

CREDIT EUROPE GROUP N.V.
ANNUAL REPORT 2023
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023

Contents

General Information
From the General Manager
Report of the Managing Board
Overview 2023
Non-financial Review
Risk Management and Business Control
Outlook 2024
Profile of the Managing Board
Corporate Governance
Supervisory Board
Profile of the Supervisory Board
Report of the Supervisory Board

Consolidated Financial Statements

Consolidated Statement of Financial Position
Consolidated Statement of Profit or Loss
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Corporate Information
Basis of Preparation
Summary of Significant Accounting Policies
Notes to Consolidated Financial Statements

Parent Company Financial Statements

Statement of Financial Position
Statement of Income
Statement of Changes in Equity
Basis of Preparation
Notes to Financial Statements
Other Information
Independent Auditor's Report

GENERAL INFORMATION (per April 2024)

Supervisory Board:

Chairperson:	Wilfred Nagel
Vice Chairperson:	Aysecan Ozyegin Oktay
Member:	Korkmaz Ilkorur
Member:	Seha Ismen Ozgur
Member:	Ali Fuat Erbil

Managing Board:

General Manager:	Senol Aoglu
Chief Financial Officer:	Umut Bayoglu
Chief Risk Officer:	Batuhan Yalniz

Registered office:
Karspeldreef 6A
1101 CJ AMSTERDAM
The Netherlands
Phone: +31-20-357 63 00
Fax: +31-20-357 63 01

Chamber of Commerce in Amsterdam: 34106005

Auditors:
KPMG Accountants N.V.

FROM THE GENERAL MANAGER

2023, just as 2022, witnessed a series of major events and conflicts. The earthquakes that happened in Turkey and Syria, described by the World Health Organization as “the worst natural disaster in a century”, were human tragedies that claimed thousands of lives and caused massive destruction. The war between Ukraine and Russia has been continuing for more than two years now and recently a military conflict started in Gaza which is unfortunately leading to more instability in the Middle East. Both conflicts exerted widespread pressures and disruptions on trade finance and global energy prices.

From the business perspective, Credit Europe Group improved its progress and realized another successful year achieving its financial targets while adapting to rapid changes.

Different business lines/teams of Credit Europe Group realized significant developments throughout the year. Despite the high interest environment, slow-down in commodity markets as well as geopolitical tensions, Credit Europe Group’s consolidated trade finance (TF) volume reached EUR 27 billion in 2023, as a result of continuous efforts in more diversification, by adding new clients from different regions to its portfolio.

For Corporate Lending (CL) activities, 2023 was the year clearly demonstrating the shift of risk appetite towards Western European markets. The majority of newly booked project finance transactions took place in those markets, in line with the Group’s long-term strategy. Additionally, CL established a cash-management desk to serve non-credit accounts and further develop cross-selling with the Group’s Treasury team. Marine Finance (MF) exposures were lower than targeted, mainly due to low ship-building activity in the market, limited appetite for new vessel acquisitions by MF clients - who have been enjoying historically high cash-surpluses encouraging them for pre-payments.

On the asset side, Credit Europe Group’s asset quality remained strong and continued to improve for the fourth consecutive year. In 2023, Credit Europe Group managed to further decrease the non-performing loan (NPL) stock and NPL/stage 2 loans. Divestment of repossessed assets was another crucial achievement for 2023.

In June 2023, Credit Europe Group’s subsidiary Credit Europe Bank N.V. (“CEB”, “CEB NV” or the “Bank”) received positive news from Moody’s that it changed the bank’s outlook to stable. Fitch Ratings upgraded the bank’s credit rating one notch and revised its outlook to positive in September 2023.

With the continuous advancement in technology, introduction of change and innovation is on the agenda of all industries, but a constant need in the ever-evolving banking industry. Investment in digitalization is an integral part of Credit Europe Group’s business strategy, especially to improve customer services. By expanding our work in the field of digitalization this year, we managed to take further steps to embed digitalization within our organization. We launched Corporate online and mobile banking for Corporate Banking customers in Amsterdam and Geneva. In Romania, the new retail mobile banking app Monet was launched and Credit Europe Group’s affiliate was amongst the first banks to introduce virtual cards in Romania. Furthermore, a digital platform for Supply Chain Finance transactions was implemented in our Amsterdam office. All the aforementioned supported further diversification and growth of our customer base as well as of the services offered.

Environmental, social and governance (ESG) standards continued to be integrated into Credit Europe Group’s everyday actions and its decision-making process. The 28th United Nations Climate Change Conference (COP28), which took place in December 2023, was marked by the agreement to not only triple the world’s renewable energy capacity and double its energy efficiency efforts by 2030, but also

to ‘transition away’ from fossil fuels, which was the first international concurrence in the long history of UN climate summit explicitly curtailing all fossil fuels. CEG’s subsidiary CEB already decided to exit thermal coal financing by the end of 2024 and determined the activities related to extraction/infrastructure of Coal and Oil & Gas as prohibited.

Regardless of technology’s increasingly central role in today’s dynamic and rapidly changing business environment, the human capital is the most valuable asset of an organization. Credit Europe Group believes that promoting a culture of diversity, equity and inclusion is the main component of an organization’s growth, pace, and success.

In 2023, we continued our cultural transformation to become an even better organization. We worked on creating a more inclusive and diverse work environment within Credit Europe Bank by offering Unconscious Bias Trainings to all employees and establishment of ‘CEB United’, the Diversity & Inclusion Working Group. With these important actions, Credit Europe Group aims to perpetuate an environment where everyone feels valued and supported.

A special word of thanks to all Credit Europe Group colleagues who make Credit Europe Group an adaptive, diverse and people driven organization, and to our customers and other stakeholders for their support and trust in us throughout 2023.

Amsterdam, April 18, 2024

Senol Aloglu

REPORT OF THE MANAGING BOARD

The current chapter, together with 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.

OVERVIEW 2023

At the end of 2023, Credit Europe Group N.V. (“CEG”, “CEG NV” or the “Group”) operates in banking through its sole subsidiary CEB NV. CEB NV has branches in Germany and Malta and banking subsidiaries in Romania, Switzerland and Ukraine and a representative office in Turkey.

The business model and strategy of CEB NV is as follows:

CEB is a niche bank that, based on its history, has developed a unique identity over the past 30 years.

On the one hand, we are a Dutch bank, licensed in the Netherlands and committed to comply with all relevant local regulations. On the other hand, our specific experience and expertise in different emerging economies (such as Romania, Turkey, China, UAE and Egypt) 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.

Banking in its purest form is our business. We serve our international customer client base with a differentiated approach. We offer structured and tailor-made products and services to our corporate customers (including international trade and commodity finance, supply chain finance, project finance, object finance, and working capital loans), while our retail products are simple, efficient, and easy to use.

In corporate banking, as a medium-sized bank with hands-on managers and short communication lines, we are quick to notice and respond to our customers’ needs, creating innovative and tailor-made solutions. This approach has supported our customers during turbulent times and positioned us to take advantage of improving market conditions.

With decades of experience in international trade and commodity finance, we have gained extensive experience and expertise in connecting our customers in key importing and exporting countries. 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 customers, we offer non-complex and transparent products, mainly in the form of savings, credit cards and residential mortgages.

In the Netherlands, Germany and Romania, we offer retail savings products (sight and term deposits) via internet and mobile banking. Our retail services in the Netherlands and Germany 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 aim to further strengthen our culture and leadership. We promote universal values and control standards supporting local products and delivery channels.

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.

CEB NV has the following credit ratings as of April 2024:

(1) Fitch Long Term Issuer Default Rating

BB-/Positive Outlook

(2) Moody's Long Term Credit Risk Rating

Ba3 / Stable Outlook

Detailed information on the major business lines of CEB NV is as follows:

Retail Banking

As a reliable partner, CEB empowers customers to achieve their saving goals and to manage their financial future. In Romania, we have a 19% market share in credit cards among banks.

Western Europe

Our Western European retail operations, centralized in Frankfurt am Main, Germany, continue to offer competitive, transparent, and straightforward saving products in the Netherlands and Germany. In 2023, the retail team served nearly 100,000 private deposit holders through telephone-, online-, and mobile-banking. Our Eurozone retail deposit volume of over EUR 2.3 billion forms a sustainable and important pillar of funding for the Bank.

In 2023 the interest rate increases, triggered by the European Central Bank's (ECB) interest decisions, impacted both the German and the Dutch market. While the retail deposit rates in Germany followed the ECB deposit rates closely due to the high level of competition, the Dutch market was slower to respond. CEB started campaigns to attract new customers in the Dutch market in 2023. As a result, new to bank customers were acquired and the total retail deposit volume grew by EUR 300 million, from almost EUR 2.1 billion as of December 2022 to over EUR 2.4 billion at year-end 2023.

Next to engaging in growth activities, the retail operations team continued the data quality initiative started in 2022. The large-scale program ensures compliance, raises efficiency, and increases security within the retail portfolio operations. The initiative also included the termination of inactive customer relationships. Therefore, the retail customer base decreased by 25,000 net, even though more than 3,000 new customers joined the Bank during the year.

Romania

In 2023, CEB reached around 21,000 credit card sales in the Romanian market and the total turnover of credit cards reached EUR 325 million (i.e., the total amount of all credit card transactions). 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 165,000 active cards. Launching "SoftPOS" for the commercial 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 launched its new mobile banking application ‘Monet’ for retail and corporate customers. CEB’s other retail banking focus in Romania is its stable and granular retail deposit base, which was EUR 230 million as of December 2023. Further, the Bank continued to issue residential mortgage loans in the Romanian market and, in 2023, its issuance volume reached EUR 11 million.

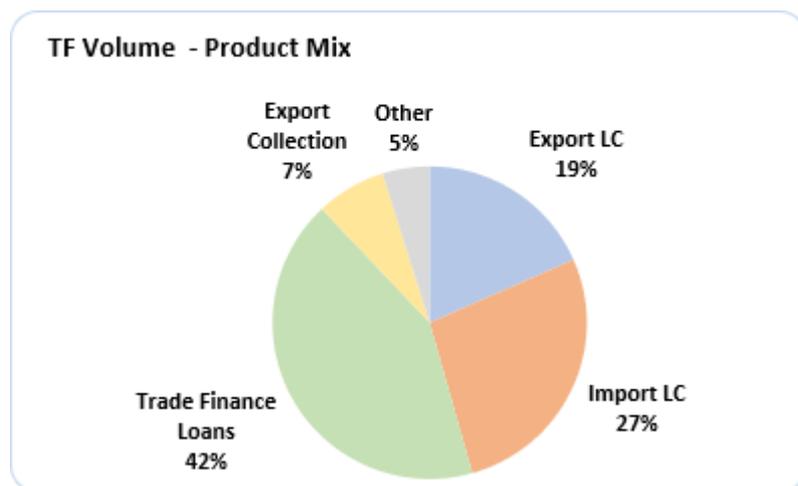
Corporate Banking

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 (CL), commercial real estate finance (CRE) 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. With the aim of providing trade finance services to customers in non-commodity related sectors and industries since 2022, supply chain finance (SCF) business is also originating business out of Amsterdam.

Due to the high interest environment Corporate Banking managed to realize a record Operating Income in 2023, despite the slowdown in commodity markets, geopolitical tensions, and reduced exposure levels. The good P&L results - despite reduced exposure - were supported by increased cross-selling income as well as increased corporate deposits. On top of the business performance, the upgrade of the Bank’s corporate e-banking platform was a milestone in the digitalization of the division.

CEB’s STCF activities demonstrated another solid year in terms of both volume and operating income. CEB’s annual trade finance volume/flow reached EUR 26 billion in 2023 despite the negative effects of lower commodity prices and exit from some trade flows due to geopolitical issues. CEB’s STCF teams continued their efforts in enhancing diversification, by adding new clients and developing new markets like Sub-Saharan Africa.

In CL activities, new Western European project finance transactions were granted to new and existing clients, fully in line with the Bank’s long-term strategy and improved risk appetite. CL added a cash-management desk to the team, with a new Relationship Manager, to develop non-credit accounts and originate new sources of income in close collaboration with Treasury.



2023 was a slow year for MF, mainly due to low ship-building activity in the market as well as limited appetite for new vessel acquisitions from MF clients. On top of that, the Bank’s clients are enjoying historically high cash surpluses, which caused them to make anticipated loan repayments but also to keep high deposit levels at CEB in 2023

NON-FINANCIAL REVIEW

Non-financial, in other words Environmental, Social and Governance (ESG) initiatives and resulting disclosures are conducted by CEG's only subsidiary CEB as per the requirements included in Section 2:391, paragraphs 1 and 5 of the Dutch Civil Code (*Burgerlijk Wetboek*) pertaining to non-financial information. CEG solely acts as a holding entity and does not deploy/operate separate business lines/activities itself, therefore corresponding the non-financial information is disclosed in CEB's Annual Report. Accordingly, please find hereinbelow the non-financial information as disclosed in CEB's Annual Report (in respect of EU taxonomy disclosure a summary paragraph is provided in this report):

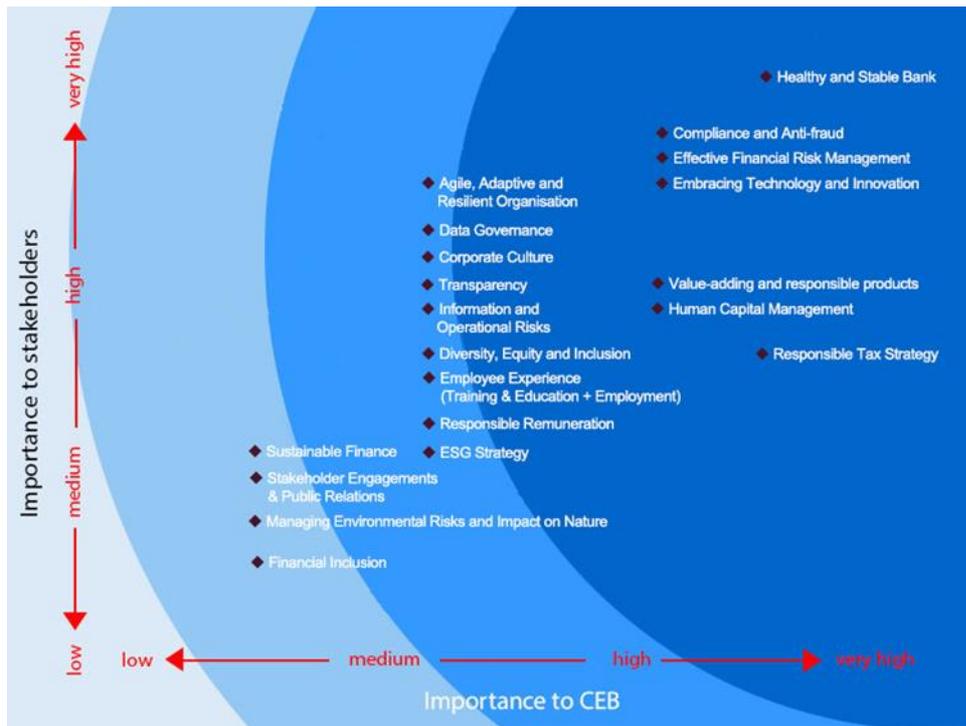
This section on non-financial review is based on the reporting requirements included in Section 2:391, paragraphs 1 and 5 of the Dutch Civil Code (*Burgerlijk Wetboek*) pertaining to non-financial information.

