-East Turkey and Northern Syria on Turkish economy as well as the Turkish loans in our books. To date there is no direct impact on our credit portfolio.

Report of the Managing Board

Profile of the Managing Board and Executive Committee

Senol Aloglu (1965, male)
Chief Executive Officer[8]/Managing Board member
A graduate in business administration from Bogazici University, Istanbul, and having an MBA from UvA Business School, Amsterdam, Senol Aloglu started his banking career in Turkey in 1987 and joined the Fiba Group in 1991. He worked in banking and leasing operations of Fiba Group until his appointment in 2000 to CEB as Country Manager for the Dutch Operations. In 2005, he was appointed as a Managing Board member and with effect from 1 January 2022 he took over the CEO role. Mr. Aloglu, who is a Dutch national, is responsible for corporate governance, corporate banking, bank relations, treasury, retail banking, human resources, and internal audit.[9]

Umut Bayoglu (1973, male)
Chief Financial Officer[10]/Managing Board member
Umut Bayoglu holds a BSc in Economics from METU in Ankara. He began his career in 1996 as a management trainee with Finansbank AS. In 2001, he was appointed Head of Financial Control in Germany. In 2006 he became CFO of CEB, and in 2008 he joined the Managing Board. He is responsible for financial control, accounting and central bank reporting, data office and analytics, information technology, and operations. Mr. Bayoglu holds Dutch nationality.

Batuhan Yalniz (1973, male)
Chief Risk Officer/Managing Board member
Batuhan Yalniz holds a Postgraduate Diploma in Trade, Transport and Finance from City University Business School (Sir John Cass Business School) in London. He has been working in risk-management-related functions within the banking industry for more than 20 years and joined CEB in January 2008 as Division Director – Risk Management. Since October, 2016, Mr. Yalniz, who has Turkish nationality, has been a member of the Managing Board responsible for financial and non-financial risk management[11] and compliance.

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

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

Besir Amcaoglu (1972, male)
Member Executive Committee (Head of Retail Banking and Treasury)
Besir Amcaoglu holds a BSc in Industrial Engineering from Bogazici University and a MSc in Operations Research from Bilkent University. He started his banking career in Turkey in 1997 and joined the treasury department in Finansbank (Holland) N.V. later the same year. He held various positions in Finansbank until 2005, including treasury, direct banking, and business development and strategy. In 2005, he joined ABN AMRO Bank as head of Trading Risk Control. In 2008, he returned to CEB as Head of Treasury. Mr. Amcaoglu who is a Dutch national, has also become responsible for Retail Banking as from March 1, 2023.

[8]Also Chairperson of the Executive Committee.
[9]Administrative reporting line.
[10]Also vice-chairperson of the Managing Board (Deputy CEO) in accordance with article 3.1 of the Charter governing the Managing Board and vice-chairperson of the Executive Committee.
[11]Financial Risk Management (including corporate credits and financial institution (FI) credits both 2nd line), Information Security Management, Operational Risk Management and Legal Affairs.

Corporate Governance

A. General

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

Share capital

As of December 31, 2022, the total issued and fully paid-up share capital of the Bank amounted to EUR 563,000,000. The shares of CEB are fully owned by Credit Europe Group N.V. (CEG), a holding company established in the Netherlands. CEB makes up more than 99% of CEG's assets.

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

Dividend distribution

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

Regulatory framework

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

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

In addition, the Bank is registered as a financial services provider with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM).

Although CEB is not listed, it supports and applies, to a large extent, the best practices of the Dutch Corporate Governance Code, in line with DNB recommendations and mindful of the Bank's role as a financial institution in the Netherlands. For more information on the Bank's application of the principles and best practices of the Dutch Corporate Governance Code, see page 45 and onwards.

CEB is also subject to the provisions of the Banking Code (Code Banken), insofar as its principles are not overruled in the meantime by legislation or other DNB rules. The sector-wide principles of the Banking Code were announced by the Dutch Bankers' Association (Nederlandse Vereniging van Banken) with effect from January 1, 2010, updated as of January 1, 2015 and most recently updated in 2021. The Banking Code forms part of the set of documents titled Future Oriented Banking. This package comprises the Social Charter, the Banking Code and the Bankers' Oath (with associated Rules of Conduct and a disciplinary system). All CEB's current employees working in the Netherlands (including board members) have taken the Bankers' Oath or Affirmation.[12] For more information on our application of the principles of the Banking Code, please see a summary report from page 48, Section D and a full report on www.crediteuropebank.com.

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

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

Credit Europe Bank N.V. as a parent bank

At the end of 2022, CEB directly owned three banking subsidiaries in Switzerland, Romania, and Ukraine.

To underpin the central position of the head office in Amsterdam, the Bank applies a functional reporting structure: local managers in the subsidiaries maintain a direct reporting line to the functional head of the respective division in Amsterdam. This structure applies to divisions such as internal audit, compliance, treasury (asset–liability management), corporate and FI credits, financial risk management, financial control, and corporate banking. Moreover, the general managers of all subsidiaries report directly to the CEO of CEB. In addition, general managers' meetings are organized for the general managers of the Bank's subsidiaries and members of the Managing Board.

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

Corporate Governance

The main purpose of these meetings is to share knowledge and experience, to align group policies, and to consider the Bank's strategy and budgets. Throughout 2022, the Managing Board members and the general managers met mainly digitally.

Finally, in order to ensure that CEB's business policies are applied consistently and for CEB to exercise control over its subsidiaries, the CEO or another Managing Board member of CEB sits on the Supervisory Board or Board of Directors of the subsidiaries of CEB.

B. Boards

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

Managing Board

Composition

The Managing Board consists of three board members. It is composed to enable it to perform its tasks properly. The individual resumes of each of the members of the Managing Board can be found on page 42 (including resumes of the non-statutory members of the Executive Committee).

Tasks

The Managing Board is responsible for the management of CEB, which includes realizing the Bank's goals and strategy, setting policies and achieving results. The Managing Board is also responsible for compliance with all relevant laws and regulations, management of the risks attached to our banking activities and the Bank's funding. The members of the Managing Board take the social role of the Bank and the interests of the Bank's various stakeholders into account when performing their management functions.

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

Senol Aloglu, CEO
Corporate governance, wholesale banking*, bank relations*, treasury*, retail banking*, human resources and internal audit[13]

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

Batuhan Yalniz, CRO
Financial and non-financial risk management and compliance

Supervisory Board

For a full description of the Supervisory Board: its composition, tasks, subcommittees and 2022 report, see page 54 and onwards.

Retirement Schedule of the Supervisory Board

Name	Member since	End of current term	Mandatory end of membership [1]
Hector de Beaufort (chairperson)	February 2011	February 2023	February 2023 [2]
Ayşecan Özyeğin Oktay (vice-chairperson)	October 2021	October 2025	October 2033
Korkmaz Ilkorur	August 2012	August 2024	August 2024 [2]
Seha Ismen Ozgur	May 2019	May 2023	May 2031
Willem Frederik (Wilfred) Nagel	January 2021	January 2025	January 2033
Ali Fuat Erbil	May 2022	May 2026	May 2034

[1] On the basis of the possibility of appointment for a maximum period of eight years and extension of two times two years for specific reasons to be included in the report of the Supervisory Board (provision 2.2.2 of the Corporate Governance Code dated 8 December 2016).
[2] For more information on the structure and composition of the Supervisory Board and appointment terms of Messrs. de Beaufort and Ilkorur, see page 54 and onwards.

The heads of these business lines are Executive Committee members.
[13] *Administrative reporting line.*

Corporate Governance

Executive Committee

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

Composition

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

- Muammer Kayhan, Head of Corporate Banking
- Zeyno Davutoglu, Head of Bank Relations and Supply Chain Finance
- Besir Amcaoglu, Head of Retail Banking and Treasury

Tasks

The ExCo is primarily a business platform in which the main business lines of the Bank are represented together with the Managing Board. Weekly ExCo meetings are being held to discuss the Bank's business and related organization and strategy. The non-statutory members of the ExCo functionally and hierarchically report to the CEO. The decision-making power remains with the Managing Board.

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

C. Dutch Corporate Governance Code

This section contains a brief overview of CEB's compliance with the best practice rules of the Dutch Corporate Governance Code (in this section known as the Code). On December 8, 2016, the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code[14]. It should be noted that, due to our private ownership structure, the Code's provisions on shareholders and general meetings (rights, meetings, obligations, and protective measures – see Chapter IV of the Code) are, to a large extent, not applicable to CEB. Also, as CEB has adopted a two-tier structure, Chapter 5 of the Code (one-tier governance structure) does not apply.

For 2022, CEB reports on its compliance with the Code as follows:

Long-term Value Creation

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

CEB has established an Internal Audit Department in accordance with the principles and best practice provisions of the Code. CEB's risk management framework is comprehensive and is managed by an independent risk management function under the direct responsibility of the Chief Risk Officer. Risk management plays a central role in the Bank's decision-making process. More information on CEB's risk management can be found in note 37 of the consolidated financial statements. The Supervisory Board, inter alia, oversees the effectiveness of the design and the operation of the internal risk management and control systems.

[14] *On 20 December 2022 the update of the 2016 Corporate Governance Code was released. Companies will for the first-time report on their compliance with the updated Corporate Governance Code as from financial year 2023.*

Corporate Governance

Within the Supervisory Board, an Audit and Risk Committee (ARC) has been established. KPMG Accountants N.V. has been appointed by the Bank's general meeting of shareholders (at the nomination of the Supervisory Board) as the Bank's external auditor. At least annually, the ARC discusses the Bank's audit plan and any findings of the external auditor. Exchange of information between the Managing Board, Supervisory Board, and the external auditor takes places in meetings of the ARC and in meetings between the Managing Board and the external auditor. Outside these meetings, there is regular contact with the Bank's external auditor to share information and discuss specific topics in more detail.

Effective Management and Supervision

The current composition of the Supervisory Board and Managing Board is very well balanced, considering the specific knowledge and experience of each member, with six members[15] on the Supervisory Board and three on the Managing Board. Considering the size and nature of the Bank, these numbers are deemed sufficient to properly perform the Boards' tasks.[16] Since CEB currently has only one Supervisory Board member who meets the criteria laid down in best practice provision 2.1.8 (i) - (v), it now also complies with best practice provision 2.1.7 (i) (in the past years there were two members of the Supervisory Board meeting the aforementioned requirements of best practice provision 2.1.8 (i) - (v)). At this moment, the Supervisory Board consists of two female and four male members.[17] Following the introduction of the Gender Balance Act, the Bank has been setting appropriate and ambitious targets to promote gender diversity on its boards and ExCo and in certain categories of managerial functions; and actions are taken to try to reach these targets. In 2022, the Bank's Diversity and Inclusion Policy was updated to further embed it into CEB's organization. This Policy sets out the commitment of CEB to inclusion, equity and diversity. A diverse workforce, inter alia, helps CEB to fulfil its purpose, as different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. For the main DEI actions taken in 2022, please refer to the Diversity, Equity and Inclusion section in the Non-financial Reporting chapter. The main item for improvement is to establish a more balanced gender ratio among CEB's staff. At the consolidated level of the Banking Group, the male–female ratio is well balanced. However, at entity level in the different countries and within the different seniority levels, there is room for further improvement. A plan of action for 2023 is being developed to reach a more balanced gender ratio and to achieve the Bank's other diversity targets.

At the CEB level, the composition of the Managing Board can be improved in terms of the male–female ratio.[18] No new appointments were made to the Managing Board in 2022 and, following the stepping down of the Bank's former CEO, Mr. Murat Basbay (effective from January 1, 2022), the number of Managing Board members has been reduced from four to three compared to 2021. In case of a vacancy on the Managing Board, the Recruitment and Selection Policy and the Diversity and Inclusion Policy, among others, will be applied, and the recruitment team will be requested to provide a shortlist with at least 50% female candidates before a final selection is made based on candidates' suitability for the position. CEB will continue to strive for a good gender balance at Managing Board level, and the aim remains to appoint female candidates in the case of new appointments to the board and when replacing current members.

The Bank's Supervisory Board has two female members. In view of the requirements applicable to listed companies' supervisory boards following the introduction of the Gender Balance Act, for the moment CEB considers its Supervisory Board sufficiently balanced in terms of gender.

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

The rules and procedures for the appointment and reappointment of Supervisory Board and Managing Board members are set out in the Bank's internal policies and charters, such as the Recruitment and Selection Policy for the Supervisory Board and Managing Board. A succession planning document for the Bank's senior management has been prepared and is currently being reviewed taking into account the latest diversity targets. At the same time this document is a key element in enabling the Bank to meet its (future) diversity targets. The functioning of the Managing Board and Supervisory Board and its individual members is evaluated annually.

[15] *As from the stepping down of Mr. De Beaufort (with effect from the day of the AGM to be held in March, 2023) the Supervisory Board will continue with five members for the moment, as this is deemed sufficient considering the size and nature of the Bank.*
[16] *See footnote 15.*
[17] *Effective from the day of the AGM to be held in March, 2023, the aim is that the Supervisory Board will continue with five members (two female and three male members).*
[18] *The Managing Board is aware that in addition to gender diversity also the diversity within the Managing Board in terms of age and/or cultural background can be improved. These types of diversity will also be taken into account in case of a vacancy.*

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For the organization of the Supervisory Board, see the relevant paragraphs of the Supervisory Board Report.

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

To promote and create the desired culture aimed at long-term value creation, new CEB employees participate in an induction program, during which they are trained in the Bank's core and base values, main policies and regulations (including the code of conduct and staff handbook), and culture. CEB organizes regular thematic awareness training for all employees, and the desired culture within the Bank is highlighted and discussed during quarterly staff events. Following a company-wide engagement survey executed in 2020 a cultural transformation program was started to focus on three pillars in the coming years: people first, empowerment, and collaboration. In 2022, an umbrella narrative has been developed to support this cultural transformation. In addition, changes were made to the governance structure of the Bank (e.g., establishing an Executive Committee) and the Bank's Executive Committee embarked on a leadership development program. Also, a Grow Together program was launched to increase self-awareness and support effective collaboration (further information on which can be found in the chapter non-financial review under 'Employee Experience'). For more details on the Bank's culture reference is made to the chapter non-financial review under 'Corporate Culture'. Another way to promote a culture aimed at long-term value creation is the Bank's remuneration policy (see below and Section F).

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

The Bank has established different policies and procedures to manage and prevent conflicts of interest, including the Conflicts of Interest Handling Policy and a Related Party Transactions Policy. For more information on the handling of potential conflicts of interest, see Section E.

Remuneration

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

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

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

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

Corporate Governance

D. Banking Code

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

Please find below a summary of our application of Banking Code principles in 2022. The overview follows the chapter sequence of the Banking Code.

1. Sound and ethical operation

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

CEB is mindful that responsible business practices with strong ESG initiatives can benefit the company, society, and the environment, resulting in long-term value creation and future resiliency. Therefore, social and environmental responsibility is an integral part of CEB's business strategy, corporate decision-making processes, and day-to-day activities. We believe it is essential that CEB's business activities are conducted in an ethical matter and prioritize the observation of basic ethical norms. To effectively manage ESG risks and integrate sustainability requirements and objectives into its business strategy, a sustainability officer was hired in 2021 and CEB reorganized its Sustainability Committee, chaired by the CEO. Based on this new sustainability-focused governance structure, relevant policies and procedures have been/are being updated accordingly in the upcoming period. By doing so, we aim to effectively manage ESG risks, capitalize on related opportunities, and contribute to positive change in the environmental and social practices of our customers as well as key stakeholders. Reference is also made to the chapter on non-financial reporting on pages 17-37.

In setting its strategy, CEB has carefully considered its role in society. This stems from the Bank's mission (to provide financial services that create value for its customers), its core values (dynamism, diversity, and expertise) and its internal base values (customer focus, integrity, professionalism, and transparency).

In order to ensure a proper governance structure, CEB has instituted several committees in addition to the Supervisory Board and the Managing Board, such as the ExCo, Asset and Liability Committee, IT Steering Committee, Credit Committees, and Risk and Compliance Committees, which all meet regularly. In addition, the Bank holds weekly management meetings and regular general managers' meetings. These committees and meetings support the Managing Board in its daily management of the Bank. The Supervisory Board monitors the proper functioning of the Bank's governance structure through its quarterly meetings and the meetings of its subcommittees.

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

Standards on integrity, morals, and leadership are included in the Bank's base values, different internal policies and guidelines and in the charters of the Supervisory Board and the Managing Board. Furthermore, these standards are communicated through the company's intranet, internal training (/e-learning), staff mailings, and events. The monitoring of the due application of these standards is embedded in the daily practice of the Bank's divisions and departments. In addition, monitoring is conducted by the HR and Compliance Divisions, the Managing Board, the Supervisory Board and its subcommittees (including the Compliance Oversight Committee), and the Internal Audit Division (IAD). Following the launch of a cultural transformation program in 2020, in the past year an umbrella narrative was developed to further support the cultural transformation. For more information on the Bank's other actions and activities undertaken in the area of company culture, see Section C Dutch Corporate Governance Code, page 45.

Corporate Governance

The Supervisory Board and Managing Board ensure that proper checks and balances are in place. Within the Bank, the (Group) Head of Compliance is a member of the management team and has a direct reporting line to a Managing Board member and the Chairperson of the Compliance Oversight Committee of the Supervisory Board.

CEB acknowledges that a solid IT infrastructure is vital for the functioning of the Bank. Its system architecture is composed of industry-proven technologies and payment systems supporting automated workflows. Transactions are secured with the latest encryption standards, while at the same time software vulnerabilities are continuously monitored, investigated, and mitigated. This all enables CEB to process transactions and customer orders of customers quickly, safely and accurately. The use of technologies that are widely adopted within the financial industry and the service-oriented basis of the application structure enables CEB to adapt quickly to the changing demands of its customers. The IT Steering Committee and the Supervisory Board oversee, discuss, and decide on IT-related matters. In 2022 the Bank established an IT Strategy Committee, and within the Supervisory Board, IT management, IT strategy and information security are recurring agenda items. At the consolidated level, attention has recently been turned to modernization and standardization of infrastructure components (including shifting to cloud-ready infrastructure and increased remote working), collaboration capabilities, technologies, and mobile device management.

Within CEB, a healthy culture and responsible behavior is promoted through different means. Upon employment the Bank's employees participate in an introduction program during which they are trained on the Bank's core values, its main policies/regulations (including the code of conduct and the staff handbook) and the Bank's culture. The new employees will also attend a Bankers' Oath session and take the Oath/Affirmation. For all employees CEB organizes regular thematic awareness trainings and during the quarterly staff events the (desired) culture within the Bank is highlighted/discussed. The core values of dynamism, diversity, and expertise, serve to promote a healthy culture within the Bank. For the Bank's other actions and activities related to company culture, see Section C Dutch Corporate Governance Code, page 45.

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

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

2. Supervisory Board

CEB's Supervisory Board currently consists of six members. Upon the departure of Mr. De Beaufort from the Supervisory Board in Q1 2023, the Supervisory Board will continue with five members. Taking into account the Bank's size and nature and the composition of the Supervisory Board, this number is deemed sufficient for the board to perform its tasks properly. The members of the Supervisory Board are all able to make sufficient time available for their duties and exhibit effort and commitment, and each member is physically present at all board and subcommittee meetings, barring exceptional circumstances. The number of independent members and dependent members is currently five vs. one, respectively. Upon the departure of Mr. De Beaufort this figure will be four vs. one.

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

The Supervisory Board is supported by four committees: Audit and Risk, Corporate Governance and Nomination[19], HR and Remuneration and Compliance Oversight.

Each committee is composed as follows:

Committee	Members
Audit and Risk	Wilfred Nagel (Chairperson), Ali Fuat Erbil, Korkmaz Ilkorur
Corporate Governance and Nomination	Hector de Beaufort (Chairperson), Aysecan Ozyegin Oktay, Ali Fuat Erbil
HR and Remuneration	Aysecan Ozyegin Oktay (Chairperson), Hector de Beaufort, Seha Ismen Ozgur
Compliance Oversight	Korkmaz Ilkorur (Chairperson), Wilfred Nagel, Seha Ismen Ozgur

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

[19] Upon the stepping down of Mr. De Beaufort from the Supervisory Board, it is the intention to abolish the stand-alone Corporate Governance and Nomination Committee. The plan is to cover the Corporate Governance part in the Supervisory Board meeting and add the nomination part to the HR & Remuneration Committee.

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CEB has a continuing education program in place aimed at maintaining the expertise of Supervisory Board members at the required level and, when necessary, expanding it. As part of this program in 2022, training sessions were organized on ESG and Sustainable Finance, cloud solutions, climate change, supply chain finance, (strategic) commodity trade (market) and macro-economic developments. All members of the Supervisory Board participated in the continuing education program and attended the required number of training sessions. Training for 2023 is currently being organized.

The Supervisory Board performed an annual self-evaluation for 2022. In 2021 the latest external assessment of the Supervisory Board was organized, a process that will next take place in 2024. The self-evaluations and the external assessment focus on topics such as cooperation amongst board members, the culture within the Supervisory Board, its internal and external functioning, and cooperation with the Managing Board. The assessment of the effectiveness of the education program is part of the annual self-evaluation of the Supervisory Board.

In terms of compensation, each Supervisory Board member receives an appropriate and fixed amount of compensation, taking into account the amount of time that is spent on the Supervisory Board tasks. The compensation does not depend on the results of the Bank.

3. Managing Board

With effect from January 1, 2022, CEB's Managing Board consists of three members. All members have gained thorough expertise and knowledge of banking, of our company, and of the locations in the various countries where the Bank is active.

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

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

The CEO ensures that a continuing education program is in place to maintain the expertise of the members of the Managing Board at the required level and, if necessary, expand it. All members of the Managing Board participate in the continuing education program and have attended the required number of training sessions. The training for 2023 is currently being organized.

4. Risk Management

Risk management plays a central role in CEB's managerial decision-making process and is strongly supported by both the Managing Board and Supervisory Board. The Supervisory Board oversees the risk policy pursued by the Managing Board via its Audit and Risk Committee, which reviews and discusses the Bank's risk profile, capital management, and funding policies, as well as country risks, credit risks, market risks, and operational risks in view of the pre-defined risk appetite. The CRO and Risk Management Division are the main sponsors of the Bank's consolidated-level risk appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan, and other internal guidance documents. CEB's risk appetite statement is discussed, reviewed, and approved annually in the relevant Supervisory Board meeting, and any material interim changes to the risk appetite are also subject to the approval of the Supervisory Board. More information on CEB's risk management can be found in note 37 of the consolidated financial statements.

5. Audit

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

The Head of Internal Audit reports functionally to the Audit and Risk Committee and administratively (i.e., day-to-day operations) to the CEO.

KPMG Accountants N.V. has been appointed as external auditor since 2021.

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

At least once a year, a tripartite meeting is organized between representatives of DNB, external auditor and IAD, in which the risk analysis, findings, and each other's audit plans are discussed. The last tripartite risk-sharing meeting was held in November 2022.

6. Remuneration

CEB's Group Remuneration Policy complies with national and international regulations, such as the Banking Code, DNB's regulation on sound remuneration, the Financial Supervision Act, and the relevant provisions in the Capital Requirements Directive (CRD) V. The total income of a member of the Managing Board is, at the time it is set, below the median for comparable positions within and outside the financial industry. Any variable remuneration paid to Managing Board members is set in accordance with the applicable national and international regulations. For a summary of the remuneration policy in CEB, see Section F below. The expectations of the Bank's key stakeholders and public support are taken into account in the Managing Board's remuneration policy and when giving transparency about the pay ratios within the Bank. The ratio of the average Managing Board member remuneration paid out in 2022 compared to the average remuneration paid out to a CEB NL employee in 2022 is 5.44. The Bank's Group Remuneration Policy is being updated to inter alia include in which way the expectations of the shareholder(s) and employees and the public support have been taken into account and which benchmark groups have been used. The views of the Managing Board members are taken into account when setting the remuneration proposals for the Managing Board members and when publishing the internal pay ratios in the annual report.

E. Handling potential conflicts of interests

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

In 2022, no actual conflicts of interest were identified.

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

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

The Bank has specific arrangements in place to ensure the appropriate management of potential conflicts of interest in related party transactions, including procedures to identify, authorize, and report related party transactions to the Managing Board and the Audit and Risk Committee. In every Audit and Risk Committee meeting, an overview is presented of the exposures outstanding to Fiba Group companies (i.e., entities controlled by Mr. Husnu Ozyegin) and information on whether the Bank acted in conformity with its established procedures for credit lending to Fiba Group companies.

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F. Remuneration Report

Decision-making process to determine the remuneration

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

Remuneration of identified staff (defined in the Group Remuneration Policy and determined as described in the Assessment of Identified Staff Procedure) is determined by the Supervisory Board. The remuneration of non-identified staff is determined and implemented by or on behalf of the Managing Board, although the ultimate responsibility for the remuneration policy of non-identified staff lies with the Supervisory Board. For senior managers in the HR, compliance, internal audit, and risk-management control functions, remuneration is directly supervised by the HR and Remuneration Committee.

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

Link between performance and pay

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

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

Objective-setting

Each year, the Managing Board formulates its own financial and non-financial objectives and presents them for approval to the Supervisory Board. The approved objectives are then cascaded down to the relevant Identified Staff and employees. Pursuant to the Group Remuneration Policy, financial objective-setting for employees in control functions may not be based on the commercial objectives of CEB; that is, the objectives for these employees are set independently from the financial targets or results of the business they control.

Performance Assessment

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

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

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

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

Most important characteristics of the remuneration system

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

In CEB, fixed salary levels are conservatively aligned in comparison to similar functions in the banking industry nationally and internationally, validated by an external benchmark organization in respect of the Dutch bank. In 2023, other CEB group banks will also be included.

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

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Phantom Share Plan

In 2022, CEB's applied its Phantom Share Plan, which describes the terms and conditions for the granting of phantom shares to Identified Staff. The plan states that variable remuneration awarded to an identified staff member will be 60% unconditional and 40% deferred. If an Identified Staff member is awarded a total of more than EUR 300,000 gross (or equivalent), 40% will be unconditional and 60% deferred. At least 50% of the variable remuneration, whether deferred or unconditional, is in the form of financial instruments whose value is determined by or derived from the value of CEB shares, i.e., phantom shares. These financial instruments are rights, not shares.

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

Identified Staff with variable remuneration less than 10% of total annual fixed and less than EUR 50,000 gross are exempted from deferrals and phantom shares. This change was made possible under CRD V, which aims to lower the complexity and operational burden of variable remuneration for companies.

In addition, CEB's Group Remuneration Policy was updated as per June 30, 2022.

Most important parameters and motivation for variable remuneration

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

Aggregate quantitative information on remuneration per business segment

In 2022, CEB paid out EUR 53,9 million to employees working in the wholesale/corporate banking segment and EUR 10,1 million to employees in the retail banking segment.

Aggregate quantitative information on remuneration for identified staff and senior managers

CEB has identified 59 Identified Staff members and 23 Senior Managers. In 2022, the total amount of remuneration paid out to Identified Staff and Senior Managers amounted to EUR 14,217,657, split into EUR 11,318,677 for Identified Staff and EUR 2,898,980 for Senior Managers. This total remuneration was split into EUR 13,145,335 fixed salary (for Identified Staff EUR 10,523,402 and EUR 2,621,933 for Senior Managers) and EUR 1,072,322 variable remuneration (EUR 795,276 for Identified Staff and EUR 277,047 for Senior Managers). Please note that this variable remuneration was distributed according to the guidelines described above. In 2022, there were no identified Staff members who were classified as high earners.

The total amount of awarded and outstanding (vested and unvested) deferred remuneration in 2022 for the variable remuneration over the performance year 2021 amounts to EUR 1,116,370.

As part of CEB's Group Remuneration Policy, variable remuneration packages for all employees are granted based on the financial and non-financial performance over the respective reporting year and are paid out in the form of cash or phantom shares, both unconditional and conditional, in the following years. This Remuneration Report refers to the performance year of 2021, with the related bonus payment executed in 2022.

By virtue of the rules in the Group Remuneration Policy, in 2022 there will be no "less than awarded" deferred payouts due to an unsatisfactory performance adjustment.

Severance payment

In the reporting year 2022, CEB on a consolidated basis paid severance payments to a total of 1 employee, being an Identified Staff member. The severance payment did not exceed one year's fixed salary. In total, CEB paid EUR 152,297 severance in 2022 to Identified Staff members.

CEB did not pay sign-on or entry awards to any Identified Staff member in 2022.

Supervisory Board

Profile of the Supervisory Board

Hector de Beaufort (1956, male)
Chairperson
Hector de Beaufort holds master's degrees in law from Utrecht University, the Netherlands, and from the University of Pennsylvania, USA. He was a senior corporate partner at the leading international law firm Clifford Chance in the Netherlands since 2000 and since January 2022 he acts as advisor to Clifford Chance. Prior to this, he was partner at Stibbe in the Netherlands and worked as a lawyer at Hughes Hubbard Reed in the USA. He has broad international experience in business law and corporate governance and has specific knowledge of corporate finance and capital market transactions. Mr. De Beaufort holds several board memberships in various companies, including Optiver Holding B.V. A Dutch national, Mr. De Beaufort has been an independent member of CEB's Supervisory Board since February 2011 and its Chairperson since January 2012. His current term expires in 2023.

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

Korkmaz Ilkorur (1944, male)
Mr. Ilkorur has an MA in Economics from the University of Pittsburgh, USA. He built up managerial experience as a professional in the financial world with several banks and insurance companies, such as The Industrial Development Bank of Turkey, Chemical Mitsui Bank AS, Yapi Kredi Bankasi AS, and SBN Insurance. He has also served on the board of directors of several non-financial companies. Mr. Ilkorur was a member of the board of directors of The Turkish Industrialists and Businessmen Association in 1999–2001 and acted as the Chairperson of its Governance Committee between 2001 and 2010. In the same period, he also served as the Chairperson of the Regulatory Governance Committee of the Business and Industry Advisory Committee (BIAC) at the OECD. In addition, Mr. Ilkorur was Senior Advisor to Oliver Wyman in Turkey between 1998 and 2014 and a member of its Senior Advisory Board for EMEA from 2004 until the end of 2014. Mr. Ilkorur presently serves as a member of the Finance Committee of BIAC at the OECD. He is also emeritus trustee of the Robert College in Istanbul. A Turkish national, he was appointed to the Supervisory Board in August 2012, and his current term expires in 2024. He qualifies as independent board member according to Dutch regulatory standards.

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

Supervisory Board

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

Ali Fuat Erbil (1968, male)
Between 1997 – 2019, Mr. Erbil was working for Garanti Bank in different roles. During his career at Garanti Bank, Mr. Erbil was inter alia responsible for retail and digital banking, human resources, financial institutions and corporate banking and investment banking. In his last role within Garanti Bank, Mr. Erbil acted as CEO of Garanti Bank Turkey and he was chair of the supervisory boards of Garanti Bank's subsidiaries (including Garanti Bank International N.V.). Currently, Mr. Erbil is a non-executive member of the global advisory board of C2FO (a US based FinTech), an advisor to McKinsey's Istanbul office and a supervisory board member of Dogan Holding AS. He holds an MBA degree from the Bilkent University (Ankara, Turkey) in business administration and a PhD from the Istanbul Technical University (Istanbul), faculty of business administration. Mr. Erbil, who is a Turkish national, was appointed as an independent member to the Supervisory Board in May 2022, and his current term expires in 2026.

Report of the Supervisory Board

As the global COVID-19 pandemic finally came to an end, 2022 was marked by the ongoing war between Russia and Ukraine. Around the world, political uncertainty and supply chain disruptions impacted energy prices and other goods & services. Early February 2023, the news of the devastating earthquakes in Turkey and Syria reached us. We are deeply saddened by this, and our hearts and our prayers are with those who have lost their lives, their loved ones, and those who are injured.

While the start of 2022 was difficult due to the war in Ukraine, the second part of 2022 was financially much better with increased policy rates, stronger US Dollar and much higher trade finance volumes that were achieved by our Amsterdam and Geneva teams. Also, in the Bank's other business lines due to hard work good results were realized.