To report on the most important non-financial information, CEB assessed which topics are material to its strategy, performance, position, and value creation. 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 order to report on the most important non-financial information, CEB assessed which topics are material to its development, performance, position, and impact in 2022. 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. 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. Based on this assessment, an evaluation session took place in 2023 in which the Managing Board reviewed the applicability of the previous year's materiality matrix considering the key internal and external developments in 2023. The outcomes of the evaluation showed that the materiality matrix remained applicable without any changes, because no significant changes were observed in CEB's business model and activities.

In parallel, CEB has taken the second half of 2023 to prepare for the Corporate Sustainability Reporting Directive (CSRD) by initiating a double materiality assessment where both financial and impact materiality of environmental, social and governance topics outlined in European Sustainability Reporting Standards (ESRS) were assessed. The results of the double materiality assessment will shape CEB's first CSRD compliant disclosure next year (for financial year 2024) and not yet reflected on this Report.

The following matrix displays the list of material topics for CEB in 2023. 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.



	<i>Material Topic</i>	<i>Subtopics</i>
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 section, 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 2023, CEB maintained its strong capital ratios. As of December 31, 2023, the Bank's common equity tier 1 (CET1) ratio, which represents our CET1 capital as a percentage of its risk-weighted assets, stood at 15.94% (compared to 15.2 % in 2022).

On the asset side, improving asset quality remains among the Bank's key points of attention. In 2023, CEB succeeded in lowering its non-performing loan (NPL) ratio to below 3% 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 maintaining an NPL ratio below 3%. 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 2023, the foreclosed assets were reduced by approximately 50%. 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 2023 is EUR 4 billion (EUR 3.4 billion in 2022), 66% of which is originated from retail customers. Throughout 2023, the Bank maintained its diverse funding mix and strong available liquidity base.

Despite challenging economic conditions in 2023, CEB increased its profitability. The Bank's net profit for the reporting year is EUR 62.6 million.

Responsible Tax Strategy

CEB, including its branches and subsidiaries, has transparent tax procedures and policies in place to strive for compliance with all relevant local tax regulations and global tax guidelines set by the OECD.

The most material tax topics within CEB are:

Responsible Approach

CEB only uses processes that meet the intentions and/or the spirit of laws and where the commercial motives are in line with 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 strive for compliance 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 first line owns/controls) and comments on those risky areas, and keeps in contact with relevant tax authorities as necessary. CEB engages external advisors to file advance pricing agreements and advance tax rulings.

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 domestic and international legislation, regulations issued by local competent authorities, industry standards and best practices, and CEB's own internal standards, including ethical principles.

Failure to recognize and address integrity related risks can result in reputational risk that can harm CEB's financial standing. For this reason, CEB makes utmost efforts to adhere 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 framework provides guidance to all CEB entities and employees on minimizing the probability of 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 verified as being trustworthy. Moreover, CEB performs risk-based customer due diligence regarding each prospective customer prior to commencing a business relationship with them and as long as they remain customers. Furthermore, CEB continuously monitors the legitimacy of customers' business while providing banking services, including monitoring transactions and reporting unusual transactions.

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 all its employees, including the Managing Board, on a regular basis.

In response to comments made by regulatory authorities resulting from AML/CTF examinations conducted in 2022, CEB completed all the actions addressing those comments in the first half of 2023. Next to this, CEB also initiated and completed further improvements in the area of pre- and post-transaction monitoring in 2023. As a result, CEB's AML/CTF framework in relation to its corporate banking and retail banking operations was further strengthened.

No instances of failures in CEB's pre- and post-transaction monitoring solutions resulting in breaches of AML/CTF obligations were detected in 2023.

Awareness of money laundering and terrorist financing threats and mitigating measures allow the employees to manage or reduce ML/TF risks. For this purpose, AML/CTF training was provided to all new joiners welcomed in 2023. In addition, in line with the predefined training schedule, ongoing AML/CTF training was provided to current employees within the Bank's offices.

Sanctions and Restrictive Measures

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

CEB is committed to comply with UN, EU, UK and US sanctions regimes. In addition, CEB is committed to comply with all local sanctions regulations of the jurisdictions where it has a presence.

Adherence to sanctions regulations is enforced within CEB through a combination of continuous screening, e.g., name checking of (prospective) customers and their controlling and governing bodies (such as 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 that involve parties, goods or services that are targets of applicable sanctions regulations and included in respective sanctions lists. In addition, external third parties with whom CEB does business are also subject to sanctions

screening.

In 2023, United Arab Emirates (UAE) was specifically mentioned by international bodies as potential sanctions evasion hub. In response, the Bank decided to assess whether customers based in the UAE could pose an increased sanctions circumvention risk to the Bank. Such assessment focused inter alia on the economic rationale of their business activities in UAE. The outcome of this assessment was that none of the customers onboarded in 2022 and 2023 and located in UAE posed an increased sanctions circumvention risk.

To ensure that the Bank's employees stay up to date with applicable sanctions legislation/regulations and the obligation to comply with such legislation/regulations, CEB's compliance function regularly distributes updates thereon amongst the Bank's employees.

In 2023, 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. Under these reporting requirements, CEB is obliged to report to local competent authorities' deposits held by inter alia Russian and Belarussian nationals exceeding a EUR 100,000 threshold.

Customer Tax Integrity

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, both at the start of the business relationship and during the lifetime of the customer relationship.

In 2023, a selected group of customers (7% of the customers served by the business line corporate banking) was subject to a testing exercise in which the economic substance and business rationale assessment was evaluated. This testing exercise focused on customers residing in the UAE. The overall outcome of the testing exercise was deemed sufficient, where at the same time recommendations were made for further improvements. Once these recommendations are completed, a new testing exercise will be undertaken.

CEB fulfilled its reporting obligations under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) in 2023.

Anti-bribery and Anti-corruption

CEB strives for transparency and integrity in all business dealings to avoid any improper advantage or the appearance of questionable conduct by its employees or 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 2023, there were no reported instances of acceptance or offering of gifts or favors of any significance by CEB employees from or to consultants, suppliers, or customers, which 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, fictitious reports, misappropriation of assets, etc.). The Bank has a whistleblower process in place, 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 2023, 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 taking into account 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 in the Bank’s day-to-day activities.

In accordance with 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 Board 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 risk 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 CEB’s company website. In addition, CEB’s risk governance and the main developments within 2023 are described in the Risk Management and Business Control Section of the Annual Report.

Embracing Technology and Innovation

Digitalization has played an important role in shaping the financial industry in recent years. As more customers shift to digital platforms for self-service financial management, CEB has prioritized digital transformation and innovation. This includes the successful completion of projects and initiatives aimed at delivering faster and more relevant products and services to all stakeholders. In addition, CEB closely follows the developments in artificial intelligence (AI). In 2023, an AI-assisted developer copilot program through which the aim is enhancing developer productivity was explored. Depending on the results, the application scope will be expanded in 2024. A notable increase in software developer productivity is anticipated and this will enable the Bank to deliver products and services that improve customer experience and satisfaction. Also, the implementation of AI-based chatbots in 2024, to offer superior and fast service to the Bank's customers, will be explored. Based on the outcome of this process, the Bank's AI oriented action plan will be determined. While doing so, the responsible use of AI will be of great importance to CEB.

Digitalization Program

CEB remains vigilant in following developments in the digital banking industry and continuously strives to deliver seamless direct banking solutions in an agile manner. Customer expectations revolve around a transparent and seamless banking experience that gives them control over their financial products. Aware of the risk of possible customer loss if these expectations are not met, CEB took important steps. The Bank has launched new digital channels enabling digital inclusion of retail banking in Western Europe and also modernized the appearance of its retail products to maximize customer experience. This is a continuation of CEB's commitment to provide innovative and customer-focused banking solutions.

Thanks to the successful digital modernization, the Bank is now delivering a more seamless customer experience and receives positive feedback from its customers.

Through the adoption of an agile approach, CEB is able to efficiently implement new products and services on new digital banking platforms for both our retail and corporate customers, reducing product development cycles and time to market.

Furthermore, the automation of operational tasks by integrating back-office processes with online banking, providing additional self-service features and contributing to an overall increase in operational efficiency has been initiated.

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 conducts 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

In today's dynamic banking landscape, technological innovations drive the industry, and CEB is actively offering a diverse range of financial products across expansive geographical regions. The Bank's IT strategy is designed to ensure a seamless alignment between its business strategy and information technology investments across all subsidiaries. With a steadfast commitment to keeping customers at

the forefront of innovation, CEB is aligning itself with industry trends that prioritize enhancing the digital customer experience through the introduction of new touchpoints and access channels. Consequently, CEB places a strong emphasis on continuous innovation in delivery platforms, with a focus on developing mobile and online channels as the primary future distribution channels.

Cloud Infrastructure

Anticipating the evolving needs of an increasingly connected and discerning customer base, CEB recognizes the necessity for solutions that are not only secure and supported, but also robust and scalable, allowing for the timely delivery of new features. To meet these demands, CEB has successfully implemented all-new digital banking components, tools, and processes within a cloud-native infrastructure. This forward-looking infrastructure empowers CEB to leverage public clouds for its customers, ensuring operational independence from hardware dependencies and enhancing overall efficiency.

Cybersecurity

CEB accords high priority to cybersecurity within its management agenda and invests in the field based on the outcomes of regular risk assessments. The Bank's major cybersecurity developments continued to be investments in securing cloud workloads, establishing security baselines, and increasing testing activities substantially compared to previous years to have predictive view of the cybersecurity posture of the Bank, so that measures can be taken preventing cyber incidents to occur.

Value-adding and Responsible Products

Corporate Banking

The products and services offered by the Corporate Banking division are included in the section 'Major Business Lines'.

The highly skilled and specialized multicultural teams, enable the Bank to provide tailor-made services to meet the diverse needs of each customer. Further, it allows quick adaptation to swiftly changing trends and market conditions. The Bank's worldwide geographical networks facilitate in-house business synergies between customers to maximize efficiency.

CEB's corporate banking platform goes beyond simply providing finance to its customers. It also assists them in meeting potential business partners while adopting high integrity and ESG standards. CEB aims to continuously improve its business model while encouraging and guiding its customers to improve theirs.

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 value creation as well as effective risk oversight. In that regard, CEB prioritizes the following aspects when it comes to establishing new customer relationships as well as maintaining existing ones:

- ESG risks and opportunities,
- Tax integrity,
- AML including countering terrorist financing and anti-bribery and corruption, and
- Sanctions compliance (both national and international sanctions).

The details of above-mentioned topics are provided in 'ESG Strategy' and 'Compliance and Anti-fraud' sections. Additionally, 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 aspects in extensive detail. CEB has strict customer due diligence (CDD), transaction due

diligence (TDD) and ESG risk assessment procedures in place. As a result, every transaction intermediated by CEB for its customers is also checked and filtered accordingly.

With the extended offering in buyer and seller led programs through our SCF business, the Bank is extending its reach to different companies in various industries. To achieve a fully automated business line target, the first leg of platform integration has been completed. The payable finance solution has achieved a fully automated workflow and now the team is working on completing a similar cloud-based flow for the Bank's global supply chain customers.

In 2024, the Bank's focus will be on expanding the corporate banking portfolio, proactively approaching the Dutch market offering the payable solution to mid-market companies. With regard to the receivable finance product, the Bank is actively approaching suppliers and buyers in the EU, UK and US aiming to close transactions that provide liquidity to its customers and effectively manages the associated risks.

Retail Banking

The products and services offered by the Retail Banking division are included in the sections 'Major Business Lines' and 'Business Model and Strategy'. 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.

The easy-to-use and comprehensive product design is a key factor in the loyalty of CEB customers, who have used the Bank's saving products over a decade. The Retail Banking Division defines a loyal customer as one with a material deposit balance and an account relationship of a minimum of ten years. As of year-end 2023, the Bank had 45,483 retail clients with material balance (> EUR 5,000), and an average account relationship of 14 years. Of these customers, 82.2% have enjoyed a customer relationship for a decade or longer.

The number of customer complaints is considered a performance indicator that can express the overall satisfaction of the client base. In 2023, the Bank's Retail Banking Division received 418 complaints (422 complaints in 2022) against a five-year-average of 544 (638 in 2022) from German and Dutch customers. By year-end, around 96% of these complaints were closed. In Romania, retail banking customers registered in total 4,479 complaints against a five-year average of 5,866 complaints. Most complaints are related to the Bank's most important product, credit cards.

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

The most important policies and procedures 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 framework, CEB aims to ensure the delivery of reliable, secure, compliant and easy-to-use products to its customer base.

Romania

The Retail Banking Division is working on projects aimed at increasing the engagement within the retail banking portfolio for a better customer experience. As of year-end 2023, the Avantaj2go credit card mobile app enrolled-customer numbers have increased to 155,476 customers compared to 129,492 customers at year-end 2022. Furthermore, the newly launched Virtual card, offering a better e-commerce experience, reached 21,019 customers.

The Bank's focus is on improving customer service to create a competitive advantage. 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. Therefore, 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.

In 2023, CEB further concentrated 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. The development of the Digital Onboarding flow, designed for different retail products such as current accounts and debit and credit cards is completed and awaiting approval of authorities to be launched. It will be beneficial for reaching more individual customers in areas that lack branch network coverage. Concurrently, it will enhance the position of customers located in these areas.

Western Europe

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.

Human Capital Management

CEB recognizes employees as valuable assets contributing to the overall success and achievement of its business objectives. The Bank's approach in this regard encompasses a range of practices, including talent acquisition, performance management, training and development, workforce planning, and employee engagement. By aligning human resource strategies with organizational goals, CEB aims to optimize the skills, capabilities, and well-being of its workforce. It emphasizes the importance of nurturing a positive and inclusive workplace culture, fostering employee growth, and strategically leveraging human capital to drive innovation, productivity, and long-term success for the organization.

From a human resources perspective, 2023 was one of continued volatility and challenges. In Europe, we left the relatively strict and impactful Covid measures of the previous year behind. On the other hand, employees faced increasing inflation levels in all countries in which the Bank operates. The Bank kept a close eye on the external salary benchmarks in the different countries and made compensation adjustments where needed and possible, in line with objective market data, to minimize the impact on employees.

In 2023, the Bank's employee turnover rates remained at a relatively high level (as is the case for the banking industry in general), especially in the first 6 months of the year. The tight labor market made it difficult to fill specific vacancies. The Bank took several actions to decrease the turnover rates as explained throughout this section.

The Bank continued to focus on how to maintain and improve the 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. In addition, 'live' social events were organized, creating moments to further strengthen the Bank's culture amongst its employees.

In view of the continuing war in Ukraine, CEB kept offering support to its employees in Kiev, e.g., by providing employment opportunities within the group in alternative locations.

Hybrid Working

Like many other companies, the Bank has embraced the hybrid working model, which has proven to be an enhanced way of working. The flexibility between on-site and remote working supports one of CEB's key pillars: Stronger Together.

Overall, the hybrid work model is highly appreciated by both managers and employees. In addition to flexibility, based on internal survey results productivity levels remained the same compared to pre-Covid times. With this recent experience, a hybrid working policy was developed to ensure a balance between remote and on-site working. By doing so, the Bank aims to further strengthen its corporate culture and provides the opportunity for its multidisciplinary teams to work together more regularly in person.

Occupational Health and Safety

A healthy and safe work environment is fundamental to the success of our Bank and the overall satisfaction of our dedicated workforce and, as an employer, CEB is responsible for the safety of employees and others within its premises. Mindful of this, the Bank fulfills its duty by taking necessary measures to prioritize the health, safety, and overall well-being of its employees.

In 2023, a Health & Safety Risk Assessment was conducted by an external consultancy firm specialized in creating healthy and safe workplaces. The overall outcomes were satisfying, however there is some room for improvement in the area of the number of available and well-trained Emergency Response Officers amongst employees. To address this, a campaign has been initiated to recruit and train new Emergency Response Officers to be part of the Emergency Response team in the near future. In a short matter of time, sufficient employee responses were received and the process will be completed over the course of 2024.

CEB invests in further supporting its employees covering e.g., external health checks, mental coaching and access to psychologists, because the Bank believes 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. Also, 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 is accessible to all employees.

The Bank's main aim in initiating wellbeing initiatives is to ensure employee wellbeing and maintain a full productive workforce. CEB NV's current sick leave (2023 average at 2.0%) is well below the 2023 Q3 average of the Financial Services industry in the Netherlands which is 3.1% as stated by the Centraal

Bureau voor de Statistiek (CBS).

In 2023, the Bank used the same performance management platform (introduced in 2022) in the Netherlands, Germany, Malta and Switzerland. A new process was designed with the goal of stimulating a consistent, objective and fair evaluation of the performance ratings of all direct reports of senior management and throughout the Bank on an aggregated level. In order to have these conversations amongst senior management we organised calibrations sessions before finalizing the performance reviews for all employees. The result was a more shared and common understanding of the performance ratings. In addition, certain adjustments were made to the performance ratings, based on the calibration sessions, to achieve a more consistent and fair distribution of performance ratings across the organisation.

In the second half of the year, CEB worked towards an adjustment of its performance management framework to be implemented for the performance year 2024. As part of this adjustment individual performance will be connected to certain merit increases, based on salary grade and relative salary position, instead of providing one-off payments linked to performance.

Competitive Remuneration

Research shows that compensation is one of the three key reasons employees consider when accepting a new role. In view of the tight labor market trend in the geographies where we operate, the Bank aims to offer compensation compatible with market practices. Accordingly, CEB increased its employees' salaries in line with the new Banking Collective Labor Agreement (CLA) as adopted in December 2022 in the Netherlands. Similar inflation-related salary increases were implemented for our employees in other countries.

Further, the Bank executed an extensive benchmarking exercise to ensure that its compensation offerings are in line with the current sector practices in the Netherlands. The exercise outcome showed that the Bank offers competitive salary packages (including pension arrangement) for all levels in the organization, when comparing with the financial services industry.

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 a social protection benefits package beyond 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). We provide family-related types of leave in accordance with local regulations and labour laws.

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 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.

Following the successful core banking conversion project for CEB Suisse in 2022, a similar project will be initiated for CEB Romania in 2024.

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. In 2023, CEB continued its collaboration with a consultancy firm to enhance the level of agile maturity. As part of this initiative, a series of improvements and development measures have been taken to strengthen the organizational structure and increase overall effectiveness. Significant progress has been made in the adoption and integration of agile practices into daily business processes. This improvement positively impacts both internal operations and external stakeholder interactions. Additionally, a strategic decision was made to transition the role of Product Owner within the IT department to the Business Product Owner. This will

strengthen the alignment between technology initiatives and overarching business goals.

Data Governance

Data governance is a systematic approach, which enables the Bank to derive value from data and support decision making process to become 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.

Aligned with the Bank's strategy, the Data Office kept data quality and regulatory compliance in retail customer data domain as paramount; modernization of scoring and risk profiling integration are completed to strength post transaction monitoring; and further digitalization was achieved. In addition, monitoring capabilities have been improved via dashboards in Risk Management domain, in particular to liquidity reporting and unlikeliness to pay areas. As well, and in line with the group-wide data strategy, alignment with CEB Suisse reporting and management information has been improved and CEB Romania alignment is being planned.

As a next step, compliance data domains will be improved and kept in the spotlight, LGD based limit-risk and asset quality reporting framework will be implemented, a new business intelligence tool will be introduced in 2024, targeting the following milestones:

- Focused attention to improve process efficiency and decision-making in Compliance area and enhance analytical capabilities,
- 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 corporate 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 Bank 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, CEB works towards becoming an even more efficient and adaptive bank for itself, for its customers and for the communities. This is vital for the Bank's sustainable value creation.

Due to many challenges the sector has faced in the past, a more conservative and risk-averse culture emerged at CEB. While being conscious of the potential risks, the Bank focuses on becoming more intrapreneurial, celebrating new ideas, thoughts and ambitions by ensuring a safe environment where every team member feels comfortable to openly express their ideas and feedback. Building on the umbrella narrative that was developed in 2022, the company story was rolled out in 2023. In this regard, several initiatives were taken: a thematic session for employees was organized where the Bank's CEO shared the company story. Followed by integration of the company story in all internal communication channels. Further, the company story is part of every CEB communication platform including quarterly staff events, newsletters and, the newly launched intranet.

Further, the Bank's managers participated in a management development program (reference is made to the section on Learning & Development). One of the main drivers to initiate this program was to

equip the Bank's managers as catalyzers to further promote the corporate culture. The Grow Together program, which was launched in 2022, continued with the focus on team development to raise self-awareness and support effective collaboration within and amongst teams (more information on this program can be found in the Non-financial Review section under 'Employee Experience').

Transparency

A great deal of attention is given to increasing transparency for all CEB's stakeholders. As clearly stated in the Bank's 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 2023, 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 maintain internal transparency, quarterly staff events and thematic sessions are organized, where employees are informed about financial and non-financial matters e.g., on the Bank's strategy and financial results by the Managing Board. In addition, the Bank uses its newly developed intranet, to keep employees continuously informed. In 2024, our communications advisor will proceed to work on further improving the Bank's internal communications and enhance internal transparency.

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 continuously 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 employees, 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 continuous 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 part of CEB's internal control framework. Key requirements relating to 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 (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 structure represents the architecture within which information security management operates in the Bank, whereby each employee is accountable for managing the information security risks within his/her area of accountability. The structure clearly assigns and governs the responsibilities of all employees, including the first, second, and third line.

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

- 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 through 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 European Banking Authority's (EBA) 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 2023. The number of takedown sites for brand abuse in 2023 was four (4).

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 increase control over its data. We have already applied multiple 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 2023, the Bank continued strengthening its cybersecurity and resilience to cope with the emerging and sophisticated cyber threats in the financial industry. Enhancements were also made in the areas of operational risk management, information security, data protection, and business continuity (including

implementing additional security hardenings in email security (DMARC), enhancements and capacity improvements in cloud monitoring process, additional prevention mechanisms against threats like DDOS, further cybersecurity controls in 3rd party services and increasing the monitoring capacity of Security Operations Center with Cloud based Security Event and Incident Management (SIEM environment)).

The Bank stress-tests its operational risk environment (including information security) to evaluate whether the allocated capital for operational risks is enough to sufficiently cover the possible losses from identified factors. Depending on the outcome the Bank may put additional capital to be able to respond to any shortcomings.

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

The Bank’s consolidated net operational losses in 2023 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 50,000
***	Annual total loss amount is between EUR 50,000 and 100,000
****	Annual total loss amount over EUR 100,000

In 2023, 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:

- a. Compliance with security frameworks,
- b. Comprehensive detection and monitoring of assets,
- c. Timely detection and resolution of security or privacy events and intrusion attempts,
- d. Continuous threat and vulnerability detection,
- e. A high level of security awareness among its employees,
- f. A highly trained security workforce,
- g. Security- and privacy-embedded business processes that identify key security risks and controls,
- h. Timely patching of systems, and
- i. Periodic monitoring of network uptime availability for core banking and internet banking access.

Diversity, Equity and Inclusion

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

Diversity is among the Bank's three core values. Our diversified background and footprint in different regions allow us to think outside the box and be even more creative. This is a crucial component of our ability to attract talent and meet our strategic targets. 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.

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 take 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 2023, the Bank reported for the first time its targets and achievements in the area of gender diversity to the Social Economic Council (*Sociaal Economische Raad*, SER). Currently, the 2024 targets and action plans are being prepared. Through its Diversity and Inclusion Policy, the Bank sets out its commitment to inclusion, equity and diversity. Further, the Bank stepped up its efforts in this area by establishing a voluntary and employee-led working group, CEB United. Although this group works independently the Managing Board is the main sponsor. The activities of the working group in 2023 range from initiatives around increasing employee awareness on DEI to organizing a bank wide voluntary event to support the community and embrace its diverse nature. Within the Bank also unconscious bias trainings for all employees were organized and a Gender Equal Pay Gap review was executed in line with applicable regulations. In general, a trivial gender distinction in terms of remuneration in comparable positions was detected (only for a few individual cases, an insignificant gap was identified and immediate action was taken accordingly). Other actions in 2023 included the specific attention for unconscious biases as part of the Performance Management Cycle; the updating of internal policies and procedures (including providing more flexible employment terms e.g., different types of leave options) to further promote diversity; and conducting 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 workforce. While the male-female ratio is well-balanced at the consolidated level, there is room for improvement at entity level in the different countries and within different seniority levels. For more information on board diversity, please refer to the Corporate Governance chapter of the Annual Report (section D).

In 2024 and thereafter, CEB's focus will be on tangible initiatives and activities, implementing the Diversity & Inclusion by design' concept in the relevant processes including the recruitment & selection process, the performance review process and succession planning.

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 encouraging employee engagement as well as learning and development initiatives. Additionally, CEB also provides a hybrid working environment, offers an internationally diverse environment to work in and focusses on transparent performance management (more information can be found in the Human Capital Management section). To support the provision of an optimal employee experience, we also focus on simplifying and digitizing HR systems and processes.

Employee Engagement

Engaged employees are the driving force behind our success. An engaged workforce is not only more productive but also essential to delivering unparalleled service to our customers.

A healthy company culture significantly contributes to employee engagement and helps us to utilize our three key pillars (‘stronger together’, ‘future fit’ and ‘rethink - redesign’) to reach our strategic objectives.

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

The first company KPI is ‘Go the extra mile’, encouraging employees to go beyond their daily responsibilities, for instance by improving a process, product or policy. 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 ‘Stronger Together’, to stimulate collaboration within the Bank, which in return enhances customer services and employee engagement. To promote this, employees are encouraged to organise or actively participate in at least two cross divisional actions to further enhance companywide collaboration and/or knowledge sharing.

The engagement survey is an important tool for measuring employee engagement. In 2023, we continued to measure the employee Net Promoter Score (e-NPS) via two pulse surveys consisting of a limited and standard set of questions. In addition to the e-NPS-related questions, the surveys covered items about the Bank as an employer as well as how employees evaluate their own performance and the performance of their teams and managers.

The survey outcomes are used as input for re-evaluating activities to enhance employee engagement. The highlights of the 2023 surveys are given below.

Employee Engagement Survey Highlights	June 2023	November 2023
Overall satisfaction with CEB as employer	80%	74%
Employee Net Promoter Score	-15	-7
Response rate	73%	72%

The significant improvement realized in the e-NPS was a good reflection of the Bank’s efforts in the

area of employee engagement. On the other hand, the decrease observed in the overall satisfaction rate showed that the Bank needs to further work on this topic.

Examples for enhancing employee engagement are included in sections ‘Learning and Development’ and ‘Human Capital Management’. Further, the Bank focuses on safeguarding the interrelationships between colleagues by organizing several (online) meetings, including Quarterly Staff Events, by sharing strategic updates, by putting a department in the spotlight and conducting Q&A sessions on a wide range of topics relevant for employees. In addition, the Bank organizes periodic social employee gatherings. CEB Club, consisting of employees, helps initiating and coordinating these and other social events.

Learning and Development (Training and Education)

In consideration of the economic, regulatory and technical challenges and the complexity of the business, CEB invested more than previous years in trainings related to the overall business or particular roles in order for the Bank to remain future fit and contribute to its employees’ professional development. This was done next to the Bank’s regular Learning & Development (L&D) activities, such as on-the-job training and mandatory (e-)learning modules. The latter category is offered to new and existing employees to get acquainted with the regulations, policies and procedures and conduct policies that are important for every employee within the Bank.

A management development program (Management Fundamentals Program) was established to support managers to become more equipped leaders. The three main elements of this development program were Leading Self, Leading Others and Providing Direction (communication), which were offered in a mix of classroom and online training.

In addition, a Bank wide training was organized on unconscious biases and inclusion. For more details, please refer to the section on ‘Diversity, Equity and Inclusion’.

Furthermore, the Bank recognizes the individual development needs of its employees both professionally and personally. Hence a learning & development budget has been allocated to each employee to attend to trainings of their choosing. In 2024, the Bank will continue its initiatives around Learning & Development.

Responsible Remuneration

CEB is bound to the Group Remuneration Policy (at the level of Credit Europe Group N.V.), which was updated in June 2023 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.

ESG Strategy

Aligned with the Bank’s strategy, one of CEB’s three core principles is to remain future fit through the adoption of an integrated approach in creating a long-term value. As a sound ESG management approach is essential to adhering to this principle, CEB continues taking further steps to integrate sustainability into its activities. The Sustainability Committee, chaired by the CEO and joined by members from each key business function, ensures an interdisciplinary approach and effective communication of internal and external ESG developments. CEB’s Sustainability Policy outlines the Bank’s procedures in implementing ESG components into its business operations and adopting a ‘people, planet and profit’-oriented approach.

Rapidly developing EU Sustainable Finance and sustainability focused regulations, such as Corporate Sustainability Reporting Directive (CSRD) and its underlying European Sustainability Reporting

Standards (ESRS), EU Taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD), together with increasing supervisory expectations focusing on ESG risks and especially climate-related and environmental risks help in further shaping CEB's ESG strategy and governance approach.

CEB continues to pursue its four-year action plan (2021-2024), as submitted to De Nederlandsche Bank (DNB, based on the European Central Bank (ECB) Expectations), that includes the fully sound materiality assessment, management, and disclosure of climate-related and environmental risks. As such, CEB implemented several initiatives in 2023. Regarding reporting, the first step in preparing for CSRD disclosure (to be made in 2025), a double materiality assessment has been initiated which will determine the scope of the Bank's sustainability disclosure. Regarding risk assessment, a climate risk materiality assessment was conducted details of which is provided in 'Managing environmental risks and impact on nature' section.