Sustainability and ESG continue to be a priority at CEB. In 2022, the Bank established a Sustainability Committee to manage its sustainability work more effectively and holistically and CEB joined the Partnership for Carbon Accounting Financials (PCAF). Sustainability also means focus on business continuity and people management, and thus prepare CEB for the future. In 2022 Human Resources launched the Grow Together program, a development program to support CEB's cultural transformation to become an even better organization. In 2023, CEB will continue to focus on creating more engaged and aligned teams.

In 2022, Senol Aloglu started as the Bank's new CEO and with the establishment of the Executive Committee (ExCo) at the beginning of 2022 more synergy and efficiency was created between CEB's major business lines. In addition, we welcomed Ali Fuat Erbil, who joined the Supervisory Board as a member in May 2022. With effect from the day of the AGM to be held in March 2023, the Chair of the Supervisory Board, Hector de Beaufort, will step down. We thank him for his valuable contributions over the past 12 years. Wilfred Nagel will succeed Hector De Beaufort, as the Chair of the Supervisory Board.

The Supervisory Board wishes to thank all employees working in CEB group for their hard work and commitment demonstrated in 2022. We also extend our appreciation to CEB's customers and correspondents for their ongoing support and cooperation.

Supervisory Board

Report of the Supervisory Board

Net result allocation
The Supervisory Board has reviewed the Report of the Managing Board and the financial statements for 2022, comprising the balance sheet and profit and loss accounts. The financial statements further include explanatory notes and other information, including the report of the external auditors, KPMG Accountants N.V., for the year ending December 31, 2022.

We propose and advise that the general meeting of shareholders adopts these financial statements. Furthermore, we propose to distribute EUR [XX] of the net result for the year to our sole shareholder, Credit Europe Group N.V. and add the remainder of the net result, being EUR [XX] to the Bank's retained earnings, thereby discharging the members of the Managing Board from their liability with respect to their management responsibilities and the members of the Supervisory Board with respect to their supervisory responsibilities.

Supervisory Board structure and composition
As at March 1 2023, the Supervisory Board of CEB consists of six members. These members are Hector de Beaufort (Chairperson)[20], Aysecan Ozyegin Oktay (Vice-chairperson), Korkmaz Ilkorur, Seha Ismen Ozgur, Wilfred Nagel and Ali Fuat Erbil. All members of the Supervisory Board have a background and experience in banking, investment, or law. For more detailed information on the members of the Supervisory Board, see the Profile of the Supervisory Board included on pages 54-55, which is deemed to be incorporated herein by reference. The current term for which each Supervisory Board member has been appointed can be found in Section B of the Corporate Governance chapter.

Wilfred Nagel qualifies as a financial expert within the meaning of Section 2 Paragraph 3 of the July 26, 2008, Ruling on the establishment of an audit committee. Hector de Beaufort, Chairperson of the Supervisory Board, was senior partner with Clifford Chance in Amsterdam, specializing in boardroom counselling and strategic advice since 2000 and since January 2022 he acts as advisor to Clifford Chance. Furthermore, he focuses on the legal side of merger and acquisition transactions and corporate finance.

All but one of the Supervisory Board members qualifies as independent within the meaning of best practice provision 2.1.8. Mr. De Beaufort, Chairperson of the Supervisory Board, meets the independence requirements set out in best practice provision 2.1.9.

In line with corporate rules in the Netherlands, and as set out in CEB's Articles of Association and in the charter of the Supervisory Board, the Supervisory Board's tasks are to supervise the policy of the Managing Board and the general affairs of the Bank and to support the Managing Board with advice. Overall, the Supervisory Board is very much involved in the general affairs of the Bank and its strategy. In annual strategy sessions, the strategy for the coming period is presented to the Supervisory Board for review and approval. Any interim material changes to the strategy are also submitted for approval by the Supervisory Board, and the execution of CEB's strategy is discussed in its quarterly meetings.

The Remuneration Report can be found on page 52.

Mr. Ilkorur has been reappointed to the Supervisory Board with effect from August 2022 for a term of two years. The reappointment of Mr. Ilkorur is in line with the retirement schedule of the Supervisory Board that was agreed with the Bank's regulator, DNB. With this reappointment, the continuity of the Supervisory Board is preserved, considering the expiration of the appointment terms of several Supervisory Board members in the past period, while new members have also been joining the Supervisory Board during Mr. Ilkorur's continued presence.

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

[20] Mr. De Beaufort will step down from the Supervisory Board with effect from the day of the AGM to be held in March 2023 after which the Supervisory Board will continue with five members.

Supervisory Board

Report of the Supervisory Board

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

The main objective of each committee is as follows:

Audit and Risk: The Audit and Risk Committee assists the Supervisory Board in monitoring the status of and developments in the Bank's risk-management system and internal control system, including the activities of the risk-management function, internal audit function, and internal control-related issues. The committee monitors the financial reporting process, oversees the accounting policies and practices, and ensures that CEB maintains adequate internal control systems and processes. The committee also performs a review of CEB's financial statements and the reports of the external auditor. Moreover, it discusses the relationship with the external auditor, including their independence, remuneration, and other permitted services executed for the Bank.

In 2022 the following Supervisory Board members were members of this subcommittee: Wilfred Nagel (Chairperson), Seha Ismen Ozgur (from 1 January 2022 until 30 April 2022), Fuat Erbil (as from 1 May 2022), and Korkmaz Ilkorur. The committee meetings were attended by all committee members.

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

The following Supervisory Board members formed the Corporate Governance and Nomination Committee in 2022: Hector de Beaufort (Chairperson), Aysecan Ozyegin Oktay, and Ali Fuat Erbil (as from 1 May 2022). The committee meetings were attended by all committee members.

HR and Remuneration: This committee advises the Supervisory Board in all areas of HR and Remuneration in general and in issues pertaining to the Managing Board and identified staff. Furthermore, it proposes a policy and a structure relating to performance evaluation and target-setting for a certain level of senior employees of CEB and its subsidiaries and oversees the implementation of relevant policies for the Supervisory Board. In addition, the committee is engaged in succession planning.

Members of the HR and Remuneration Committee in 2022 were Aysecan Ozyegin Oktay (Chairperson), Hector de Beaufort, and Seha Ismen Ozgur. The committee meetings were attended by all committee members.

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

In 2022, this committee consisted of the following Supervisory Board members: Korkmaz Ilkorur (Chairman), Wilfred Nagel, and Seha Ismen Ozgur. The committee meetings were attended by all committee members.

In general, it is to be noted that also Supervisory Board members not being members of a certain sub-committee receive an open invitation for each committee meeting and therefore regularly meetings are also attended by non-committee members.

Supervisory Board meetings
In 2022, the Supervisory Board had four meetings in accordance with predetermined schedules. In addition, several other meetings were held at specific times when certain matters were to be discussed. The meeting in December 2022 coincided with a consolidated budget meeting.

The meetings in 2022 were attended by all Supervisory Board members. As a rule, the Managing Board is always present at Supervisory Board meetings, with the exception of the executive session, in which the Supervisory Board discusses its own overall functioning, culture, and relationship with the Managing Board.

Supervisory Board

Report of the Supervisory Board

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

The Supervisory Board performed an annual self-evaluation for 2022, considering the functioning of the Supervisory Board, its committees, cooperation between board members, and cooperation with the Managing Board. The outcome of the evaluation was discussed in a separate meeting of the Supervisory Board. In addition, the Supervisory Board evaluated the functioning of the Managing Board and its individual members in a closed session. The outcome of this evaluation was discussed with members of the Managing Board individually.

Audit and Risk Committee

The Audit and Risk Committee discussed the quarterly results, interim financial statements, and financial statements. Other key topics were financial and non-financial risks, the risk profile, regulatory reports, internal audit activities, and reports of the external auditor. This includes the ICAAP, ILAAP, CEB's risk appetite policy, and periodic reporting on information security and operational risks. At each meeting, the risk-management function and internal audit function reported the functioning of the internal control system and risk-management processes. The Audit and Risk Committee assessed the external and internal audit plans and took notice of the key audit reports, findings and recommendations, and related follow-up activities. The discussions on financial and non-financial risks were supported by analysis of the credit portfolio, including concentration and country risks. Specific attention was given to financial risks in relation to the Russian military operation in Ukraine, changing interest rate environment, NPL and repossessed asset reduction and updates of risk appetite policy including the fossil fuel policy as part of the ESG framework. The committee also held closed meetings with the external auditor and internal audit function. All relevant items discussed by the Audit and Risk Committee were reported to the Supervisory Board.

Corporate Governance and Nomination Committee

Two meetings for the year 2022 took place. In addition to the recurring agenda items, such as a review of the key decisions of CEB's subsidiaries and the key correspondence between CEB's subsidiaries and their local supervisors, several other key topics were discussed. These included expected laws and plans for 2022 and 2023, the departure/succession of Mr. De Beaufort, the reappointment of Mr. Ilkorur, and an analysis of the duties and obligations of the Corporate Governance and Nomination Committee. The CEO and the Managing Board member -inter alia- responsible for compliance were present at all committee meetings.

HR and Remuneration Committee

In 2022, this committee met four times. The focus during these meetings was on cultural transformation (including empowerment and collaboration), hybrid working (pilot), performance evaluation/management (including CEB's fixed and variable remuneration packages), HR resources and quick scan, group consolidated HR Report, CEB Group Remuneration Policy (update), Diversity, Equity & Inclusion (including update of the Bank's D&I policy), reflection/summary of HR activities 2022, and Outlook HR 2023 and beyond. The CEO, CFO, and the Bank's head of HR participated in all meetings.

Compliance Oversight Committee

This committee met four times in 2022 and was joined during these meetings by members of the Managing Board, including the CRO, who is also responsible for the compliance of CEB and any CEB group entity with or pursuant to the Wwft. During these meetings, which were also attended by the (Group) Head of Compliance, the key focus was on the status of compliance topics at group level, in particular, in the areas of financial-economic crime prevention, presented through the compliance dashboard and regulatory issues affecting the Bank.

The Corporate Governance chapter, pages 43-53 (including e.g., the Remuneration Report, pages 52-53), are deemed to be incorporated herein by reference.

Amsterdam, March 14, 2023

Hector de Beaufort, Chairperson
Aysecan Ozyegin Oktay, Vice-Chairperson
Korkmaz Ilkorur
Seha Ismen Ozgur
Wilfred Nagel
Ali Fuat Erbil

Directory

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

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

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

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

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

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

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

CREDIT EUROPE BANK N.V.

ANNUAL REPORT 2022

FOR THE YEAR ENDED DECEMBER 31, 2022

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2022
In thousands of EURO

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and balances at central banks	5	1,103,693	934,648
Financial assets at FVTPL	6	94,633	87,706
- Trading assets		66,659	68,511
-Non-trading assets mandatorily at FVTPL		27,974	19,195
Financial investments	7	383,370	693,291
Loans and receivables - banks	8	460,542	283,387
Derivative financial instruments	9	112,997	69,593
Loans and receivables - customers	10	2,481,515	2,753,014
Current tax assets		70	1,249
Deferred tax assets	32	80,785	79,324
Other assets	12	45,665	43,329
Inventory	12	34,562	47,942
Assets held for sale	38	19,413	597
Investment in associates and joint ventures	13	-	2,280
Property and equipment	14	66,867	99,133
Investment property	14	3,760	2,856
Intangible assets	15	7,892	7,120
Total assets		**4,895,764**	**5,105,469**
Liabilities			
Due to banks	16	441,236	799,098
Derivative financial instruments	9	150,560	87,878
Due to customers	17	3,417,018	3,326,040
Current tax liabilities		1,564	948
Other liabilities	18	47,309	33,976
Provisions	19	10,823	9,963
Deferred tax liabilities	32	18,905	18,183
Sub-total liabilities (excluding subordinated liabilities)		**4,087,415**	**4,276,086**
Subordinated liabilities	20	188,732	176,891
Total liabilities		**4,276,147**	**4,452,977**
Equity			
Equity attributable to owners of the Company		617,905	650,761
Equity attributable to non-controlling interests		1,712	1,731
Total equity	21	**619,617**	**652,492**
Total equity and liabilities		**4,895,764**	**5,105,469**

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2022
In thousands of EURO

	Notes	January 1-December 31, 2022	January 1-December 31, 2021
Interest income from financial instruments measured at amortized cost and		166,901	120,492
Interest income from financial instruments measured at FVTPL		7,289	5,587
Interest expense from financial instruments measured at amortized cost		(51,452)	(37,285)
Net interest income	22	**122,738**	**88,794**
Fees and commissions income		39,147	36,126
Fees and commissions expense		(4,226)	(4,840)
Net fee and commission income	23	**34,921**	**31,286**
Revenue from repossessed assets	27	43,438	49,794
Net trading results	24	6,839	(1,332)
Net results on derecognition of financial assets measured at amortized cost	25	(2,435)	-
Net results from investment securities	26	(15,202)	5,377
Other operating income	27	9,031	5,053
Operating income		**(1,767)**	**9,098**
Net impairment result on financial assets	11	(3,394)	4,586
Net operating income		**195,936**	**183,558**
Personnel expenses	28	(63,981)	(55,860)
Core operating expenses	29	(30,146)	(25,174)
Depreciation and amortization	14,15	(11,308)	(12,644)
Other operating expenses	30	(1,598)	(3,018)
Expenses related to repossessed assets	27	(39,123)	(52,136)
Other impairment losses	31	(2,603)	(1,039)
Total operating expenses		**(148,759)**	**(149,871)**
Share of profit of associate	13	(2,449)	(5,718)
Operating profit before tax		**44,728**	**27,969**
Income tax result	32	(5,322)	9,473
Net result for the year		**39,406**	**37,442**
Net result for the year attributable to:			
Equity owners of the Company		39,369	37,397
Non-controlling interests		37	45

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022
In thousands of EURO

	January 1-December 31, 2022	January 1-December 31, 2021
Net result for the year	**39,406**	**37,442**
Other comprehensive income that will be reclassified to the income statement		
Foreign currency translation:		
Net result on hedge of net investments	(4,543)	(6,829)
Exchange differences on translations of foreign operations	(11,904)	897
Income tax relating to the above	-	13,171
Net change on foreign currency translation	**(16,447)**	**7,239**
Debt instruments at fair value through other comprehensive income		
Net change in fair value during the year	(5,148)	(5,070)
Changes in allowances for expected credit losses	3	(114)
Reclassification adjustments to the income statement	15,063	(3,208)
Income tax relating to the above	2,107	3,010
Net change on debt instruments at FVOCI	**12,025**	**(5,382)**
Other comprehensive income that will not be reclassified to the income statement		
Tangible revaluation reserves:		
Tangible revaluation reserves	(665)	363
Income tax relating to the above	182	(57)
Net change on tangible revaluation reserves	**(483)**	**306**
Equity instruments at FVOCI		
Net change in fair value during the year	(48,170)	390
Income tax relating to the above	9,879	(78)
Net change on equity instruments at FVOCI	**(38,291)**	**312**
Other comprehensive income for the year, net of tax	**(43,196)**	**2,475**
Total comprehensive income for the year, net of tax	**(3,790)**	**39,917**
Attributable to:		
Equity holders of the parent	(3,771)	39,901
Non-controlling interest	(19)	16

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022
In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Tangible revaluation reserve	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At December 31, 2021	**563,000**	**163,748**	**92,863**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**650,761**	**1,731**	**652,492**
IAS 29 impact	-	-	8,312	-	-	-	-	**8,312**	-	**8,312**
At January 1, 2022	**563,000**	**163,748**	**101,175**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**659,073**	**1,731**	**660,804**
Total comprehensive income										
Change in fair value reserve	-	-	-	12,055	-	-	-	**12,055**	(30)	**12,025**
Change in foreign currency translation reserve	-	-	-	-	-	-	(11,872)	**(11,872)**	(32)	**(11,904)**
Change in net investment hedge reserve	-	-	-	-	(4,543)	-	-	**(4,543)**	-	**(4,543)**
Change in fair value of equity instruments at FVOCI	-	-	(3,314)	(34,983)	-	-	-	**(38,297)**	6	**(38,291)**
Change in tangible revaluation reserve	-	-	-	-	-	(483)	-	**(483)**	-	**(483)**
Profit for the year	-	-	39,369	-	-	-	-	**39,369**	37	**39,406**
Total comprehensive income	**-**	**-**	**36,055**	**(22,928)**	**(4,543)**	**(483)**	**(11,872)**	**(3,771)**	**(19)**	**(3,790)**
Dividends declared and paid	-	-	(37,397)	-	-	-	-	**(37,397)**	-	**(37,397)**
At December 31, 2022	**563,000**	**163,748**	**99,833**	**(27,721)**	**(97,556)**	**(16)**	**(83,383)**	**617,905**	**1,712**	**619,617**

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended December 31, 2022
In thousands of EURO

	Issued capital	Share premium	Retained earnings	Fair value reserve	Net investment hedge reserve	Tangible revaluation reserve*	Foreign currency translation reserve	Total equity attributable to equity owners of the company	Non-controlling interest	Total equity
At January 1, 2021	**563,000**	**163,748**	**51,027**	**4,692**	**(99,355)**	**161**	**(72,413)**	**610,860**	**1,715**	**612,575**
Total comprehensive income										
Change in fair value reserve	-	-	-	(5,352)	-	-	-	**(5,352)**	(30)	**(5,382)**
Change in foreign currency translation reserve	-	-	-	-	-	-	902	**902**	(5)	**897**
Change in net investment hedge reserve	-	-	-	-	6,342	-	-	**6,342**	-	**6,342**
Change in fair value of equity instruments at FVOCI	-	-	4,439	(4,133)	-	-	-	**306**	6	**312**
Change in other reserve	-	-	-	-	-	306	-	**306**	-	**306**
Profit for the year	-	-	37,397	-	-	-	-	**37,397**	45	**37,442**
Total comprehensive income	**-**	**-**	**41,836**	**(9,485)**	**6,342**	**306**	**902**	**39,901**	**16**	**39,917**
At December 31, 2021	**563,000**	**163,748**	**92,863**	**(4,793)**	**(93,013)**	**467**	**(71,511)**	**650,761**	**1,731**	**652,492**

CREDIT EUROPE BANK N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
In thousands of EURO

	Notes	January 1-December 31, 2022	January 1-December 31, 2021
Profit for the year		**39,406**	**37,442**
Adjustments for:			
Net impairment loss/(reversal) on financial assets	11	3,394	(4,586)
Depreciation and amortization	14, 15	11,308	12,644
Net impairment on non-financial assets	31	2,603	1,039
Income tax expense	32	5,322	(9,473)
Net interest income		(122,738)	(88,794)
Effect of exchange rate differences		10,411	11,616
Provisions		(1,369)	1,275
		(51,663)	**(38,837)**
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(3,721)	(6,911)
Net change in financial assets at fair value through profit or loss	6	4,451	(809)
Loans and receivables - banks		(177,154)	(79,414)
Loans and receivables - customers		256,855	(182,237)
Other assets		(10,884)	140,746
Due to banks		(357,862)	121,915
Due to customers		90,979	198,860
Other liabilities		72,879	(45,698)
		(124,457)	**146,452**
Interest received		180,528	129,131
Interest paid	20	(55,314)	(35,363)
Income taxes refund/(paid)		(1,164)	(4,687)
Net cash used in operating activities		**(52,070)**	**196,696**
Cash flows from investing activities			
Acquisition of financial investments	7	(760,400)	(763,895)
Proceeds from sales of financial investments	7	1,006,935	847,428
Acquisition of property and equipment	14	(9,681)	(11,722)
Proceeds from sale of property and equipment		26,955	789
Acquisition of intangibles	15	(3,341)	(4,811)
Dividends received	27(ii	5,184	2,071
Net cash used in investing activities		**265,652**	**69,860**
Dividends paid to shareholders		(37,397)	-
Payment of lease liabilities		(2,481)	(2,243)
Net cash from financing activities		**(39,878)**	**(2,243)**
Net cash from continuing operations		**173,704**	**264,313**
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		892,553	626,245
Effect of exchange rate fluctuations on cash and cash equivalents held		893	1,995
Cash and cash equivalents at December 31	5	**1,067,150**	**892,553**

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1. Corporate information

General

Credit Europe Bank N.V., herein after 'the Bank', is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta. The Consolidated Financial Statements of the Bank as of December 31, 2022, comprise the figures of the Bank, its subsidiaries and associates. Together they are referred to as the 'Bank'.

The Bank's Parent Company is Credit Europe Group N.V., The Netherlands, and the Ultimate Parent Company is FİBA Holding A.Ş., Turkiye, both ultimately controlled by Özyeğin family.

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

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

Changes to the Group

There is no significant change to the Group within 2022.

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2. Basis of preparation

a) Statement of compliance

The Consolidated Financial Statements of Credit Europe Bank N.V. and all its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS), as it was adopted by the European Union (EU), and have been approved by the Managing Board and the Supervisory Board on March 14, 2023.

b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical-cost basis, unless otherwise stated. The amortized costs of financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

- Impairment losses on financial assets measured at amortized costs (Note 11)
- Impairment of instruments measured at FVOCI (Note 11)
- Fair value of financial instruments (Note 33)

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

Judgments, assumptions and estimation uncertainties

i. Determination of control over investee

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

ii. Fair value of financial instruments

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

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

iii. Impairment losses on loans and receivables

Collective impairment

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

iv. Impairment calculation methodology for Stage 3 portfolio

Individual impairment

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

Probability-weighted scenarios

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

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

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

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

Appraisal companies declare two different value of the property in their valuation reports: Market Value (MV) and Urgent Sale Value (USV). USV is the announced cash sale price for a relevant property by the professional seller,

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who is conversant to offer it for sale in a certain period of time (3-6 months). "Urgent Sale Value" is used for non-consensual sales.

Time-to-sell

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

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

Recovery rate

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

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

Retail Exposures

Retail portfolio consists of SME, mortgage, multi-purpose loans, and credit card exposures. Unlike corporate exposures, portfolio level approach is used for impairment calculation of retail exposures. Impairment levels of Stage 3 credit card exposures are determined by applying a recovery rate based on the time after default. A regression model is built to get LGD estimates with respect to the time after default. In line with the statistical analysis, 41.1% LGD is utilized for the impairment calculation of the stage 3 exposures whose days past due (dpd) are less than a year. For the clients that have dpd above 1 year, the output of regression model is overridden and 100% LGD is applied as a management overlay. For SMEs, mortgages, and multi-purpose loans, the impairment level for Stage 3 is equal to the uncovered part of the exposure with a collateral, and calculated with the following formula:

Stage 3 impairment = Exposure – (Collateral * Haircut)

If the collateral value after the haircut is greater than the exposure level, a minimum impairment of 0.10% of gross exposure is considered. The haircut values depend on the type of the mortgage (residential/commercial/other mortgage) and the type of the client (legal entities/individuals).

v. Deferred tax assets

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

vi. Valuation of repossessed assets

The repossessed assets are initially measured at fair value and classified as non-current assets held for sale, property and equipment, investment property or inventory depending on the nature and use of the asset and other pertinent facts and circumstances. The repossessed assets are measured subsequently at lower of the carrying amount and fair value less costs to sell, at cost less any accumulated depreciation and any accumulated impairment losses, at fair value or at the lower of cost and net realizable value, respectively. For the repossessed assets, the Bank engages an independent valuation specialist and the valuation has been performed using the most appropriate technique within income approach, cost approach or benchmarking approach.

e) Other Developments

Application of IAS 29 'Financial Reporting in Hyperinflationary Economies'

During the second quarter of 2022 Turkiye became a hyperinflationary economy for accounting purposes. As The Bank has subsidiaries, which functional currency is TRY, in Turkiye, IAS 29 'Financial Reporting in Hyperinflationary Economies' is applied to its operations as if the economy in Turkiye had always been hyperinflationary. Given that The Bank presents its results in EUR, comparatives were not restated and IAS 29 was applied from 1 January 2022 with the impact of the first-time application and the effect for the period both shown in these Annual consolidated financial statements for period ended 31 December 2022.

Under IAS 29, the results of the operations in Turkiye should be stated in terms of the current purchasing power at the reporting date. For that, the consumer price index (CPI) as determined by the Turkish Statistical Institute was used. The development of the CPI during the annual period ended 31 December 2022 was as follows (2003=100):

1 January 2022: 686.95

31 December 2022: 1128.45

Change for the period: 64.27%

To state all the items in the financial statements in terms of their current purchasing power at the reporting date, The Bank restated the non-monetary items for the changes in CPI up to the reporting date. Monetary items (such as cash and balances with banks, loans) are not restated as they are already expressed in the current purchasing power.

Refer to Note 21 'Equity' for the impact of applying IAS 29 during the annual period ended 31 December 2022.

f) Going concern

Having made appropriate enquiries, the Board is satisfied that the Bank as a whole have adequate resources to continue operational businesses for the foreseeable future and therefore continued to adopt the going concern basis in preparing the financial statements.

g) Changes to prior year disclosures

Certain figures reported in the 2021 annual report have been reclassified for consistency with the presentation applied within these disclosures. These changes are presentational in nature and do not change the previously reported financial results for the year ended 31 December 2021 nor the aggregate assets and liabilities, net profit or net cash from continuing operations at that date.

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3. Significant accounting policies

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

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

a) Change in accounting policies

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

b) Basis of consolidation

Business combinations

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

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

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

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

Non-controlling interests

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

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

Subsidiaries

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

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

Loss of control

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

Investments in associates and joint ventures (equity-accounted investments)

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

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

Transactions eliminated on consolidation

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

c) Foreign currency translation

Transaction and balances

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

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

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

Foreign operations

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

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

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

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

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

Hedge of a net investment in a foreign operation

Reference is made to note 3-i.

d) Financial assets and liabilities

Recognition

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

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

Classification and measurement

Financial assets

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

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

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

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

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

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

Impairment allowances

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

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. In line with the Capital Requirement Regulations (CRR) the Bank defines defaulted exposures as exposures that satisfy either or both of the following criteria:
- material exposures which are more than 90 days past-due
- the obligor is assessed as unlikely to pay its credit obligations in full without realization of collateral,

regardless of the existence of any past-due amount or of the number of days past-due.

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

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

The Bank's corporate ECL model leverages the data, systems and processes of the probability of default (PD) models. Internally developed scoring models rank the corporate portfolios according to their one year probability of default. For IFRS9 purposes, the outputs of these internal models are calibrated to PIT and forward-looking anchor points that are constructed via macroeconomic models, which are developed for main portfolios, and the macroeconomic outlook expectations under multiple scenarios.

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

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For retail and credit card portfolios there are PD and LGD models dedicated to IFRS9. Models, which are in use, are customized based on country breakdown and product specifics to obtain homogeneous risk differentiation. Both PD and LGD models are calibrated to be point-in-time and forward looking.

IFRS 9 requires the consideration of past events, current market conditions and reasonable forward-looking supportable information about future economic conditions in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected losses. In assessing information about possible future economic conditions, The Bank utilizes multiple economic scenarios representing the base case, benign and adverse forecasts. To generate alternative macroeconomic scenarios and to forecast the key macroeconomic factors globally under each scenario, The Bank collaborates with an external party. The external party is the first privately owned investment and development bank that was established in 1950 in Istanbul with the support of the World Bank, the Central Bank of the Republic of (CBRT) and Turkish private commercial banks. The Economic Research Department provides consultancy services on macroeconomic scenario analysis and projections at global and local levels. The focal points of the local analyses are Developed Markets, Emerging Markets, and more specifically the countries/regions where the Bank has material credit exposure.

The direct impact of Russia Ukraine war on performing assets are limited since all the Ukrainian corporate exposures are classified as Stage 3 and there is only one performing Russian exposure, which is a commercial real estate loan. Even though this exposure is making timely payments, due to the war, it is classified as Stage 2, its rating is capped with the Russia sovereign rating and its LGD is stressed by 30%. Since CEB did not have any risk appetite in the area throughout the year, it is not impacted by the sanctions applied to Russia either. That said, the geopolitical uncertainty caused by the war is expected to have an impact on the existing portfolio. Key macroeconomic variables used in the determination of the allowance for wholesale credit losses include GDP, inflation rate, base rate, unemployment rate, Baltic Dry Index (BDI), crude oil price and export volume among others. Historical data for these variables are mainly collected from the public sources like IMF, The World Bank, Eurostat, and Turkstat. The Bank uses regional economic variables in its models to reflect the geographical diversity of its portfolios, where appropriate. Forward looking adjustments are applied to four years term structure construction of ECL parameters, PD and LGD, utilizing macroeconomic model outputs.

The IFRS 9 macroeconomic models are developed based on statistical techniques and supported by expert judgements. The Bank diversifies macroeconomic models with regards to portfolio and risk country of the asset. Separate models are developed for the PD estimates of Balance Sheet Lending (BSL), Commercial Real Estate (CRE), Marine Finance (MF), and Trade Finance (TF) portfolios. Due to the macroeconomic volatility observed in Turkiye in the last few years, the macroeconomic model that is applied to Turkish Balance Sheet Lending exposures is distinguished from the one that is applied to the exposures in other geographies. The macroeconomic model that is developed for Balance Sheet Lending portfolio in the countries other than Turkiye utilizes the Bank’s own default rates as target variable to forecast PDs for the upcoming four years. Volume of export metrics related to both advanced economies and emerging markets are shown to be highly correlated with the portfolio PD given the importance of the metrics for the emerging market economies and the trade related exposures within the portfolio, like supply chain exposures. For the Turkish corporate portfolio, external data sources are preferred over the internal default data to project the forward looking component of PD calibration due to the limited number of exposures in the portfolio and zero default rates in the last two years. Instead of internal data, it is decided to utilize the publicly available corporate NPL data of the Turkish banking sector, which is provided by BDDK (The Banking Regulation and Supervision Agency) database. Turkish base rate and government budget value are shown to explain the Turkish corporate NPL ratio at an acceptable level. We are in the opinion that these factors can also capture the expected macroeconomic uncertainty in Turkiye within 2023 in relation to the general election that will be held in May 2023.Since Commercial Real Estate, Marine Finance and Trade Finance portfolios are also low-default portfolios, appropriate proxies or expert models are utilized and changes between the consecutive projections for these proxies are used to obtain PD estimates for the upcoming four years. While unemployment and inflation are the metrics that are utilized to explain and predict forward looking PD levels for CRE portfolio, volume of export, oil price and BDI index metrics are utilized as proxies to predict the demand/supply balances and hence the credit risk profile of the Marine Finance portfolio. The high interest rate environment is also considered as a risk factor especially for CRE portfolio and the impact of the high interest rate environment on the expected cash flow and the balance sheet of the obligors are already factored in their underlying internal ratings. Besides, there is not any material CRE exposure maturing in the year ahead, therefore the risk is not as considered imminent.

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

ECL Parameter	Portfolio	Variable
PD	Balance Sheet Lending - Turkey	Government budget value (Turkey, % of GDP)
		Base Rate (Turkey, lagged)
	Balance Sheet Lending - Rest of World	Volume of exports (Emerging and Developing Europe, % GDP)
		Volume of exports (Advanced Economies, % GDP)
	Commercial Real Estate	Unemployment rate (Romania, %)
		CPI Growth(Euro area, %) - lagged
	Marine Finance - Tanker Segment	Volume of exports (world) (Percent change)
		Crude oil price (US Dollars/Barrel)
	Marine Finance - Other Vessel Types	Volume of exports (world) (Percent change)
		Baltic Dry Index

For retail portfolio, Bank has 4 categories: SME, mortgage, credit cards and personal needs. For all portfolios, Bank is calculating PDs based on historical data observed from January 2015 to March 2022 and estimating marginal PD’s for the next 30 years, first 3 years having incorporated the forward looking component. LGD is calculated for unsecured portfolio, separately for performing and non-performing portfolio, based on the same historical recoveries 2015-2022. For secured portfolio Bank is applying haircuts to 3 types of collaterals: mortgage, commercial and other mortgage. The haircuts are calculated based on sold collaterals for the last 7 years. HPI “house price index” was excluded from forward-looking component of ECL, being maintained: GDP, inflation rate, unemployment rate and work productivity.

The year 2022 has started with a geopolitical uncertainty and rising inflation due to strong recovery and supply demand imbalances. Increasing inflation expectations has caused monetary tightening measures and weakening global growth. In assessing information about possible future economic conditions, The Bank utilizes multiple economic scenarios representing the base case, optimistic and adverse forecasts. There are four main drivers forming macro-economic scenarios. Political and geopolitical tensions defined through ongoing Russia-Ukraine war is considered as the first factor. Sanctions against Russia imposed by Western countries have caused the energy market become tight. The resulting energy crises and climate related risks constitutes the second driver. The third driver is inflation expectations which is also affected by previous dynamics. Supply chain disruptions and economic policy uncertainties constitutes the last driver. Although, measures against Covid-19 outbreak have been relaxed in most parts of the world, China continues to implement a Covid-zero policy and this has enhanced the disruption in global supply chain. Additionally, foreign trade has been affected by economic policies that may lead to protectionist steps.

In the base scenario, geopolitical uncertainties are assumed to remain high and sanctions against Russia will remain in place. Accordingly, congestion in the energy market will continue. High prices of energy and other commodities may lead to rising inflationary expectations. Therefore, major central banks are expected to continue rate hikes. Protectionism trends may persist and supply chain disruption may continue. In the optimistic scenario, sanctions are considered to be eased, geopolitical issues will resolved, and energy market will ease. Accordingly, inflationary expectations will improve. As protectionist tendencies will ease, the supply chain will normalize under this scenario. On the other hand, escalating tensions with Russia, and worsening economic outlook as a result of associated uncertainties are considered in the pessimistic scenario. This scenario assumes deepening energy crises and climate risks. Cost pressures and deteriorating expectations will cause worsening inflationary expectations. Also, protectionism and supply chain disruption are assumed to be high.

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The table below shows the projections for the abovementioned model parameters under three scenarios and their weights.

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		2023	2024	2025	2026	2027	Assigned Weighting
Balance Sheet Lending - Turkiye / PD							
Upside	Government budget value (Turkiye, % of GDP)	-4.67%	-3.87%	-2.97%	-1.97%	-1.27%	15%
	Base Rate (Turkiye, lagged)	10.00%	25.00%	20.00%	12.50%	10.00%	
Base Case	Government budget value (Turkiye, % of GDP)	-5.62%	-4.92%	-4.22%	-3.52%	-2.82%	55%
	Base Rate (Turkiye, lagged)	12.00%	30.00%	30.00%	20.00%	15.00%	
Downside	Government budget value (Turkiye, % of GDP)	-6.97%	-6.47%	-5.87%	-5.17%	-4.42%	30%
	Base Rate (Turkiye, lagged)	13.00%	50.00%	50.00%	30.00%	25.00%	
Balance Sheet Lending - Rest of World / PD							
Upside	Volume of exports (Emerging and Developing Europe, % GDP)	49.22%	50.74%	51.94%	53.99%	55.07%	15%
	Volume of exports (Advanced Economies, % GDP)	30.49%	31.20%	32.21%	33.00%	33.57%	
Base Case	Volume of exports (Emerging and Developing Europe, % GDP)	48.29%	49.36%	49.93%	51.31%	52.04%	55%
	Volume of exports (Advanced Economies, % GDP)	29.62%	30.10%	30.76%	31.20%	31.44%	
Downside	Volume of exports (Emerging and Developing Europe, % GDP)	47.08%	46.36%	46.60%	47.08%	47.87%	30%
	Volume of exports (Advanced Economies, % GDP)	28.20%	28.35%	28.70%	29.15%	29.60%	
Commercial Real Estate / PD							
Upside	Unemployment rate (Romania, %)	5.14%	4.45%	4.26%	4.08%	3.88%	15%
	CPI Growth(Euro area, %) - lagged	7.50%	3.75%	1.88%	1.50%	1.69%	
Base Case	Unemployment rate (Romania, %)	5.77%	5.08%	4.88%	4.71%	4.51%	55%
	CPI Growth(Euro area, %) - lagged	8.02%	6.01%	4.51%	3.38%	2.54%	
Downside	Unemployment rate (Romania, %)	7.27%	5.83%	5.51%	5.33%	5.13%	30%
	CPI Growth(Euro area, %) - lagged	8.75%	7.66%	6.70%	5.02%	3.77%	
Marine Finance - Tanker Segment / PD							
Upside	Volume of exports (world) (Percent change)	8.23%	11.77%	13.09%	12.16%	11.19%	15%
	Crude oil price (US Dollars/Barrel)	88.05	77.91	70.60	65.13	64.98	
Base Case	Volume of exports (world) (Percent change)	6.04%	9.31%	10.99%	10.05%	9.20%	55%
	Crude oil price (US Dollars/Barrel)	102.20	95.54	91.49	89.26	84.98	
Downside	Volume of exports (world) (Percent change)	2.24%	5.43%	7.59%	6.66%	5.80%	30%
	Crude oil price (US Dollars/Barrel)	149.82	129.85	114.86	104.88	99.99	
Marine Finance - Other Vessel Types / PD							
Upside	Volume of exports (world) (Percent change)	8.23%	11.77%	13.09%	12.16%	11.19%	15%
	Baltic Dry Index	2582.82	2970.24	3415.77	3928.14	4517.36	
Base Case	Volume of exports (world) (Percent change)	6.04%	9.31%	10.99%	10.05%	9.20%	55%
	Baltic Dry Index	2001.50	2151.61	2312.98	2486.46	2672.94	
Downside	Volume of exports (world) (Percent change)	2.24%	5.43%	7.59%	6.66%	5.80%	30%
	Baltic Dry Index	1412.82	1448.14	1484.35	1521.46	1559.49	

For retail portfolio, in terms of PD calculations for SME, mortgage, credit cards and personal needs

a) Macroeconomic indicators, part of the statistical model for PD computation
The mathematical model was updated with exclusion of HPI index (due to prudential approach reasons – if HPI is above 100% will improve the values) and with new forecasts available for macroeconomic indicators, respectively with GDP, inflation rate, unemployment rate and work productivity. The best correlations found on each pool of loans are with next macroeconomic indicators:

- For credit cards/MPL: GDP, unemployment rate and inflation rate;
- For mortgage loans: GDP, unemployment rate and HPI (excluded from final calculation due to prudential approach reasons);
- For SME: GDP, Work productivity and inflation rate.

b) Up-date of the forward looking component in PD computation

The macroeconomic forward looking information have been updated, considering forecasts in terms of evolution for 2022-2024 from European Commission (Economic forecast for Romania (europa.eu)).

Indicators	2021	2022	2023	2024
GDP growth (%, YoY)	5.1	5.8	1.8	2.2
Inflation (%, YoY)	4.1	11.8	10.2	6.8
Unemployment (%)	5.6	5.4	5.8	5.4
General government balance (% of GDP)	-7.1	-6.5	-5	-4.8
Gross public debt(% of GDP)	48.9	47.9	47.3	47.6
Current account balance (% of GDP)	-7.5	-9.1	-8.8	-8.4

Forecasts from European Commission in the above table is used for Basic Scenario. For optimistic and pessimistic scenarios, expert judgement estimations have been applied. The table below shows the projections of parameters for retail portfolio under these scenarios and their weights.

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Indicator	Scenario	weight	2023	2024	2025
GDP	Optimistic	0.1	102.3	102.8	102.8
	Basic	0.4	101.8	102.2	102.2
	Pessimistic	0.5	100.9	101.1	101.1

Indicator	Scenario	weight	2023	2024	2025
Unemployment	Optimistic	0.1	4.8	4.3	3.8
	Basic	0.4	5.8	5.4	5.4
	Pessimistic	0.5	6.7	7.2	7.7

Indicator	Scenario	weight	2023	2024	2025
Inflation	Optimistic	0.1	9.2	6.1	6.1
	Basic	0.4	10.2	6.8	6.8
	Pessimistic	0.5	12.8	8.5	8.5

Indicator	Scenario	weight	2023	2024	2025
Labor Productivity	Optimistic	0.1	111.6	111.6	111.6
	Basic	0.4	110.5	110.5	110.5
	Pessimistic	0.5	107.9	107.9	107.9

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The Bank performs model monitoring analysis annually and reviews all internal rating models, IFRS9 ECL calculation assumptions together with the point-in-time PD calibrations and macroeconomic models. Based on the half-year back-testing results and the expert opinions, the Bank redeveloped its Balance Sheet Lending-Turkiye, Balance Sheet Lending-Rest of the World, Commercial Real Estate, and Marine Finance PD macro models. Additionally, the Bank updated its calibrations in line with portfolio specific PIT anchor points, which are based on the most recent observed default rates for each portfolio and the forward looking adjustments, in the last quarter of 2022. Due to the short term nature of Trade Finance deals, the provision amount cannot be changed even if a transaction is transferred to Stage 2. As a result, The Bank has not developed a macro model for this portfolio.

After calculation of PD and LGD metrics on portfolio basis, CEB applies management overlays at individual borrower level and sectoral and company specific differences are taken into account. These management overlays can be classified under three main topics: overriding the ratings of some clients, overriding the LGD at individual borrower level and overriding stage transition of some customers. All modelled results are closely scrutinized on case-by-case basis to determine the necessity for using management overlays in order to incorporate risk, which is not fully captured by the models. Management overlays can have either positive or negative impact on ECL amount. For the 2022 year-end ratings, 5 positive management overlays have been applied to the ratings of the performing portfolio, with provision impact amounting to EUR 0.71 million. Besides rating overlays, LGD value of a performing Russian corporate exposure is stressed by 30% due to Russia/Ukraine war, and its impact is around EUR 0.41 million. This brings total management overlay impact on performing corporate portfolio to EUR 0.30 million as of year-end.

Given the macro-economic volatility observed in Turkiye in the past few years, CEB has reduced its risk appetite significantly in Turkiye for long-term FX risk and accordingly the composition of Turkish portfolio has shifted from long-term FX corporate exposures to trade related short-term exposures. The remaining long-term Turkish corporate portfolio is mainly concentrated in Tourism and Real Estate sectors and these exposures have already survived several volatile periods in the past and proved their resilience against especially to FX sensitivity given their strong FX earning capabilities and collateral structures. Regardless, CEB pro-actively monitors its portfolio against the risk caused by macroeconomic uncertainties such as FX and interest rate sensitivities and high inflationary environment and provision the portfolio accordingly. The total impact of the IFRS9 model updates & management overlays of the performing corporate assets is calculated as EUR 2.3 million increase as of implementation date. The BSL Turkiye portfolio constitutes a significant part of the impact, especially due to the increase in PD levels after 1 year and due to the large Stage 2 customers in this portfolio.

The Bank performs several sensitivity analysis for wholesale portfolio semi-annually to assess the impact of a potential deviation in the underlying assumptions (PD, LGD, macroeconomic scenario weights, macroeconomic variable projections) on impairment levels. The first sensitivity analysis shows that 5% increase in the LGD forecasts across the entire portfolio results in EUR 3.0 million increase in impairment levels. The second scenario was designed to analyze the impairment impact of 1 notch downgrade throughout the entire corporate portfolio even though it is a very unlikely scenario. Downgrading all ratings by 1 notch results in EUR 11.77 million increase in impairment. While this extreme scenario increases the PD levels by 150%, it also causes transitions from Stage 1 to Stage 2 for the exposures with lower PDs at origination. The third and fourth scenarios analyze the impact of changing scenario weights and worsening pessimistic scenario projections of macroeconomic variables by 25%, respectively. The third scenario has an impact of EUR 1.22 million provision increase whereas the fourth scenario results in a provision increase of EUR 2.99 million.

Four different sensitivity analysis are performed for performing retail exposures. Under the first analysis, the pessimistic scenario is weighted by 100% and collateral values of residential and other types of mortgages are assumed to deteriorate by 5.4% and 19.1%, respectively. This scenario has an impact of RON 3.33 million on total impairment level. In the second scenario, FX sensitivity of the impairments are tested and the exposure level and collateral value of the FX exposures are increased by 6.1%. FX sensitivity analysis results in RON 4.05 million increase in provisions. Under the third scenario, the PD levels of mortgages with “datio in solutum” are doubled and this PD spike causes RON 7.54 million provision increase. Under the last scenario, the migrations from Stage 1 to Stage 2 and from Stage 2 to Stage 3 are stressed and 5% migration is assumed for both the Stage 1 and Stage 2 exposures. The provision impact of this scenario is calculated as RON 9.5 million.

Stage assignment

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

The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

<u>Stage 1</u>

Stage 1 corresponds to fully performing exposures. Fully performing exposures are defined as credit exposures that are not past-due or exposures past-due up to 30 days, provided that there is no "significant increase in credit quality deterioration" indicators like distressed restructuring, significant change in probability of default (PD) or other warning signals. An exposure is past-due when principal, interest or fee has not been paid at the date it was due.

<u>Stage 2</u>

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

- Credit Quality Deterioration

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

b. Significant Change in Probability of Default: CEB recognizes credit quality deterioration if the PD at impairment calculation date is relatively 300% higher than the PD at the value date of the credit. For the significant credit quality deterioration assessment, 12-month PDs are utilized instead of lifetime PDs as a proxy. That said; this assumption is validated annually through an analysis of stage assessment utilizing lifetime PDs.

c. Rating is 18 or worse: In addition to a relative PD threshold used to compare the origination and current PDs, the Bank also has an absolute PD threshold to detect significant credit quality deterioration. If the credit exposure has a PD of 14% or higher at impairment calculation date, then it is classified as Stage 2 regardless of its initial PD.

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

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

<u>Stage 3</u>

Stage 3 corresponds to credit impaired exposures, where there is objective evidence of such impairment as a result of one or more events that occurred after the initial recognition of the exposure (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the exposure that can be reliably estimated. For corporate exposures, the stage 3 allowance is calculated on an individual basis whereas for retail exposures it is calculated on collective basis.

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

- material exposures which are more than 90 days past-due
- the obligor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past-due.
- mortgage clients who apply Darea in Plata Law in Romania (DIP law).

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In 2016, the Parliament of Romania adopted the Darea in Plata Law (subsequently known as DIP Law - no. 77/2016). DIP, which came into force in Romania, entitled borrowers (specific conditions are defined in the law) to request and to compel the lenders to accept a full discharge of mortgage-backed loans against the transfer of title of the mortgaged immoveable property to the Bank.

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

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

Write-offs

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

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

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

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

Financial liabilities

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

Derecognition

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification of terms and conditions

Financial assets

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

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

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the income statement under "Net results on derecognition of financial assets measured at amortized cost" line.

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

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

Financial liabilities

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

Offsetting and collateral

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

The Bank obtained property and equipment by taking possession of collateral it held as security for loans and advances. The total amount of such assets held on December 31, 2021 amounted to EUR 26,652 (2021: EUR 59,787). The Bank does not intend to use these assets in its operations and pursues timely realisation of the collateral in an orderly matter.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank

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

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

Amortised cost measurement

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

Fair value measurement

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

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

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

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

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

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

e) Cash and cash equivalents

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

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

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

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

i. Debt securities

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

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

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

ii. Equity instruments

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

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g) Loans and receivables

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

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

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

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

h) Derivatives held for trading

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

i) Derivatives held as economic hedge and hedge accounting

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

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

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

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

Fair value hedge accounting

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

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in the statement of income under net trading results together with changes in the fair value of the hedged item that are attributable to the hedged risk.

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

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to the statement of income as part of the recalculated effective interest rate of the item over its remaining life unless the hedged item is derecognized. If hedged item is sold or settled, fair value adjustment is recognised immediately in the income statement.

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

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

Hedge ineffectiveness can arise from:

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

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

-Micro fair value hedges

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

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

-Portfolio (macro) fair value hedges

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

Net investment hedges

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

j) Repurchase transactions and reverse repo transactions

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

Income and expenses arising from repurchase and resale commitments, being the difference between the selling and the purchase price, are accrued over the period of the transaction using the effective interest rate and recorded in the income statement as 'interest income and expense from financial instruments measured at amortized cost".

k) Leasing

i. Bank as a lessee

Right of use assets

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

Lease liabilities

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

Short-term leases and leases of low-value assets

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

ii. Bank as a lessor

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

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

l) Property and equipment

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The Bank has elected to transfer the revaluation surplus to retained earnings in full, upon disposal of the asset. Valuations are performed with sufficient frequency to ensure

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that the carrying amount of a revalued asset does not differ materially from its fair value.

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

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

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

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

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

m) Investment Property

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within either “other operating income” or “other operating expenses” as ‘change in fair value of investment property’. Fair value is based on a valuation by independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

n) Intangible assets

Software and other intangible assets

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

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

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

o) Assets held for sale and discontinued operations

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

Assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell. Changes in the fair value of the assets are recognized under ‘other impairment losses’ in income statement.

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

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

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

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

p) Inventories

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

q) Impairment of non-financial assets

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

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

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

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r) Deposits, issued debt securities and subordinated liabilities

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

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

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

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

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

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

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

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

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

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

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

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

t) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

u) Employee benefits

Defined contribution plan

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

v) Income taxes

i. Current tax

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

ii. Deferred income tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

w) Recognition of income and expenses

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

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

i. Interest income and expenses

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

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

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

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

ii. Fees and commissions income

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

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

iii. Net trading results

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

iv. Net results from investment securities

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

v. Revenue from contracts with customers

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

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

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

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

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

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

x) Fiduciary activities

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

y) Dividends on ordinary shares

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

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

z) Equity components

Foreign currency translation reserve

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

Net investment hedge reserve

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

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

Fair value reserve

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

Tangible revaluation reserve

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

aa) Segment reporting

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

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Changes in IFRS effective in 2022

a) Amendments and interpretations to standard are effective for annual periods beginning after 1 January 2022

The below new standards or amendments to standards that are effective, endorsed and adopted by the EU for annual periods beginning after 1 January 2022, have been assessed by the Bank and those don't have impact on the consolidated financial statements.

- Amendments to IFRS 3, Business Combinations
- Amendments to IFRS 9, Financial Instruments
- Amendments to IAS 16, Property, Plant and Equipment (PPE)
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Bank has not early adopted any of the forthcoming new or amended standards in preparing these consolidated financial statements.

The following amendments to standard is effective and being endorsed EU for annual periods beginning after 1 January 2023.

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

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

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

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

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

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

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

IFRS 17 sets out requirements for the accounting, measurement and recognition of insurance contracts. IFRS 17 will be effective for reporting periods beginning on or after 1 January 2023. The Bank is assessing the expected impact of adopting these standards on its consolidated financial statements.

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4. Segment information

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

The Bank has five (2021: five) reportable segments (described below), which are the Bank's strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank's reportable segments:

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

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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4. Segment information *(continued)*

December 31, 2022	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	1,592	128,973	19,435	21,173	3,017	174,190
Interest income – other segments	-	4,153	-	15	5	4,173
Interest revenue	**1,592**	**133,126**	**19,435**	**21,188**	**3,022**	**178,363**
Interest expenses – external	-	(38,115)	(8,711)	(4,151)	(475)	(51,452)
Interest expense – other segments	-	(1,366)	-	(1,154)	(1,653)	(4,173)
Interest expense	-	**(39,481)**	**(8,711)**	**(5,305)**	**(2,128)**	**(55,625)**
Net interest income	**1,592**	**93,645**	**10,724**	**15,883**	**894**	**122,738**
Net commission income – external	232	29,084	4,840	681	84	34,921
Net commission income – other segments	-	120	32	(17)	(135)	-
Revenue from repossessed assets	-	12,527	713	424	29,774	43,438
Trading and other income	-	(5,942)	4,501	(771)	445	(1,767)
Net impairment loss on financial assets	-	(6,707)	5,777	1,445	(3,909)	(3,394)
Depreciation and amortization expense	(21)	(4,634)	(2,650)	(1,529)	(2,474)	(11,308)
Other operating expenses	(807)	(64,158)	(15,737)	(14,368)	(3,258)	(98,328)
Expenses related to repossessed assets	-	(10,225)	(632)	(491)	(27,775)	(39,123)
Share of profit of associate	-	-	-	-	(2,449)	(2,449)
Operating profit before taxes	**996**	**43,710**	**7,568**	**1,257**	**(8,803)**	**44,728**
Income tax expense	(319)	(2,659)	(1,355)	(757)	(232)	(5,322)
Profit for the year	**677**	**41,051**	**6,213**	**500**	**(9,035)**	**39,406**
Other information at 31 December 2022 - Financial position						
Total assets	16,570	3,869,324	312,294	620,677	76,899	4,895,764
Total liabilities	2,087,891	1,563,370	265,926	328,259	30,701	4,276,147
Assets held for sale	-	19,412	-	-	-	19,412
Other information at 31 December 2022 - Income statement						
Reversal of impairment allowances no longer required	416	8,649	3,491	1,041	(25)	13,572

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4. Segment information *(continued)*

December 31, 2021

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

(*) "The Mortgage Payment Law ("Dare in Plata" or "DIP"), which came into force in Romania in April 2016, entitled borrowers to request and to compel the lenders to accept a full discharge of mortgage-backed loans against the transfer of title of the mortgaged immoveable property to the lender. The DIP law was updated in May 2020, whereby the law became a hardship based law, with hardship eligibility criteria mathematically formulated. By its motivation, issued in September 2021, Romanian Constitutional Court declared hardship criteria as constitutional. The Bank has modified its ECL methodology accordingly and recognized additional credit losses charge of EUR 10.2 million. This amount is presented in "Romania Retail" segment.

Information about major customers

As of December 31, 2022, there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2021: None).

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5. Cash and balances at central banks

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

	December 31, 2022	December 31, 2021
Balances with central banks	1,090,112	918,786
Cash on hand	13,581	15,862
Total	**1,103,693**	**934,648**

Deposits at central banks include reserve deposits amounting to EUR 36,543 (2021: EUR 42,095), which represents the mandatory deposit and is not available in the Bank's day-to-day operations.

Reconciliation of cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and balances at central banks	1,103,693	934,648
Less: reserve deposits at central banks	(36,543)	(42,095)
Cash and cash equivalents in the statement of cash flows	**1,067,150**	**892,553**

6. Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets held for trading		
Government bonds	36,774	-
Trading loans	29,885	65,457
Equity instruments	-	2,166
Corporate bonds	-	888
Total financial assets held for trading	**66,659**	**68,511**
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	24,973	16,197
Equity instruments	3,001	2,998
Total non-trading financial assets mandatorily at FVTPL	**27,974**	**19,195**
Total financial assets at fair value through profit or loss	**94,633**	**87,706**

As of December 31, 2022, EUR 39,774 (2021: EUR 6,052) are listed financial instruments and EUR 54,859 (2021: EUR 81,654) are non-listed financial instruments.

As of December 31, 2022, there are no financial asset that have been sold or re-pledged under repurchase agreements (2021: None).

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

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

December 31, 2022

	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	**68,511**	**19,195**	**87,706**
Additions	522,629	17,587	540,216
Disposals (sale, collection and redemption)	(532,319)	(7,839)	(540,158)
Net interest income	4,120	1,142	5,262
Net changes in fair value	3,665	(1,978)	1,687
Exchange differences	53	(133)	(80)
Balance at the end of the year	**66,659**	**27,974**	**94,633**

December 31, 2021

	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	**64,925**	**22,837**	**87,762**
Additions	789,650	2,998	792,648
Disposals (sale, collection and redemption)	(794,267)	(8,302)	(802,569)
Net interest income	4,290	429	4,719
Net changes in fair value	3,856	1,232	5,088
Exchange differences	57	1	58
Balance at the end of the year	**68,511**	**19,195**	**87,706**

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7. Financial investments

	December 31, 2022	December 31, 2021
Financial investments at FVOCI	321,900	676,169
Financial investments at amortized cost	61,470	17,122
Total	**383,370**	**693,291**

As of December 31, 2022, EUR 58,021 financial assets may have been sold or re-pledged under repurchase agreements (2021: EUR 130,318). These transactions are conducted under terms that are normal and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchange markets where the Bank acts as an intermediary.

	December 31, 2022	December 31, 2021
Government bonds	269,777	482,216
Loans and advances	53,088	125,471
Corporate bonds	29,706	16,147
Bank bonds	19,802	26,106
Equities	10,997	43,351
Total	**383,370**	**693,291**

As of December 31 2022, EUR 326,585 (2021: EUR 553,823) of the total are listed financial instruments and EUR 56,786 (2021: EUR 139,468) are non-listed financial instruments.

The Bank elected to apply the FVOCI option to the equity investments, which consists of instruments that provide a strategic source of stable dividend income.

The Bank's equity investments as of December 31, 2022 and December 31, 2021 are listed as below:

December 31, 2022			
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	4,649	476	Based on quoted market prices
CEB Russia - minority share**	-	4,065	Discounted cash flow
Other	6,348	642	Based on quoted market prices
Total	**10,997**	**5,183**	

December 31, 2021			
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	17,967	815	Based on quoted market prices
CEB Russia - minority share*	12,285	937	Discounted cash flow
Other	13,099	319	Based on quoted market prices
Total	**43,351**	**2,071**	

(*) Please refer to Note 33 'Fair value hierarchy' for significant unobservable inputs.
(**) In 2022, the Bank's minority share in former subsidiary CEB Russia is classified as "Assets held for sale". Further details are provided in Note 38 'Assets held for sale'.

The movement in investment securities may be summarized as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**693,291**	**785,626**
Additions	760,401	771,294
Disposals (sale and redemption)	(1,011,000)	(849,136)
Net changes in fair value	(41,023)	(6,050)
Amortization	(7,604)	(8,239)
Transfers into other financial asset classes	(4,538)	(1,885)
Exchange differences	(6,157)	1,681
Balance at the end of the year	**383,370**	**693,291**

8. Loans and receivables – banks

	December 31, 2022	December 31, 2021
Placements with other banks	312,223	229,301
Loans and advances	149,198	54,282
Subtotal	**461,421**	**283,583**
Allowances for expected credit losses	(879)	(196)
Total	**460,542**	**283,387**

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 29,409 (2021: EUR 47,832).

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

	Stage 1		**Stage 2**		**Stage 3**		**TOTAL**	
	Gross loans	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**	**Gross loans**	**ECL**
At January 1, 2022	**283,583**	**(196)**	**-**	**-**	**-**	**-**	**283,583**	**(196)**
Originated or purchased	571,937	(884)	-	-	-	-	571,937	(884)
Matured or sold	(402,222)	201	-	-	-	-	(402,222)	201
Re-measurement	7,935	-	-	-	-	-	7,935	-
Exchange differences	188	-	-	-	-	-	188	-
At December 31, 2022	**461,421**	**(879)**	**-**	**-**	**-**	**-**	**461,421**	**(879)**

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

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9. Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments depend on movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures, credit default swaps, commodity swaps and options.

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

	December 31, 2022			December 31, 2021		
	Notional amount	Carrying value assets	Carrying value liabilities	Notional amount	Carrying value assets	Carrying value liabilities
Derivatives held for trading						
Interest rate swaps	583,869	11,042	11,042	155,340	2,934	2,934
Foreign currency swaps	154,183	25,099	23,600	51,118	22,846	22,878
Foreign currency forwards	178,315	6,643	6,060	8,145	175	170
Foreign currency options (purchased)	200,643	12,986	-	-	-	-
Foreign currency options (sold)	(199,987)	-	12,977	-	-	-
Equity options (purchased)	8,093	1,223	-	-	-	-
Equity options (sold)	(8,093)	-	1,223	-	-	-
Commodity swaps	11,458	691	501	-	-	-
Total	**928,481**	**57,684**	**55,403**	**214,603**	**25,955**	**25,982**
Derivatives in economic hedge relationship						
Interest rate swaps	3,000	120	119	7,006	161	161
Foreign currency swaps	1,437,923	45,211	53,022	1,274,309	39,035	53,241
Forwards	123,504	942	932	287,949	922	727
Total	**1,564,427**	**46,273**	**54,073**	**1,569,264**	**40,118**	**54,129**
Derivatives in fair value hedge accounting relationships						
Interest rate swaps	641,419	7,011	29,751	457,413	273	34
Foreign currency swaps	-	-	-	17,627	129	-
Total	**641,419**	**7,011**	**29,751**	**475,040**	**402**	**34**
Derivatives in net investment hedge accounting relationship						
Foreign currency swaps	408,907	2,029	11,333	346,366	3,118	7,733
Total	**408,907**	**2,029**	**11,333**	**346,366**	**3,118**	**7,733**
Total Derivatives	**3,543,234**	**112,997**	**150,560**	**2,605,273**	**69,593**	**87,878**

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

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

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

-Fair value hedges in hedge accounting relationships

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

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

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

December 31, 2022	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Fixed rate FVOCI debt instruments	58,618	-	-	7,118
Subtotal	**58,618**	**-**	**-**	**7,118**
Portfolio fair value hedges				
Fixed rate customer deposits	-	520,419	22,216	-
Subtotal	**-**	**520,419**	**22,216**	**-**
Total	**58,618**	**520,419**	**22,216**	**7,118**

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

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

January 1- December 31, 2022		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Foreign currency contracts	5,890	(6,019)	(129)
Fixed rate FVOCI debt instruments	Interest rate swaps	(4,177)	4,075	(102)
Subtotal		**1,713**	**(1,944)**	**(231)**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	2,527	(3,206)	(679)
Subtotal		**2,527**	**(3,206)**	**(679)**
Total micro fair value relationships		**4,240**	**(5,150)**	**(910)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	22,548	(22,906)	(358)
Subtotal		**22,548**	**(22,906)**	**(358)**
Total portfolio fair value hedge relationships		**22,548**	**(22,906)**	**(358)**
Total		**26,788**	**(28,056)**	**(1,268)**

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

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

December 31, 2022	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Interest rate swaps	-	42,468	-	42,468
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	6,265	66,905	73,170
Fixed rate customer deposits				
Interest rate swaps	102,270	173,294	250,217	525,781
Total	**102,270**	**222,027**	**317,122**	**641,419**

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

-Net investment hedges

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

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

		December 31, 2022
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	(832)	(648)
RON	11,691	(172)
CHF	7,416	6,659
UAH	19	(1,955)
TRY	(780)	(2,837)
Total	**17,514**	**1,047**

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

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

December 31, 2022	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for net investment hedge**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	10,537	112	56	832	-	832
RON swaps	248,410	594	6,501	(11,691)	-	(11,691)
CHF swaps	145,355	903	4,375	(7,416)	-	(7,416)
UAH swaps	-	-	-	(19)	-	(19)
TRY swaps	4,605	420	401	780	-	780
Total	**408,907**	**2,029**	**11,333**	**(17,514)**	**-**	**(17,514)**

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

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

Hedging Instruments	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**Total**
USD swaps	-	10,537	-	10,537
RON swaps	22,175	81,559	144,676	248,410
CHF swaps	-	27,337	118,018	145,355
TRY swaps	4,605	-	-	4,605
Total at December 31, 2022	**26,780**	**119,433**	**262,694**	**408,907**

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

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10. Loans and receivables – customers

	December 31, 2022	December 31, 2021
Commercial loans	2,227,712	2,393,942
Consumer loans	231,937	239,866
Credit card loans	89,397	85,510
Finance lease receivables, net	4,366	5,320
Private banking loans	69	-
Public sector loans	-	86,539
Subtotal	**2,553,481**	**2,811,177**
Allowances for expected credit losses	**(71,966)**	**(58,163)**
-Commercial loans	(48,325)	(36,078)
-Consumer loans	(22,924)	(20,630)
-Credit card loans	(717)	(1,319)
-Finance lease receivables, net	-	(136)
Total	**2,481,515**	**2,753,014**

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

Details of finance lease receivables are summarized below:

	December 31, 2022	December 31, 2021
Not later than 1 year	1,081	1,198
Later than 1 year and not later than 5 years	3,601	3,926
Later than 5 years	-	655
Gross lease receivables	**4,682**	**5,779**
Not later than 1 year	(118)	(144)
Later than 1 year and not later than 5 years	(198)	(308)
Later than 5 years	-	(7)
Unearned interest income	**(316)**	**(459)**
Finance lease receivables, net	**4,366**	**5,320**

11. Loans to customers, impairment charges and allowances

December 31, 2022

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	**2,347,783**	**(10,251)**	**267,092**	**(21,546)**	**196,302**	**(26,366)**	**2,811,177**	**(58,163)**
Originated or purchased	1,283,604	(3,651)	18,318	(372)	1,375	(907)	**1,303,297**	**(4,930)**
Matured or sold	(1,320,213)	2,884	(81,395)	5,324	(39,294)	5,157	**(1,440,902)**	**13,365**
Transfers to Stage 1	18,228	(506)	(17,067)	318	(1,161)	188	-	-
Transfers to Stage 2	(99,041)	3,130	108,753	(4,850)	(9,712)	1,720	-	-
Transfers to Stage 3	(18,434)	5	(8,800)	690	27,234	(695)	-	-
Re-measurement	(78,993)	(1,299)	(29,189)	1,010	(10,153)	(16,909)	**(118,335)**	**(17,198)**
Amounts written off	-	-	-	-	(3,045)	3,306	**(3,045)**	**3,306**
Exchange differences	1,046	240	187	(118)	56	(8,468)	**1,289**	**(8,346)**
Balance at year end	**2,133,980**	**(9,448)**	**257,899**	**(19,544)**	**161,602**	**(42,974)**	**2,553,481**	**(71,966)**

December 31, 2021

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

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

			January 1-December 31, 2022		January 1-December 31, 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans to customers at amortized cost	7,145	(1,176)	(8,819)	(2,850)	**4,559**
Loans to banks at amortized cost	(503)	-	-	(503)	**115**
Debt securities measured at FVOCI	157	-	-	157	**(248)**
Debt securities measured at amortized cost	2	-	-	2	**(1)**
Credit related commitments (non-cash loans)	(190)	9	(19)	(200)	**161**
Net impairment loss on financial instruments	**6,611**	**(1,167)**	**(8,838)**	**(3,394)**	**4,586**

There is no 'Loans and receivables' written off during the year (2021: EUR 1,137), which is still subject to enforcement activity.