Making sure a sector-specific ESG approach and criteria are adopted where possible, especially for the main ESG aspects, CEB deploys the following sector-specific policies and business plans:

- *Fossil Fuel Policy*

Initially developed as a Coal Policy, the Policy was soon updated to include the Oil & Gas sector and renamed as the Fossil Fuel Policy. Together with a thermal coal related direct financing activities phase-out set for 2024 year-end, the Policy also includes certain risk appetite limits and a list of prohibited activities with regards to the fossil fuel industry for which CEB no longer provides 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 when applicable will revisit the timeline of a total exit from coal accordingly.

- *Marine Finance Business Plan*

In 2022, international shipping accounted for about 2% of global energy-related carbon emissions and is an important sector. Considering that the sector historically met its energy demand (over 99%) through oil-based fuels, it has a key role to play in both energy transition and curbing global carbon emissions. To incorporate this into its strategy, CEB's Marine Finance business plan, which includes, 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 (IMO) regulations containing the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII). The CII regulation aims to encourage the shipping industry to improve the energy efficiency of its operations, contributing to the reduction of carbon emissions from maritime activities on a global scale in line with the Paris Agreement goal. CEB proactively adopted the thresholds outlined in the regulation as of July 2022, ahead of its application date. The Bank is committed to no longer finance new vessels that underperform against the set carbon intensity thresholds.

- *Commercial Real Estate (CRE)*

Similar to the Marine Finance Business Plan, CEB's CRE Business plan includes, inter alia, ESG-based risk acceptance criteria. Since buildings are currently responsible for around 39% of global energy-related carbon emissions, 26% 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 finance to new CRE clients who are unable to meet the established thresholds. Minimum performance standards and building energy codes are increasing in scope and stringency, and the use of efficient and renewable buildings technologies is accelerating. Accordingly, CEB closely follows the market and regulatory developments to maintain consistent ESG criteria for its CRE lending activities.

Furthermore, as a Member of the Partnership for Carbon Accounting Financials (PCAF), CEB is committed to monitoring and disclosing its financed emissions, along with its operational carbon footprint, as part of its first CSRD compliant disclosure in 2025. The Bank also monitors its Scope 1 and 2 (own operations) emissions, including its branches and banking subsidiaries.

As it is a rapidly evolving and expanding topic, maintaining the necessary ESG knowledge among our employees plays a major role in CEB's ability to achieve a resilient and sustainable business model. It is also imperative to address the differing information needs among main functions that benefit from this knowledge while executing their daily responsibilities. The Bank's ESG training plan also encompassed a series of Board-level trainings, including the Bank's Supervisory Board and Executive Committee Members, which are planned annually based on the latest regulatory and market developments. In addition, the Bank also has an external training plan, which aims to increase the competencies of key employees sharing the Bank's ESG strategy such as the Managing Board, Risk Management and Corporate Credits teams and the Sustainability Officer. The Bank acknowledges ESG trainings as a continuous program and will also continue its efforts in 2024.

Please refer to the Diversity, Equity and Inclusion section 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 2024, environmental risks formed the top 4 long-term global risks including extreme weather events, critical change to Earth systems, Biodiversity loss and ecosystem collapse, and Natural resource shortages. Looking at the top 10 long-term global risks, environmental risks constitute 50%. Accordingly, financial institutions' commitment to support the achievement of global climate and nature-related goals continues to be essential.

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. Further details on the assessment and its outcomes are provided in 'Managing Environmental Risks and the Impact on Nature' section. CEB monitors carbon emissions of 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 acceptance criteria and 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, CEB implements an ESG Risk Assessment Framework for corporate customers, developed by interdisciplinary a group of internal experts in line with supervisory expectations, at a consolidated level that includes the Bank's subsidiaries. This Framework will be revised to adopt the upcoming regulatory requirements, including the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) and related EBA guidelines and supervisory expectations.

CEB also monitors its exposures against the requirements set by the EU Taxonomy Regulation (Regulation (EU) 2020/852) which was introduced by the European Commission as a framework to identify whether financed economic activities are environmentally sustainable based on the objectives and criteria set. It is a part of the EU Green Deal strategy and the Action Plan on Financing Sustainable Growth.

As per the EU Taxonomy Regulation, for an economic activity to be defined as environmentally sustainable (Taxonomy-aligned), it needs to substantially contribute to at least one environmental objectives based on corresponding Technical Screening Criteria (TSC), must do no significant harm to other environment objectives and comply with minimum safeguards set out in Article 18 of the EU Taxonomy Regulation covering social and governance standards which are human rights, anti-corruption, taxation and fair competition.. The six environmental objectives are climate change mitigation, climate change adaptation, 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. Whereas an in scope economic activity can be defined as ‘Taxonomy-eligible’ irrespective of whether it meets the TSC laid out in the supplementing Delegated Act. CEB discloses its Taxonomy-eligibility and Taxonomy-alignment as part of its annual report. For detailed EU taxonomy disclosure, please refer to CEB NV Annual Report.

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 was a continued focus on the relationship management of our stakeholders, being our supervisory board members, employees, shareholder(s), suppliers, regulators and authorities, business community and customers. As preparation for upcoming enhanced requirements, such as CSRD, the Bank held an external survey and conducted desktop research to better understand its stakeholders’ perspectives and expectations when it comes to ESG topics. For details on our internal stakeholder engagement process, please refer to the Employee Experience section.

CEB currently does not have a dedicated external communication and/or public relations team. However, through our newly established internal communications function the Bank will work on initiating its external communication activities.

Managing Environmental Risks and the Impact on Nature

CEB embraces its responsibility to maintain environmental stewardship. The potential scale of long-term risks posed by climate change and other environmental issues such as biodiversity loss, and depletion as well as pollution of natural resources, requires the financial industry to fulfill this responsibility primarily with a risk-based approach.

The Bank’s efforts in environmental risk and nature-related impact management consists of two main categories, namely, effective assessment, and where needed mitigation, of potential risks posed by climate change and other environmental risks, and striving for more efficient use of the resources required for its own business activities. As part of the former, the Bank conducted a materiality assessment to determine the potential (material) impact of climate-related risk drivers to its direct and indirect operations over short-, medium- and long-term horizons. The assessment, which was conducted to further align with supervisory expectations on climate-related and environmental risk management and disclosure, included both transition and physical (acute and chronic) climate risk drivers, their

transmission channels and potential financial impact on traditional risk types including credit, market, liquidity, operational as well as business and strategic risks. Following the identification of longlist of climate-related risk drivers, a shortlist was determined for quantitative financial materiality assessment based on relevancy and potential materiality of the impact per risk driver. The quantitative assessment is conducted using bank-internal data, expert judgement and publicly available information such as Network for Greening the Financial System (NGFS) scenarios.

The main climate transition risks assessed as part of quantitative assessment include wider introduction of and increase in carbon price, increase in capital requirement, stricter regulatory requirements to combat climate change, failure to comply with risk assessment and disclosure requirements and reputational as well as litigation risks. Based on the quantitative assessment outcomes, wider and increasing carbon pricing is determined to be the most significant among the assessed transition risks. However, the quantified potential impact is still lower than the materiality threshold. The main acute physical risk drivers include river and sea flooding, heavy precipitation, drought, wildfires as well as hurricanes and heatwaves & coldwaves. The main chronic physical risk drivers include sea level rise, changing mean temperature, periods of drought and coastal erosion. Based on the quantitative assessment outcomes, acute physical risks including flooding, heavy precipitation and landslides are determined to be the most significant among the assessed physical risks. However, the quantified potential impact is still lower than the materiality threshold. Currently, the materiality assessment scope is in the process of extension to include environmental risk drivers and the outcomes will be reflected on the upcoming ICAAP and ILAAP.

Recognizing the importance of responsible resource management, the Bank implements initiatives aimed at optimizing energy consumption, reducing, and where possible eliminating waste, and consequently minimizing its overall environmental footprint. This approach not only aligns with our environmental sustainability goals but also contributes to cost-effectiveness, positioning the Bank as a responsible and efficient financial institution. Adopting a hybrid working model results in a lower occupation rate of its Head Office buildings. To avoid unnecessary energy consumption by operating both buildings as usual, one of the buildings was closed one day a week. The Bank will remain dedicated to furthering its efforts in resource efficiency.

Financial Inclusion

Benefiting from its strong presence in emerging economies, and in line with its business strategy, CEB strives to extend its network by establishing and maintaining long-lasting relationships with existing and potential new customers. 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 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 8¹ by promoting inclusive and sustainable growth.

¹ SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

RISK MANAGEMENT AND BUSINESS CONTROL

Risk management and business control are directly anchored in CEG's strategy and embedded in its organization. CEG implemented a risk management and internal control framework in line with its 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 Credit Europe Group's strategic goals.

The Managing Board sets Credit Europe Group'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 national and international legal and regulatory requirements. This is performed in order to respond to the various financial and non-financial risks to which CEG may be exposed to. The Managing Board is responsible for implementing and maintaining the risk management policies within the organization and monitoring the risk exposure to ensure that Credit Europe Group's activities and portfolios are not exposed to unacceptable potential losses or reputational damage.

Credit Europe Group 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 together to identify, assess and mitigate risks. The business units form the first line. Accountability and responsibility for assessing, controlling and mitigating risks affecting their business activities, 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 Risk Management, Corporate Credits and Compliance. Within the head office and each banking subsidiary, local Risk Management, Corporate Credits and Compliance functions are operating; Compliance functions in the banking subsidiaries report both to local and head office management. In 2024 the other functions within the second line will be structured as group roles. The Managing Board ensures that risk management, compliance and other control matters are addressed and discussed with sufficient authority. The third line is the Internal Audit function, which assesses the functioning and effectiveness of the business, support and control units, financial risk management and non-financial risk management activities.

Credit Europe Group's risk management and internal control framework enables the Managing Board to control the financial and non-financial risks arising from the Group'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 Group's risk appetite. The risk appetite has been approved by the Supervisory Board and is designed to i) set the maximum level of risk CEG is willing to accept to achieve its business objectives and ii) protect CEG'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, CEG has implemented internal financial reporting controls.

For purposes of this board report, we also refer to Note 35 to the Financial Statements which 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 CEG. Our corporate website also provides information on risk management and compliance.

Key Developments in 2023

In 2023, the following events required the specific attention of the Managing Board:

Credit Europe Group has revised its Risk Appetite Policy and enriched its limit monitoring framework

through supplementing nominal limits with Loss Given Default (LGD)-based concentration limits. To estimate the stressed LGD metric at obligor level, CEG's subsidiary CEB collaborated with S&P and utilized their proven methodologies for the Bank, Sovereign and Corporate portfolios. The LGD models of retail portfolios are developed in-house utilizing internal data. The LGD based concentration limits will be effective starting from 2024.

CEG aims to consistently maintain sufficient liquidity to ensure the timely fulfillment of all its obligations, even during a period of stress. The stress scenarios encompass idiosyncratic, market wide as well as combined events with varying time frames up to 12 months. In 2023, CEG's subsidiary CEB has revisited its assumptions under these stress scenarios in the light of the turmoil observed in banking sector in 2023 to better monitor and respond to the emergence and evolution of stress under current circumstances. The project has been finalized and the results have been reflected in 2023 year-end figures.

Furthermore, CEG's subsidiary CEB has performed an annual update of its IFRS9 ECL calculation framework for Corporate Customers in 2023. In this year's update, the Bank has shifted from manually calibrating Probability of Default (PD), wherein calibration points heavily depend on expert opinions, to adopting PD calibrations derived from the Vasicek-Merton model. The well-recognized Vasicek-Merton model converts long-term average portfolio PDs into Point in Time (PIT) PDs. The update to the Vasicek-Merton framework has enabled Credit Europe Group to standardize the approach to a greater extent requiring less subjective expert input and improved automation. Greater stability is expected in the underlying macro-models, and with automation in effect, calibrations will be updated more frequently based on changes in the macro-economic outlook. In addition, specific provision calculation tool of the non-performing portfolio is improved through automation, incorporated drop-down menus, formulated and protected cells, as well as clear guidance and decision trees for determination of impairment approaches, strategies, recovery rates and impacts of macroeconomic factors. These updates have facilitated standardization and consistency in calculations throughout the Bank and all its subsidiaries for Corporate Customers by reducing reliance on subjective expert inputs and mitigating human-based errors.

ESG risk assessment efforts were extended with a deep-dive materiality assessment of climate-related transition and physical risks. For further details of the climate risk materiality assessment please refer to sections 'ESG Strategy' and 'Managing Environmental Risks and Impact on Nature' of CEB's 2023 of the Non-Financial Review chapter hereinabove. Additionally, outcomes of the double materiality assessment, as part of setting up for the extended sustainability reporting under CSRD, will enable Credit Europe Group to further integrate its ESG risk management practices. Furthermore, the efforts will continue to integrate rapidly evolving regulatory requirements and supervisory expectations around ESG risk management.

In 2023, CEG continued to enhance its Operational Risk Management (ORM) Framework, with a focus on CEG's subsidiary CEB reviewing and improving KRIs to introduce new leading KRIs for more effective ORM practices. Furthermore, Control Testing improvements were initiated, involving the reviewing, approval and execution of the list of key controls included in 2023 control testing plan. Accordingly, independent control testing was conducted by ORM.

CEG also reinforced its cyber security measures to counter emerging financial industry cyber threats, along with implementing enhancements in information security, cloud system security, data protection, and business continuity, as detailed in the section 'Embracing Technology and Innovation' and 'Information and Operational Risks' sections of the Non-Financial Review chapter hereinabove.

CEG's subsidiary CEB completed its gap assessment regarding compliance with the newly introduced DORA (Digital Operational Resilience Act) with which financial institutions in the EU should comply, by the beginning of 2025.

In 2023, CEG successfully completed all the actions that were a result of AML/CTF examinations as conducted in 2022. Moreover, to further strengthen CEG's AML/CTF framework, CEG's subsidiary CEB initiated and completed further improvements, by inter alia back testing and updating the scoring mechanism used in CEB's pre-transaction monitoring process and improving the transaction profiling methodology, serving as a key functionality to detect unusual transactions.

Furthermore, in 2023, employees have participated in the Anti-Financial Economic Crime Refresh training, which aims to refresh elementary knowledge regarding various Anti-Financial Crime topics, such as combating AML/CTF, anti-bribery and corruption, sanctions, and tax integrity related crimes. Furthermore, changes were made to the organizational structure of Credit Europe Group's Compliance Division to ensure effective group-wide compliance oversight.

Areas of Improvement for 2024

Credit Europe Group continues to monitor regulatory developments applicable to it and make necessary preparations to comply with new and/or changing regulatory requirements, such as CRR3/CRD6 package, the EU Instant Payments proposal and the package of legislative proposals to strengthen the EU's rules on AML/CTF.

In 2024, CEG has outlined several initiatives to enhance its ORM Framework. These initiatives include:

- (i) implementing CEB NV's KRIs on a consolidated basis for all subsidiaries,
- (ii) finalizing Control Testing improvement projects that were initiated in 2023, developing and executing a multi-year control testing plan,
- (iii) updating Product Approval and Review Process (PARP) documentation for banking products, and
- (iv) improving data quality in the Governance Risk and Compliance (GRC) software with a focus on centralized registration of recommendations, issued by external and internal auditors and 2nd line functions.