12. Other assets and inventories

	December 31, 2022	December 31, 2021
Repossessed assets classified as inventories*	34,562	47,942
Contract assets	11,734	11,428
Prepayments to suppliers	10,231	3,998
Receivables from DSB	6,259	6,259
Accounts receivable	3,781	1,829
POS, plastic cards and ATM related receivables	3,703	3,802
Materials and supplies	2,700	2,443
Other assets **	7,257	13,570
Total	**80,227**	**91,271**

(*) Repossessed assets classified as inventories includes land, commercial and residential real estate amounting to EUR 28.6 million (2021: EUR 39 million), and recreational boats amounting to EUR 6 million (2021: EUR 2 million).

(**) Includes EUR 2.4 million (2021: EUR 2.2 million) "Cash collateral given" and EUR 1 million (2021: EUR: 1 million) "Operational tax receivables".

In 2022, EUR 3.3 million artworks (2021: EUR 6 million) are classified as "Assets held for sale". Please refer to Note 33 'Fair value hierarchy' for significant unobservable inputs for the assets, which are classified as "Assets held for sale".

13. Investment in associates and joint ventures

For 2022 and 2021 the movements of the Bank's interest in associates and joint ventures are as follows:

	Balance at January 1, 2022	Additions / (Disposals)	Result for the year**	Foreign currency translation reserve	Balance at December 31, 2022
Cirus Holding B.V.	2,280	-	(2,280)	-	-
	2,280	**-**	**(2,280)**	**-**	**-**

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

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

Cirus Holding B.V. is a joint venture entity, in which both the Bank and Ikano SA holds 50% of the shares. The company is established as parent company of a separate bank in Russia. As of report date, CEB has received approval from the Russian authorities to sell its stake in the bank. The transaction is expected to be completed in the coming months.

Ikano Finance Holding B.V. is a holding company, which through its wholly owned Russian based subsidiary cooperates with Credit Europe Bank (Russia) Ltd in providing financial services and co-branded cards to the retail customers of IKEA and MEGA in Russia. The Bank holds 50% of the shares. Since the carrying amount is zero as of January 1, 2022, it is not presented in current year movement table.

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14. Property, equipment and investment property

A. Property and equipment

The movement of property and equipment is summarized as follows:

	Land and Buildings	Furniture and Fixtures	Vehicles and Vessels*	Leasehold improvements	Machinery	Total
Balance at January 1, 2022	49,097	13,331	31,808	1,886	3,011	99,133
Additions	8,279	1,101	36	241	24	9,681
Disposals	(974)	(3,968)	(31,863)	-	-	(36,805)
Revaluation**	(584)	-	-	-	-	(584)
Depreciation	(3,853)	(1,713)	(1,513)	(316)	(1,355)	(8,750)
Currency translation differences	1,798	88	2,013	58	235	4,192
Balance at December 31, 2022	**53,763**	**8,839**	**481**	**1,869**	**1,915**	**66,867**
Cost	100,110	52,502	6,371	4,406	14,522	177,911
Cumulative depreciation and impairment	(46,347)	(43,663)	(5,890)	(2,537)	(12,607)	(111,044)
Balance at December 31, 2022	**53,763**	**8,839**	**481**	**1,869**	**1,915**	**66,867**

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

* Includes EUR 20.4 million disposals due to sold vessels and 11.5 million disposals due to vessels classified to asset held for sale. Proceeds from the sale of vessels amounts EUR 25 million. Further details are provided in Note 38 'Assets held for sale'.

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

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

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

December 31, 2022

	Recoverable value exceeded carrying amount	Key assumptions: Buildings*	Key assumptions: Terminal growth rate	Key assumptions: Discount rate	Impact of consequential 1% adverse movement in: Terminal growth rate	Impact of consequential 1% adverse movement in: Discount rate
Shipyard (Turkiye)	-	-	2.00%	20.6%	367	323

December 31, 2021

	Recoverable value exceeded carrying amount	Key assumptions: Buildings*	Key assumptions: Terminal growth rate	Key assumptions: Discount rate	Impact of consequential 1% adverse movement in: Terminal growth rate	Impact of consequential 1% adverse movement in: Discount rate
Shipyard (Turkiye)	1,189	1,189	2.20%	14.8%	575	910

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

The Bank is using revaluation model for fair value measurement of its properties. If the properties were continued to be measured using the cost model, the carrying amounts would have been EUR 53,055.

Fair value measurement disclosures for the revalued properties are provided in Note 33.

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The Bank does not have any restrictions on title, and property and equipment pledged as security for liabilities (2021: None). The Bank does not have any contractual commitments for the acquisition of property and equipment.

As of December 31, 2022, collaterals repossessed in property and equipment is EUR 26,652 (2021: EUR 59,787).

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

December 31, 2022

	Right-of-use assets					
	Land and Buildings	Vehicles	Furniture and Fixtures	Other	Total	Lease Liabilities
As at 1 January 2022	**7,553**	**139**	**233**	**83**	**8,008**	**8,040**
Additions	5,789	6	-	5	**5,800**	5,879
Disposals	(9)	-	-	-	**(9)**	(61)
Depreciation expense	(2,307)	(61)	(97)	(22)	**(2,487)**	-
Interest expense	-	-	-	-	-	66
Payments	-	-	-	-	-	(2,428)
Currency translation differences	-	-	-	-	-	(407)
As at 31 December 2022	**11,026**	**84**	**136**	**66**	**11,312**	**11,089**

December 31, 2021

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

As of December 31, 2022 the Bank recognised rent expense from short-term leases at amount of EUR 229 (2021: EUR 551). There is no rent expense from leases of low value assets (2021: EUR 4).

B. Investment property

Reconciliation of carrying amount

	December 31, 2022	December 31, 2021
Balance at 1 January	**2,856**	**2,697**
Changes in unrealized fair value	776	-
Currency translation differences	128	159
Balance at 31 December	**3,760**	**2,856**

Investment properties are classified as Level 3 in terms of fair value hierarchy.

As of December 31, 2022, the amount of accumulated change in unrealized fair value is EUR 62 negative (2021: EUR 838 negative).

15. Intangible assets

The movement of intangibles is summarized as follows:

	Patents and licenses	Other Intangibles	Total
Balance at January 1, 2022	**7,120**	**-**	**7,120**
Additions	3,341	-	3,341
Amortization	(2,558)	-	(2,558)
Currency translation differences	(11)	-	(11)
Balance at December 31, 2022	**7,892**	**-**	**7,892**
Cost	16,254	-	16,254
Cumulative amortization	(8,362)	-	(8,362)
Balance at December 31, 2022	**7,892**	**-**	**7,892**

	Patents and licenses	Other Intangibles	Total
Balance at January 1, 2021	**5,247**	**18**	**5,265**
Additions	4,795	16	4,811
Disposal	(71)	-	(71)
Amortization	(2,839)	(28)	(2,867)
Currency translation differences	(12)	(6)	(18)
Balance at December 31, 2021	**7,120**	**-**	**7,120**
Cost	12,913	-	12,913
Cumulative amortization	(5,793)	-	(5,793)
Balance at December 31, 2021	**7,120**	**-**	**7,120**

16. Due to banks

	December 31, 2022	December 31, 2021
Time deposits	290,724	627,427
Current accounts	150,512	26,952
Targeted longer term refinancing operations (TLTRO)*	-	144,719
Total	**441,236**	**799,098**

(*) Early redemption option for the funding obtained under the Targeted Longer-Term Refinancing Operations III (TLTRO III) is used by the Bank and the debt is repaid as of 23 November 2022.

The amount of repo transactions in time deposits is EUR 58,021 (2021: EUR 130,318).

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17. Due to customers

	December 31, 2022	December 31, 2021
Retail time deposits	1,266,435	1,239,484
Retail saving and demand deposits	1,073,066	1,305,542
Corporate demand deposits	801,633	506,378
Corporate time deposits	275,884	274,636
Total	**3,417,018**	**3,326,040**

As of December 31, 2022, the Bank maintained customer deposit balances of EUR 71,105 (2021: EUR 35,847), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2022, EUR 1,187,616 (2021: EUR 1,421,435) of deposits from customers are expected to be settled in more than 12 months after the balance sheet date.

18. Other liabilities

	December 31, 2022	December 31, 2021
Advances from customers	13,956	9,014
Lease liabilities	11,089	8,040
Items in the course of settlement	5,410	2,486
Accrued expenses	4,207	4,819
Credit card payables	2,625	2,531
Other liabilities*	10,022	7,086
Total	**47,309**	**33,976**

(*) Includes EUR 2.4 million (2021: EUR 2.1 million) "Non-current tax payables" and EUR 1.7 million (2021: EUR 2.5 million) "Payables to suppliers".

19. Provisions

	December 31, 2022	December 31, 2021
Litigation(*)	3,122	3,955
Staff related	5,372	4,524
- Employee termination benefits	*128*	*1,027*
- Bonus provision	*2,348*	*293*
- Vacation pay liability	*1,653*	*1,636*
- Other	*1,243*	*1,568*
Credit related commitments	2,268	1,452
Other	61	32
Total	**10,823**	**9,963**

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Bank's and the Bank's subsidiary, Credit Europe Bank (Romania) SA, are involved as of December 31, 2022. Further details are provided in Note 35: Commitments and Contingencies.

The table below presents movement in total provisions:

December 31, 2022	Litigation	Staff related	Credit related commitments	Other
At January 1, 2022	**3,955**	**4,524**	**1,452**	**32**
Addition	1,236	3,066	750	30
Provisions used during the period	-	(1,155)	-	-
Reversal	(2,081)	(1,120)	-	-
Currency translation differences	12	57	66	(1)
At December 31, 2022	**3,122**	**5,372**	**2,268**	**61**

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

20. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, the Bank and other Group companies.

	Maturity Date	First possible call date	December 31, 2022	December 31, 2021
USD 150 million subordinated notes with a fixed interest rate of 9.62 % p.a.	November 2023	November 2023	141,802	132,689
USD 50 million AT1 instrument with a fixed interest rate of 10.27% p.a.	Perpetual	June 2023	46,930	44,202
Total			**188,732**	**176,891**

Changes in liabilities arising from financial activities

Subordinated loans	December 31, 2022	December 31, 2021
Balance at the beginning of the year	176,891	162,916
Interest expense	15,166	13,041
Interest paid	(14,629)	(12,677)
Foreign exchange movement	11,304	13,611
Balance at year end	**188,732**	**176,891**

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21. Equity

	December 31, 2022	December 31, 2021
Share capital	563,000	563,000
Share premium	163,748	163,748
Retained earnings*	99,833	92,863
Tangible revaluation reserve	(16)	467
Fair value reserve	(27,721)	(4,793)
Foreign currency translation reserve	(83,383)	(71,511)
Net investment hedge reserve	(97,556)	(93,013)
Equity attributable to owners of the Parent Company	**617,905**	**650,761**
Equity attributable to non-controlling interests	1,712	1,731
Total equity	**619,617**	**652,492**

(*) In March 2022 the Bank paid a dividend of EUR 37.4 million to its direct shareholder, Credit Europe Group N.V.

As of December 31, 2022, the authorized share capital is EUR 1,000 million (2021: EUR 1,000 million) and consists of EUR 1,000 million (2021: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 563 million (2021: 563 million) ordinary shares with a face value of EUR 1.

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

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

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

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

IAS 29 'Hyperinflation'

In 2022 Turkiye was deemed a hyperinflationary economy for accounting purposes and the Bank started applying IAS 29 'Hyperinflation' on its foreign investment in Turkiye. All non-monetary balance sheet positions are stated at 'the measuring unit current at the end of the reporting period' (by indexation using general price indexes as from the date of acquisition of the non-monetary item, or the date of the latest revaluation of non-monetary items measured at revalued amounts). Indexation effect is reflected in Equity. The IAS 29 indexation impact on equity at an amount of EUR 8.3 million in retained earnings.

22. Net interest income

	January 1- December 31, 2022	January 1- December 31, 2021
Interest income from financial instruments measured at amortized cost and FVOCI	**166,901**	**120,492**
Loans and receivables – customers	146,733	111,020
Loans and receivables – banks	9,480	2,501
Financial investments	7,873	5,339
Cash and balances at central banks*	2,668	1,463
Interest on financial lease	147	169
Interest income from financial instruments measured at FVTPL	**7,289**	**5,587**
Financial assets held for trading	6,147	5,158
Non-trading financial assets mandatorily at FVTPL	1,142	429
Subtotal	**174,190**	**126,079**
Interest expense from financial instruments measured at amortized cost	**51,452**	**37,285**
Due to customers	26,221	19,871
Subordinated liabilities	13,100	9,184
Due to banks	11,296	4,856
Cash and balances at central banks	769	3,325
Lease liabilities	66	49
Subtotal	**51,452**	**37,285**
Total	**122,738**	**88,794**

(*) Includes negative interest on TLTRO amounting to EUR 913 (2021: EUR 1,440).

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23. Net fee and commission income

	January 1- December 31, 2022	January 1- December 31, 2021
Fee and commission income		
Letters of credit commissions	15,181	12,230
Cash loan fees	8,956	9,816
Credit card fees	6,557	6,759
Portfolio and other management fees	1,919	589
Payment and transaction services fees	1,830	1,825
Commission on account maintenance	1,825	1,508
Other fees and commissions	2,879	3,399
Subtotal	**39,147**	**36,126**
Fee and commission expense		
Credit card fees	2,780	2,699
Payment and transaction services expense	514	1,073
Other fee and commission expenses	932	1,068
Subtotal	**4,226**	**4,840**
Total	**34,921**	**31,286**

24. Net trading results

	January 1- December 31, 2022	January 1- December 31, 2021
Foreign exchange	16,654	33,472
Interest rate derivatives	15,400	1,980
Trading loans	4,827	5,535
Debt securities	(587)	45
Derivative financial instruments - hedge accounting	(1,260)	(872)
Non trading financial assets mandatorily at FVTPL	(1,978)	1,232
Subtotal	**33,056**	**41,392**
Derivative financial instruments - not qualifying for hedge accounting	(26,217)	(42,724)
of which interest component	*(21,008)*	*(12,666)*
of which MTM component	*(711)*	*(93)*
of which FX component	*(4,498)*	*(29,965)*
Total	**6,839**	**(1,332)**

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

As of December 31, 2022, there is EUR 2,435 (2021: None) transaction loss is recognized due to partial sale of the Russian risk portfolio.

26. Net results from investment securities

	January 1- December 31, 2022	January 1- December 31, 2021
Net gain from disposal of debt instruments at FVOCI	(15,202)	5,377
Total	**(15,202)**	**5,377**

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

27. Revenue from repossessed assets and other operating income

i. Revenue from repossessed assets

	January 1- December 31, 2022	January 1- December 31, 2021
Revenue from shipbuilding activities	20,600	38,951
Shipping charter and freight income*	12,527	8,317
Gain on disposal of repossessed assets	10,311	2,526
Total	**43,438**	**49,794**

(*) Includes EUR 4 million insurance collection for damaged vessel.

The revenue in the table above relates to assets that the Bank has repossessed as part of the foreclosure of collateral. In the efforts to maximize the proceeds, the Bank operates these assets while optimizing their performance before selling them. While it is the Bank's intention to sell these assets, they do not yet meet the requirements to be presented as assets held for sale under IFRS 5 and consequently present revenue as revenue from discontinued operations. As of December 31, 2022 the total amount of work in progress relating to the shipbuilding activities amounts to EUR 0.6 million, whereas EUR 11.9 million in advance payments was received.

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

	January 1- December 31, 2022	January 1- December 31, 2021
Revenue from repossessed assets	43,438	49,794
Direct materials used in shipbuilding activities	7,133	20,702
Other expenses associated with shipbuilding activities	8,494	11,397
Vessels running costs	8,268	15,120
Employee expenses	2,191	2,097
Other (Incl. losses from disposal of repossessed assets)	13,037	2,820
Expenses related to repossessed assets	**39,123**	**52,136**
Depreciation	3,763	4,256
Net impairment result (Note 31)	2,237	1,409
Expenses related to repossessed assets recognized in other PL items	**6,000**	**5,665**
Net result (pre-tax)	**(1,685)**	**(8,006)**

ii. Other operating income

	January 1- December 31, 2022	January 1- December 31, 2021
Dividend income	5,183	2,071
Net monetary gain*	1,522	-
Change in fair value of investment property	790	-
Other income	1,536	2,982
Total	**9,031**	**5,053**

(*) Net monetary gain reflecting the IAS 29 hyperinflation impact in Turkiye related to the indexation of Turkiye's statement of financial position.

28. Personnel expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Wages and salaries	51,844	45,121
Social security payments	4,918	4,325
Retirement benefit costs	1,108	2,910
Other employee costs	6,111	3,504
Total	**63,981**	**55,860**
Average number of employees	**1,051**	**1,100**
– Netherlands	217	217
– Foreign countries	834	883

The retirement benefit costs of EUR 1,989 (2021: EUR 2,880) 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.

29. Core operating expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Professional fees and consultancy	5,970	3,956
Communication and information expenses	3,421	3,238
Information technology expenses	3,276	2,974
Rent and maintenance expenses	3,096	3,204
Contributions and subscriptions	2,512	1,777
Supervision fees	1,887	1,891
Legal services expenses	1,641	1,554
Taxes other than income	1,592	1,546
Stationary, office supplies and printing expense	1,012	1,060
Other expenses*	5,739	3,974
Total	**30,146**	**25,174**

(*) Other core operating expenses mainly consist of security, insurance, advertising & marketing, cleaning, travel & transport related expenses.

30. Other operating expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Provision losses	731	321
Fines and penalties	630	193
Other	237	2,504
Total	**1,598**	**3,018**

31. Other impairment losses

	January 1- December 31, 2022	January 1- December 31, 2021
Repossessed assets classified as inventories	2,237	2,527
Property and equipment*	366	(1,488)
Total	**2,603**	**1,039**

(*) EUR 366 (2021: EUR 299 reversal) impairment recognised in 2022 is presented under "West Europe Wholesale" geographical segment in Note 4: Segment information.

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32. Taxation

The Netherlands

Corporate income tax is levied at the rate of 25.8% on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2022. A tax rate of 15% applies to the first EUR 395,000 of taxable income in 2022. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies.

Under the Dutch taxation system in 2022, tax losses can be carried forward to be offset against future taxable income for six years and tax losses can be carried back to offset profits for up to one year. However, the Dutch Ministry of Finance has proposed that losses may be carried forward indefinitely and the offset of losses will be limited in a given year against the first €1 million of taxable profit and for taxable profit in excess of this amount, losses may only be offset up to 50% of this excess.

Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Beginning from January 1, 2007, the Bank formed a 'fiscal unity' with its Parent company, Credit Europe Group N.V., which acts as the head of 'fiscal unity'. Because of the fiscal unity, all profits and losses of the fiscal unity members are 'consolidated' for tax purposes. The main advantages of a fiscal unity are that tax losses of one company can be offset against profits of another company and assets can be transferred to another company without recognizing income at the moment of transfer. On the other hand, each member of the fiscal unity is in principle jointly and individually liable for the income tax liability of the entire fiscal unity.

Romania

The applicable corporate income tax rate is 16% (2021: 16%). Under the Romanian taxation system, tax losses can be carried forward to be offset against future taxable income for seven years. Companies must file their corporate income tax returns by 25 March of the year following the tax year to which they relate. Tax years are open to tax audits for five years (10 years if tax evasion is suspected) during which time the tax authorities have the right to perform tax audits and potentially re-assess companies' corporate income tax position based on their findings.

Switzerland

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

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

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

Ukraine

The applicable tax rate for corporate profit is 18% (2021: 18%). The tax amount defined by the Bank could be re-assessed by the tax authorities during the three subsequent calendar years after the date of submitting the respective tax return; however, under certain circumstances this period could be longer. Therefore, the Bank should keep its primary documents related to tax returns until the beginning of the tax audit, but for no less than three years.

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

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	January 1-December 31, 2022	January 1-December 31, 2021
Effective tax rate	11.90%	(33.87)%
Income tax recognized in the income statement		
Current income tax	**(3,719)**	**(1,099)**
Current income tax charge	(3,719)	(1,099)
Deferred income tax	**(1,603)**	**10,572**
Relating to origination and reversal of temporary differences	(1,603)	10,572
Income tax reported in income statement	**(5,322)**	**9,473**

	December 31, 2022	December 31, 2021
Income tax recognized in equity		
Fair value reserve	2,107	3,010
Tangible revaluation reserve	182	(57)
Net investment hedge	-	13,171
Income tax reported in equity	**2,289**	**16,124**

Reconciliation of income tax	January 1-December 31, 2022	January 1-December 31, 2021
Operating profit before tax	44,728	27,969
Statutory tax rate	25.8%	25.0%
At statutory income tax	**(11,540)**	**(6,992)**
Tax losses on intercompany loans	6,675	1,850
Income not subject to tax	1,023	363
Utilization of previously unrecognized tax losses*	428	19,762
Expenditure not allowable for income tax purposes	(156)	(349)
Change in estimates relating to prior years	(412)	-
Effect of different income tax rates in other countries	(2,305)	(5,031)
Other	965	(130)
Income tax	**(5,322)**	**9,473**

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

Deferred tax assets and liabilities			December 31, 2022			December 31, 2021
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Tax losses carried forward	70,661	-	70,661	73,127	-	73,127
Debt securities	5,722	(975)	4,747	2,956	(913)	2,043
Property, plant and equipment	639	(962)	(323)	457	(956)	(498)
Loans and receivables	2,042	(4,433)	(2,391)	928	(3,780)	(2,852)
General risk provision	-	(12,535)	(12,535)	-	(12,535)	(12,535)
Other	1,720	-	1,720	1,856	-	1,856
Total	**80,785**	**(18,905)**	**61,880**	**79,324**	**(18,183)**	**61,141**

Deferred tax changes recorded in the income statement	**December 31, 2022**	**December 31, 2021**
Loan impairment provision	965	(4,164)
Deferred tax of fiscal loss	(2,466)	14,765
Other	(102)	(29)
Total	**(1,603)**	**10,572**

33. Fair value information

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

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

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

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Classification of financial assets and liabilities

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

	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	December 31, 2022 Total carrying amount
Cash and balances at central banks	-	-	-	1,103,693	-	-	1,103,693
Financial assets at FVTPL	-	66,659	27,974	-	-	-	94,633
Financial investments	-	-	-	61,470	321,900	-	383,370
Loans and receivables - banks	-	-	-	460,542	-	-	460,542
Loans and receivables - customers	-	-	-	2,481,515	-	-	2,481,515
Derivative financial instruments	112,997	-	-	-	-	-	112,997
Total assets	**112,997**	**66,659**	**27,974**	**4,107,220**	**321,900**	**-**	**4,636,750**
Due to banks	-	-	-	-	-	441,236	441,236
Due to customers	-	-	-	-	-	3,417,018	3,417,018
Derivative financial instruments	150,560	-	-	-	-	-	150,560
Subordinated liabilities	-	-	-	-	-	188,732	188,732
Total liabilities	**150,560**	**-**	**-**	**-**	**-**	**4,046,986**	**4,197,546**

	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	December 31, 2021 Total carrying amount
Cash and balances at central banks	-	-	-	934,648	-	-	934,648
Financial assets at FVTPL	-	68,511	19,195	-	-	-	87,706
Financial investments	-	-	-	17,122	676,169	-	693,291
Loans and receivables - banks	-	-	-	283,387	-	-	283,387
Loans and receivables - customers	-	-	-	2,753,014	-	-	2,753,014
Derivative financial instruments	69,593	-	-	-	-	-	69,593
Total assets	**69,593**	**68,511**	**19,195**	**3,988,171**	**676,169**	**-**	**4,821,639**
Due to banks	-	-	-	-	-	799,098	799,098
Due to customers	-	-	-	-	-	3,326,040	3,326,040
Derivative financial instruments	87,878	-	-	-	-	-	87,878
Subordinated liabilities	-	-	-	-	-	176,891	176,891
Total liabilities	**87,878**	**-**	**-**	**-**	**-**	**4,302,029**	**4,389,907**

Fair value hierarchy

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

Valuation Models

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

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

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

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

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

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

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

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

Interest rate benchmark reform

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The Bank has been closely monitoring market developments, announcements from industry bodies and regulators about IBOR Benchmark transition and has taken the necessary steps to be ready for the upcoming changes in this regard in a timely manner.

Core Banking Treasury modules have been developed to address current and potential future needs arising from the move to RFRs.

The bank, in line with SOFR-First initiative, moved Interest Rate Swap and Cross-currency Swap activities to RFR based derivatives and moved valuations to RFR based curves when appropriate.

The bank has adhered to 2020 ISDA IBOR Fallbacks Protocols, effectively incorporating robust fallbacks to its protocol covered contracts. Legacy derivatives transaction in the bank`s books that reference LIBOR are all executed under ISDA and are limited in number and value.

The Bank has also been in line with the timelines for transition related to new loan issuance. Since 2022, the floating rate USD Loans have been issued based on SOFR. Core's loan module has also been successfully developed to address RFR related requirements and is being actively used in production

The Bank has prepared client communication documents together with relevant guidance notes setting out the background of the benchmark transition, new interest calculation methodology (conventions) and FAQs. The Bank has a finalized standard framework credit agreement, enters into new loan documentation with RFR wording. The Bank is in the process of amending its existing agreements.

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

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

In 2022, there has been no change in valuation techniques and models.

Valuation framework

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

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

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

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

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

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

December 31, 2022	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	36,774	-	29,885	66,659
Derivative financial assets	9	-	112,997	-	112,997
Equity instruments measured at FVOCI	7	7,299	797	2,900	10,996
Equity instruments classified as AHS*	38	-	-	4,538	4,538
Non-trading assets mandatorily at FVTPL	6	155	-	27,819	27,974
Other financial investments	7	169,997	87,819	53,088	310,904
Total		**214,225**	**201,613**	**118,230**	**534,068**
Financial liabilities					
Derivative financial liabilities	9	-	150,560	-	150,560
Total		**-**	**150,560**	**-**	**150,560**

December 31, 2021	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	3,054	-	65,457	68,511
Derivative financial assets	9	-	69,593	-	69,593
Equity instruments measured at FVOCI	7	29,355	-	13,996	43,351
Non-trading assets mandatorily at FVTPL	6	6,055	-	13,140	19,195
Other financial investments	7	507,347	-	125,471	632,818
Total		**545,811**	**69,593**	**218,064**	**833,468**
Financial liabilities					
Derivative financial liabilities	9	-	87,878	-	87,878
Total		**-**	**87,878**	**-**	**87,878**

(*) In 2022, the Bank's minority share in former subsidiary CEB Russia is classified as "Assets held for sale".

EUR 87,819 financial instruments were transferred from Level 1 to Level 2 in 2022. (2021: None)
EUR 2,846 financial instruments were transferred from Level 1 to Level 3 in 2022. (2021: None)

Level 3 Financial assets and liabilities

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or an illiquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. As of December 31, 2022, EUR 10,284 (2021: EUR 13,996) securities were classified as Level 3.

During 2022, there were no financial instruments transferred out of Level 3 to Level 2 due to change in inputs used in measuring the fair value of the assets. (2021: None)

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

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

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

Fair value measurement of non-financial assets and liabilities

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

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

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

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

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

In 2022 there has been no change in valuation techniques.

As at December 31, 2022 the Bank has no non-financial liabilities measured at fair value (2021: None).

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Significant unobservable inputs used in determination of Level 3 fair values

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

Category	Carrying amount/fair value(in Eur)	Valuation Technique	Input	Range
Financial assets				
Romania- residential and commercial properties Level-3	3,045	Market comparison approach	Price per square meter	900-1000 Eur/sqm
		Income capitalization	Unit rental price p.m	9-9.5 Eur/sqm
			Vacancy rate	5%-15%
			Operating expenses p.m	20.000
			Capitalization rate	8%-10%
Romania- commercial properties Level-3	5,254	Market comparison approach	Price per square meter	676 Eur/sqm
		Income capitalization	Unit rental price p.m	6.5 Eur/sqm
			Vacancy rate	7%-15%
			Operating expenses p.m	4,000-37,000
			Capitalization rate	8.5%-12%
Loans mandatorily at FVTPL Level-3	16,674	Discounted cash flow	EURIBOR	2.22%-3.26%
Romania- Visa shares	2,846	Third party pricing	Broker price	n.a
Non-trading assets mandatorily at FVTPL	**27,819**			
Trading assets - *Trading loans at FVTPL*	**29,885**	Third party pricing	Broker price	n.a
Other financial investments - *Trading loans at FVOCI*	**53,088**	Third party pricing	Broker price	n.a
Equity instruments measured at FVOCI				
Investment fund	**2,900**	Net asset value	n.a	n.a
Equity instruments classified as AHS			Projections of future cash flows	
Minority shares	**4,538**	Discounted cash flow	Market parameters (country risk premium, currency risk premium, risk free rate, market risk premium)	25.20% 10.77% 2.90% 4.24%
Total- Level 3 financial assets	**118,230**			
Non-financial assets				
Western Europe- land/buildings	14,375	Market comparison approach Income capitalization	Price per square meter IRR/Yield	17 Eur/sqm/month 6.4%
Romania- land/ buildings	7,007	Market comparison approach Income capitalization	Price per square meter	600-2,000 Eur/sqm/month
Turkiye- shipyard*	24,313	Income approach Market comparison approach Cost approach	Terminal growth rate Discount rate	2.00% 20.60%
Sub-total land/buildings	**45,695**			
Turkiye- commercial properties	3,760	Market comparison approach	Price per square meter	2,500-8,600 Eur/sqm
Sub-total investment properties	**3,760**			
Western Europe- vessels	11,514	Market comparison approach	n.a	n.a
Western Europe- artworks	3,361	Market comparison approach	n.a	n.a
Sub-total assets held for sale	**14,875**			
Total Level 3 non-financial assets	**64,330**			

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

Reconciliation of Level 3 financial assets

The following table shows a reconciliation for fair value measurements in the Level 3 of the fair value hierarchy.

					December 31, 2022				**December 31, 2021**
	Financial Assets-FVOCI	**Financial Assets-AHS**	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**	**Financial Assets-FVOCI**	**Financial Assets at FVTPL-Non-Trading**	**Financial Assets at FVTPL-Trading**	**Total**
Balance at January 1	**139,467**	**-**	**13,140**	**65,457**	**218,064**	**132,244**	**20,437**	**64,678**	**217,359**
Total gains and losses									
- in net trading results	1,172	-	(1,799)	3,659	3,032	2,493	-	3,856	6,349
- in net interest income	-	-	1,142	4,290	5,432	-	429	4,120	4,549
- in OCI	(6,411)	-	-	-	(6,411)	(5,226)	-	-	(5,226)
Purchases/additions	16,363	-	18,000	291,504	325,867	183,248	-	771,902	955,150
Settlements/Collections/Sales	(88,718)	-	(5,377)	(335,069)	(429,164)	(174,413)	(7,444)	(779,144)	(961,001)
Transfers to Level 3	-	-	2,846	-	2,846	-	-	-	-
Transfers between financial asset classes	(4,538)	4,538	-	-	-	-	-	-	-
Exchange differences	(1,347)	-	(133)	44	(1,436)	1,121	(282)	45	884
Balance at the year end	**55,988**	**4,538**	**27,819**	**29,885**	**118,230**	**139,467**	**13,140**	**65,457**	**218,064**

EUR 28 loss included in net trading results relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2021: EUR 7 gain).