CEG will start and complete DORA implementation within 2024. This will cover improvements in many specific areas including Third Party Risk Management, IT Risk and Control Framework, Threat Led Penetrating Testing, Cyber Security Incident Management, and Business Continuity Management. Credit Europe Group will continue to improve its cybersecurity maturity in 2024 through various projects, including cloud computing security, user awareness and security monitoring. Within this scope, CEG will continue to strengthen preventive and detective controls regarding cloud systems. Cybersecurity awareness of the employees will be kept at high levels with regular simulated phishing tests.

Lastly, CEG's subsidiary CEB is reviewing and updating its corporate credit risk scorecard models. The revision of its Balance Sheet Lending model is planned to be completed in 2024.

Internal control report

The responsibilities of the Managing Board include compliance with the principles of the Dutch Financial Supervision Act and other applicable 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 Group.

Effectiveness of risk management and internal controls

In addition, to the general outline included in the introduction of this chapter, to execute its risk management and internal control framework at the group level, the Managing Board is supported by the local management of its branches and banking subsidiaries. The 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 review the self-assessment of the effectiveness of the risk management and internal control framework, in view of applicable (local) policies and procedures and related audit findings.

The Audit & Risk Committee monitors the risk profile, policy standards and guidelines for risk assessment, risk appetite and risk management and reviews and provides advice on the risk management processes and procedures in place to ensure that they are operating as intended. Furthermore, the Audit & Risk Committee monitors the quality and integrity of the financial statements. Regular reports are presented to the Audit & Risk Committee by the Managing Board, Financial and Non-Financial Risk Management and Internal Audit. Risk reports cover credit risk, market risk, liquidity risk, strategic 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. A member of the Managing Board (i.e., the CRO) has been given compliance risk management as a focus area², ensuring that an effective compliance function is established and managed under their responsibility within the Group 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).

The risk management and internal control processes prevents that the financial reporting contains errors of material importance. This includes the going concern basis and confirmation that the risk management and internal control frameworks regarding financial reporting risks worked properly in the year under review. In view of the above, the Managing Board believes it is in compliance with Requirements 1.4.2 and 1.4.3 of the Dutch Corporate Governance Code 2022.

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 Group 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 2023 of Credit Europe Group and its affiliated entities whose information is included in its financial statements, and
- The Annual Report describes the material risks that Credit Europe Group is facing.

² The Group Head of Compliance has a direct reporting line to the CRO.

OUTLOOK

The primary challenge encountered in 2023 was indisputably the surge in inflation, largely attributed to supply chain disruptions stemming from the global pandemic. Despite the rapid inflation, many economies demonstrated resilience and adaptability. For instance, the United States experienced a robust labor market and sustained consumer spending, while the Euro Area exhibited moderate macroeconomic data. China's economy, however, showed only modest signs of very slight recovery. Nevertheless, ongoing geopolitical tensions, including the continuation of the Russia-Ukraine conflict and challenges in the Middle East, created periods of uncertainty and volatility in global markets.

By the final quarter of 2023, central banks worldwide faced the delicate task of controlling inflation without hindering economic activity and job growth. They implemented various policies and made significant interest rate adjustments to address the persistent high inflation in the first half of the year. Major central banks aggressively raised interest rates, implementing their largest rate hikes in the past 10 to 15 years. By the end of summer, the Federal Reserve raised its target rate to 5.5%, while the ECB conducted its final rate hike in September, bringing its main refinancing rate to 4.5%. In China, the People's Bank of China focused on supporting the country's troubled real estate sector and the economy through various measures. Monetary policy decisions effectively brought inflation under control globally, as both headline and core inflation rates declined significantly by the end of 2023. Notably, 10-year US Treasury rates rallied more than 100 basis points in the last 1.5 months of 2023 and expected to continue to decline in the first half of 2024. Similarly, rates in the Eurozone decreased by more than 75 basis points from their peak.

In developed economies, the effects of the interest rate hikes implemented in 2023 became evident in the final quarter. Inflation rates declined slightly more than anticipated, although job growth began to decelerate. Most manufacturing data indicated contraction, and the services sector no longer showed signs of growth. While global growth figures for 2023 are projected to be robust, major economies anticipate a soft landing in 2024, with the possibility of a mild recession in most. Slower growth, decreasing corporate earnings, and controlled contraction in the labor market imply that central banks will adopt different strategies this year compared to 2023. The primary focus will be on normalizing monetary policies and implementing rate cuts. A reduction in USD and EUR funding costs will have beneficial effects for emerging markets such as Brazil, Turkey, and South Africa. In the event of a projected soft landing rather than a deep recession, these countries may benefit from the overall global macroeconomic environment.

Commodity prices in 2024 are anticipated to face downward pressure due to mild recessions and decreasing inflation. Slowing global economic growth will likely have a negative impact on most commodity prices. However, it is crucial to monitor escalating geopolitical tensions, as these may adversely affect the supply of commodities and logistics, causing sharp but potentially short-lived disruptions and upward pressure on prices.

On the political front, 2024 will witness several key elections, with nearly 60% of the world's population participating in their respective elections throughout the year, including and most importantly the US presidential election. The outcomes of these elections could have significant implications for global economic and political dynamics. Additionally, ongoing geopolitical tensions are likely to remain a source of uncertainty and volatility. Potential changes in leadership may have important implications for the implementation of new policies, primarily aimed at addressing global issues such as climate change, inequality, and technological innovation.

We have a balanced customer base and loan book. In this regard, we expect to continue our usual banking activities in the countries we operate during 2024. As long as the war situation continues, we

expect that our operations in Ukraine will remain very low in 2024. Depending on the market conditions, we may consider increasing our Tier II capital from Internal Capital Markets. Apart from this, management expects no significant changes in staff size, capital expenditure and financing needs in 2024.

PROFILE OF THE MANAGING BOARD AS PER APRIL 2024

Senol Aoglu (1965, male)

Chief Executive Officer/Managing Board member

A graduate in business administration from Bogazici University, Istanbul, and having an MBA from UvA Business School, Amsterdam, Senol Aoglu 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. Aoglu, who is a Dutch national, is responsible for corporate governance, corporate banking, bank relations, treasury, retail banking, human resources, and internal audit³.

Umut Bayoglu (1973, male)

Chief Financial Officer⁴/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 management⁵ and compliance.

Amsterdam, April 18, 2024

Senol Aoglu, Chief Executive Officer

Umut Bayoglu, Chief Financial Officer

Batuhan Yalniz, Chief Risk Officer

³ Administrative reporting line.

⁴ Also vice-chairperson of the Managing Board (Deputy General Manager) in accordance with article 3.1 of the Charter governing the Managing Board.

⁵ Financial Risk Management (including corporate credits and financial institution (FI) credits both 2nd line), Information Security Management, Operational Risk Management, Sustainability, and Legal Affairs.

CORPORATE GOVERNANCE

A. General

CEG is a public limited company (*naamloze vennootschap*) established in Amsterdam on October 14, 1998. The company has registered shares and is not listed on any stock exchange. The total issued and fully paid up share capital of CEG at the end of 2023 amounted to EUR 550 million.

Share capital

As of December 31, 2023, the shares of CEG are 89.31% owned by Fiba Holding A.S., for 9.4% by Fina Holding A.S. and for 1.29% by Fiba Faktoring A.S. All shareholding companies are established in Turkey and the shares in each company are ultimately controlled by Mr. Husnu Ozyegin.

Banking Supervision

CEG is subject to ‘consolidated supervision’ by the Dutch Central Bank (*De Nederlandsche Bank*, DNB).

Regulations

The statutory corporate rules in the Netherlands are laid down in CEG’s articles of association (*statuten*). The sole subsidiary of CEG, namely CEB, voluntarily supports and applies, to a large extent, the best practices of the Dutch Corporate Governance Code. ‘Voluntarily’ because CEB is not listed – however, in following the code it satisfies its Regulator’s recommendation. CEG does not have its own website.

B. Boards

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

Managing Board

Composition

The Managing Board of CEG has the same members as the managing board of its main subsidiary, CEB. 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 in the section ‘Profile of the Managing Board’.

Tasks

The Managing Board is responsible for the management of CEG, which includes realizing the Group’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 the business activities and for the funding of the Group. The members of the Managing Board take the social role of CEG and the interests of its 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 Aoglu, General Manager

Corporate governance, corporate banking*, bank relations*, treasury*, retail banking*, human resources and internal audit⁶

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

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

Supervisory Board

The Supervisory Board consists of five members (status April 2024): Wilfred Nagel (Chairperson), Aysecan Ozyegin Oktay (Vice Chairperson), Korkmaz Ilkorur, Seha Ismen Ozgur and Ali Fuat Erbil. For the profiles of each Supervisory Board member, please see the section 'Profile of the Supervisory Board'.

The Supervisory Board of CEG is the same as the one for CEB.

In line with corporate rules in the Netherlands, and as set forth in CEG's Articles of Association, the Supervisory Board's task is to supervise the policy of the Managing Board and the general affairs of the entity, and to support the Managing Board with advice.

C. Gender Diversity

At this moment, the Supervisory Board consists of two female and three male members.

Following the introduction of the Gender Balance Act, CEG 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 2023, CEG's subsidiary CEB reported for the first time its targets and achievements in the area of gender diversity to the Social Economic Council (*Sociaal Economische Raad*, SER). Currently, the 2024 targets and action plans are being prepared. Through its Diversity and Inclusion Policy, Credit Europe Group sets out its commitment to inclusion, equity and diversity. Further, CEG's subsidiary CEB stepped up its efforts in this area by establishing a voluntary and employee-led working group, CEB United. Although this group works independently the Managing Board is the main sponsor. The activities of the working group in 2023 range from initiatives around increasing employee awareness on DEI to organizing a bank wide voluntary event to support the community and embrace its diverse nature. Also unconscious bias trainings for all employees were organized and a Gender Equal Pay Gap review was executed in line with applicable regulations. In general, a trivial gender distinction in terms of remuneration in comparable positions was detected (only for a few individual cases, an insignificant gap was identified and immediate action was taken accordingly). Other actions in 2023 included the specific attention for unconscious biases as part of the Performance Management Cycle; the updating of internal

⁶ Administrative reporting line.

policies and procedures (including providing more flexible employment terms e.g., different types of leave options) to further promote diversity; and conducting the Group's succession planning from a diversity and inclusion perspective. The main item for improvement remains the establishment of a balanced gender ratio among Credit Europe Group's workforce. While the male-female ratio is well-balanced at the consolidated level, there is room for improvement at entity level in the different countries and within different seniority levels. For more information on board diversity, please refer to the Corporate Governance chapter (section D) of CEB's 2023 Annual Report.

In 2024 and thereafter, Credit Europe Group's focus will be on tangible initiatives and activities, implementing the Diversity & Inclusion by design' concept in the relevant processes including the recruitment & selection process, the performance review process and succession planning.

At CEG level, the composition of the Managing Board can be improved in terms of the male-female ratio⁷. No new appointments were made to the Managing Board in 2023 and, following the stepping down of the former Credit Europe Group General Manager, 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. CEG 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.

D. Handling potential conflicts of interests

Within the CEG group of companies, procedures suitable for managing potential conflicts of interests have been implemented.

Detailed information on the CEB procedures in this regard is as follows:

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 2023, 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

⁷ 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.

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 & Risk Committee. In every Audit & 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.

E. Remuneration Report

A Group Remuneration Policy has been established which applies to CEG and its direct and indirect (banking) subsidiaries. The details of CEG's Remuneration Policy can be found (i) in CEB's Remuneration Report 2023 reflected below, (ii) on CEB's website in the chapter on Corporate Governance and (iii) in the CRR Remuneration Report published on CEB's website (<http://www.crediteuropebank.com/the-bank/corporate-governance.html>) (chapter Remuneration Report).

CEB's Remuneration Report 2023 is as follows:

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, Remuneration & Nomination 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 control functions HR, Compliance, Risk Management and Internal Audit, remuneration is directly supervised by the HR, Remuneration & Nomination 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 performance review 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, determined by the manager. The three performance categories and their weighting within the overall score are competencies (40%), company focus goals (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 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 banking entities (Romania, Malta) have been included in this way of working.

One of the basic principles for granting variable pay (if any) is that any variable remuneration to be paid may not exceed 20% of an employee's annual fixed salary. In exceptional cases, the amount of variable remuneration being granted may deviate from this principle (however, the variable pay granted may never exceed 100% of the fixed salary).

No deviations are allowed for employees in control functions or employees directly involved in providing financial services to retail clients.

From performance year 2023 and onwards, CEB will not grant any variable remuneration to an employee in a second or third line function (i.e., Financial and Non-Financial Risk Management, Compliance or Internal Audit).

Phantom Share Plan

In 2023, 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 75% unconditional and 25% deferred. At least 60% 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 one year. 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 of less than EUR 50,000 gross are exempted from any 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, 2023.

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 2023, CEB paid out EUR 59.9 million to employees working in the wholesale/corporate banking segment and EUR 11 million to employees in the retail banking segment.

Aggregate quantitative information on remuneration for identified staff

CEB has identified 26 Identified Staff members.

In 2023, the total amount of remuneration paid out to Identified Staff amounted to EUR 7,675,422 gross. This total remuneration was split into EUR 6,447,422 fixed salary and EUR 1,228,000 variable remuneration. Please note that this variable remuneration was distributed according to the guidelines described above. In 2023, 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 2023 for the variable remuneration over the performance year 2022 amounts to EUR 1,574,606.

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 2022, with the related bonus payment executed in 2023.

By virtue of the rules in the Group Remuneration Policy, in 2023 there will be no "less than awarded" deferred payouts due to an unsatisfactory performance adjustment.

Severance payment

In the reporting year 2023, CEB on a consolidated basis paid no severance payments to Identified Staff.

CEB did not pay sign-on or entry awards to any Identified Staff member in 2023.

Pay ratio

The CEB ratio of the average Managing Board member remuneration paid out in 2023 compared to the average remuneration paid out to a CEB NL employee in 2023 is 5.22 (for the years 2022, 2021, 2020 and 2019, this ratio was 5.44, 5.74, 6.06, and 6.57, respectively).

SUPERVISORY BOARD

PROFILE OF THE SUPERVISORY BOARD AS PER APRIL 2024

Willem Frederik Nagel (1956, male)

Chairperson

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 the latter until 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 is Chairperson since 17 March 2023. His current term expires in 2025.

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 a 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 2027. Ms. Ismen Ozgur qualifies as an independent board member.

Ali Fuat Erbil (1968, male)

Between 1997 – 2019, Mr. Erbil worked 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), and an independent board member of Dogan Holding AS, TAM Finans Factoring AS and Fibabanka AS in Turkey. 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

Due to major disruptions causing an impact beyond their regional scope, economic and geopolitical circumstances remained volatile globally throughout 2023. While loan demand was subdued, the interest rate environment was more favorable compared to previous years.

2023 was a successful year for Credit Europe Group during which it managed to achieve its targeted business results and delivered significant progress on all strategic initiatives. Credit Europe Group's profitability further grew and in line with its strategic objectives, its subsidiary CEB continued to increase its capital base through profit retention (in 2023 CEB's capital base increased by EUR 39 million to EUR 658 million).