Reconciliation of Level 3 non-financial assets

The following table shows a reconciliation for fair value measurements in the Level 3 of the fair value hierarchy.

December 31, 2022	**Land&Buildings**	**Investment properties**	**Assets held for sale***
Balance at the beginning of the year	**47,096**	**2,856**	**597**
Addition	204	-	14,875
Disposals	(1,051)	-	-
Depreciation	(1,962)	-	-
Change in fair value	-	776	-
Transfers to other asset classes	-	-	(492)
Exchange differences	1,408	128	(105)
Balance at the year end	**45,695**	**3,760**	**14,875**

(*) Additions to asset held for sale includes EUR 3.4 million artworks and EUR 11.5 million vessels transferred from inventory and property & equipment respectively. Please refer to Note 38: "Assets held for sale" for further details.

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Financial instruments not measured at fair value

The following table compares the carrying amount of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy.

December 31, 2022	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	1,103,693	-	1,103,693	1,103,693
Loans and receivables - banks	8	-	460,710	-	460,710	460,542
Loans and receivables - customers	10	-	-	2,456,593	2,456,593	2,481,515
Total		**-**	**1,564,403**	**2,456,593**	**4,020,996**	**4,045,750**
Financial liabilities						
Due to banks	16	-	441,083	-	441,083	441,236
Due to customers	17	-	3,431,115	-	3,431,115	3,417,018
Subordinated liabilities	20	-	179,862	-	179,862	188,732
Total		**-**	**4,052,060**	**-**	**4,052,060**	**4,046,986**

December 31, 2021	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	934,648	-	934,648	934,648
Loans and receivables - banks	8	-	283,510	-	283,510	283,387
Loans and receivables - customers	10	-	-	2,766,037	2,766,037	2,753,014
Total		**-**	**1,218,158**	**2,766,037**	**3,984,195**	**3,971,049**
Financial liabilities						
Due to banks	16	-	798,880	-	798,880	799,098
Due to customers	17	-	3,338,322	-	3,338,322	3,326,040
Subordinated liabilities	20	-	176,766	-	176,766	176,891
Total		**-**	**4,313,968**	**-**	**4,313,968**	**4,302,029**

34. Offsetting financial assets and financial liabilities

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

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

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

							December 31, 2022
				Related Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts	Offsetting Counterparty Position in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collaterals Received/ Pledged	Financial Instrument Collaterals Recognized in the Off Balance Sheet	Net Amount
Assets							
Derivative assets	112,997	-	112,997	(14,434)	(38,301)	-	60,262
Total	**112,997**	**-**	**112,997**	**(14,434)**	**(38,301)**	**-**	**60,262**
Liabilities							
Derivative liabilities	150,560	-	150,560	(14,434)	(24,803)	-	111,323
Repo agreements*	58,021	-	58,021	(57,439)	-	-	582
Total	**208,581**	**-**	**208,581**	**(71,873)**	**(24,803)**	**-**	**111,905**

							December 31, 2021
				Related Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts	Offsetting Counterparty Position in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collaterals Received/ Pledged	Financial Instrument Collaterals Recognized in the Off Balance Sheet	Net Amount
Assets							
Derivative assets	69,593	-	69,593	(14,347)	(17,865)	-	37,381
Reverse repo agreements	53	-	53	-	-	-	53
Total	**69,646**	**-**	**69,646**	**(14,347)**	**(17,865)**	**-**	**37,434**
Liabilities							
Derivative liabilities	87,878	-	87,878	(14,347)	(6,367)	-	67,164
Repo agreements	130,318	-	130,318	-	-	-	130,318
Total	**218,196**	**-**	**218,196**	**(14,347)**	**(6,367)**	**-**	**197,482**

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

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35. Commitments and contingencies

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

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

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

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

	December 31, 2022	December 31, 2021
Contingent liabilities with respect to irrevocable letters of credit - import	641,662	733,166
Contingent liabilities with respect to irrevocable letters of credit - export	170,663	250,814
Contingent liabilities with respect to letters of guarantee granted - corporates	91,747	54,016
Contingent liabilities with respect to letters of guarantee granted - banks	58,302	4,734
Contingent liabilities with respect other guarantees	-	7,626
Total non-cash loans	**962,374**	**1,050,356**
Credit-card limits	188,004	178,719
Credit-line commitments	67,023	91,256
Total	**1,217,401**	**1,320,331**

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 a bank with a banking license, CEB is from time to time investigated by regulatory authorities or subject to other claims or litigations proceedings. Estimating the financial impact thereof requires judgment. Provisions for these matters (if any) are determined based on CEB's best estimate based on the current facts and circumstances, the actual outcome could however deviate. On the basis of legal advice, taking into consideration the facts known at present CEB is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

As at December 31, 2022, 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 1,960 (2021: EUR 2,852) is already provided for in the consolidated statement of financial position.

36. Related parties

The Bank's Parent Company is Credit Europe Group N.V., The Netherlands, and the Ultimate Parent Company is FİBA Holding A.Ş., Turkiye, both ultimately controlled by Özyeğin family.

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 Özyeğin family in the ordinary course of business at commercial interest and commission rates. The Bank provides general banking services to related parties including current accounts, time deposits, fx transactions, fiduciary transactions, brokerage activities and custodian services. All loans and advances to related parties are performing advances.

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

				December 31, 2022				December 31, 2021
	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	-	-	-	3,719	-	-	-	310
Loans and receivables – customers	-	-	-	132,528	30,408	-	-	130,433
Derivative financial instruments	74	-	-	4,937	20	-	-	18,110
Liabilities								
Due to banks	-	-	-	1,240	-	-	-	443
Due to customers	256	689	28	69,184	629	1,997	85	71,566
Derivative financial instruments	12	-	-	160	2	-	-	2,928
Subordinated liabilities	46,930	-	-	-	44,202	-	-	-
Commitment and contingencies	-	-	-	950	-	-	-	88

All credit risk exposures related to derivate financial instruments are fully collateralized through pledge agreements. As of December 31, 2022, the Bank does not have any stage 3 provisions regarding related party balances (2021: None).

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

				January 1- December 31, 2022				January 1- December 31, 2021
	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	225	-	-	6,554	920	-	-	3,724
Interest expense	(4,281)	-	-	(4,092)	(3,786)	-	-	(446)
Commission income	23	9	-	767	5	14	-	753
Commission expense	-	-	-	(48)	-	-	-	(479)
Net trading results	(252)	-	-	(1,206)	(84)	-	-	(3,101)
Other operating income	-	-	-	4,219	-	-	-	1,019
Operating expenses	-	-	-	(796)	-	-	-	(603)
Share of profit of associate	-	-	(2,449)	-	-	-	(5,718)	-

In the course of 2022, EUR 26,186 loan sold to related parties (2021: EUR 4,286), and EUR 2,435 loss recognized (2021: None) in the consolidated statement of income. Pricing of the loans have been determined in accordance with arm's length principle.

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Key management is defined as those persons in the Bank's Supervisory and Managing Board. The number of key management personnel is 9 (2021: 10). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Bank. Loans granted to key management are as follows:

	December 31, 2022	December 31, 2021
Loans and receivables - customers	-	11

As of December 31, 2022, the Bank does not have any provisions regarding the balances with key management personnel (2021: None). Key management costs, including remuneration and fees for the year ended December 31, 2022 amounted to EUR 2,632 (2021: EUR 3,356). Pension plan contribution amounted to EUR 147 (2021: EUR 182).

37. Risk management

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

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

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

Risk Appetite and Risk Governance

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

Main pillars of the risk appetite are illustrated below:

QUALITATIVE

Governance

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

Reputation

- Ensure high financial reporting transparency and efficient external communications

QUANTITATIVE

Credit risk concentration

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

Liquidity

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

Trading and ALM

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

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

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

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

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

Regulatory Capital

CEB follows Capital Requirement Directive and Capital Requirement Regulation for Capital Requirement calculation. Related documents are following:

CRD

- Directive 2013/36/EU on access to the activity of credit institution and the prudential supervision of credit institutions and investment firms (CRD IV), 26 June 2013[1]
- DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures[2]

CRR

- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)[3]
- REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012[4]

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

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

	December 31, 2022	December 31, 2021
Total Equity	**619,617**	**652,492**
- Current year profit (1)	(39,369)	(37,397)
- Non-eligible minority interest (2)	(1,247)	(1,330)
Prudential filters		
- Prudent valuation	(571)	(832)
- Intangible asset (2)	(7,892)	(7,120)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(51,667)	(52,416)
- CIU Investment deductions	(2,900)	(1,712)
- Transitional adjustments to IFRS 9 provisions (25%) (3)	8,584	17,179
Core Tier I	**524,555**	**568,864**
Perpetual Tier I capital	46,930	44,202
Additional Tier I	**46,930**	**44,202**
Total Tier I capital	**571,485**	**613,066**
Tier II capital		
Subordinated capital	112,202	131,721
Total Tier II capital	**112,202**	**131,721**
Total own funds	**683,687**	**744,787**

(1) Current year profit is excluded from total own funds based on article 26, point 2 of CRR IV
(2) Under CRD IV frame, additional items listed below shall be deducted fully to enhance own funds quality:
- Non-eligible minority interest
- Other intangible asset (Non-solvency deductible under Basel II framework)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

(3) Transitional adjustment is permitted to apply the calculation by adding 25% IFRS 9 Provisions back to total own funds

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

Solvency ratio	December 31, 2022	December 31, 2021
Capital ratio	19.81%	19.73%
Tier I ratio	16.55%	16.24%
Core Tier I	15.20%	15.07%
RWA	**3,452,069**	**3,774,474**

Credit risk

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

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

Concentration limits

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

Credit risk is managed by following tools and principles:

Risk mitigation

CEB employs credit risk mitigation strategies to lower the credit risk connected to its credit exposures. These methods generally include the management of collateral and guarantees, the offsetting of financial assets and liabilities, and the enforcement of master netting agreements or comparable instruments by the bank's banking system with means of collateral-transaction linkages.

The conditions that collateral must satisfy in order to qualify for capital reduction are set forth in the Capital Requirements Regulation. The successful and prompt realization of collateral is the goal of these criteria, which include legal certainty for enforceability, collateral assessment, and collateral monitoring. CEB established its Collateral Management Policy that provides a single-view on collateral management within Credit Europe Bank, which contains the eligibility of collateral for risk mitigation as well as certain collateral-related processes such as collateral (re-)valuation, administration and liquidation as well as post mortem analyses.

- For legal certainly for enforceability, 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.
- For collateral assessment, The Collateral Management Unit monitors timely revaluations according to the specific requirements decided by the Credit Committee and informs Corporate Banking and Corporate Credits to initiate revaluations. 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.
- For collateral administration, The Collateral Management Unit, in consultation with Corporate Marketing, Corporate Credits, Treasury and Legal as well as Trade Finance Services and Central Registry. Collateral Management prepares collaterals documentation, maintains collateral bookings for establishing the linkage between risks and collaterals, ensures timely revaluations and insurance coverage of the collateral, is responsible for the release of collateral when advised by Corporate Banking, and facilitates the margin call process for financial institutions.

Internal Rating Models and Scorecards

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

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

The Bank has established a centre of excellence for retail risk management responsible for scoring, risk based pricing, algorithm development, stress testing, monitoring and reporting. The centre is composed of highly skilled statisticians, bankers, econometrists, database programmers and risk managers. The team has worked in projects in several countries including Russia, Romania, Germany, Turkiye 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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37. a. Credit exposure

Maximum credit-risk exposure

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

Maximum credit-risk exposure, net of impairment allowances

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

The off-balance credit risk exposure comprises:

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

	December 31, 2022	December 31, 2021
Balance sheet items		
Balances with central banks	1,090,112	918,786
Financial assets measured at fair value through profit or loss	94,633	87,706
Financial investments	383,370	693,291
Loans and receivables - banks	461,421	283,583
Loans and receivables - customers	2,553,481	2,811,177
Derivative financial instruments	112,997	69,593
Subtotal	**4,696,014**	**4,864,136**
Off- balance sheet items		
Issued letters of guarantee	150,049	66,376
Issued irrevocable letters of credit	704,025	928,118
Undrawn credit-card limits	188,004	178,719
Other commitments and contingent liabilities	67,023	91,256
Total off-balance sheet	**1,109,101**	**1,264,469**
Maximum credit risk exposure	**5,805,115**	**6,128,605**

Concentration of credit exposure

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

37.b. Sector concentration

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

				December 31, 2022		December 31, 2021
	On-balance sheet	Off-balance sheet	Total exposure	% of total exposure	Total exposure	% of total exposure
Balances with central banks	1,090,112	25,000	1,115,112	19.2%	965,464	15.8%
Financial assets measured at fair value through profit or loss	94,633	-	94,633	1.6%	87,706	1.4%
Financial investments	383,370	-	383,370	6.6%	693,291	11.3%
Loans and receivables - banks	461,421	234,079	695,500	12.0%	543,957	8.9%
Loans and receivables - customers	2,553,481	850,022	3,403,503	58.6%	3,768,594	61.5%
Loans and receivables - corporate	*2,207,808*	*661,773*	*2,869,581*	*49.4%*	*3,244,982*	*52.9%*
Oil & Derivatives	*461,764*	*374,116*	*835,880*	*14.4%*	*1,060,870*	*17.3%*
Shipping & Shipyard	*331,006*	*12,643*	*343,649*	*5.9%*	*300,231*	*4.9%*
Iron-Steel-Metals & Alloys	*196,761*	*92,722*	*289,483*	*5.0%*	*354,227*	*5.8%*
Leisure & Tourism	*262,292*	*13,144*	*275,436*	*4.7%*	*274,182*	*4.5%*
Real Estate	*208,292*	*1,088*	*209,380*	*3.6%*	*288,403*	*4.7%*
Soft Commodities & Agricultural Products	*165,568*	*8,763*	*174,331*	*3.0%*	*148,310*	*2.4%*
Energy & Coal	*129,569*	*20,749*	*150,318*	*2.6%*	*125,997*	*2.1%*
Financial Service & Investment	*146,029*	*2,616*	*148,645*	*2.6%*	*112,504*	*1.8%*
Fertilizers	*38,099*	*85,210*	*123,309*	*2.1%*	*95,207*	*1.6%*
Technology, IT & Electronic Equipment	*80,663*	*-*	*80,663*	*1.4%*	*113,114*	*1.8%*
Transportation, Logistics & Warehousing	*36,860*	*13,610*	*50,470*	*0.9%*	*33,383*	*0.5%*
Retail	*14,017*	*17,161*	*31,178*	*0.5%*	*27,853*	*0.5%*
Automotive & Derivatives	*29,350*	*1,152*	*30,502*	*0.5%*	*20,411*	*0.3%*
Petrochemical, Plasticizers & Derivatives	*18,047*	*11,657*	*29,704*	*0.5%*	*73,591*	*1.2%*
Media & Publishing	*12,727*	*-*	*12,727*	*0.2%*	*22,607*	*0.4%*
Holding	*11,543*	*-*	*11,543*	*0.2%*	*30,408*	*0.5%*
Construction & Installation	*9,306*	*2,008*	*11,314*	*0.2%*	*21,730*	*0.4%*
Food, Beverage & Tobacco	*8,411*	*2,875*	*11,286*	*0.2%*	*11,157*	*0.2%*
Public loans	*-*	*-*	*-*	*-*	*86,539*	*1.4%*
Other	*47,504*	*2,259*	*49,763*	*0.9%*	*44,258*	*0.7%*
Loans and receivables - retail customers and SMEs	*345,673*	*188,249*	*533,922*	*9.2%*	*523,612*	*8.5%*
Exposure to retail customers	*92,236*	*187,605*	*279,841*	*4.8%*	*271,170*	*4.4%*
Exposure secured by residential real estate	*229,098*	*-*	*229,098*	*3.9%*	*234,911*	*3.8%*
Exposure to SME	*24,339*	*644*	*24,983*	*0.4%*	*17,531*	*0.3%*
Derivative financial instruments	*112,997*	*-*	*112,997*	*1.9%*	*69,593*	*1.1%*
Total credit risk exposure	**4,696,014**	**1,109,101**	**5,805,115**	**100.0%**	**6,128,605**	**100.0%**

The top five industries account for 68.09% (2021: 70.20%) 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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In line with its Fossil Fuel Policy, the Bank's Coal and Oil & Derivatives exposures only consist of trading activities. The Bank monitors its consolidated Coal exposure, which is presented under Energy & Coal and Iron-Steel-Metal & Alloys sectors. The breakdown of the Bank's total coal exposure is as follows:

				December 31, 2022		December 31, 2021
	On-balance sheet	**Off-balance sheet**	**Total exposure**	**% of total exposure**	**Total exposure**	**% of Total exposure**
Thermal Coal	50,379	16,640	67,019	1.17%	49,030	0.80%
Metallurgical Coal	38,595	-	38,595	0.67%	10,322	0.17%
Total	**88,974**	**16,640**	**105,614**	**1.84%**	**59,352**	**0.97%**

37.c. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2022 and December 31, 2021.

December 31, 2022

	Russia	Turkiye	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	89,022	20,378	-	980,712	1,090,112
Financial assets measured at FVTPL	-	1,990	7,982	-	27,896	56,765	94,633
Financial investments	-	298	159,385	381	52,790	170,516	383,370
Loans and receivables - banks	3,496	116,756	40,119	-	123,652	177,398	461,421
Loans and receivables - customers	31,071	308,760	632,337	5,978	443,702	1,131,633	2,553,481
Derivative financial instruments	-	35,634	33	-	937	76,393	112,997
Total balance sheet	**34,567**	**463,438**	**928,878**	**26,737**	**648,977**	**2,593,417**	**4,696,014**
Off-balance sheet items	-	41,618	217,379	17	225,841	624,246	1,109,101
Total credit-risk exposure	**34,567**	**505,056**	**1,146,257**	**26,754**	**874,818**	**3,217,663**	**5,805,115**

December 31, 2021

	Russia	Turkiye	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	204,977	71	-	713,738	918,786
Financial assets measured at FVTPL	-	-	12,503	-	57,488	17,715	87,706
Financial investments	12,284	860	173,292	28,171	124,611	354,073	693,291
Loans and receivables - banks	6	57,101	235	-	34,926	191,315	283,583
Loans and receivables - customers	55,344	465,379	602,287	27,895	455,868	1,204,404	2,811,177
Derivative financial instruments	-	12,422	3	-	-	57,168	69,593
Total balance sheet	**67,634**	**535,762**	**993,297**	**56,137**	**672,893**	**2,538,413**	**4,864,136**
Off-balance sheet items	5,516	95,562	203,116	42	299,627	660,606	1,264,469
Total credit-risk exposure	**73,150**	**631,324**	**1,196,413**	**56,179**	**972,520**	**3,199,019**	**6,128,605**

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

The following table provides the distribution of the Bank's liabilities including due to banks, due to customers and derivative financial instruments by risk country:

LIABILITY

	Russia	Turkiye	Romania	Ukraine	Other emerging markets	Developed markets	Total exposure
December 31, 2022	46	142,827	575,698	15,231	420,061	2,854,951	4,008,814
December 31, 2021	103	85,777	738,827	22,708	358,041	3,007,560	4,213,016

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

37.d. Collaterals and other credit enhancements obtained

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

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

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

Breakdown of collateralized exposure by collateral type — **December 31, 2022**

	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	1,090,112	-	-	-	-
Financial assets measured at fair value through profit or loss	94,633	-	21,772	21,772	23%
Financial investments	383,370	-	-	-	-
Loans and receivables - banks	461,421	713	-	713	0%
Loans and receivables - customers	2,553,481	422,379	1,200,294	1,622,673	64%
Derivative financial instruments	112,997	-	-	-	-
Total balance sheet	**4,696,014**	**423,092**	**1,222,066**	**1,645,158**	**35%**
Off-balance sheet	1,109,101	12,643	-	12,643	1%
Total credit risk exposure	**5,805,115**	**435,735**	**1,222,066**	**1,657,801**	**29%**

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Breakdown of collateralized exposure by collateral type					**December 31, 2021**
	Total exposure, net	**Fair value of financial collaterals**	**Fair value of physical collaterals**	**Total collaterals obtained**	**Collaterals to total net exposure**
Balance sheet					
Demand deposits with central banks	918,786	-	-	-	-
Financial assets measured at fair value through profit or loss	87,706	12,273	7,294	19,567	22%
Financial investments	693,291	-	-	-	-
Loans and receivables - banks	283,583	221	-	221	0%
Loans and receivables - customers	2,811,177	474,294	1,176,226	1,650,520	59%
Derivative financial instruments	69,593	-	-	-	-
Total balance sheet	**4,864,136**	**486,788**	**1,183,520**	**1,670,308**	**34%**
Off-balance sheet	1,264,469	16,210	-	16,210	1%
Total credit risk exposure	**6,128,605**	**502,998**	**1,183,520**	**1,686,518**	**28%**

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

37.e. Credit quality of financial assets

The following table presents the credit quality of the Bank's financial assets per external mapped to the Fitch`s credit rating scale, as of December 31, 2022 and 2021.

	External rating class						**December 31, 2022**
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	979,760	952	89,022	-	20,378	-	1,090,112
Financial assets measured at fair value through profit or loss	36,774	-	-	29,886	-	27,973	94,633
Financial investments	92,607	24,451	188,529	47,416	381	29,986	383,370
Loans and receivables - banks	64,165	139,922	45,591	184,858	1,360	25,525	461,421
Loans and receivables - customers	-	-	37,470	-	-	2,516,011	2,553,481
Derivative financial instruments	18,546	17,246	304	-	-	76,901	112,997
Off-balance sheet	48,711	27,764	44,256	50,767	-	937,603	1,109,101
Total	**1,240,563**	**210,335**	**405,172**	**312,927**	**22,119**	**3,613,999**	**5,805,115**

	External rating class						**December 31, 2021**
	AAA / AA-	**A+ / A-**	**BBB+ / BBB-**	**BB+ / B-**	**Below B-**	**No rating**	**Total**
Demand deposits with central banks	712,377	1,361	204,977	71	-	-	918,786
Financial assets measured at fair value through profit or loss	193	1,427	30,087	28,472	-	27,527	87,706
Financial investments	200,451	52,400	273,749	77,086	-	89,605	693,291
Loans and receivables - banks	78,650	64,520	10,511	61,555	4	68,343	283,583
Loans and receivables - customers	86,539	-	-	112,253	-	2,612,385	2,811,177
Derivative financial instruments	1,147	5,592	305	-	-	62,549	69,593
Off-balance sheet	11,099	131,243	77,014	82,121	-	962,992	1,264,469
Total	**1,090,456**	**256,543**	**596,643**	**361,558**	**4**	**3,823,401**	**6,128,605**

Credit risk rating process

In principle, all risk ratings are based on a Risk Rating (PD) Model. The Bank's PD master scale consists of 21 grades (1=highest credit quality, 21=lowest credit quality) for performing loans, and 1 grade (D) for default.

The grades are composed of the following categories:

- Investment grade (1 to 10)
- Non-investment grade (11 to 16)
- Sub-standard (17 to 21)
- Non-performing (D)

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The following tables present the credit quality of the Bank's "loans to customers" exposures (including off-balance sheet exposure) by credit risk rating grade, as of December 31, 2022 and 2021.

December 31, 2022	Stage 1		Stage 2		Stage 3		TOTAL	
Loans and receivables - customers	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Investment grade	1,112,632	(915)	479	(4)	-	-	1,113,111	(919)
Non-investment grade	1,809,813	(8,334)	151,234	(8,254)	-	-	1,961,047	(16,588)
Sub-standard	4,750	(199)	126,930	(11,286)	-	-	131,680	(11,485)
Non-performing	-	-	-	-	163,543	(42,974)	163,543	(42,974)
Non rated	34,122	-	-	-	-	-	34,122	-
Total	**2,961,317**	**(9,448)**	**278,643**	**(19,544)**	**163,543**	**(42,974)**	**3,403,503**	**(71,966)**

December 31, 2021	Stage 1		Stage 2		Stage 3		TOTAL	
Loans and receivables - customers	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Investment grade	899,712	(882)	-	-	-	-	899,712	(882)
Non-investment grade	2,324,517	(7,698)	114,901	(5,041)	-	-	2,439,418	(12,739)
Sub-standard	69,898	(1,670)	157,538	(16,501)	-	-	227,437	(18,171)
Non-performing	-	-	-	-	200,348	(26,366)	200,348	(26,366)
Non rated	1,627	(1)	52	(4)	-	-	1,679	(5)
Total	**3,295,754**	**(10,251)**	**272,491**	**(21,546)**	**200,348**	**(26,366)**	**3,768,594**	**(58,163)**

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

Loans and receivables - customers

The next section provides a detailed overview of the credit quality of the Bank's loans and advances portfolio.
In 2020, the bank produced Corporate Credit Exposure Treatment Policy according to the EBA's technical standards. Corporate Credit Exposure Treatment Policy defines the minimum standards for, and establishes a single view, on identification and treatment of non-performing corporate credit exposures in Credit Europe Bank N.V. and all of its subsidiaries. This policy also sets minimum standards and explains the processes to be followed for the identification and treatment of corporate obligors whose creditworthiness and repayment capacity of their performing exposures may potentially deteriorate or have already deteriorated, even though their credit exposures are still performing. Next to that, it describes the processes regarding restructuring, collateral valuation, disposal, provisioning and the write-off of non-performing corporate exposures. The new policy has replaced the existing Loan Assessment and Impairment Policy, the Credit Risk Monitoring Policy and the Write-off Policy.

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

- Fully performing: Fully performing exposures are defined as credit exposures that are not past-due or exposures past-due up to 30 days, if there is no significant increase in credit risk since origination. An exposure is past-due when any amount of principal, interest or fee has not been paid at the date it was due. Fully performing exposures correspond to the IFRS 9 Stage 1 classification.
- Underperforming: Underperforming exposures belong to a sub-category of the performing asset class, where the Bank observes a significant increase in credit risk since origination. Underperformance might become evident if an exposure is past-due more than 30 days, subject to forbearance measures, or the assigned PD has increased significantly since the origination of the exposure (measured by CEB's internal PD Master Scale). Underperforming exposures correspond to the IFRS 9 Stage 2 classification.
- Non-performing: Non-performing loans (NPL) are defined as exposures that satisfy either or both of the following criteria:

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

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

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

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

	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	December 31, 2022 Collateral to net loans
Corporate loans	**2,207,808**	**(47,747)**	**2,160,061**	**417,484**	**957,797**	**1,375,281**	**64%**
Stage 1	1,946,003	(8,769)	1,937,234	332,718	802,390	1,135,108	59%
Stage 2	153,468	(13,946)	139,522	15,714	118,602	134,316	96%
Stage 3	108,337	(25,032)	83,305	69,052	36,805	105,857	127%
Retail loans (incl. mortgages)	**321,334**	**(23,732)**	**297,602**	**3,384**	**220,027**	**223,411**	**75%**
Stage 1	168,291	(453)	167,838	3,161	77,714	80,875	48%
Stage 2	102,516	(5,527)	96,989	193	97,407	97,600	101%
Stage 3	50,527	(17,752)	32,775	30	44,906	44,936	137%
SME loans	**24,339**	**(487)**	**23,852**	**1,511**	**22,470**	**23,981**	**101%**
Stage 1	19,686	(226)	19,460	1,511	17,948	19,459	100%
Stage 2	1,915	(71)	1,844	-	1,785	1,785	97%
Stage 3	2,738	(190)	2,548	-	2,737	2,737	107%
Total exposure	**2,553,481**	**(71,966)**	**2,481,515**	**422,379**	**1,200,294**	**1,622,673**	**65%**
Total Stage 3 (NPLs)	161,602	(42,974)	118,628	69,082	84,448	153,530	129%

	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	December 31, 2021 Collateral to net loans
Corporate loans	**2,469,513**	**(32,285)**	**2,437,228**	**470,139**	**935,910**	**1,406,049**	**58%**
Stage 1	2,167,617	(9,531)	2,158,086	364,525	778,809	1,143,334	53%
Stage 2	167,250	(12,691)	154,559	14,152	116,955	131,107	85%
Stage 3	134,646	(10,063)	124,583	91,462	40,146	131,608	106%
Retail loans (incl. mortgages)	**325,301**	**(25,589)**	**299,712**	**3,742**	**224,721**	**228,463**	**76%**
Stage 1	167,917	(694)	167,223	102	85,912	86,014	51%
Stage 2	98,910	(8,853)	90,057	3,589	84,656	88,245	98%
Stage 3	58,474	(16,042)	42,432	51	54,153	54,204	128%
SME loans	**16,363**	**(289)**	**16,074**	**413**	**15,595**	**16,008**	**100%**
Stage 1	12,249	(26)	12,223	413	11,591	12,004	98%
Stage 2	932	(2)	930	-	932	932	100%
Stage 3	3,182	(261)	2,921	-	3,072	3,072	105%
Total exposure	**2,811,177**	**(58,163)**	**2,753,014**	**474,294**	**1,176,226**	**1,650,520**	**60%**
Total Stage 3 (NPLs)	196,302	(26,366)	169,936	91,513	97,371	188,884	111%

The Bank ensures that it allocates sufficient reserves to maintain a high level of provisioning coverage for its non-performing loans (NPL) after taking into account the fair value of collaterals obtained. Thus, the total coverage for Bank's NPL as of December 31, 2022 is 132% (2021:127%).

Further credit quality breakdown of retail loans are as below:

	Gross loans	ECL	Net loans	Total collateral	December 31, 2022 Collateral to net loans
Credit cards	**89,397**	**(717)**	**88,680**	**-**	**-**
Stage 1	86,135	(198)	85,937	-	-
Stage 2	2,097	(29)	2,068	-	-
Stage 3	1,165	(490)	675	-	-
Mortgage	**229,097**	**(22,776)**	**206,321**	**220,057**	**107%**
Stage 1	80,254	(250)	80,004	77,714	97%
Stage 2	99,967	(5,481)	94,486	97,407	103%
Stage 3	48,876	(17,045)	31,831	44,936	141%
Other retail	**2,840**	**(239)**	**2,601**	**3,354**	**129%**
Stage 1	1,902	(5)	1,897	3,161	167%
Stage 2	452	(17)	435	193	44%
Stage 3	486	(217)	269	-	-
Total retail exposure	**321,334**	**(23,732)**	**297,602**	**223,411**	**75%**
Total Stage 3 (NPLs)	50,527	(17,752)	32,775	44,936	137%

	Gross loans	ECL	Net loans	Total collateral	December 31, 2021 Collateral to net loans
Credit cards	**85,510**	**(1,319)**	**84,191**	**-**	**-**
Stage 1	78,822	(505)	78,317	-	-
Stage 2	5,873	(90)	5,783	-	-
Stage 3	815	(724)	91	-	-
Mortgage	**234,746**	**(23,991)**	**210,755**	**224,752**	**107%**
Stage 1	85,620	(186)	85,434	85,912	101%
Stage 2	91,826	(8,720)	83,106	84,687	102%
Stage 3	57,300	(15,085)	42,215	54,153	128%
Other retail	**5,045**	**(279)**	**4,766**	**3,711**	**78%**
Stage 1	3,475	(3)	3,472	102	3%
Stage 2	1,210	(43)	1,167	3,558	305%
Stage 3	360	(233)	127	51	40%
Total retail exposure	**325,301**	**(25,589)**	**299,712**	**228,463**	**76%**
Total Stage 3 (NPLs)	58,475	(16,042)	42,433	54,204	128%

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

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The following tables provide a summary of the Bank's forborne assets as of December 31, 2022 and December 31, 2021:

	Stage 1		Stage 2		Stage 3		December 31, 2022
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**TOTAL**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**547**	**-**	**25,194**	**820**	**40,424**	**62,915**	**129,900**
Corporate loans	-	-	12,944	-	27,459	62,650	103,053
Retail loans (incl. mortgage)	547	-	12,207	211	11,227	244	24,436
SME	-	-	43	609	1,738	21	2,411
Total exposure	**547**	**-**	**25,194**	**820**	**40,424**	**62,915**	**129,900**

	Stage 1		Stage 2		Stage 3		December 31, 2021
Gross Exposure	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**Modification to T&Cs(*)**	**Refinancing**	**TOTAL**
Loans and receivables – banks	-	-	-	-	-	-	-
Loans and receivables – customers	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**
Corporate loans	139,218	55,730	147,293	791	45,346	78,223	466,601
Retail loans (incl. mortgage)	-	-	4,036	172	11,097	251	15,556
SME	-	-	165	-	1,729	41	1,935
Total exposure	**139,218**	**55,730**	**151,494**	**963**	**58,172**	**78,515**	**484,092**

(*) Terms and conditions

NPL ratio

Gross NPL ratio of the Bank defined according to the EBA guideline (EBA/GL/2018/06). For the NPL ratio, the gross carrying amount of NPLs and advances is divided by the gross carrying amount of total loans and advances subject to the NPL definition.

	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatority at FVTPL	Loans and receivables - banks	Loans and receivables - customers	December 31, 2022 TOTAL
Gross exposure	1,090,112	53,088	26,070	461,421	2,553,481	**4,184,172**
NPLs (Gross)	-	-	9,078	-	161,602	**170,680**
Gross NPL ratio						**4.1%**
ECL	-	-	(1,097)	-	(71,966)	**(73,063)**
NPLs (Net)	-	-	7,981	-	89,636	**97,617**
Net NPL ratio						**2.3%**

	Demand deposits with central banks	Financial investments at FVOCI - Loans	Non- trading financial assets mandatority at FVTPL	Loans and receivables - banks	Loans and receivables - customers	December 31, 2021 TOTAL
Gross exposure	918,786	125,471	16,584	283,583	2,811,177	**4,155,601**
NPLs (Gross)	-	-	16,584	-	196,302	**212,886**
Gross NPL ratio						**5.1%**
ECL	-	-	(387)	-	(58,163)	**(58,550)**
NPLs (Net)	-	-	16,197	-	138,139	**154,336**
Net NPL ratio						**3.7%**

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37.g. Aging of loans and advances to customers

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

December 31, 2022

Gross Exposure	Loans that are not past due	Loans less than 30 days past due	Loans 30 or more but less than 60 days past due	Loans 60 or more but less than 90 days past due	Loans 90 days or more past due	Total loans to customers
Corporate loans	2,173,650	1,640	104	6,062	26,352	2,207,808
Retail loans and residential mortgage loans	245,998	18,233	7,922	18,404	30,777	321,334
SME loans	20,901	1,730	19	1,689	-	24,339
Total loans and advances to customers	**2,440,549**	**21,603**	**8,045**	**26,155**	**57,129**	**2,553,481**

December 31, 2021

Gross Exposure	Loans that are not past due	Loans less than 30 days past due	Loans 30 or more but less than 60 days past due	Loans 60 or more but less than 90 days past due	Loans 90 days or more past due	Total loans to customers
Corporate loans	2,453,143	841	-	7,666	7,863	2,469,513
Retail loans and residential mortgage loans	247,644	17,339	8,336	16,687	35,295	325,301
SME loans	13,410	19	171	2,599	164	16,363
Total loans and advances to customers	**2,714,197**	**18,199**	**8,507**	**26,952**	**43,322**	**2,811,177**

As of December 31, 2022, EUR 2,362,151 (2021: EUR 2,589,342) of total exposure is neither past due nor impaired, EUR 29,762 (2021: EUR 25,532) of total exposure is past due but not impaired.

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

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

December 31, 2022

Gross exposure	Russia	Romania	Turkiye	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	**31,071**	**287,546**	**308,671**	**5,933**	**443,702**	**1,130,885**	**2,207,808**
Stage 1	-	250,439	135,307	-	441,360	1,118,897	**1,946,003**
Stage 2	9,449	29,854	106,621	-	2,342	5,202	**153,468**
Stage 3	21,622	7,253	66,743	5,933	-	6,786	**108,337**
Retail loans (incl. mortgages)	**-**	**320,452**	**89**	**45**	**-**	**748**	**321,334**
Stage 1	-	167,688	89	-	-	514	**168,291**
Stage 2	-	102,305	-	-	-	211	**102,516**
Stage 3	-	50,459	-	45	-	23	**50,527**
SME loans	**-**	**24,339**	**-**	**-**	**-**	**-**	**24,339**
Stage 1	-	19,686	-	-	-	-	**19,686**
Stage 2	-	1,915	-	-	-	-	**1,915**
Stage 3	-	2,738	-	-	-	-	**2,738**
Total exposure	**31,071**	**632,337**	**308,760**	**5,978**	**443,702**	**1,131,633**	**2,553,481**

December 31, 2021

Gross exposure	Russia	Romania	Turkiye	Ukraine	Other emerging markets	Developed markets	Total exposure
Corporate loans	**55,344**	**263,291**	**465,267**	**27,843**	**455,868**	**1,201,900**	**2,469,513**
Stage 1	34,178	236,187	263,390	26,239	405,723	1,201,900	**2,167,617**
Stage 2	-	17,967	101,655	1,333	46,295	-	**167,250**
Stage 3	21,166	9,137	100,222	271	3,850	-	**134,646**
Retail loans (incl. mortgages)	**-**	**322,633**	**112**	**52**	**-**	**2,504**	**325,301**
Stage 1	-	165,820	110	-	-	1,987	**167,917**
Stage 2	-	98,425	2	52	-	431	**98,910**
Stage 3	-	58,388	-	-	-	86	**58,474**
SME loans	**-**	**16,363**	**-**	**-**	**-**	**-**	**16,363**
Stage 1	-	12,249	-	-	-	-	**12,249**
Stage 2	-	932	-	-	-	-	**932**
Stage 3	-	3,182	-	-	-	-	**3,182**
Total exposure	**55,344**	**602,287**	**465,379**	**27,895**	**455,868**	**1,204,404**	**2,811,177**

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37.i. Liquidity risk

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

Stress-Test Scenarios

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

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

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

- The list of eligible liquid assets.
- Liquidity value of liquid assets (i.e. haircuts) and the time-to-liquidity period.
- The 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
- Self-funded subsidiary structures

Liquidity risk indicators

	December 31, 2022	December 31, 2021
NSFR	177%	159%
LCR	524%	397%

Discounted amounts based on remaining contractual maturity							December 31, 2022
	Up to 1 month *	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Total
Assets							
Cash and balances at central banks	1,103,693	-	-	-	-	-	**1,103,693**
Financial assets measured at FVTPL	2,079	-	43,975	45,578	-	3,001	**94,633**
Financial investments	161,268	36,662	16,435	79,598	78,410	10,997	**383,370**
Loans and receivables – banks	231,732	126,239	102,571	-	-	-	**460,542**
Loans and receivables – customers	897,092	214,111	126,991	658,969	465,724	118,628	**2,481,515**
Tangible and intangible assets	-	-	-	-	-	78,519	**78,519**
Other assets	75,685	14,693	65,909	114,426	4,678	18,101	**293,492**
Total assets	**2,471,549**	**391,705**	**355,881**	**898,571**	**548,812**	**229,246**	**4,895,764**
Liabilities							
Due to banks	283,174	157,903	159	-	-	-	**441,236**
Due to customers**	1,238,146	243,409	747,848	893,095	294,520	-	**3,417,018**
Other liabilities	61,433	17,160	38,231	67,742	11,831	32,764	**229,161**
Subordinated liabilities	-	-	141,802	46,930	-	-	**188,732**
Total liabilities	**1,582,753**	**418,472**	**928,040**	**1,007,767**	**306,351**	**32,764**	**4,276,147**
Cumulative liquidity gap	**888,796**	**862,029**	**289,870**	**180,674**	**423,135**	**619,617**	**619,617**

Discounted amounts based on remaining contractual maturity							December 31, 2021
	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	934,648	-	-	-	-	-	**934,648**
Financial assets measured at FVTPL	2,167	-	23,869	54,224	888	6,558	**87,706**
Financial investments	300,672	87,663	68,853	51,847	140,905	43,351	**693,291**
Loans and receivables – banks	212,958	50,515	19,914	-	-	-	**283,387**
Loans and receivables – customers	985,679	316,462	147,232	730,512	403,193	169,936	**2,753,014**
Tangible and intangible assets	-	-	-	-	-	109,109	**109,109**
Other assets	24,340	4,343	85,477	104,925	4,071	21,158	**244,314**
Total assets	**2,460,464**	**458,983**	**345,345**	**941,508**	**549,057**	**350,112**	**5,105,469**
Liabilities							
Due to banks	520,112	116,435	44,130	118,421	-	-	**799,098**
Due to customers**	1,151,979	198,571	554,055	1,035,000	386,435	-	**3,326,040**
Other liabilities	21,116	11,018	55,876	30,279	2,870	29,789	**150,948**
Subordinated liabilities	-	-	45,723	-	131,168	-	**176,891**
Total liabilities	**1,693,207**	**326,024**	**699,784**	**1,183,700**	**520,473**	**29,789**	**4,452,977**
Cumulative liquidity gap	**767,257**	**900,216**	**545,777**	**303,585**	**332,169**	**652,492**	**652,492**

(*) As at December 31, 2022, total on demand assets amount to EUR 1,591,515 (2021: EUR 1,243,642) and total on demand liabilities amount to EUR 433,198 (2021: EUR 489,265) are disclosed under "Up to 1 month" column.

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

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

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As at December 31, 2022 and 2021, the contractual maturities of due to customers based on discounted amounts are as follows:

	December 31, 2022	December 31, 2021
Up to 1 month	1,997,083	2,004,746
1-3 months	195,428	160,408
3-12 months	468,506	312,648
1-5 years	708,400	799,115
Over 5 year	47,601	49,123
Total	**3,417,018**	**3,326,040**

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows:

Undiscounted amounts based on remaining contractual maturity								**December 31, 2022**
	Up to 1 month	**1–3 months**	**3–12 months**	**1-5 Year**	**Over 5 years**	**Maturity not applicable**	**Adjustments***	**Total**
Due to banks	283,446	158,362	170	-	-	-	(742)	**441,236**
Due to customers	1,240,081	243,477	750,383	906,208	298,356	-	(21,487)	**3,417,018**
Other liabilities	61,432	17,104	24,320	83,695	11,831	32,764	(1,985)	**229,161**
Subordinated liabilities	-	-	155,289	70,937	-	-	(37,494)	**188,732**
Total liabilities	**1,584,959**	**418,943**	**930,162**	**1,060,840**	**310,187**	**32,764**	**(61,708)**	**4,276,147**
Off-balance sheet liabilities								
Irrevocable letters of credit	812,325	-	-	-	-	-	-	**812,325**
Guarantees	150,049	-	-	-	-	-	-	**150,049**
Credit-line commitments	67,023	-	-	-	-	-	-	**67,023**
Other	188,004	-	-	-	-	-	-	**188,004**
Total off-balance	**1,217,401**	**-**	**-**	**-**	**-**	**-**	**-**	**1,217,401**

Undiscounted amounts based on remaining contractual maturity								**December 31, 2021**
	Up to 1 month	**1–3 months**	**3–12 months**	**1-5 Year**	**Over 5 years**	**Maturity not applicable**	**Adjustments***	**Total**
Due to banks	520,120	116,519	44,270	118,421	-	-	(232)	**799,098**
Due to customers	1,152,226	198,935	556,705	1,053,741	389,730	-	(25,297)	**3,326,040**
Other liabilities	21,117	10,974	44,918	43,229	2,870	29,788	(1,948)	**150,948**
Subordinated liabilities	-	-	54,577	26,560	148,875	-	(53,121)	**176,891**
Total liabilities	**1,693,463**	**326,428**	**700,470**	**1,241,951**	**541,475**	**29,788**	**(80,598)**	**4,452,977**
Off-balance sheet liabilities								
Irrevocable letters of credit	983,980	-	-	-	-	-	-	**983,980**
Credit-line commitments	91,256	-	-	-	-	-	-	**91,256**
Guarantees	66,376	-	-	-	-	-	-	**66,376**
Other	178,719	-	-	-	-	-	-	**178,719**
Total off-balance	**1,320,331**	**-**	**-**	**-**	**-**	**-**	**-**	**1,320,331**

(*) This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values.

37.j. Market risks

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

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

The Bank measures the market risk of its trading book and the foreign-exchange risk of its banking book by using an internal historical simulation method, based on VaR methodology. VaR defines the maximum loss not exceeded with a given probability over a given period under normal market conditions.

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

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

The internal limit for the 10-day VaR of trading FX positions and treasury products, measured at 99% confidence interval, is EUR 2 million. This implies that diversified VaR from foreign-exchange risk and interest-rate risk in the trading book should not exceed this level.

The Bank also measures the market risk of its loan trading portfolio in the trading book via the internal historical simulation method, based also on VaR methodology since March 2021. As of 31st of December 2022, VaR has been calculated as EUR 0.1 million for the loan trading portfolio in the trading book.

The internal limit for the 10-day VaR of the loan trading portfolio, measured at 95% confidence interval, is EUR 3.75 million.

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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 (2022)*	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	305	100%	112	240
Maximum	822	100%	456	822
Minimum	84	100%	-	84
Period-end	822	100%	-	84

Value-at-risk figures - Trading Book (2021)	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	384	100%	9	384
Maximum	741	100%	9	741
Minimum	128	100%	9	128
Period-end	183	100%	-	183

(*) Values in thousand Euros

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

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

The Bank's interest-rate risk is monitored for the banking book by means of static re-pricing gap and interest rate sensitivity analyses once a month at all levels and for each major currency in use. Interest-rate sensitivity in the banking book is calculated according to the economic-value approach. All future cash flows, arising solely from on- and off- balance sheet assets and liabilities are discounted back to their present values with zero-coupon yield curves to see the impact of interest-rate changes on the economic value of the Bank. The impact of the curve with the maximum net gain or loss compared to a benchmark curve is then analysed.

According to the revised EBA guidelines applicable since December 31, 2019, CEB applies six additional interest rate shock scenarios on the top of +/-200 bps parallel shock to capture parallel and non-parallel gap risks for Economic Value of Equity (EVE). The capital requirement is based on the maximum EVE impact under all these scenarios. As of December 31, 2022, EVE drops by EUR 8.1 million in case of a short rates shock down scenario (2021: EUR 16.7 million in case of a short rates shock down scenario).

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

Additionally, the Bank calculates the projected net interest income for +/-200 bps parallel shift of the yield curve. As of 31 December 2022, NII drops by EUR 20.6 million in case of -200 bps shock over 12 months from the reporting date. (2021: EUR 12 million in case of -200 bps shock over 12 months from the reporting date).

							December 31, 2022
	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	1,083,259	-	-	-	-	20,434	1,103,693
Financial assets measured at FVTPL	22,815	15,765	37,190	15,862	-	3,001	94,633
Financial investments	52,861	5,858	120,382	109,183	74,751	20,335	383,370
Loans and receivables - banks	216,621	86,231	102,551	-	-	55,139	460,542
Loans and receivables - customers	1,496,488	558,139	146,105	118,183	32,458	130,142	2,481,515
Tangible and intangible assets	-	-	-	-	-	78,519	78,519
Other assets	-	-	-	-	-	293,492	293,492
Total assets	**2,872,044**	**665,993**	**406,228**	**243,228**	**107,209**	**601,062**	**4,895,764**
Liabilities							
Due to banks	284,223	156,904	-	-	-	109	441,236
Due to customers	1,007,777	217,212	668,347	1,006,317	78,770	438,595	3,417,018
Other liabilities	-	-	-	-	-	229,161	229,161
Subordinated liabilities	-	-	188,732	-	-	-	188,732
Total liabilities	**1,292,000**	**374,116**	**857,079**	**1,006,317**	**78,770**	**667,865**	**4,276,147**
Off-balance interest-sensitivity gap	(388,524)	(35,061)	180,877	264,197	(28,380)	-	(6,891)
Net gap	**1,191,520**	**256,816**	**(269,974)**	**(498,892)**	**59**	**(66,803)**	**679,529**

							December 31, 2021
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Non-interest-bearing items(*)	Total
Assets							
Cash and balances at central banks	934,460	-	-	-	-	188	934,648
Financial assets measured at FVTPL	31,402	24,915	27,131	-	888	3,370	87,706
Financial investments	168,095	60,425	215,115	72,184	134,435	43,037	693,291
Loans and receivables - banks	209,860	50,316	19,946	-	-	3,265	283,387
Loans and receivables - customers	1,546,869	622,923	243,484	136,402	53,397	149,939	2,753,014
Tangible and intangible assets	-	-	-	-	-	109,109	109,109
Other assets	-	-	-	-	-	244,314	244,314
Total assets	**2,890,686**	**758,579**	**505,676**	**208,586**	**188,720**	**553,222**	**5,105,469**
Liabilities							
Due to banks	518,210	116,273	44,332	120,170	-	113	799,098
Due to customers	1,809,744	127,593	342,609	667,104	49,065	329,925	3,326,040
Other liabilities	-	-	-	-	-	150,948	150,948
Subordinated liabilities	-	-	176,891	-	-	-	176,891
Total liabilities	**2,327,954**	**243,866**	**563,832**	**787,274**	**49,065**	**480,986**	**4,452,977**
Off-balance interest-sensitivity gap	(16,691)	(40,954)	136,331	11,715	(108,196)	-	(17,795)
Net gap	**546,041**	**473,759**	**78,175**	**(566,973)**	**31,459**	**72,236**	**562,461**

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

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37.1. 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 9), is recognized in equity.

Trading-related currency positions are quantified with VaR methodology and reported daily on the Bank level and monthly on a consolidated level. The VaR limits and other market risks related issues are monitored by the Risk Management Department and discussed in ALCO meetings on a regular basis. The VaR limit (see Note 37.j.) is inclusive of the foreign-exchange risk.

Currency analysis for the year ended December 31, 2022 and 2021:

									December 31, 2022
	EUR(*)	**USD**	**CHF**	**RON**	**RUB**	**UAH**	**TRY**	**Others**	**Total**
Cash and balances with central banks	884,437	1,067	102,190	94,719	-	20,384	-	896	**1,103,693**
Financial assets measured at FVTPL	26,963	67,670	-	-	-	-	-	-	**94,633**
Financial investments	195,475	82,528	17,373	87,994	-	-	-	-	**383,370**
Loans and receivables – banks	82,282	346,470	25,193	1,048	3,375	-	105	2,069	**460,542**
Loans and receivables – customers	935,242	1,142,355	76,222	270,428	-	1,903	32,376	22,989	**2,481,515**
Derivative financial instruments	98,035	14,736	-	-	-	-	226	-	**112,997**
Equity-accounted investments	-	-	-	-	-	-	-	-	**-**
Property and equipment	18,054	29,644	6,006	16,784	-	129	10	-	**70,627**
Intangible assets	2,561	-	3,222	2,064	-	35	10	-	**7,892**
Other assets	98,983	37,313	9,893	27,993	4,539	987	347	440	**180,495**
Total assets	**2,342,032**	**1,721,783**	**240,099**	**501,030**	**7,914**	**23,438**	**33,074**	**26,394**	**4,895,764**
Due to banks	140,263	232,490	2,289	60,895	-	-	167	5,132	**441,236**
Due to customers	2,491,368	652,296	18,111	203,405	129	13,579	32,797	5,333	**3,417,018**
Derivative financial instruments	133,941	16,279	-	101	13	-	226	-	**150,560**
Other liabilities	33,763	9,707	21,029	11,930	-	614	1,336	222	**78,601**
Subordinated liabilities	-	188,732	-	-	-	-	-	-	**188,732**
Total liabilities	**2,799,335**	**1,099,504**	**41,429**	**276,331**	**142**	**14,193**	**34,526**	**10,687**	**4,276,147**
Net on-balance sheet position	**-**	**622,279**	**198,670**	**224,699**	**7,772**	**9,245**	**(1,452)**	**15,707**	**1,076,920**
Off-balance sheet net position	-	(616,662)	(192,898)	(197,365)	(1,579)	-	408	(15,029)	(1,023,125)
Net open position	**-**	**5,617**	**5,772**	**27,334**	**6,193**	**9,245**	**(1,044)**	**678**	**53,795**

									December 31, 2021
	EUR(*)	**USD**	**CHF**	**RON**	**RUB**	**UAH**	**TRY**	**Others**	**Total**
Cash and balances with central banks	733,283	1,110	77,878	116,888	-	82	-	5,407	**934,648**
Financial assets measured at FVTPL	16,190	71,213	303	-	-	-	-	-	**87,706**
Financial investments	427,345	63,824	20,903	140,764	12,284	28,171	-	-	**693,291**
Loans and receivables – banks	71,572	205,753	4,783	182	11	-	250	836	**283,387**
Loans and receivables – customers	1,180,978	1,192,222	86,566	250,405	2,752	4,622	19,720	15,749	**2,753,014**
Derivative financial instruments	63,755	5,436	-	17	38	-	347	-	**69,593**
Equity-accounted investments	2,280	-	-	-	-	-	-	-	**2,280**
Property and equipment	19,758	61,875	6,576	13,544	-	227	9	-	**101,989**
Intangible assets	5,554	-	-	1,481	-	71	14	-	**7,120**
Other assets	97,369	24,448	3,046	34,514	235	631	11,687	511	**172,441**
Total assets	**2,618,084**	**1,625,881**	**200,055**	**557,795**	**15,320**	**33,804**	**32,027**	**22,503**	**5,105,469**
Due to banks	407,359	214,697	124	175,420	1	-	288	1,209	**799,098**
Due to customers	2,666,825	374,146	37,458	212,035	-	19,451	11,218	4,907	**3,326,040**
Derivative financial instruments	82,762	1,149	-	100	98	-	3,769	-	**87,878**
Other liabilities	26,158	4,277	19,515	11,021	-	321	1,610	168	**63,070**
Subordinated liabilities	-	176,891	-	-	-	-	-	-	**176,891**
Total liabilities	**3,183,104**	**771,160**	**57,097**	**398,576**	**99**	**19,772**	**16,885**	**6,284**	**4,452,977**
Net on-balance sheet position	**-**	**854,721**	**142,958**	**159,219**	**15,221**	**14,032**	**15,142**	**16,219**	**1,217,512**
Off-balance sheet net position	-	(836,299)	(148,763)	(150,794)	(20,284)	-	(19,878)	(15,874)	(1,191,892)
Net open position	**-**	**18,422**	**(5,805)**	**8,425**	**(5,063)**	**14,032**	**(4,736)**	**345**	**25,620**

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

CREDIT EUROPE BANK N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

37.m Operational risk

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

ORM act as the second line of defence, providing the business line and other functions across the Bank, with support related to the implementation of the identification, assessment, measurement, mitigation, monitoring and reporting of operational risks, which together form a framework for managing the Bank's exposure to operational risk losses. Operational risk incidents are reported and analysed through Incident Management Policy. The root causes and mitigation actions of incidents are discussed in Non-Financial Risk Committee.

In 2021, CEB designed and implemented Control Testing Framework. In 2022, the effectiveness of the Bank's controls is assessed through control testing activities. The control testing activities are performed in order to;

- strength the front line responsibility for operational risk management and
- check whether key controls are working as intended

In addition to control testing, the Bank carried on a detailed Risk Control Self-Assessment for all critical processes in 2022. The risks identified as being above risk appetite were reported to Managing Board for further risk mitigation, acceptance for a limited period, transfer or avoidance.

The Bank also has an established operational risk appetite, broken down by both business and subsidiary-specific thresholds, which is monitored in the quarterly Non-Financial Risk Committee meetings. On the other hand, early warning limits are defined for the operational risk metrics in order to trigger intensified risk monitoring. A comprehensive key risk indicator (KRI) set is in place to monitor key non-financial risks of the Bank. The KRI set is periodically reported to Non-Financial Risk Committee and Audit Risk Committee for better risk monitoring.

New products, or changes to existing products, are subject to the Product Approval and Review Process. In addition, regular training and awareness sessions are provided to employees to ensure that operational risk management continues to be embedded in the Bank's day-to-day operations.

38. Assets held for sale

Assets held for sale represents collaterals repossessed after clients were not able to meet their payment obligations and interest retained in a former subsidiary.

As of December 31, 2022, following repossessed assets have been classified as "Assets held for sale":

. The 10% equity stake in CEB Russia is valued at EUR 4,538 (RUB 357,700) as at December 31, 2022. During the first half-year of 2022 the Bank has reached an agreement with its ultimate parent entity, FIBA Holding, for the sale of the equity stake for that same amount. The sale is approved by the Russian Central Bank in March 2023. Sale transaction is expected to be finalized in the first half of 2023.

. commercial vessels in Western Europe (EUR 11,514), for which sale agreements have been signed already.
. artworks in Western Europe (EUR 3,361), for which marketing activities are ongoing.

39. Subsequent events

Management is following up the non-adjusting subsequent event effect of the devastating earthquake in South-East Turkey and Northern Syria on the Turkish economy, as well as the Turkish loans to customers. The direct impact on the loans to Turkish customers is expected to be limited due to limited exposure to the clients which are operating in the impacted areas and none of the business facilities have sustained physical damage that hinders the operations of those clients. The impact of the earthquake on the macro-economic indicators of Turkey will be monitored by the Management during the course of 2023.

40. List of participations

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

Name	Place	Country	Interest December 31, 2022	Interest December 31, 2021
Credit Europe (Dubai) Ltd	Dubai	United Arab Emirates	100.00%	100.00%
Credit Europe Bank (Suisse) SA	Geneva	Switzerland	100.00%	100.00%
Credit Europe Leasing (Ukraine) LLC	Kiev	Ukraine	100.00%	100.00%
Credit Europe Asset Management S.A.	Bucharest	Romania	100.00%	100.00%
Yenikoy Enterprises B.V.	Amsterdam	The Netherlands	100.00%	100.00%
Hitit Shipping Ltd	Msida	Malta	100.00%	100.00%
Cappadocia Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora 1 Shipping Ltd	Msida	Malta	100.00%	100.00%
Angora Yacht Ltd	Msida	Malta	100.00%	100.00%
Angora 4 Shipping Ltd	Msida	Malta	100.00%	100.00%
Mysia Shipping Ltd	Msida	Malta	100.00%	100.00%
Ziyaret Gayrimenkul Yatirim A.S.	Istanbul	Turkiye	100.00%	100.00%
Feniks Gayrimenkul Yatirim A.S.	Istanbul	Turkiye	100.00%	100.00%
Etkin Deger Gayrimenkul Yatirim A.S.	Istanbul	Turkiye	100.00%	100.00%
JSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	99.99%	99.99%
Credit Europe Bank (Romania) SA	Bucharest	Romania	99.34%	99.34%
Seyir Gayrimenkul Yatirim A.S.	Istanbul	Turkiye	53.00%	53.00%
Cirus Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Ikano Finance Holding B.V.	Amsterdam	The Netherlands	50.00%	50.00%
Hunter Navigation Ltd	Msida	Malta	-	100.00%
Angora 2 Shipping Ltd	Msida	Malta	-	100.00%
Angora 3 Shipping Ltd	Msida	Malta	-	100.00%
FMT Holding B.V.	Amsterdam	The Netherlands	-	100.00%

Amsterdam, March 14, 2023

Parent Company Financial Statements
As of and for the year ended December 31, 2022

CREDIT EUROPE BANK N.V.
STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2022
In thousands of EURO

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and balances with central banks	b	878,976	636,401
Amount due from banks	c	309,484	211,896
Loans and advances to customers	d	1,803,737	2,119,533
Debt securities	e	208,795	476,853
- Debt instruments measured at FVOCI		200,857	436,681
- Equity instruments measured at FVOCI		7,938	40,172
Derivative financial instruments	f	93,706	49,036
Investments in group companies	g	369,089	384,697
Investments in associates	g	-	2,280
Intangible assets	h	2,561	5,553
Property and equipment	i	17,296	18,998
Inventories	j	13,196	12,814
Assets held for sale		7,899	-
Other assets	j	88,523	86,173
Total assets		**3,793,262**	**4,004,234**
Liabilities			
Amount due to banks	k	266,574	520,939
Amount due to customers	l	2,561,384	2,540,177
Derivative financial instruments	f	131,733	69,787
Other liabilities	m	20,582	14,401
Provisions	g,n	6,352	31,278
Subordinated loans	o	188,732	176,891
Total liabilities		**3,175,357**	**3,353,473**
Equity			
Share capital	p	563,000	563,000
Share premium		163,748	163,748
Legal reserves	q	79,131	111,233
-Fair value reserve		(27,721)	(4,793)
-Affiliated companies		287,807	280,083
-Currency translation differences		(83,383)	(71,511)
-Net investment hedge		(97,556)	(93,013)
-Tangible revaluation reserve		(16)	467
Other reserves		(219,619)	(232,468)
Unappropriated result		31,645	45,248
Total equity		**617,905**	**650,761**
Total equity and liabilities		**3,793,262**	**4,004,234**

CREDIT EUROPE BANK N.V.
STATEMENT OF INCOME
For the year ended December 31, 2022
In thousands of EURO

	Notes	January 1-December 31, 2022	January 1-December 31, 2021
Interest and similar income		115,514	84,390
Interest expense and similar charges		(36,741)	(30,491)
Net interest income	r	**78,773**	**53,899**
Results from investment securities and participating interests	s	(7,498)	(2,606)
Fees and commissions income		18,416	17,987
Fees and commissions expense		(1,314)	(1,992)
Net fee and commission income	t	**17,102**	**15,995**
Net trading results	u	2,597	(3,420)
Net results on derecognition of financial assets measured at amortized cost		(2,435)	-
Other operating income	v	6,288	4,419
Operating income		**6,450**	**999**
Net operating income		**94,827**	**68,287**
Personnel expenses	w	(33,559)	(29,213)
Core operating expenses	x	(13,652)	(11,767)
Depreciation and amortization	h,i	(2,501)	(2,491)
Other operating expenses	y	(897)	(2,611)
Net impairment result on financial assets	z	(1,933)	3,572
Other impairment reversal		(1,214)	299
Total operating expenses		**(53,756)**	**(42,211)**
Operating profit before tax		**41,071**	**26,076**
Income tax result		(1,702)	11,321
Profit for the year		**39,369**	**37,397**

CREDIT EUROPE BANK N.V.
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022
In thousands of EURO

	Issued capital	Share premium	Legal Reserves					Other reserves	Unappropriated results	Total
			Fair value reserve	Affiliated companies	Currency translation differences	Net investment hedge	Tangible revaluation reserve			
At December 31, 2021	**563,000**	**163,748**	**(4,793)**	**280,083**	**(71,511)**	**(93,013)**	**467**	**(232,468)**	**45,248**	**650,761**
IAS 29 impact	-	-	-	-	-	-	-	8,312	-	**8,312**
At January 1, 2022	**563,000**	**163,748**	**(4,793)**	**280,083**	**(71,511)**	**(93,013)**	**467**	**(224,156)**	**45,248**	**659,073**
Change in fair value reserve	-	-	(22,928)	-	-	-	-	(3,314)	-	**(26,242)**
Change in foreign currency translation reserve	-	-	-	-	(11,872)	-	-	-	-	**(11,872)**
Change in tangible revaluation reserve	-	-	-	-	-	-	(483)	-	-	**(483)**
Change in net investment hedge reserve	-	-	-	-	-	(4,543)	-	-	-	**(4,543)**
Total income and expense for the year recognized directly in equity	**-**	**-**	**(22,928)**	**-**	**(11,872)**	**(4,543)**	**(483)**	**(3,314)**	**-**	**(43,140)**
Dividends declared and paid	-	-	-	-	-	-	-	(37,397)	-	**(37,397)**
Profit for the year	-	-	-	7,724	-	-	-	-	31,645	**39,369**
Transfer from retained earnings	-	-	-	-	-	-	-	45,248	(45,248)	**-**
At December 31, 2022	**563,000**	**163,748**	**(27,721)**	**287,807**	**(83,383)**	**(97,556)**	**(16)**	**(219,619)**	**31,645**	**617,905**

CREDIT EUROPE BANK N.V.
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended December 31, 2022
In thousands of EURO

			Legal Reserves							
	Issued capital	Share premium	Fair value reserve	Affiliated companies	Currency translation differences	Net investment hedge	Tangible revaluation reserve	Other reserves	Unappropriated results	Total
At January 1, 2021	**563,000**	**163,748**	**4,692**	**287,934**	**(72,413)**	**(99,355)**	**161**	**(251,013)**	**14,106**	**610,860**
Change in fair value reserve	-	-	(9,485)	-	-	-	-	4,439	-	**(5,046)**
Change in foreign currency translation reserve	-	-	-	-	902	-	-	-	-	**902**
Change in other reserve	-	-	-	-	-	-	306	-	-	**306**
Change in net investment hedge reserve	-	-	-	-	-	6,342	-	-	-	**6,342**
Total income and expense for the year recognized directly in equity	**-**	**-**	**(9,485)**	**-**	**902**	**6,342**	**306**	**4,439**	**-**	**2,504**
Profit for the year	-	-	-	(7,851)	-	-	-	-	45,248	**37,397**
Transfer from retained earnings	-	-	-	-	-	-	-	14,106	(14,106)	**-**
At December 31, 2021	**563,000**	**163,748**	**(4,793)**	**280,083**	**(71,511)**	**(93,013)**	**467**	**(232,468)**	**45,248**	**650,761**

CREDIT EUROPE BANK N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

Basis of preparation

The Parent Company financial statements of Credit Europe Bank N.V. (CEB, the Bank) have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied in the Parent Company financial statements are based on International Financial Reporting Standards as adopted by the European Union (EU IFRS), as used for the preparation of the Consolidated Financial Statements of the Bank.