The Supervisory Board is pleased to note that the credit quality of the portfolio of CEG's subsidiary CEB continued to improve as the year went on. The non-performing loans (NPL) declined in terms of both outstanding and ratio (CEB's NPL ratio came down from 5.7% to 2.1%).

As a result of these developments there were positive rating actions: Moody's changed CEB's credit outlook to stable and affirmed its Ba3 rating in June 2023. Fitch upgraded CEB by one notch to BB- with a positive outlook in September 2023.

Furthermore, Credit Europe Group continued the diversification of its portfolio in terms of geography, customers and products. The efforts in this area are pursued in line with its mid to long-term ESG objectives.

Credit Europe Group's main ESG initiatives evolve around maintaining a prohibited activities list, determining an exit date from thermal coal financing (2024 yearend), and extending the dialogue with existing customers to better understand and support their plans on energy transition and efforts to adopt low/net zero business models. It will continue its endeavours in this area by building on its long-term resilient business model while capitalising on opportunities to finance alternative activities and sectors that positively contribute to successful climate change mitigation and adaptation efforts in limiting global warming to 1.5°C. Following the devastating earthquake in Turkey in 2023, the Managing Board decided to make a donation to fund the establishment of a child rehabilitation center and provide prosthesis for children who suffered limb loss. The Supervisory Board fully supported this initiative.

Through continued implementation of the three lines of defense, functional steering of subsidiaries/branches, and cultural transformation, a strong foundation has been created for becoming an even better organisation. In 2023 special emphasis was placed on improving group oversight over subsidiaries and branches. Related actions will be further rolled out in 2024. With satisfaction the Supervisory Board observed the continued focus on cultural transformation. In this regard, several initiatives for organisational and leadership development were executed, and Credit Europe Group moved significantly forward in empowering its employees and providing support in creating more engaged teams.

The Supervisory Board extends its appreciation to the management and employees for their performance and delivery of results with integrity whilst improving controls.

Net result allocation

The Supervisory Board has reviewed the Report of the Managing Board and the financial statements for 2023, including the report of the external auditors, KPMG Accountants N.V., for

the year ending December 31, 2023.

During 2023, CEG made interim dividend payments of in total EUR 27,485 million. We propose and advise that the general meeting of shareholders adopts these financial statements. Furthermore, we propose to distribute a final dividend of EUR 5.6 million of the net result for the year to our sole shareholders and add the remainder of the net result, being EUR 27.5 million to CEG'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.

Committees

The Supervisory Board is supported by three committees: Audit and Risk, HR, Remuneration & Nomination, and Compliance Oversight.⁸ 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 & Risk Committee assists the Supervisory Board in monitoring the status of and developments in CEG'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 CEG maintains adequate internal control systems and processes. The committee also performs a review of CEG'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 Credit Europe Group.

In 2023 the following Supervisory Board members were members of this subcommittee: Fuat Erbil (Chairperson as from 17 March 2023), Wilfred Nagel (Chairperson until 17 March 2023), and Korkmaz Ilkorur. Fuat Erbil was appointed as Chairperson of the Audit & Risk Committee following the appointment of Wilfred Nagel as Chairperson of the Supervisory Board. The committee meetings were attended by all committee members.

HR, Remuneration & Nomination: This committee advises the Supervisory Board in all areas of remuneration -in general and in pertaining to (individual members of) the Identified Staff-, nomination of Supervisory Board and Managing Board members and key function holders and general HR matters (including but not limited to organization and leadership development, diversity and inclusion, recruitment, employability, mobility and outflow of employees and employee engagement).

Members of the HR, Remuneration and Nomination Committee in 2023 were Aysecan Ozyegin Oktay (Chairperson), Wilfred Nagel (as from 17 March 2023), and Seha Ismen Ozgur. The committee meetings were attended by all committee members.

⁸ In 2023 the Corporate Governance and Nomination Committee of the Supervisory Board was abolished whereby the Nomination part was transferred to the HR & Remuneration Committee and the Governance related topics are now covered in the Supervisory Board meeting.

Compliance Oversight: The Compliance Oversight Committee assists the Supervisory Board in overseeing CEG's overall compliance framework, which is designed to respond to the various compliance and regulatory risks CEG 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 CEG. It further gives guidance to the Managing Board on how to further improve CEG's overall compliance framework.

In 2023, this committee consisted of the following Supervisory Board members: Korkmaz Ilkorur (Chairperson), Fuat Erbil (as from 17 March 2023), 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 2023, 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 2023 coincided with a consolidated budget meeting.

The meetings in 2023 were attended by all Supervisory Board members. As a rule, the Managing Board is always present at Supervisory Board meetings, with the exception of the executive session, in which the Supervisory Board discusses its own overall functioning, culture, and relationship with the Managing Board.

Recurring topics in all Supervisory Board meetings are strategic matters, general business affairs, 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 2023, considering the functioning of the Supervisory Board, its committees, cooperation amongst board members, cooperation with the Managing Board and assessment of the effectiveness of the education program. The outcome of the evaluation is discussed in a separate meeting of the Supervisory Board. In 2021 the latest external assessment of the Supervisory Board was organized, a process that will next take place this year (2024). 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 & 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, CEG'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 & Risk Committee assessed the external and internal audit plans and took notice of the key audit reports, findings and recommendations, and related follow-up activities. The discussions on financial and non-financial risks were supported by analysis of the credit portfolio, including concentration and country risks. Specific attention was given to the changing interest rate environment, NPL and repossessed asset reduction and updates of risk appetite policy including a LGD based limit framework. The committee also held closed meetings with the external auditor and internal audit function. All relevant items discussed by the Audit & Risk Committee were reported to the Supervisory Board.

HR, Remuneration & Nomination Committee

In 2023, this committee met four times. The focus during these meetings was on cultural transformation (including organisation development and leadership development), employee experience, Diversity, Equity & Inclusion, HR Fundamentals & Employee Journey, hybrid working (pilot and policy), performance management & compensation review/reward framework (including CEG's fixed and variable remuneration packages), group consolidated HR Report, Group Remuneration Policy (update), salary benchmark 2023, update HR, Remuneration & Nomination charter, reappointment Seha Ismen Ozgur (as Supervisory Board member) and succession Korkmaz Ilkorur and Umut Bayoglu (as Managing Board member), updates on HR Plan 2023, and Outlook HR 2024 and beyond. The General Manager, CFO, and the head of HR participated in all meetings.

Compliance Oversight Committee

This committee met four times in 2023 and all meetings were joined by members of the Managing Board, including the CRO, who is also the designated 'Wwft portfolio holder', i.e., responsible for the compliance of CEB and any CEG group entity with or pursuant to the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft). During these meetings, which were also attended by the Group Head of Compliance, the key focus was on the compliance exposure at group level, particularly in the areas of financial-economic crime prevention, presented through the compliance dashboard, and regulatory issues affecting CEG.

Amsterdam, April 18, 2024

Wilfred Nagel, Chairperson

Aysecan Ozyegin Oktay, Vice-Chairperson

Korkmaz Ilkorur

Seha Ismen Ozgur

Ali Fuat Erbil

CREDIT EUROPE GROUP N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2023

In thousands of EURO

	Notes	December 31, 2023	December 31, 2022*
Assets			
Cash and balances at central banks	5	1,639,420	1,103,693
Financial assets at FVTPL	6	197,704	94,633
- Trading assets		171,789	66,659
- Non-trading assets mandatorily at FVTPL		25,915	27,974
Financial investments	7	382,937	376,252
Loans and receivables - banks	8	321,350	460,542
Derivative financial instruments	9	110,215	112,923
Loans and receivables - customers	10	2,721,181	2,469,305
Current tax assets		61	70
Deferred tax assets	30	55,833	80,785
Other assets	12	63,937	45,665
Inventory	12	30,577	34,562
Assets held for sale	36	1,989	19,413
Property and equipment	13	59,886	66,867
Investment property	13	3,664	3,760
Intangible assets	14	9,919	7,892
Total assets		5,598,673	4,876,362
Liabilities			
Due to banks	15	515,479	451,258
Derivative financial instruments	9	136,577	143,430
Due to customers	16	4,030,212	3,394,488
Current tax liabilities		4,103	1,564
Other liabilities	17	52,946	47,309
Provisions	18	12,596	10,823
Deferred tax liabilities	30	20,206	19,881
Sub-total liabilities (excluding subordinated liabilities)		4,772,119	4,068,753
Subordinated liabilities	19	169,650	204,411
Total liabilities		4,941,769	4,273,164
Equity			
Equity attributable to owners of the Company		641,624	601,486
Equity attributable to non-controlling interests		15,280	1,712
Total equity	20	656,904	603,198
Total equity and liabilities		5,598,673	4,876,362

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

CREDIT EUROPE GROUP N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

In thousands of EURO

	Notes	January 1- December 31, 2023	January 1- December 31, 2022*
Interest income from financial instruments measured at amortized cost and		308,635	172,737
Interest income from financial instruments measured at FVTPL		11,813	7,289
Interest expense from financial instruments measured at amortized cost		(120,572)	(53,701)
Net interest income	21	199,876	126,325
Fees and commissions income		49,615	33,069
Fees and commissions expense		(4,238)	(4,226)
Net fee and commission income	22	45,377	28,843
Revenue from repossessed assets	26	33,884	43,438
Valuation results and net trading income	23	(33,456)	6,976
Net results on derecognition of financial assets measured at amortized cost	24	-	(2,435)
Net results from investment securities	25	(4,136)	(15,202)
Other operating income	26	1,416	9,031
Operating income		(36,176)	(1,630)
Net impairment result on financial assets	11	3,832	(3,394)
Net operating income		246,793	193,582
Personnel expenses	27	(70,924)	(63,981)
Operating expenses	28	(38,784)	(31,759)
Depreciation and amortization	13,14	(10,418)	(11,308)
Expenses related to repossessed assets	26	(35,015)	(39,123)
Other impairment losses	29	(2,448)	(2,603)
Total operating expenses		(157,589)	(148,774)
Share of profit of associate		(135)	(2,449)
Operating profit before tax		89,069	42,359
Income tax result	30	(28,054)	(5,791)
Net results for the year		61,015	36,568
Net results for the year attributable to:			
Equity owners of the Company		60,584	36,531
Non-controlling interests		431	37

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

CREDIT EUROPE GROUP N.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2023
In thousands of EURO

	January 1- December 31, 2023	January 1- December 31, 2022
Net results for the year	61,015	36,568
Other comprehensive income that will subsequently be reclassified to the income statement		
Foreign currency translation:		
Net result on hedge of net investments	(18,828)	(4,543)
Exchange differences on translations of foreign operations	20,740	(11,904)
Income tax relating to the above	(654)	-
Net change on foreign currency translation	1,258	(16,447)
Debt instruments at fair value through other comprehensive income		
Net change in fair value during the year	8,426	(29,567)
Changes in allowances for expected credit losses	(181)	3
Transfer to the income statement	3,045	15,063
Income tax relating to the above	(2,702)	2,107
Net change on debt instruments at FVOCI	8,588	(12,394)
Other comprehensive income that will not be reclassified to the income statement		
Tangible revaluation reserves:		
Tangible revaluation reserves	(103)	(665)
Income tax relating to the above	27	182
Net change on tangible revaluation reserves	(76)	(483)
Equity instruments at FVOCI		
Net change in fair value during the year	(2,857)	(17,451)
Income tax relating to the above	586	3,579
Net change on equity instruments at FVOCI	(2,271)	(13,872)
Other comprehensive income for the year, net of tax	7,499	(43,196)
Total comprehensive income for the year, net of tax	68,514	(6,628)
Attributable to:		
Equity holders of the parent	68,703	(6,609)
Non-controlling interest	(189)	(19)

CREDIT EUROPE GROUP N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

In thousands of EURO

	Issued capital	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, 2022	550,000	248,677	(27,472)	(97,409)	(16)	(72,294)	601,486	1,712	603,198
IAS 29 impact	-	3,500	-	-	-	-	3,500	-	3,500
At January 1, 2023	550,000	252,177	(27,472)	(97,409)	(16)	(72,294)	604,986	1,712	606,698
Total comprehensive income									
Change in fair value reserve	-	-	8,560	-	-	-	8,560	28	8,588
Change in foreign currency translation reserve	-	-	-	-	-	21,381	21,381	(641)	20,740
Change in net investment hedge reserve	-	-	-	(19,482)	-	-	(19,482)	-	(19,482)
Change in fair value of equity instruments at FVOCI	-	(15,793)	13,529	-	-	-	(2,264)	(7)	(2,271)
Change in tangible revaluation reserve	-	-	-	-	(76)	-	(76)	-	(76)
Profit for the year	-	60,584	-	-	-	-	60,584	431	61,015
Total comprehensive income	-	44,791	22,089	(19,482)	(76)	21,381	68,703	(189)	68,514
Transactions with owners of the Group									
Disposal of subsidiary without loss of control	-	-	-	-	-	-	-	13,757	13,757
Dividends declared and paid	-	(32,065)	-	-	-	-	(32,065)	-	(32,065)
At December 31, 2023	550,000	264,903	(5,383)	(116,891)	(92)	(50,913)	641,624	15,280	656,904

CREDIT EUROPE GROUP N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2023

In thousands of EURO

	Issued capital	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	550,000	213,148	(4,544)	(92,866)	467	(60,422)	605,783	1,731	607,514
IAS 29 impact	-	8,312	-	-	-	-	8,312	-	8,312
At January 1, 2022	550,000	221,460	(4,544)	(92,866)	467	(60,422)	614,095	1,731	615,826
Total comprehensive income									
Change in fair value reserve	-	-	(12,364)	-	-	-	(12,364)	(30)	(12,394)
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)	(10,564)	-	-	-	(13,878)	6	(13,872)
Change in tangible revaluation reserve	-	-	-	-	(483)	-	(483)	-	(483)
Profit for the year	-	36,531	-	-	-	-	36,531	37	36,568
Total comprehensive income	-	33,217	(22,928)	(4,543)	(483)	(11,872)	(6,609)	(19)	(6,628)
Transactions with owners of the Group									
Dividends declared and paid	-	(6,000)	-	-	-	-	(6,000)	-	(6,000)
At December 31, 2022	550,000	248,677	(27,472)	(97,409)	(16)	(72,294)	601,486	1,712	603,198

CREDIT EUROPE GROUP N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

In thousands of EURO

	Notes	January 1- December 31, 2023	January 1- December 31, 2022*
Profit for the year from continuing operations		61,015	36,568
Adjustments for:			
Net impairment (reversal)/loss on financial assets	11	(3,832)	3,394
Depreciation and amortization	13,14	10,418	11,308
Net impairment on non-financial assets	29	2,448	2,603
Income tax expense	30	28,054	5,791
Net interest income		(199,876)	(126,325)
Effect of exchange rate differences		(10,501)	11,296
Provisions		1,898	(1,369)
		(110,376)	(56,734)
Changes in:			
Financial assets mandatorily at fair value through profit or loss		(4,119)	(3,721)
Net change in financial assets at fair value through profit or loss	6	(99,393)	4,451
Loans and receivables - banks		139,190	(177,126)
Loans and receivables - customers		(268,091)	244,009
Other assets		53,602	(3,676)
Due to banks		64,221	(347,840)
Due to customers		635,727	69,133
Other liabilities		(42,885)	65,752
		478,252	(149,018)
Interest received		327,944	180,528
Interest paid		(108,021)	(57,079)
Income taxes paid		(116)	(1,164)
Net cash used in operating activities		587,683	(83,467)
Cash flows from investing activities			
Acquisition of financial investments	7	(272,514)	(760,400)
Proceeds from sales of financial investments	7	270,065	1,006,935
Acquisition of property and equipment	13	(3,425)	(9,681)
Proceeds from sale of property and equipment		17,992	26,955
Acquisition of intangibles	14	(5,559)	(3,341)
Dividends received	26(ii)	590	5,184
Net cash used in investing activities		7,149	265,652
Cash flows from financing activities			
Repayment of long-term funding	19	(28,288)	-
Dividends paid to shareholders		(32,065)	(6,000)
Payment of lease liabilities		(3,088)	(2,481)
Net cash from financing activities		(63,441)	(8,481)
Net cash from continuing operations		531,391	173,704
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1		1,067,150	892,553
Effect of exchange rate fluctuations on cash and cash equivalents held		4,509	893
Cash and cash equivalents excluding reserve deposits at central banks at December 31	5	1,603,050	1,067,150
Reserve deposits at central banks	5	36,370	36,543
Cash and cash equivalents at December 31	5	1,639,420	1,103,693

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

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. Corporate information

General

Credit Europe Group N.V., herein after ‘the Group’, is domiciled in Amsterdam, the Netherlands. The Group’s subsidiary Credit Europe Bank N.V. comprises three branches in the Netherlands, Germany and Malta. The Consolidated Financial Statements of the Group as of December 31, 2023, comprise the figures of the Group, its subsidiaries and associates. Together they are referred to as the ‘Group’.