Although CEB is not listed in the Netherlands, it voluntarily adheres to the principles and best practices of the Dutch Corporate Governance Code, also known as the “Code Tabaksblat”. Additionally, as banking organization, CEB also underwrites the Basel Committee rules on Enhancing Corporate Governance for Banking Organisations (the “Basel Rules”).

The accounting policies that are used in the preparation of these parent financial statements are consistent with the accounting policies used in preparation of the Consolidated Financial Statements of the Bank, as set out in those financial statements.

The additional accounting policies that are specific to the Parent Company Financial Statements of CEB are set out below.

Financial Instruments

Classification and measurement of loans and receivables from intra group companies is based on accounting policy consistent with the one used in preparation of consolidated financial statements. As result, as of December 31, 2022, EUR 49,562 (2021: EUR 77,374) of loans and receivables from intra group companies were classified as “non-trading assets mandatorily at FVTPL” because their cash flow characteristics do not satisfy SPPI criteria.

The Bank applied expected credit loss model under IFRS 9 in parent company financial statements.

The Bank applies paragraph 107a of the Dutch Accounting Standard 100. Under this paragraph, the Bank eliminates the expected credit losses on loans to subsidiaries in the same line item.

Investment in subsidiaries

The Group companies are stated at their net asset value, determined based on IFRS, as applied in the Consolidated Financial Statements of the Bank. For details on the accounting policies applied for the Group companies, refer to the notes to the Consolidated Financial Statements as shown earlier in this document.

Dividend income

Dividend income from investments in subsidiaries is recognized when the right to receive payment is established.

Going concern

Having made appropriate enquiries, the Board is satisfied that the Bank as a whole have adequate resources to continue operational businesses for the foreseeable future and therefore continued to adopt the going concern basis in preparing the financial statements.

Corporate Information

Credit Europe Bank N.V., herein after ‘the Bank’, is domiciled in Amsterdam, the Netherlands. Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta.

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

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

A. Segment information

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

The Bank has three (2021: three) reportable segments (described below), which are the Bank’s strategic areas of operation. The strategic areas offer banking and banking related products, and are managed separately to take account of local economic environments, which require different risk management and pricing strategies. For each of the strategic areas, the CFO reviews internal management reports on at least a monthly basis. The following summary describes the operation of each of the Bank’s reportable segments:

- Western Europe retail: includes retail loans and funds entrusted by retail customers in Western Europe, including Germany and the Netherlands.
- Western Europe wholesale: includes loans to non-retail customers and funds entrusted by non-retail customers in the Netherlands, Germany and Malta.
- Romania retail: includes mortgage loans of retail customers in Romania and related portfolio administration fees.

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

CREDIT EUROPE BANK N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

A. Segment information *(continued)*

December 2022	West Europe Retail	West Europe Wholesale	Romania Retail	Total
Interest income	1,592	110,837	3,085	115,514
Interest expenses	-	(33,196)	(3,545)	(36,741)
Net interest income	**1,592**	**77,641**	**(460)**	**78,773**
Net commission income	232	16,683	187	17,102
Trading and other income	-	(8,839)	67	(8,772)
Net impairment result on financial assets	-	(5,302)	3,369	(1,933)
Depreciation and amortization expense	(21)	(2,480)	-	(2,501)
Other operating expenses	(807)	(47,883)	(632)	(49,322)
Share of profit of associate	-	7,724	-	7,724
Operating profit before taxes	**996**	**37,544**	**2,531**	**41,071**
Income tax expense	(319)	(768)	(615)	(1,702)
Profit for the year	**677**	**36,776**	**1,916**	**39,369**
Other information at 31 December 2022 - Financial position				
Total assets	16,570	3,680,002	96,690	3,793,262
Total liabilities	2,087,922	1,087,435	-	3,175,357
Investment in associates and joint ventures	-	-	-	369,089
Assets held for sale	-	7,899	-	7,899
Other information at 31 December 2022 - Income statement				
Reversal of impairment allowances no longer required	559	10,618	-	11,177

A. Segment information *(continued)*

December 31, 2021	West Europe Retail	West Europe Wholesale	Romania Retail	Total
Interest income	214	80,045	4,131	84,390
Interest expenses	-	(27,449)	(3,042)	(30,491)
Net interest income	**214**	**52,596**	**1,089**	**53,899**
Net commission income	10	15,810	175	15,995
Trading and other income	70	6,174	-	6,244
Net impairment result on financial assets	(67)	12,408	(8,769)	3,572
Depreciation and amortization expense	(91)	(2,400)	-	(2,491)
Other operating expenses	(798)	(41,099)	(1,395)	(43,292)
Share of profit of associate	-	(7,851)	-	(7,851)
Operating profit before taxes	**(662)**	**35,638**	**(8,900)**	**26,076**
Income tax expense	208	9,150	1,963	11,321
Profit for the year	**(454)**	**44,768**	**(6,937)**	**37,397**
Other information at 31 December 2021 - Financial position				
Total assets	106,462	3,787,778	110,900	4,005,140
Total liabilities	2,278,143	1,076,236	-	3,354,379
Investment in associates and joint ventures	-	-	-	359,019
Other information at 31 December 2021 - Income statement				
Reversal of impairment allowances no longer required	605	11,489	-	12,094

Information about major customers

As of December 31, 2022 there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2021: None).

CREDIT EUROPE BANK N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

B. Cash and balances at central banks

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

	December 31, 2022	December 31, 2021
Balances at central bank	878,942	636,352
Cash on hand	34	49
Total	**878,976**	**636,401**

Deposits at central banks include reserve deposits amounting to EUR 20,180 (2021: EUR 21,729), which represents the mandatory deposit and is not available the Bank's day-to-day operations.

C. Amounts due from banks

	December 31, 2022	December 31, 2021
Loans and advances	151,329	79,837
Placement with other banks	130,612	66,689
Trading loans	27,799	65,457
Subtotal	**309,740**	**211,983**
Allowances for credit losses	(256)	(87)
Total	**309,484**	**211,896**

The amount due from banks that will not mature within one year is EUR 65,874 (2021: EUR 87,798).

Loans and receivables from intra group companies amount to EUR 92,096 (2021: EUR 32,327).

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 28,556 (2021: EUR 28,712).

Placement with other related parties' amount to EUR 287 (2021: EUR 9).

There is not any amount related to receivables regarding securities that have been acquired in reverse repo transactions (2021: None).

D. Loans and advances to customers

	December 31, 2022	December 31, 2021
Commercial loans	1,679,976	1,869,510
Consumer loans	97,366	111,958
Non-trading assets mandatorily at FVTPL	74,535	93,571
Trading loans	2,088	-
Public loans	-	86,539
Subtotal	**1,853,965**	**2,161,578**
Allowances for credit losses	(50,228)	(42,045)
Total (*)	**1,803,737**	**2,119,533**

(*) None of these loans is subordinated.

Loans and receivables from intra group companies amount to EUR 58,326 (2021: EUR 120,958). Loans and receivables from other related party companies amount to EUR 109,731 (2021: EUR 131,399).

No individual loan or receivable has terms and conditions that materially affect the amount, timing or certainty of the cash flows of CEB. Loans and advances to customers do not include any amount related to receivables regarding securities that have been acquired in reverse repo transactions (2021: None).

As of December 31, 2022, EUR 993,514 (2021: EUR 1,056,324) of loans and advances to customers are not expected to mature within one year.

E. Debt securities

December 31, 2022	Debt and equity instruments measured at FVOCI (*)
Government bonds	98,261
Loans and advances	53,088
Corporate bonds	29,706
Bank bonds	19,802
Equities**	7,938
Total	**208,795**

December 31, 2021	Debt and equity instruments measured at FVOCI (*)
Government bonds	268,957
Loans and advances	125,471
Equities**	40,172
Bank bonds	26,106
Corporate bonds	16,147
Total	**476,853**

(*) As of December 31, 2022, EUR 152,806 of the total are listed securities (2021: EUR 337,385). There is no bond issued by intra group companies in 2022 (2021: None). The amount that will not mature within one year is EUR 148,581 (2021: EUR 212,524).
(**) The Bank elected to apply FVOCI option to the equities, which are considered as a strategic source of stable dividend income.

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The Bank's equity investments as of December 31, 2022 and December 31, 2021 are listed as below:

			December 31, 2022
Name of the investment	**Carrying amount**	**Dividend recognized during the period****	**Valuation**
Rabo49 - CET 1 perpetual bond	4,649	476	Based on quoted market prices
CEB Russia - minority share**	-	4,065	Discounted cash flow
Other	3,289	252	Based on quoted market prices
Total	**7,938**	**4,793**	

			December 31, 2021
Name of the investment	**Carrying amount**	**Dividend recognized during the period**	**Valuation**
Rabo49 - CET 1 perpetual bond	17,967	815	Based on quoted market prices
CEB Russia - minority share*	12,285	937	Discounted cash flow
Other	9,920	81	Based on quoted market prices
Total	**40,172**	**1,833**	

(*) Please refer to Note 33 'Fair value hierarchy' for significant unobservable inputs.
(**) In 2022, the Bank's minority share in former subsidiary CEB Russia is classified as "Assets held for sale". Further details are provided in Note 38 'Assets held for sale'.

F. Derivative financial instruments

In the ordinary course of business, CEB enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

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

	December 31, 2022			**December 31, 2021**		
	Notional amount	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**	**Carrying value assets**	**Carrying value liabilities**
Derivatives held for trading						
Interest rate swaps	583,869	11,042	11,042	155,340	2,934	2,934
Foreign currency swaps	154,183	25,099	23,601	51,118	22,759	24,721
Foreign currency forwards	178,315	6,643	6,060	8,145	175	170
Foreign currency options (purchased)	80,500	1,839	-	-	-	-
Foreign currency options (sold)	(80,500)	-	1,839	-	-	-
Equity options (purchased)	8,093	1,223	-	-	-	-
Equity options (sold)	-8,093	-	1,223	-	-	-
Commodity swaps	11,458	691	501	-	-	-
Total	**927,825**	**46,537**	**44,266**	**214,603**	**25,868**	**27,825**
Derivatives in economic hedge relationship						
Foreign currency swaps	1,100,522	38,129	46,383	790,080	19,648	34,195
Total	**1,100,522**	**38,129**	**46,383**	**790,080**	**19,648**	**34,195**
Derivatives in fair value hedge accounting						
Interest rate swaps	641,419	7,011	29,751	457,413	273	34
Foreign currency swaps	-	-	-	17,627	129	-
Total	**641,419**	**7,011**	**29,751**	**475,040**	**402**	**34**
Derivatives in net investment hedge						
Foreign currency swaps	408,907	2,029	11,333	346,366	3,118	7,733
Total	**408,907**	**2,029**	**11,333**	**346,366**	**3,118**	**7,733**
Total Derivatives	**3,078,673**	**93,706**	**131,733**	**1,826,089**	**49,036**	**69,787**

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

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

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

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

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

December 31, 2022	**Carrying amount of hedged items**		**Accumulated amount of fair value adj. on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate FVOCI debt instruments	58,618	-	-	7,118
Subtotal	**58,618**	**-**	**-**	**7,118**
	-	-	-	-
Portfolio fair value hedges				
Fixed rate customer deposits	-	520,419	-	(22,216)
Subtotal	**-**	**520,419**	**-**	**(22,216)**
Total	**58,618**	**520,419**	**-**	**(15,098)**

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

The following table sets out the outcome of the Bank's hedging strategy set out in Note 3-i "Derivatives held as economic hedge and hedge accounting", in particular to changes in the fair value of the hedged items and hedging instruments used as the basis for recognising ineffectiveness:

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January 1- December 31, 2022		Gains /(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	
Micro fair value hedge relationships				
hedging assets				
Fixed rate corporate loans	Foreign currency contracts	5,890	(6,019)	(129)
Fixed rate FVOCI debt instruments	Interest rate swaps	(4,177)	4,075	(102)
Subtotal		**1,713**	**(1,944)**	**(231)**
Micro fair value hedge relationships				
hedging liabilities				
Fixed rate subordinated liabilities	Interest rate swaps	2,527	(3,206)	(679)
Subtotal		**2,527**	**(3,206)**	**(679)**
Total micro fair value relationships		**4,240**	**(5,150)**	**(910)**
Portfolio fair value hedge relationships				
Fixed rate customer deposits	Interest rate swaps	22,548	(22,906)	(358)
Subtotal		**22,548**	**(22,906)**	**(358)**
Total portfolio fair value hedge		**22,548**	**(22,906)**	**(358)**
Total		**26,788**	**(28,056)**	**(1,268)**

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

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

December 31, 2022	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans				
Interest rate swaps	-	42,468	-	42,468
Fixed rate FVOCI debt instruments				
Interest rate swaps	-	6,265	66,905	73,170
Fixed rate customer deposits				
Interest rate swaps	102,270	173,294	250,217	525,781
Total	**102,270**	**222,027**	**317,122**	**641,419**

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

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-Net investment hedges

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

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

	December 31, 2022	
Investments in subsidiaries functional currency of which is:	**Change in fair value of hedged item for ineffectiveness assessment**	**Translation reserve**
USD	(832)	(648)
RON	11,691	(172)
CHF	7,416	6,659
UAH	19	(1,955)
TRY	(780)	(2,837)
Total	**17,514**	**1,047**

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

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

December 31, 2022	**Carrying amount of hedging instruments**			**Changes in fair value of hedging instruments used for net investment hedge**		
Net investment hedges	Notional amount	Assets	Liabilities	Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
USD swaps	10,537	112	56	832	-	832
RON swaps	248,410	594	6,501	(11,691)	-	(11,691)
CHF swaps	145,355	903	4,375	(7,416)	-	(7,416)
UAH swaps	-	-	-	(19)	-	(19)
TRY swaps	4,605	420	401	780	-	780
Total	**408,907**	**2,029**	**11,333**	**(17,514)**	**-**	**(17,514)**

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

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

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
USD swaps	-	10,537	-	10,537
RON swaps	22,175	81,558	144,677	248,410
CHF swaps	-	27,337	118,018	145,355
TRY swaps	4,605	-	-	4,605
Total at December 31, 2022	**26,780**	**119,432**	**262,695**	**408,907**

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

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G. Investments in group companies and associates

For 2022, the movement of participating interests in Group companies and associates is as follows:

	Balance at 1 Jan- 2022	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2022	Provision for period losses	Net carrying amount at 31-Dec-2022
Credit Europe Bank (Romania) SA	196,006	-	(1,649)	6,806	(7,947)	25	193,241	-	193,241
Credit Europe (Suisse) Bank SA	131,715	-	(4,353)	11,612	-	6,952	145,926	-	145,926
Etkin Deger Gayrimenkul Yatirim A.S.	8,056	188	7,755	(2,893)	-	(3,575)	9,531	-	9,531
JSC Credit Europe Bank (Ukraine)	13,972	-	(7)	(2,271)	-	(2,713)	8,981	-	8,981
Credit Europe Asset Management S.A.	-	16,059	-	(2,221)	-	(211)	13,627	(10,539)	3,088
Feniks Gayrimenkul Yatirim A.S.	2,115	-	-	755	-	113	2,983	-	2,983
Cappadocia Shipping Ltd	-	3,596	-	3,552	-	(374)	6,774	(4,449)	2,325
Ziyaret Gayrimenkul Yatirim A.S.	906	-	557	558	-	(360)	1,661	-	1,661
Yenikoy Enterprises B.V.	832	1,000	-	(1,138)	-	(9)	685	-	685
Seyir Gayrimenkul Yatirim A.S.	425	-	-	(8)	-	6	423	-	423
Angora Yacht Ltd	-	-	-	157	-	(3)	154	-	154
Hitit Shipping Ltd	-	4,341	-	(2,766)	-	(85)	1,490	(1,428)	62
Angora-1 Shipping Ltd	-	843	-	(103)	-	(48)	692	(664)	28
Credit Europe (Dubai) Ltd	30,670	(26,014)	-	(517)	(4,288)	150	1	-	1
Credit Europe Leasing (Ukraine) LLC	-	-	-	(981)	-	846	(135)	135	-
Angora-4 Shipping Ltd	-	2,297	-	(374)	-	(138)	1,785	(1,785)	-
Mysia Shipping Ltd	-	1,356	-	(164)	-	(93)	1,099	(1,099)	-
Cirus Holding B.V. (Associate)	2,280	-	-	(2,280)	-	-	-	-	-
Total	**386,977**	**3,666**	**2,303**	**7,724**	**(12,235)**	**483**	**388,918**	**(19,829)**	**369,089**

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G. Investments in group companies and associates (continued)

For 2021, the movement of participating interests in Group companies and associates is as follows:

	Balance at 1 Jan-2021	Additions/ (Disposals)	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31-Dec-2021	Provision for period losses	Net carrying amount at 31-Dec-2021
Credit Europe Bank (Romania) SA	192,603	2	(1,364)	7,975	-	(3,210)	196,006	-	196,006
Credit Europe (Suisse) Bank SA	123,848	-	(155)	2,394	-	5,628	131,715	-	131,715
Credit Europe Bank (Dubai) Ltd	28,941	-	-	(626)	-	2,355	30,670	-	30,670
JSC Credit Europe Bank (Ukraine)	12,261	-	(9)	1,129	(906)	1,497	13,972	-	13,972
Etkin Deger Gayrimenkul Yatirim A.S.	-	12,688	-	(445)	-	(4,187)	8,056	-	8,056
Feniks Gayrimenkul Yatirim A.S.	1,982	-	-	(8)	-	141	2,115	-	2,115
Ziyaret Gayrimenkul Yatirim A.S.	2,255	-	-	(641)	-	(708)	906	-	906
Yenikoy Enterprises B.V.	-	-	-	4,516	-	(51)	4,465	(3,633)	832
Seyir Gayrimenkul Yatirim A.S.	434	-	-	(8)	-	(1)	425	-	425
Credit Europe Leasing (Ukraine) LLC	20	-	-	8	-	(289)	(261)	261	-
Hunter Navigation Ltd.	-	-	-	(1,140)	-	(63)	(1,203)	1,203	-
Credit Europe Asset Management S.A.	-	-	-	(4,769)	-	123	(4,646)	4,646	-
Angora-1 Shipping Ltd	-	-	-	(504)	-	(32)	(536)	536	-
Angora-2 Shipping Ltd	-	-	-	(1,598)	-	(77)	(1,675)	1,675	-
Angora-3 Shipping Ltd	-	-	-	(1,515)	-	(71)	(1,586)	1,586	-
Angora-4 Shipping Ltd	-	-	-	(1,851)	-	(78)	(1,929)	1,929	-
Mysia Shipping Ltd	-	-	-	(1,052)	-	(61)	(1,113)	1,113	-
Hitit Shipping Ltd	-	5,288	-	(2,139)	-	(175)	2,974	(2,974)	-
Cappadocia Shipping Ltd	-	-	-	(1,859)	-	(269)	(2,128)	2,128	-
Cirus Holding B.V. (Associate)	4,118	1,374	-	(3,630)	-	418	2,280	-	2,280
Stichting Credit Europe Custodian Services (Associate)	125	(125)	-	-	-	-	-	-	-
Ikano Finance Holding B.V. (Associate)	2,076	-	-	(2,088)	-	12	-	-	-
Total	**368,663**	**19,227**	**(1,528)**	**(7,851)**	**(906)**	**902**	**378,507**	**8,470**	**386,977**

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Provisions for participations are summarized as follows:

	December 31, 2022	December 31, 2022
Credit Europe Leasing (Ukraine) LLC	2,897	2,762
Mysia Shipping Ltd.	219	1,318
Angora-4 Shipping Ltd	148	1,933
Hitit Shipping Ltd.	-	1,428
Cappadocia Shipping Ltd.	-	4,449
Hunter Navigation Ltd.*	-	1,389
Angora-2 Shipping Ltd*	-	1,796
Angora-3 Shipping Ltd*	-	1,680
Credit Europe Asset Management S.A.	-	10,539
Angora-1 Shipping Ltd.	-	664
Total	**3,264**	**27,958**

(*) Decrease in provisions as result of disposal.

The parent company is liable for the liabilities of the above subsidiaries.

H. Intangible assets

The book value of intangibles is as follows:

	Patents and licenses
Balance at January 1, 2022	**5,553**
Addition	276
Disposal	(2,167)
Amortization	(1,101)
Balance at December 31, 2022	**2,561**
Balance at January 1, 2021	**3,302**
Addition	3,466
Disposal	(71)
Amortization	(1,144)
Balance at December 31, 2021	**5,553**

I. Property, equipment and investment property

A. Property and equipment

The book value of property and equipment is as follows:

	Land and Buildings	Furniture and fixtures	Vehicles	Total
Balance at January 1, 2022	**17,876**	**990**	**132**	**18,998**
Additions	108	313	6	**427**
Revaluation	(729)	-	-	**(729)**
Depreciation	(833)	(500)	(67)	**(1,400)**
Balance at December 31, 2022	**16,422**	**803**	**71**	**17,296**
Cost	22,984	11,952	542	**35,478**
Revaluation	9,642	0	0	**9,642**
Cumulative depreciation and impairment	(16,204)	(11,149)	(471)	**(27,824)**
Balance at December 31, 2022	**16,422**	**803**	**71**	**17,296**

	Land and Buildings	Furniture and fixtures	Vehicles	Total
Balance at January 1, 2021	**17,210**	**1,034**	**399**	**18,643**
Additions	669	569	54	**1,292**
Revaluation	662	0	0	**662**
Disposals	0	-	(252)	**(252)**
Depreciation	(665)	(613)	(69)	**(1,347)**
Balance at December 31, 2021	**17,876**	**990**	**132**	**18,998**
Cost	22,876	11,639	536	**35,051**
Revaluation	10,371	0	0	**10,371**
Cumulative depreciation and impairment	(15,371)	(10,649)	(404)	**(26,424)**
Balance at December 31, 2021	**17,876**	**990**	**132**	**18,998**

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

	Right-of-use assets				December 31, 2022
	Land and Buildings	Vehicles	Furniture and fixtures	Total	Lease Liabilities
As at 1 January 2022	**917**	**136**	**233**	**1,286**	**1,315**
Additions	9	6	-	**15**	14
Depreciation expense	(198)	(61)	(97)	**(356)**	-
Interest expense	-	-	-	**-**	15
Payments	-	-	-	**-**	(362)
As at 31 December 2022	**728**	**81**	**136**	**945**	**982**

	Right-of-use assets				December 31, 2021
	Land and Buildings	Vehicles	Furniture and fixtures	Total	Lease Liabilities
As at 1 January 2021	**330**	**399**	**243**	**972**	**974**
Additions	641	54	80	**775**	775
Disposals	0	(252)	0	**(252)**	(252)
Depreciation expense	(54)	(65)	(90)	**(209)**	0
Interest expense	-	-	-	**-**	12
Payments	-	-	-	**-**	(194)
As at 31 December 2021	**917**	**136**	**233**	**1,286**	**1,315**

As of December 31, 2022 the Bank recognised rent expense from short-term leases at amount of EUR 156 (2021: 482).

J. Other assets and inventories

	December 31, 2022	December 31, 2021
Deferred tax assets	75,333	75,303
Repossessed assets classified as inventories	13,196	12,814
Receivables from DSB	6,259	6,259
Prepayments and advance payments to suppliers	2,676	2,046
Amounts held as guarantee	1,055	994
Accounts receivable	432	432
Other assets and receivables	2,768	1,139
Total	**101,719**	**98,987**

As of December 31, 2022, EUR 81,592 (2021: EUR 81,562) of other assets are not expected to mature within one year.

K. Amounts due to banks

This item comprises amounts due to banking institutions.

	December 31, 2022	December 31, 2021
Time deposits	210,277	318,714
Current accounts	56,297	57,506
Targeted longer term refinancing operations (TLTRO)*	-	144,719
Total	**266,574**	**520,939**

(*) Early redemption option for the funding obtained under the Targeted Longer-Term Refinancing Operations III (TLTRO III) is used by the Bank and the debt is repaid as of 23 November 2022.

Deposits and current accounts of intra group companies amount to EUR 1,890 (2021: EUR 31,339). Amount of due to banks, which is on demand, is EUR 68,172 (2021: EUR 204,999).

Repo transactions in time deposits amount to EUR 58,021 (2021: EUR 130,318).

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L. Amounts due to customers

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

	December 31, 2022	December 31, 2021
Retail time deposits	1,051,362	1,012,778
Retail saving and demand deposits	1,036,561	1,265,364
Corporate demand deposits	341,908	251,925
Corporate time deposits	131,553	10,110
Total	**2,561,384**	**2,540,177**

As of December 31, 2022, EUR 1,174,544 (2021: EUR 1,415,788) of deposits from customers are expected to be settled more than 12 months after the balance sheet date.

As of December 31, 2022, the Bank maintained customer deposit balances of EUR 68,614 (2021: EUR 33,434), which were pledged to the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

Deposits and current accounts of intra group companies amount to EUR 13,027 (2021: EUR 4,520).

M. Other liabilities

	December 31, 2022	December 31, 2021
Unfinished settlements	5,410	2,486
Staff related liabilities	3,543	2,745
Accrued expenses	3,262	3,567
Advances received	1,870	-
Taxes other than income	1,577	1,566
Lease liabilities	982	1,315
Current tax liabilities	487	374
Other payables	3,451	2,348
Total	**20,582**	**14,401**

N. Provisions

	December 31, 2022	December 31, 2021
Provisions for participations	3,264	27,958
Litigation provision	1,612	1,996
Non-cash loan provisions	1,457	1,305
Deferred tax liability	19	19
Total	**6,352**	**31,278**

The tables below present movement in litigation and non-cash loan provisions:

	Litigation	Non-cash loan
At January 1, 2022	**1,996**	**1,305**
Addition	-	91
Reversal	(396)	-
Currency translation differences	12	61
At December 31, 2022	**1,612**	**1,457**

	Litigation	Non-cash loan
At January 1, 2021	**1,841**	**2,521**
Addition	1,353	76
Provisions used during the period	(24)	-
Reversal	(762)	(1,292)
Currency translation differences	(412)	-
At December 31, 2021	**1,996**	**1,305**

O. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of CEB. This liability qualifies as capital, taking into account remaining maturities, for determining the consolidated capital adequacy ratio for the Dutch Central Bank (De Nederlandsche Bank - DNB).

	Maturity Date	First possible call date	December 31, 2022	December 31, 2021
USD 150 million subordinated notes with a fixed interest rate of 9.62 % p.a.	November 2023	November 2023	141,802	132,689
USD 50 million AT 1 instrument with a fixed interest rate of 10.27 % p.a.	Perpetual	June 2023	46,930	44,202
Total			**188,732**	**176,891**

The Bank had not any defaults on principal, interest or other breaches with respect to its subordinated liabilities during the years ended 2022 and 2021.

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P. Share capital

The authorized share capital is EUR 1,000 million (2021: EUR 1,000 million) and comprises 1,000 million (2021: 1,000 million) ordinary shares with a face value of EUR 1.

The called-up and paid-in capital consists of 563 million (2021: 563 million) ordinary shares with a face value of EUR 1.

Q. Legal reserves

Under Dutch GAAP, legal reserves are required in certain circumstance. The objective of these legal reserves is to protect the creditors (i.e. the Bank is only allowed to pay out profits to its shareholders that it has realized or can be realized when the bank wants to). Legal reserves only relate to the Bank Financial Statements and are not applicable to the Consolidated Financial Statements. Reserves of participations cannot be paid out to the Bank due to local legal requirements.

For the Bank, the following legal reserves are important:

- Participations reserve
- Currency translation differences reserve
- Fair value reserve
- Net investment hedge reserve
- Tangible revaluation reserve

In determining legal reserves, deferred taxes on debt and equity instruments at FVOCI are taken into account. Deferred taxes attributable to equity are calculated on the difference between IFRS and tax values of debt and equity instruments at FVOCI. Hedge accounting reserves are subject to the participation exemption regime according to Dutch tax laws. Accordingly, profits and losses from participations are not taxable in The Netherlands. Due to the participation exemption regime, in practice, the participation hedge results are carried into statement of income for tax purposes and then exempted from taxable profit.

R. Net interest income

	January 1- December 31, 2022	**January 1- December 31, 2021**
Interest income from financial instruments measured at amortized cost and FVOCI	**108,225**	**78,803**
Loans and receivables – customers	100,274	74,368
Loans and receivables – banks	4,649	3,651
Cash and balances at central banks*	2,601	1,440
Financial investments	701	(656)
Interest income from financial instruments measured at FVTPL	**7,289**	**5,587**
Other financial assets at fair value through profit or loss	6,147	5,158
Non-trading financial assets mandatorily at FVTPL	1,142	429
Subtotal	**115,514**	**84,390**
Interest expense from financial instruments measured at amortized cost	**36,741**	**30,491**
Due to customers	18,371	16,172
Subordinated liabilities	13,100	9,184
Due to banks	5,255	1,930
Lease liabilities	15	12
Cash and balances at central banks	-	3,193
Subtotal	**36,741**	**30,491**
Total	**78,773**	**53,899**

(*) Includes negative interest on TLTRO amounting to EUR 913 (2021: EUR 1,440).

S. Results from investment securities and participating interests

	January 1- December 31, 2022	**January 1- December 31, 2021**
Net gain from disposal of debt instruments at FVOCI	(15,222)	5,245
Net result from participating interests	**7,724**	**(7,851)**
- Group companies	10,004	(2,133)
- Associates	(2,280)	(5,718)
Total	**(7,498)**	**(2,606)**

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T. Net fee and commission income

	January 1- December 31, 2022	January 1- December 31, 2021
Fee and commission income		
Cash loan fees	6,386	8,004
Letters of credit commissions	6,337	5,775
Portfolio and other management fees	1,904	606
Commission on account maintenance	1,492	1,276
Letters of guarantee commissions	845	564
Commissions on fund transfers	731	573
Other fees and commissions	721	1,189
Subtotal	**18,416**	**17,987**
Fee and commission expense		
Portfolio and other management fee expense	665	1,221
Account maintenance fees	349	389
Commission paid to intermediaries/retailers	210	199
Other fee and commission expenses	90	183
Subtotal	**1,314**	**1,992**
Total	**17,102**	**15,995**

U. Net trading results

	January 1- December 31, 2022	January 1- December 31, 2021
Foreign exchange	8,730	28,298
Debt securities	141	45
Derivative financial instruments - hedge accounting	(1,260)	(872)
Interest rate derivatives	15,400	1,980
Trading loans	4,827	5,535
Non trading financial assets mandatorily at FVTPL	(1,799)	786
Subtotal	**26,039**	**35,772**
Derivative financial instruments - not qualifying for hedge accounting	(23,442)	(39,192)
of which interest component	*(18,691)*	*(10,312)*
of which MTM component	*(593)*	*42*
of which FX component	*(4,158)*	*(28,923)*
Total	**2,597**	**(3,420)**

V. Other operating income

	January 1- December 31, 2022	January 1- December 31, 2021
Dividend income	4,793	1,833
Rent income	12	63
Income from DSB receivables	-	1,386
Other income	1,483	1,137
Total	**6,288**	**4,419**

W. Personnel expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Wages and salaries	24,553	22,177
Social security payments	2,924	2,796
Retirement benefit costs	1,989	1,975
Other employee costs	4,093	2,265
Total	**33,559**	**29,213**
Average number of employees	**264**	**261**
Banking activities - Netherlands	217	217
Banking activities - foreign countries	47	44

X. Core operating expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Professional fees and consultancy	3,514	2,331
Contributions and subscriptions	2,443	1,723
Supervision fees	1,887	1,891
Communication and information expenses	1,621	1,482
Legal services expenses	865	712
Taxes other than income	699	875
Information technology expenses	622	609
Rent and maintenance expenses	405	949
Other expenses	1,596	1,195
Total	**13,652**	**11,767**

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Y. Other operating expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Fines and penalties	707	653
Claims service expenses	46	176
Provision (reversal)/addition	(396)	495
Other	540	1,287
Total	**897**	**2,611**

Z. Net impairment loss on financial assets

	January 1- December 31, 2022				January 1- December 31, 2021
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	7,364	(1,134)	(8,199)	(1,969)	3,677
Credit related commitments (non-cash loans)	(104)	-	-	(104)	160
Debt securities measured at FVOCI	140	-	-	140	(265)
Net impairment loss on financial assets	**7,400**	**(1,134)**	**(8,199)**	**(1,933)**	**3,572**

AA. Commitments and contingencies

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

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

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

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

	December 31, 2022	December 31, 2021
Contingent liabilities with respect to irrevocable letters of credit - import	342,418	489,844
Contingent liabilities with respect to letters of guarantee granted - corporates	119,195	76,328
Contingent liabilities with respect to irrevocable letters of credit - export	81,453	139,807
Contingent liabilities with respect to letters of guarantee granted - banks	57,735	4,200
Total non-cash loans	**600,801**	**710,179**
Credit-line commitments	130,570	151,943
Total	**731,371**	**862,122**

As of December 31, 2022, there is no (2021: EUR 88) letter of guarantees granted to related parties.

As of December 31, 2022, EUR 63,041 (2021: EUR 48,275) letter of guarantees granted to intragroup companies.

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AB. Litigation claims

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

As of December 31, 2022, the Bank is involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR - (2021: EUR 1,996) is already provided for in the statement of financial position.

AC. Risk Management

Capital Management

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

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

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

The Bank's capital-management objectives are to:

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

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

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

Regulatory Capital

CEB follows Capital Requirement Directive and Capital Requirement Regulation for Capital Requirement calculation. Related documents are following:

CRD

• Directive 2013/36/EU on access to the activity of credit institution and the prudential supervision of credit institutions and investment firms (CRD IV), 26 June 2013[1]

• DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures[2]

CRR

• Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)[3]

• REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012[4]

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

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

	December 31, 2022	December 31, 2021
Total Equity	**617,905**	**650,761**
- Current year profit (1)	(39,369)	(37,397)
Prudential filters		
- Prudent valuation	(406)	(706)
- Intangible asset (2)	(2,561)	(5,553)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(55,441)	(57,665)
- CIU Investment deductions	(2,900)	(1,712)
- Transitional adjustments to IFRS 9 provisions (25%) (3)	8,584	17,179
- Significant participation deductions	(98,441)	(130,529)
Core Tier I	**427,371**	**434,378**
Perpetual Tier I capital	46,930	44,202
Additional Tier I	**46,930**	**44,202**
Total Tier I capital	**474,301**	**478,580**
Tier II capital		
Subordinated capital	112,202	131,721
Total Tier II capital	**112,202**	**131,721**
Total own funds	**586,503**	**610,301**

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

(2) Under CRD IV frame, additional items listed below shall be deducted fully to enhance own funds quality:
- Non-eligible minority interest
- Other intangible asset (Non-solvency deductible under Basel II framework)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

(3) Transitional adjustment is permitted to apply the calculation by adding 25% IFRS 9 Provisions back to total own funds

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The Bank has complied with all externally imposed capital requirements throughout the reporting period and maintained their capital ratios above the regulatory minimum ratios.

Solvency ratio	December 31, 2022	December 31, 2021
Capital ratio	22.00%	20.19%
Tier I ratio	17.79%	15.83%
Core Tier I	16.03%	14.37%
RWA	**2,665,853**	**3,022,604**

AC. i. Credit exposure

Maximum credit-risk exposure

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

Maximum credit-risk exposure, net of impairment allowances

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

The off-balance credit risk exposure comprises:

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

	December 31, 2022	December 31, 2021
Balance sheet items		
Balances with central banks	878,942	636,352
Debt securities	208,795	476,853
Amount due from banks	244,705	211,982
Loans and receivables - customers	1,768,579	2,161,579
Derivative financial instruments	93,706	49,036
Subtotal	**3,194,727**	**3,535,802**
Off- balance sheet items		
Issued letters of guarantee	176,930	80,528
Issued irrevocable letters of credit	423,871	629,651
Other commitments and contingent liabilities	130,570	151,942
Total off-balance sheet	**731,371**	**862,121**
Maximum credit risk exposure	**3,926,098**	**4,397,923**

AC. ii. Geographical concentration

The following table provides the distribution of the Bank's credit exposure by risk country as of December 31, 2022 and December 31, 2021.

December 31, 2022	Russia	Turkiye	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	-	-	-	878,942	878,942
Debt securities	-	298	3,185	381	52,790	152,141	208,795
Amount due from banks	3,495	42,738	7,981	-	72,571	117,920	244,705
Loans and receivables - customers	21,622	264,489	144,611	-	407,917	929,939	1,768,578
Derivative financial instruments	-	29,875	-	-	937	62,894	93,706
Total balance sheet	**25,117**	**337,400**	**155,777**	**381**	**534,215**	**2,141,836**	**3,194,726**
Off-balance sheet items	-	29,244	85,000	-	179,379	437,749	731,372
Total credit-risk exposure	**25,117**	**366,644**	**240,777**	**381**	**713,594**	**2,579,585**	**3,926,098**

December 31, 2021	Russia	Turkiye	Romania	Ukraine	Other emerging markets	Developed markets(*)	Total exposure
Balance sheet items							
Demand deposits with central banks	-	-	-	-	-	636,352	636,352
Debt securities	12,284	860	8,252	-	124,611	330,846	476,853
Amount due from banks	5	15,891	12,598	-	83,081	100,407	211,982
Loans and receivables - customers	45,306	445,584	194,568	20,655	446,843	1,008,623	2,161,579
Derivative financial instruments	-	8,778	-	-	-	40,258	49,036
Total balance sheet	**57,595**	**471,113**	**215,418**	**20,655**	**654,535**	**2,116,486**	**3,535,802**
Off-balance sheet items	5,516	44,872	85,000	-	275,955	450,778	862,121
Total credit-risk exposure	**63,111**	**515,985**	**300,418**	**20,655**	**930,490**	**2,567,264**	**4,397,923**

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AC. iii. Geographical concentration of loans advanced to customers, broken down by counterparty type

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

Gross exposure	Russia	Romania	Turkiye	Ukraine	Other emerging markets	Developed markets	Total exposure December 31, 2022
Corporate loans	**21,622**	**53,663**	**297,989**	**2,953**	**407,918**	**944,323**	**1,728,468**
Stage 1	-	52,321	140,875	2,953	405,575	932,336	**1,534,060**
Stage 2	-	1,342	90,371	-	2,343	5,202	**99,258**
Stage 3	21,622	-	66,743	-	-	6,785	**95,150**
Retail loans (incl. mortgages)	**-**	**96,680**	**-**	**-**	**-**	**1,759**	**98,439**
Stage 1	-	16,742	-	-	-	1,525	**18,267**
Stage 2	-	49,184	-	-	-	211	**49,395**
Stage 3	-	30,754	-	-	-	23	**30,777**
Total exposure	**21,622**	**150,343**	**297,989**	**2,953**	**407,918**	**946,082**	**1,826,907**

Gross exposure	Russia	Romania	Turkiye	Ukraine	Other emerging markets	Developed markets	Total exposure December 31, 2021
Corporate loans	**45,306**	**85,020**	**445,584**	**20,655**	**446,843**	**988,710**	**2,032,118**
Stage 1	24,140	85,020	269,212	20,655	396,698	988,710	**1,784,435**
Stage 2	-	-	78,509	-	46,295	-	**124,804**
Stage 3	21,166	-	97,863	-	3,850	-	**122,879**
Retail loans (incl. mortgages)	**-**	**110,190**	**-**	**-**	**-**	**3,715**	**113,905**
Stage 1	-	14,674	-	-	-	3,198	**17,872**
Stage 2	-	60,260	-	-	-	431	**60,691**
Stage 3	-	35,256	-	-	-	86	**35,342**
Total exposure	**45,306**	**195,210**	**445,584**	**20,655**	**446,843**	**992,425**	**2,146,023**

AC. iv. Liquidity risk

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

Stress-Test Scenarios

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

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

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

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

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

Funding Plan & Strategy

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

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

Liquidity risk indicators

	December 31, 2022	December 31, 2021
NSFR	177%	159%
LCR	524%	397%

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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

Discounted amounts based on remaining contractual maturity							December 31, 2022
	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	878,976	-	-	-	-	-	**878,976**
Debt securities	7,125	36,662	16,426	74,864	65,780	7,938	**208,795**
Amount due from banks	145,258	86,565	11,787	65,874	-	-	**309,484**
Loans and receivables – customers	622,888	129,141	58,194	553,851	342,592	97,071	**1,803,737**
Tangible and intangible assets	-	-	-	-	-	19,857	**19,857**
Other assets	60,018	6,250	23,885	106,989	4,678	370,593	**572,413**
Total assets	**1,714,265**	**258,618**	**110,292**	**801,578**	**413,050**	**495,459**	**3,793,262**
Liabilities							
Due to banks	154,180	112,235	159	-	-	-	**266,574**
Due to customers**	639,679	127,972	619,189	880,097	294,447	-	**2,561,384**
Other liabilities	60,719	9,699	20,151	51,996	10,553	5,549	**158,667**
Subordinated liabilities	-	-	141,802	46,930	-	-	**188,732**
Total liabilities	**854,578**	**249,906**	**781,301**	**979,023**	**305,000**	**5,549**	**3,175,357**
Cumulative liquidity gap	**859,687**	**868,399**	**197,390**	**19,945**	**127,995**	**617,905**	**617,905**

Discounted amounts based on remaining contractual maturity							December 31, 2021
	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	636,401	-	-	-	-	-	**636,401**
Debt securities	112,905	82,574	68,853	51,847	120,500	40,174	**476,853**
Amount due from banks	70,784	40,597	12,717	84,238	-	3,560	**211,896**
Loans and receivables – customers	714,608	226,520	122,081	640,924	261,999	153,401	**2,119,533**
Tangible and intangible assets	-	-	-	-	-	24,551	**24,551**
Other assets	21,920	1,916	25,560	100,151	4,071	381,382	**535,000**
Total assets	**1,556,618**	**351,607**	**229,211**	**877,160**	**386,570**	**603,068**	**4,004,234**
Liabilities							
Due to banks	316,594	41,794	44,130	118,421	-	-	**520,939**
Due to customers**	588,031	116,524	419,834	1,029,453	386,335	-	**2,540,177**
Other liabilities	22,034	8,607	32,059	21,133	1,388	30,245	**115,466**
Subordinated liabilities	-	-	45,723	-	131,168	-	**176,891**
Total liabilities	**926,659**	**166,925**	**541,746**	**1,169,007**	**518,891**	**30,245**	**3,353,473**
Cumulative liquidity gap	**629,959**	**814,641**	**502,106**	**210,259**	**77,938**	**650,761**	**650,761**

(*) As at December 31, 2022, total on demand assets amount to EUR 1,289,155 (2021: EUR 879,420) and total on demand liabilities amount to EUR 157,363 (2021: EUR 225,148) are disclosed under "Up to 1 month" column.

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

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

As at December 31, 2022 and 2021, the contractual maturities of customer deposits are as follows:

	December 31, 2022	December 31, 2021
Up to 1 month	1,518,951	1,572,221
1-3 months	63,384	47,545
3-12 months	351,378	207,347
1-5 years	580,072	663,943
Over 5 year	47,599	49,121
Total	**2,561,384**	**2,540,177**

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows:

Undiscounted amounts based on remaining contractual maturity								December 31, 2022
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	Total
Due to banks	154,416	112,694	170	-	-	-	(706)	**266,574**
Due to customers	639,874	128,041	621,724	897,045	297,742	-	(23,042)	**2,561,384**
Other liabilities	60,718	9,699	20,151	53,864	10,553	5,549	(1,867)	**158,667**
Subordinated liabilities	-	-	155,289	70,937	-	-	(37,494)	**188,732**
Total liabilities	**855,008**	**250,434**	**797,334**	**1,021,846**	**308,295**	**5,549**	**(63,109)**	**3,175,357**
Off-balance sheet liabilities								
Irrevocable letters of credit	423,871	-	-	-	-	-	-	**423,871**
Guarantees	176,930	-	-	-	-	-	-	**176,930**
Credit-line commitments	130,570	-	-	-	-	-	-	**130,570**
Total off-balance	**731,371**	-	-	-	-	-	-	**731,371**

Undiscounted amounts based on remaining contractual maturity								December 31, 2021
	Up to 1 month	1–3 months	3–12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	Total
Due to banks	316,602	41,878	44,270	118,421	-	-	(232)	**520,939**
Due to customers	588,278	116,888	422,484	1,048,194	389,630	-	(25,297)	**2,540,177**
Other liabilities	22,033	8,607	32,059	23,002	1,388	29,859	(576)	**116,372**
Subordinated liabilities	-	-	54,577	26,560	148,875	-	(53,121)	**176,891**
Total liabilities	**926,913**	**167,373**	**553,390**	**1,216,177**	**539,893**	**29,859**	**(79,226)**	**3,354,379**
Off-balance sheet liabilities								
Irrevocable letters of credit	629,651	-	-	-	-	-	-	**629,651**
Credit-line commitments	151,943	-	-	-	-	-	-	**151,943**
Guarantees	80,528	-	-	-	-	-	-	**80,528**
Total off-balance	**862,122**	-	-	-	-	-	-	**862,122**

(*) This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values.

CREDIT EUROPE BANK N.V.
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AC. v. Currency risk

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

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

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

December 31, 2022

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	878,976	-	-	-	-	-	-	-	**878,976**
Debt securities	159,645	49,150	-	-	-	-	-	-	**208,795**
Amount due from banks	121,135	184,048	312	5	3,374	-	16	594	**309,484**
Loans and receivables – customers	692,920	1,004,729	50,648	79	-	-	32,372	22,989	**1,803,737**
Derivative financial instruments	90,392	3,088	-	-	-	-	226	-	**93,706**
Equity-accounted investments	4,137	4,167	146,891	196,739	-	5,962	11,193	-	**369,089**
Property and equipment	17,296	-	-	-	-	-	-	-	**17,296**
Intangible assets	2,561	-	-	-	-	-	-	-	**2,561**
Other assets	93,422	3,433	8,013	61	4,538	-	151	-	**109,618**
Total assets	**2,060,484**	**1,248,615**	**205,864**	**196,884**	**7,912**	**5,962**	**43,958**	**23,583**	**3,793,262**
Due to banks	105,956	156,124	41	2	-	-	167	4,284	**266,574**
Due to customers	2,177,520	334,376	4,535	6	128	-	43,842	977	**2,561,384**
Derivative financial instruments	126,871	4,623	-	-	13	-	226	-	**131,733**
Other liabilities	22,693	4,001	220	-	-	-	-	20	**26,934**
Subordinated liabilities	-	188,732	-	-	-	-	-	-	**188,732**
Total liabilities	**2,433,040**	**687,856**	**4,796**	**8**	**141**	**-**	**44,235**	**5,281**	**3,175,357**
Net on-balance sheet position	**-**	**560,759**	**201,068**	**196,876**	**7,771**	**5,962**	**(277)**	**18,302**	**990,461**
Off-balance sheet net position	**-**	(557,253)	(201,076)	(155,249)	(1,579)	-	367	(18,192)	(932,982)
Net open position	**-**	**3,506**	**(8)**	**41,627**	**6,192**	**5,962**	**90**	**110**	**57,479**

December 31, 2021

	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	636,401	-	-	-	-	-	-	-	**636,401**
Debt securities	405,665	58,406	498	-	12,284	-	-	-	**476,853**
Amount due from banks	96,247	115,272	112	8	9	-	34	215	**211,896**
Loans and receivables – customers	956,034	1,064,628	58,012	124	2,752	-	22,233	15,749	**2,119,533**
Derivative financial instruments	47,225	1,426	-	-	38	-	347	-	**49,036**
Equity-accounted investments	-	33,573	134,380	195,999	-	14,921	9,011	-	**387,884**
Property and equipment	18,998	-	-	-	-	-	-	-	**18,998**
Intangible assets	5,553	-	-	-	-	-	-	-	**5,553**
Other assets	96,005	1,135	1,408	6	234	-	198	-	**98,986**
Total assets	**2,262,128**	**1,274,440**	**194,410**	**196,137**	**15,317**	**14,921**	**31,823**	**15,964**	**4,005,140**
Due to banks	335,065	185,575	72	2	1	-	209	15	**520,939**
Due to customers	2,339,678	180,738	4,949	7	-	-	11,257	3,548	**2,540,177**
Derivative financial instruments	68,174	1,149	-	-	98	-	367	-	**69,788**
Other liabilities	15,676	16,182	477	10,539	-	3,668	-	42	**46,584**
Subordinated liabilities	-	176,891	-	-	-	-	-	-	**176,891**
Total liabilities	**2,758,593**	**560,535**	**5,498**	**10,548**	**99**	**3,668**	**11,833**	**3,605**	**3,354,379**
Net on-balance sheet position	**-**	**713,905**	**188,912**	**185,589**	**15,218**	**11,253**	**19,990**	**12,359**	**1,147,226**
Off-balance sheet net position	**-**	(709,294)	(191,114)	(181,101)	(20,284)	(4,032)	(19,982)	(12,445)	(1,138,252)
Net open position	**-**	**4,611**	**(2,202)**	**4,488**	**(5,066)**	**7,221**	**8**	**(86)**	**8,974**

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

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AD. Remuneration

Key management costs including remuneration and fees:

	December 31, 2022	December 31, 2021
Total remuneration to supervisory board members	511	651
Total remuneration to managing board members	2,121	2,705
Total	**2,632**	**3,356**

Pension plan contribution amount is EUR 147 (2021: EUR 182).

	December 31, 2022	December 31, 2021
Loans and advances		
Outstanding at 1 January	11	-
Granted during the year	-	11
Repaid during the year	(11)	-
Outstanding at 31 December	**-**	**11**

These transactions were concluded at staff terms and market rates. There is no loan provided to Managing Board in 2022. The average interest rate on fixed-interest EUR loans provided to the Managing Board in 2021 was 4.49%. There is no guarantee provided to Managing and Supervisory Board members.

Amsterdam, March 14, 2023

Supervisory Board:	Managing Board:
Hector De Beaufort	Senol Aloglu
Aysecan Ozyegin Oktay	Umut Bayoglu
Seha Ismen Ozgur	Batuhan Yalniz
Wilfred Nagel	
Korkmaz Ilkorur	
Ali Fuat Erbil	

AE. Fees of the auditor

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees have been

	December 31, 2022			December 31, 2021		
	KPMG NL	KPMG-Other	Total	KPMG NL	KPMG-Other	Total
Statutory audit of annual accounts	548	269	817	490	171	661
Other assurance services	188	210	398	169	201	370
Other non-audit services	-	24	24	-	15	15
Total	**736**	**503**	**1,239**	**659**	**387**	**1,046**

The audit fees relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year.

“Other assurance services” fees comprise services for among others regulatory audits (e.g. COREP/FINREP), regulatory assurance engagements (e.g. segregation of assets, ISAE 3402 on the DGS), regulatory agreed upon procedures (e.g. IRRBB) and review of the interim financial statements.

“Other non-audit services” fees comprise tax compliance services provide to Cirus Holding B.V. and Ikano Finance Holding B.V. and an IT inventory assessment of the IT infrastructure and IT applications architecture for JSC Credit Europe Bank (Ukraine).

AF. Subsequent events

Management is following up the non-adjusting subsequent event effect of the devastating earthquake in South-East Turkey and Northern Syria on the Turkish economy, as well as the Turkish loans to customers. The direct impact on the loans to Turkish customers is expected to be limited due to limited exposure to the clients which are operating in the impacted areas and none of the business facilities have sustained physical damage that hinders the operations of those clients. The impact of the earthquake on the macro-economic indicators of Turkey will be monitored by the Management during the course of 2023.

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NOTES TO FINANCIAL STATEMENTS
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AG. Other information

Proposed profit appropriation

The profit is appropriated pursuant to Article 31 of the Articles of Association of CEB; the relevant stipulations are as follows:

- The profits shall be at the disposal of the General Meeting of Shareholders.
- Dividends may be paid only up to an amount that does not exceed the distributable part of net assets.
- Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.

It is proposed to appropriate net profit pursuant to the Articles of Association, as follows:

Proposed profit appropriation	
Net profit	39,369
Dividend distribution of Euro 0.0373 per share	21,000

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KPMG

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Credit Europe Bank N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Credit Europe Bank N.V. as at 31 December 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Credit Europe Bank N.V. as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of Credit Europe Bank N.V. ('the Company' or 'the Bank') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2022;
2. the following consolidated statements for 2022: the statement of income, the statements of comprehensive income, changes in equity and cash flows;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the parent company statement of financial position as at 31 December 2022;
2. the following parent company statements for 2022: the statement of income and statement of changes in equity;
3. the notes comprising a summary of accounting policies and other explanatory information.

KPMG

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

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

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and noncompliance with laws and regulations, and the key audit matters were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 8 million
- 1.3% of total equity

Group audit

- Audit coverage of 99% of total assets
- Audit coverage of 90% of revenue

Fraud, non-compliance and going concern

- Fraud & Non-compliance with laws and regulations (Noclar)-related risks: presumed risk of management override of controls and revenue recognition related to the shipbuilding activities that is part of revenue from repossessed assets
- Going concern-related risks: no significant going concern risks identified

Key audit matters

- Estimation uncertainty with respect to the expected credit loss allowance on loans and advances
- Reliability and continuity of information technology

Opinion

Unqualified

KPMG

Materiality

Based on our professional judgment, we determined the materiality for the financial statements as a whole at EUR 8 million (2021: EUR 8 million). The materiality is determined with reference to the total equity of the Bank. We consider the total equity as the most appropriate benchmark because it provides a consistent year-on-year basis for determining materiality and is one of the key indicators that users of the financial statements consider to assess the financial position of the Bank. We also concluded it is a more stable indicator of the size of the Bank's operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 400 thousand would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Credit Europe Bank N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Credit Europe Bank N.V.

Our group audit mainly focused on the significant banking operations in the Netherlands, Romania and Switzerland as well as the special purpose entities related to repossessed assets.

We have:

- performed audit procedures ourselves for the group component Credit Europe Bank N.V. (parent company), which includes the banking activities in the Netherlands as well as the branches in Germany and Malta;
- made use of the work of other KPMG auditors for the audit of Credit Europe Bank Romania SA and Credit Europe Bank Suisse SA. For one of the special purpose entities relating to repossessed assets, we made use of the work of a non-KPMG audit firm.
- performed an audit of account balances ourselves for four special purposes entities relating to repossessed vessels and repossessed commercial real estate.

We sent detailed instructions to all component auditors, covering significant areas including the relevant significant risks of material misstatement identified at group level, and set out the information required to be reported to the group audit team. We performed file reviews for all components in scope of the group audit.

For the residual population not in scope, we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

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The audit coverage as stated in the section summary can be further specified as follows:

Total assets

99%
Audit procedures performed over component balances

1%
Covered by additional procedures performed at group level

Revenue

90%
Audit procedures performed over component balances

10%
Covered by additional procedures performed at group level

Audit response to the risk of fraud and noncompliance with laws and regulations

In the chapter 'nonfinancial review' of the annual report, the Managing Board describes its procedures in respect of the risk of fraud and noncompliance with laws and regulations, and the Supervisory Board reflects on this in the section 'Report from the Supervisory Board'.

As part of our audit, we have gained insights into the Bank and its business environment and assessed the Bank's risk assessment in relation to fraud and noncompliance. Our procedures included, among other things:

- assessing the Bank's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and noncompliance;
- performing relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Legal and Compliance;
- evaluating internal reports from Internal Audit and Compliance on indications of possible fraud and noncompliance;
- evaluating correspondence with relevant supervisory authorities and regulators as well as legal confirmation letters.

We performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Bank and identified the following areas as those most likely to have a material effect on the financial statements:

- 'Wet op het financieel toezicht' (Wft, Act on Financial Supervision), including banking-specific regulatory requirements as imposed by the prudential regulator DNB

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- Regulations related to data privacy (GDPR, General Data Protection Regulation)
- Laws and regulations on Anti-Money Laundering ('AML') and Financial Economic Crime ('FEC') (e.g., 'Wet ter voorkoming van witwassen en financieren van terrorisme (Anti-Money Laundering and Anti-Terrorist Financing Act or Wwft) and Sanction Law
- Capital Requirements Directive IV (CRD IV)

We evaluated the fraud and noncompliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Revenue recognition (a presumed fraud risk)

Risk:

- We assessed the presumed fraud risk not to be relevant for revenue generated from the Bank's core activities; specifically interest income and commission income because the accounting of interest income and commission income is based on automatically generated accruals, based on static data taken from the loan source system. This therefore concerns routine transactions not subject to management judgement.
- We did assess a presumed fraud risk with respect to the recognition of revenue from one of the Bank's repossessed assets, namely revenue from shipbuilding activities. Revenue from shipbuilding activities relates to construction contracts where revenue is recognized over time based on the progress towards complete satisfaction of the performance obligations. This requires management's judgment with respect to the progress made and is therefore subject to management bias.

Response:

In response to the identified fraud risk with respect to revenue from shipbuilding activities, we performed the following procedures, with the involvement of our component auditor:

- We tested the design and implementation of relevant controls.
- We reconciled revenue recognized in 2022 to the invoiced performance obligations, the related milestones and payments received.
- We inquired with project leaders, project controllers and management regarding the progress of the various construction contracts compared to their planning.
- We analyzed, for the various construction contracts, the planned progress versus the actual progress, compared the outcome with the revenue recognized for completed performance obligations and performed a retrospective review of prior year's estimates.
- We reconciled the milestones as included in the initial contract to the revenue recognized for completed milestones (performance obligations).
- We reconciled the cost incurred to date, in relation to the total cost to complete, to revenue recognized for completed performance obligations.

Management override of controls (a presumed fraud risk)

Risk:

Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as processes related to journal entries and estimates related to expected credit loss allowances.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Bank's management, including retrospective reviews of prior year's estimates with respect to the expected credit loss allowances and the valuation of financial instruments. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit by, amongst others, making use of random sampled items for substantive testing, performing audit procedures on certain nonmaterial accounts and by means of conducting site visits to the two most significant foreign component of the group.

Our procedures to address the identified above risks of fraud did not result in a key audit matter.

We communicated our initial risk assessment, audit responses and results together with revisited risk assessment to management and the Audit and Risk Committee of the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and noncompliance that are considered material for our audit.

Audit response to going concern – no significant going concern risks identified

The Managing Board has performed its going concern assessment and has not identified any significant going concern risks. To assess the Managing Board's assessment, we have performed, inter alia, the following procedures:

- We considered whether the Managing Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- We analyzed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.
- We inspected regulatory correspondence to obtain an understanding of the Bank's capital position that underpins management's assessment of the going concern assumption for financial reporting.

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KPMG

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Estimation uncertainty with respect to the expected credit loss allowance on loans and advances

Description

As disclosed in notes 10, 11 and 37 of the consolidated financial statements, the Bank's portfolio of loans and advances to customers amounts to EUR 2.5 billion net, as at 31 December 2022. These loans and advances to customers are measured at amortized cost, less an allowance for expected credit losses (EUR 71.2 million).

The Bank uses Expected Credit Loss ('ECL') models for the ECL calculation for the portfolio of loans and advances as a whole, for all loans that are not credit-impaired. The ECL model is a forward-looking model that takes into consideration expected future developments with respect to the Probability of Default, Loss Given Default and Exposures at Default. For credit-impaired corporate exposures (i.e., Stage 3 loans), the Bank determines the ECL allowance individually on an exposure-by-exposure basis.

As several aspects of the accounting for loan losses require significant judgment of management, we consider this a key audit matter. Furthermore, recent economic conditions are outside the bounds of historical experience used to develop the ECL models and therefore result in greater uncertainty to estimate the ECL.

Key judgmental areas include the identification of a significant increase in credit risk, the identification of credit-impaired loans, the modelling of assumptions and parameters, including macroeconomic variables, and the development of scenarios of expected future cash flows for the ECL of individually assessed (Stage 3) loans.

Our response

Our audit approach comprises testing of controls and substantive audit procedures. Among others, the procedures included testing of the design and implementation of the Bank's credit risk management and credit risk monitoring procedures, including the recognition and measurement of loans that have a significant increase in credit risk (Stage 2) or are credit-impaired (Stage 3).

For the loans and advances where the Bank applies a collective (portfolio) evaluation approach, we assessed the collective expected credit loss allowance methodology. With the assistance of KPMG credit risk modelling specialists, we have evaluated the models and key assumptions. This included the macroeconomic variables used and the adjustments made to the credit risk models to reflect the expected effects of recent economic conditions on ECL.

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We have tested the accuracy and completeness of the data used by the Bank for determining the collective expected credit loss allowance. We applied a risk-based approach in selecting loan exposures for detailed testing. For the selected exposures, we evaluated and challenged management's judgment on the assumed credit quality of the exposure.

Furthermore, we evaluated the overall provision process to assess whether we have indications of management bias and we reconciled the ECL model outcomes to the general ledger.

For loans and advances where the Bank determines the expected credit loss allowance on an individual loan basis, we examined the entire population in detail.

As part of our procedures, we challenged management's expected future cash flows scenarios, the probability applied to those scenarios, we inspected supporting documentation such as the legal documentation and appraisal reports for collateral, we reconciled underlying loan data used in the expected credit loss allowance calculation, and we verified its mathematical accuracy. We considered the impact of the Ukraine-Russia war and post-COVID-19 pandemic on the economic conditions in our test approach and when we evaluated the results of our audit procedures.

We considered the adequacy and appropriateness of the disclosures related to ECL allowances within the financial statements.

Our observation

We consider management's overall assessment relating to the expected credit loss allowance on loans and advances within an acceptable range and we assessed the disclosure in the financial statements to be adequate and in accordance with EU-IFRS.

Reliability and continuity of electronic data processing

Description

Credit Europe Bank and its financial reporting process are highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed on a daily basis. An adequate IT infrastructure ensures the reliability and continuity of the Bank's business processes and the accuracy of financial reporting.

As the reliability and continuity of IT systems may have an impact on automated data processing and given the pervasive nature of the IT general control environment, we consider this a key audit matter.

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Our response

- We obtained an understanding of the IT organization and developments in the IT infrastructure to determine how these impact the Bank's processes.
- We assessed the impact of changes to the IT environment during the year, either from ongoing internal process optimization initiatives or in order to meet external reporting requirements.
- We tested the design, implementation and operating effectiveness of General IT Controls related to user access management and change management across applications, databases and operating systems.
- In some areas where we had observations in terms of the effectiveness of internal controls, we performed additional procedures over the remedial control actions taken by management on access for the related systems.
- We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting.
- We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the annual accounts.
- We inquired with management on their initiatives and processes to address cyber security risks from a business risk perspective.

Our observation

Based on the testing of General IT Controls, including the aforementioned additional procedures over remedial actions taken by management following our observations with respect to the effectiveness of controls, we obtained sufficient and appropriate audit evidence to enable us to rely on the adequate and continued operations of IT systems for the purpose of our audit.
Furthermore, we noted points for improvement in the areas of access management that we have shared with the Managing Board and the Supervisory Board.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were reappointed by the General Meeting of Shareholders as auditor of Credit Europe Bank N.V. on 24 March 2022, for the audit of 2022. We have been the auditor of the Bank as of 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect, the Managing Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and noncompliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of ‘Koninklijke Nederlandse Beroepsorganisatie van Accountants’ (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl) / eng_beursgenoteerd_01.pdf (nba.nl). This description forms part of our auditor’s report.

Amstelveen, 14 March 2023

KPMG Accountants N.V.

N.C. Paping RA

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