The Group’s Parent Company is FİBA Holding A.Ş., Turkiye, ultimately controlled by Özyeğin family.

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

The Group’s registered office is Karspeldreef 6A, 1101 CJ Amsterdam, Netherlands and Chamber of Commerce registration number is 34106005.

Changes to the Group

There is no significant change to the Group within 2023.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. Basis of preparation

a) Statement of compliance

The Consolidated Financial Statements of Credit Europe Group N.V. and all its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and have been approved by the Managing Board and the Supervisory Board on April 18, 2024.

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 Group'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 Group'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)
- Fair value of financial instruments (Note 31)

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Group controls an entity.

ii. Fair value of financial instruments

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

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The chosen valuation technique makes maximum use of observable market input and relies as little as possible on estimates specific to the Group. Please refer to Note: 31 "Fair Value Information" for significant unobservable inputs.

iii. Impairment Calculation Methodology for Performing Loans and Receivables

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 Group 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. Change in Estimates

The Group has improved its IFRS9 Framework to estimate forward-looking PDs by transitioning from regression-based macro forecast models to 'Vasicek single factor model' which involves applying a shock to long-term average portfolio PDs using a single risk factor. This revision is made to develop models better suited to the portfolios of the Group which have limited size and low default rates. The Merton-Vasicek framework is widely acknowledged for this kind of portfolios and depends less on subjective expert input. The new methodology has started to be applied since December 2023. The provision impact of this methodology change is calculated as EUR 0.86 million decrease.

v. Impairment calculation methodology for Stage 3 portfolio

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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Probability-weighted scenarios

The calculation methodology includes three different scenarios for which impairment is analysed separately, with probability-weighted estimates for Gone Concern and/or Going Concern approaches.

The specific probability for each scenario is determined while taking past events, current conditions, forecast information and NPE strategy into account, within the following two scales:

- 25% - unlikely
- 50% - likely

The baseline scenario is the most likely scenario and hence has 50% probability. The alternative scenarios are less likely and have each a 25% probability. One of the alternative scenarios (Alternative II) is always the worst-case scenario that must be analysed under the impairment approach of “gone concern”. The baseline and the other alternative scenario (Alternative I) have the same impairment approach, which may be either “gone concern”, or “going concern”, depending on whether the borrower is bankrupt and whether the expected operational cash flow is sufficient to repay principal and interest.

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

Time-to-sell

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

- Russia 1 – 4 years
- Romania 0 – 3 years
- Turkey 2 – 6 years

Volatility haircut

Parent company uses two types of volatility haircuts: generic and specific. Generic haircut is determined based on macroeconomic factors (both generic and specific). Specific haircut is based on other factors that are not covered by the generic haircut and reflects the volatility that is specific for the collateral such as the location, market, nature, and characteristics of the collateral.

Parent company uses the volatility scorecards (tables) provided by Standard & Poor’s (S&P) to determine the generic volatility haircut. These scorecards indicate the standard deviation (volatility) depending on the collateral type (relevant for CEG are real estate, balance sheet loans for corporate sector and marine finance), the macroeconomic scenario type (positive, neutral, or downturn) and the country/sector.

Collection rate haircut

Collection rate is the ratio of ‘sales proceeds expected to be collected by CEG’ to ‘market value of the collateral’. There are several expenses that decrease the net amount of proceeds received from the sale of collateral such as legal expenses, selling costs and taxes, maintenance costs in relation to the repossession and disposal of collateral and administrative expenses. Parent company applies a standard cost of sales of 4% to all collection-rate haircut calculations. In addition to the standard cost of sales, specific collection rates can be determined depending on the approaches in each scenario and/or available actualized sales results.

Stage 3 impairment allowances reflect an unbiased and probability-weighted amount that is determined by the Group through evaluating a range of possible outcomes. Management assesses 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Group engages an independent valuation specialist and the valuation has been performed using the most appropriate technique within income approach, cost approach or benchmarking approach.

e) Going concern

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

f) Comparative information

In order to conform to presentation of consolidated financial position for the year ended 31 December 2023, presentation of certain loan origination fees has been changed for the year ended 31 December 2022.

The reclassification resulted as EUR 6,055 decrease of commission income and increase of interest income for the period 1 January 2022 - 31 December 2022.

The Group updated its presentation of change in the fair value on hedged items attributable to the interest rate risk. As a result, there has been a reclassification in comparative figures, resulting in EUR 22,217 decrease in “Loans and receivables - customers” and “Due to customers”, and EUR 7,118 decrease in “Derivative financial instruments” (liability) and “Financial investments”.

g) Changes to prior year disclosures

Certain figures reported in the 2022 annual report have been reclassified for consistency with the presentation applied within these disclosures. These changes are immaterial and presentational in nature and do not change the previously reported financial results for the year ended 31 December 2022 nor the aggregate assets and liabilities, net profit or net cash from continuing operations at that date.

3. Material accounting policies

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

The Group 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. Please refer to “Changes in IFRS effective in 2023” below for detailed information.

b) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. 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 Group’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 Group. The Group 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 Group 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 Group 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Loss of control

When the Group 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 Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group 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 Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group'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 Group 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 Group 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 'Valuation results and net trading income'. 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'.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Foreign operations

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

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

When the Group 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 Group 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.

Application of IAS 29 'Financial Reporting in Hyperinflationary Economies'

During the second quarter of 2022 Turkey became a hyperinflationary economy for accounting purposes. As The Group had subsidiaries, which functional currency is TRY, in Turkey, IAS 29 'Financial Reporting in Hyperinflationary Economies' is applied to its operations as if the economy in Turkey had always been hyperinflationary. In the course of 2023, those subsidiaries are liquidated. Application of IAS 29 ended as of liquidation dates.

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 Group 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 marketplace. 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 Group recognizes due to customer balances when funds reach to the Group. 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 Group classifies all of its financial assets based on the business model for managing the assets and the asset's

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

contractual terms, measured at either:

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

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

The Group 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 a 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 Group in accordance with the contractual terms of a financial instrument and the cash flows that the Group expects to receive. The Group 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 weighed 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 Group aligns the definition of credit impaired under IFRS 9 (Stage 3) with the 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).

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The Group 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 IFRS9.

Calculation of Corporate ECL

The Group'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 internal rating models are calibrated such that IFRS9 PDs reflect the forward-looking Point-in-Time (PIT) PD levels via expert-based macroeconomic models 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 Group as a percentage of Exposure at Default (EAD) arising in case a borrower defaults on a loan in the upcoming 12-month 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 Group utilizes regulatory figures for PIT LGD parameters due to the insufficient amount of internal data.

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 Group utilizes multiple economic scenarios representing the base case, mild upside and downside forecasts. To generate alternative macroeconomic scenarios and to forecast the key macroeconomic factors globally under each scenario, The Group collaborates with an external party. The external party is an independent economic advisory firm that specializes in providing economic analysis, forecasting, and data services to a wide range of clients, including governments, corporations, and financial institutions. They have been providing a range of IFRS9 services to major institutions in the UK, Eurozone, Asia, Middle East, and Africa.

This year, the Group has overhauled its approach to calculating IFRS 9 PD in order to streamline operations and align more closely with industry standards. The Vasicek methodology is employed to determine forward-looking PIT PD levels. It is not feasible to develop a statistical macro-economic model due to the relatively small size of corporate portfolios and very low default rates in recent years. Therefore, these macro models are created through the input of expert opinions rather than statistical data. Key macroeconomic variables used in the determination of the allowance for wholesale credit losses include real GDP, unemployment rate, Baltic Dry Index (BDI), Brent Crude Price Index and export volume among others. Regional economic variables are used in models to reflect the geographical diversity of its portfolios, where appropriate. The Group has diversified macroeconomic models based on portfolios' shared characteristics like risk country and vessel-type. Three macro models are developed based on country risk information of Balance Sheet Lending (BSL) and Commercial Real Estate (CRE) customers for forecasting future PDs; namely Romania, Turkey, and a category encompassing other countries. GDP and unemployment rate are the most relevant factors for almost the entire wholesale portfolio. GDP is a crucial parameter, influencing earnings, wages, and asset values, thereby impacting loan quality. Similarly, the unemployment rate impacts consumer spending, production activities and the demand for consumption, making it a key factor in CRE and BSL portfolios. Therefore, GDP and unemployment rates of the respective countries are used for the segments related to Turkey and Romania. Given the risk structure of the corporate portfolio excluding Romania and Turkey, Eurozone variables are utilized. Marine Finance (MF) portfolio has two segments categorized by vessel type, and Structured Trade & Commodity Finance (STCF) portfolio has a single segment for all customers. For MF and TF portfolios, more tailored macroeconomic factors that better describe the specific business characteristics are utilized. While GDP (world, %), exports, goods, and services (world, %, yearly) and Brent Crude Oil Index change are used to get forward looking PD levels TF portfolio, Brent Crude Oil Index change, exports, goods, and services (world, %, yearly), and the Baltic Dry Index change are considered to predict the demand/supply balances and hence the credit risk profile of the MF portfolio, Forward looking adjustments are applied to nine years term structure construction of ECL parameters, PD and LGD, utilizing macroeconomic model outputs.

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

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

ECL Parameter	Portfolio	Variable
PD	Balance Sheet Lending & Commercial Real Estate - Turkey	Turkey Real GDP (% , yearly)
		Turkey Unemployment Rate (%)
	Balance Sheet Lending & Commercial Real Estate - Romania	Romania Real GDP (% , yearly)
		Romania Unemployment Rate (%)
	Balance Sheet Lending & Commercial Real Estate - Rest of the World	Eurozone Real GDP (% , yearly)
		Eurozone Unemployment Rate (%)
	Marine Finance - Tanker Segment	Exports, goods, and services (World, % , yearly)
		Brent Crude Price Index (% change)
	Marine Finance - Other Vessel Types	Exports, goods and services (World, % , yearly)
		Baltic Dry Index (% change)
Trade Finance -All	Exports, goods and services (World, % , yearly)	
	World Real GDP (% , yearly)	
		Brent Crude Price Index (% change)

In assessing information about possible future economic conditions, The Group utilizes multiple economic scenarios representing the base case, mild upside, and downside forecasts. In the base case scenario, a growth rate of 2% is anticipated in terms of real GDP for the world economy next year, marking the lowest growth since the global financial crisis, excluding the downturn triggered by the COVID-19 pandemic in 2020. Key factors contributing to this subdued growth include limited support from Chinese policymakers, who are implementing only moderate stimulus measures compared to their previous extensive efforts to address economic weaknesses. Meanwhile, the effects of prior interest rate increase in major advanced economies are expected to become more pronounced, further impacting economic conditions. In a mild upside scenario, the global economy is anticipated to witness a 4.1% growth in 2024, driven by increased spending from both consumers and businesses. Enhanced external demand contributes to improved export performance worldwide, providing additional support to corporate earnings and employment. The surge in demand also contributes to inflationary pressures, leading the ECB and other central banks across the world to implement policy tightening at a faster pace than initially assumed in our base case. Despite the accelerated policy rate increase, strong employment and income growth maintain confidence levels, supporting asset prices. Amid increased demand for loans and higher interest rates, economic gearing accelerates more rapidly than projected in the baseline scenario. On the other hand, the downside scenario considers current risks stemming from elevated inflation, increased interest rates, weakening domestic and global demand, and turbulence in financial markets. The subsequent recovery is subdued, as the combination of increased risk aversion, lower real incomes, and long-term scarring weigh heavily on the global economy. In response, central banks abandon their tightening cycles and begin to lower policy rates again.

Geopolitical uncertainties are expected to have limited impacts on the existing loan portfolio. Given the ongoing war between Russia and Ukraine, CEG has reduced its exposure within the region significantly and it adheres to its zero-risk appetite for new inflow. The remaining Russian and Ukrainian corporate exposures are all classified as Stage 3 with high coverages. Similarly, the recent tensions in the Middle East are deemed to have a very limited effect on CEG's marine and trade finance activities. The vessels financed by the Group are backed by robust sponsors/guarantors capable of providing support in distressed situations. Furthermore, a majority of the Group's clients either do not plan shipments in this area or prefer alternative routes over the Red Sea/Suez Canal.

The Group performs model monitoring analysis semi-annually and reviews all internal rating models together with the Point in Time PD calibrations. Furthermore, while the key assumptions used in the IFRS 9 ECL calculation process undergo periodic testing, the frequency of these tests can differ based on the nature of the analysis. The Group revisits its macroeconomic models every 3 years or in case of an existence of validation/back-testing findings. Due to the change in the IFRS 9 PD calculation methodology, all macro models and PD calibrations have been updated before 2023 year-end accordingly. Additionally, through the implementation of a more standardized methodology and the reduction of manual work required, the Group has doubled the frequency of its IFRS9 revision cycle, moving from an

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

annual update to a semi-annual update. PD calibrations and macroeconomic factor adjustments will be updated semi-annually.

After calculation of PD and LGD metrics on portfolio basis, CEG 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 PD of specific clients, overriding the LGD at individual borrower level and overriding stage transition of specific customers. All modelled results are closely scrutinized on a 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 a positive or a negative impact on ECL amount. For the 2023 end, 4 positive management overlays have been applied to the PDs of the performing customers, with provision impact amounting to EUR 0.58 million.

The Group performs several sensitivity analyses 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 2.77 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 a EUR 8.97 million increase in impairment. While this extreme scenario increases the PD levels, 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 the projections of macroeconomic variables by 5% under all three scenarios respectively. The third scenario has an impact of EUR 3.98 million provision increase whereas the fourth scenario results in a provision increase of EUR 2.11 million.

Calculation of Retail ECL

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 June 2023 and estimating marginal PDs 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 from 2015 to June 2023. 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 8 years.

For retail portfolio, in the statistical model utilized to calculate forward looking PDs, the key macro-economic variables are selected as GDP, unemployment rate, and work productivity. Inflation is excluded since it is found to be inversely correlated with the default rates. Forecasts for these variables are gathered from European Commission ([Economic forecast for Romania \(europa.eu\)](https://ec.europa.eu/economy_finance/)) and expert judgments.

Two sensitivity analyses were performed for retail exposures. Under the first analysis, the optimistic scenario was weighted by 100% in PD's, LGD's and Haircuts applied. This scenario has an impact of EUR 0.47 million release on consolidated impairment level. Under the second analysis, the pessimistic scenario was weighted by 100% in PD's, LGD's and Haircuts applied. This scenario has an impact of EUR 0.72 million increase on consolidated impairment level.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Stage Assignment

The staging assessment, especially for portfolios with longer tenor, has a significant impact on impairment calculation. The Group 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 Group groups its loans into Stage 1, Stage 2, and Stage 3, based on the applied impairment methodology, as described below:

Stage Assignment for Corporate Clients

Stage 1

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

Stage 2

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

- Credit Quality Deterioration
 - a. Warning Signals: CEG 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: CEG recognizes credit quality deterioration if the PD at impairment calculation date is relatively 338% higher than the PD at the value date of the credit-
 - c. PD is 14% or worse: In addition to a relative PD threshold used to compare the origination and current PDs, the Group 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-
- 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 least, credit experts review the entire corporate portfolio semi-annually to qualitatively assess whether any obligor and all of its exposures have significant credit quality deterioration.

Stage 3

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

Stage 3 exposures are defined as exposures that satisfy either or all 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 "unlikeliness to pay" definition at the Group 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,

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 forbore classification is discontinued and such an exposure is reclassified from Stage 2 to Stage 1 only after a two-year probation period and there are no concerns regarding the full repayment of the exposure.

Stage assignment for Retail Clients (SME and Individuals)

Stage 1

Fully performing credit exposures are classified as Stage 1. These are the exposures that are not past-due or past-due up to 30 days, and there is no "significant increase in credit quality deterioration" indicators as described in the corporate section.

Stage 2

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

- Credit Quality Deterioration
 - a. Warning Signals: CEG 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: CEG recognizes credit quality deterioration
 - b.1. if the PD at impairment calculation date is relatively 300% higher than the PD at the origination date of the credit if the loan had a PD at origination smaller than 3% or
 - b.2. if the PD at impairment calculation date is relatively 200% higher than the PD at the origination date of the credit if the loan had a PD at origination equal or bigger than 3%.
 - c. PD is 14% or worse: If the credit exposure has a PD of 14% or higher at impairment calculation date. (SME portfolio)
- Performing Forborne: performing forbore exposures are classified as Stage 2.
- Past-due 31 up to 90 days at CEBRO or past-due bigger than 60 days to other financial institutions
- The result of quarterly stress scenario regarding IRCC for individual loans portfolios have a DTI bigger than 45%
- DIP risk loans (loans for which a client could apply for Darea in Plata Law) with LTV bigger than 150%.

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 immovable property to the Group.

Stage 3

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

- material exposures which are more than 90 days past-due
- the debtor 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
- Forborne loans
- The client is in insolvency or bankruptcy procedures
- The Group started the legal execution procedures against the debtor
- mortgage clients who applied Darea in Plata Law in Romania (DIP law)

For retail exposures, the stage 3 allowance is calculated on collective basis with the following exceptions:

- a. For SME loans the allowance is calculated on an individual basis for exposures bigger than 250.00 EUR whereas

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- b. for retail exposures the allowance it is calculated on an individual basis for exposures bigger than 200.000 EUR.

Like corporate exposures, assets can move in both directions through the stages of the impairment model. The same probation or cure periods which are compliant with the EBA guidelines are applied for forbore and non-performing exposures to move between stages.

Write-offs

The Group writes off the NPLs that are recognized as unrecoverable. When there are no reasonable expectations of recovery, then the Group 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 a very low probability of happening.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

and rewards of ownership of the financial asset are transferred or in which the Group 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 Group 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 Group 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 Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group 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 Group 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 Group enters into master netting arrangements with counterparties wherever possible, and when appropriate, obtains collateral. The Group 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 Group 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, 2023 amounted to EUR - (2022: EUR 26,652). The Group does not intend to use these assets in its operations and pursues timely realisation of the collateral in an orderly matter.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

- 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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 Group, 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 Group 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 Group 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 Group 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 (valuation results and net trading income) 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 Group 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

For the year ended December 31, 2023

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

g) Loans and receivables

The Group 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:

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 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 Group is the lessor.

h) Derivatives held for trading

Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. CEG also offers products that are traded on the financial markets.

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 Group'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 'valuation results and net trading income'.

The Group designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedge accounting relationships. On initial designation of the hedge, the Group 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 Group 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 Group 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 CEG with the objective to manage the Group's interest rate and foreign currency exposures. From a hedge accounting point of view, the Group 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 'valuation results and net trading income' 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 Group 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 Group differentiates between micro and macro fair value hedging strategies, as set out under the relevant subheadings below.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

In accordance with its hedging strategy, the Group matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Group 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 Group's fixed rate deposits portfolio, although it is very low probability due to the nature of deposits, the ineffectiveness can also arise 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 Group 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 Group 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 Group applies macro fair value hedging to its fixed rate customer deposits. The Group 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 'valuation results and net trading income'. 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 Group'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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group has elected to transfer the revaluation surplus to retained earnings in full, upon disposal of the asset. Valuations are performed with sufficient frequency to

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

Other property and equipment are 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 Group 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 Group 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 Group 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 Group 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 Group 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Group'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 Group 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 Group'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 18.

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 Group 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 Group designates the loan commitments as financial liabilities at fair value through profit or loss,
- if the Group 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 Group 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 Group. 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 Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group 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 Group measures disaggregated revenue categories in note 22 'Net fee and commission income' and revenues from shipbuilding activities in note 26 'Other operating income' according to IFRS 15 "Revenue from Contracts with Customers". Relevant items in note 21 "Net interest income" and note 23 'Valuation results and net trading income' 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 Group 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/liability.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Group 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. Valuation results and net trading income

'Valuation results and net trading income' 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 'valuation results and net trading income' 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 Group 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 Group's performance does not create an asset with an alternative use to the Group and the Group has enforceable right to payment for performance obligation completed to date. The Group is 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 Group 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 Group.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

y) Dividends on ordinary shares

Dividends on ordinary shares of the Group are recognized as a liability and they are deducted from equity when the Group'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 Group 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 13-a 'Property and equipment' for details.

aa) Segment reporting

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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Changes in IFRS effective in 2023

a) Amendments and interpretations to standard are effective for annual periods beginning after 1 January 2023

The below new standards or amendments to standards that are effective, endorsed and adopted by the EU for annual periods beginning after 1 January 2023, have been assessed by the Group and those don't have impact on the consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

New standards and interpretations not yet adopted

A number of new amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming amended standards in preparing these consolidated financial statements.

The following amendments to standards are effective and endorsed by the EU for annual periods beginning after 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

The Group is assessing the expected impact of adopting this standard on its consolidated financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

The Group is assessing the expected impact of adopting this standard on its consolidated financial statements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

The Group is assessing the expected impact of adopting this standard on its consolidated financial statements.

Notes to Consolidated Financial Statements

4. Segment information

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

The Group has five (2022: five) reportable segments (described below), which are the Group'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 Group'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 Turkey.

Measurement of segment assets and liabilities, and segment income and results are based on the Group'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 GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4. Segment information (continued)

	December 31, 2023					
	West Europe Retail	West Europe Wholesale	Romania Retail	Romania Wholesale	Other	Total
Interest income – external	1,718	262,053	31,044	20,624	5,009	320,448
Interest income – other segments	-	8,182	-	321	-	8,503
Interest revenue	1,718	270,235	31,044	20,945	5,009	328,951
Interest expenses – external	-	(98,198)	(14,075)	(6,624)	(1,675)	(120,572)
Interest expense – other segments	-	(6,662)	-	(676)	(1,165)	(8,503)
Interest expense	-	(104,860)	(14,075)	(7,300)	(2,840)	(129,075)
Net interest income	1,718	165,375	16,969	13,645	2,169	199,876
Net commission income – external	73	39,943	4,764	624	(27)	45,377
Net commission income – other segments	-	219	33	(23)	(229)	-
Revenue from repossessed assets	-	1,446	316	-	32,122	33,884
Trading and other income	-	(41,585)	956	3,647	806	(36,176)
Net impairment loss on financial assets	-	5,512	(4,394)	1,815	899	3,832
Depreciation and amortization expense	(78)	(3,755)	(2,875)	(1,638)	(2,072)	(10,418)
Other operating expenses	(1,886)	(76,493)	(18,648)	(13,093)	(2,036)	(112,156)
Expenses related to repossessed assets	-	(4,713)	(148)	(84)	(30,070)	(35,015)
Share of profit of associate	-	-	-	-	(135)	(135)
Operating profit before taxes	(173)	85,949	(3,027)	4,893	1,427	89,069
Income tax expense	56	(25,885)	(253)	(640)	(1,332)	(28,054)
Profit for the year	(117)	60,064	(3,280)	4,253	95	61,015
Other information at 31 December 2023 - Financial position						
Total assets	15,282	4,739,154	299,091	444,424	100,722	5,598,673
Total liabilities	2,391,378	2,014,717	230,627	264,816	40,231	4,941,769
Assets held for sale	-	1,989	-	-	-	1,989
Other information at 31 December 2023 - Income statement						
Reversal of impairment allowances no longer required	73	1,822	514	1,064	1,083	4,556

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4. Segment information (continued)

	December 31, 2022					
	West Europe Retail	West Europe Wholesale	Romania Retail*	Romania Wholesale	Other	Total
Interest income – external	1,592	134,903	19,435	21,079	3,017	180,026
Interest income – other segments	-	8,565	-	109	5	8,679
Interest revenue	1,592	143,468	19,435	21,188	3,022	188,705
Interest expenses – external	-	(40,364)	(8,711)	(4,151)	(475)	(53,701)
Interest expense – other segments	-	(5,872)	-	(1,154)	(1,653)	(8,679)
Interest expense	-	(46,236)	(8,711)	(5,305)	(2,128)	(62,380)
Net interest income	1,592	97,232	10,724	15,883	894	126,325
Net commission income – external	232	23,006	4,840	681	84	28,843
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	-	(5,805)	4,501	(771)	445	(1,630)
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)	(64,173)	(15,737)	(14,368)	(3,258)	(98,343)
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	41,341	7,568	1,257	(8,803)	42,359
Income tax expense	(319)	(3,128)	(1,355)	(757)	(232)	(5,791)
Profit for the year	677	38,213	6,213	500	(9,035)	36,568
Other information at 31 December 2022 - Financial position						
Total assets	16,570	3,849,922	312,294	620,677	76,899	4,876,362
Total liabilities	2,065,674	1,582,662	265,926	328,258	30,644	4,273,164
Assets held for sale	-	19,413	-	-	-	19,413
Other information at 31 December 2022 - Income statement						
Reversal of impairment allowances no longer required	416	8,645	3,491	1,041	(25)	13,568

Information about major customers

As of December 31, 2023, there is no single customer revenues from which individually exceeded 10% of total revenue (December 31, 2022: None).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5. Cash and balances at central banks

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

	December 31, 2023	December 31, 2022
Balances with central banks	1,624,603	1,090,112
Cash on hand	14,817	13,581
Total	1,639,420	1,103,693

Deposits at central banks include reserve deposits amounting to EUR 36,370 (2022 EUR 36,543), which represents the mandatory deposit and is not available in the Group's day-to-day operations.

Reconciliation of cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash and balances at central banks	1,639,420	1,103,693
Less: reserve deposits at central banks	(36,370)	(36,543)
Cash and cash equivalents in the statement of cash flows	1,603,050	1,067,150

6. Financial assets at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets held for trading		
Trading loans	138,289	29,885
Corporate bonds	15,694	-
Government bonds	13,334	36,774
Bank bonds	4,472	-
Total financial assets held for trading	171,789	66,659
Non- trading financial assets mandatorily at FVTPL		
Loans to customers	22,241	24,973
Equity instruments	3,674	3,001
Total non-trading financial assets mandatorily at FVTPL	25,915	27,974
Total financial assets at fair value through profit or loss	197,704	94,633

As of December 31, 2023, EUR 37,173 (2022 EUR 39,774) are listed financial instruments and EUR 160,531 (2022: EUR 54,859) are non-listed financial instruments.

As of December 31, 2023, there are no financial asset that have been sold or re-pledged under repurchase agreements (2022: None).

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

CREDIT EUROPE GROUP N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2023**

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

December 31, 2023			
	Financial assets held for trading	Non trading financial assets	Total
Balance at the beginning of the year	66,659	27,974	94,633
Additions	638,105	-	638,105
Disposals (sale, collection and redemption)	(539,301)	(4,864)	(544,165)
Net interest income	4,383	1,010	5,393
Net changes in fair value	1,795	1,662	3,457
Exchange differences	148	133	281
Balance at the end of the year	171,789	25,915	197,704

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)	(532,489)	(7,839)	(540,328)
Net interest income	4,290	1,142	5,432
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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

7. Financial investments

	December 31, 2023	December 31, 2022
Financial investments at FVOCI	322,059	314,782
Financial investments at amortized cost	60,878	61,470
Total	382,937	376,252

As of December 31, 2023, EUR 191,412 financial assets may have been sold or re-pledged under repurchase agreements (2022: EUR 58,021). 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 Group acts as an intermediary.

	December 31, 2023	December 31, 2022
Government bonds	304,688	262,659
Loans and advances	39,353	53,088
Bank bonds	18,830	19,802
Equities	11,795	10,997
Corporate bonds	8,271	29,706
Total	382,937	376,252

As of December 31 2023, EUR 339,297 (2022: EUR 319,467) of the total are listed financial instruments and EUR 43,640 (2022: EUR 56,786) are non-listed financial instruments.

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

The Group's equity investments as of December 31, 2023 and December 31, 2022 are listed as below:

December 31, 2023			
Name of the investment	Carrying amount	Dividend recognized during the period	Valuation
Rabo49 - CET 1 perpetual bond	4,726	149	Based on quoted market prices
Other	7,069	441	Based on quoted market prices
Total	11,795	590	

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	

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The movement in investment securities may be summarized as follows:

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	376,252	693,291
Additions	272,514	760,401
Disposals (sale and redemption)	(270,064)	(1,011,000)
Net changes in fair value	11,785	(48,141)
Amortization	(7,994)	(7,604)
Transfers into other financial asset classes	-	(4,538)
Exchange differences	444	(6,157)
Balance at the end of the year	382,937	376,252

8. Loans and receivables – banks

	December 31, 2023	December 31, 2022
Placements with other banks	259,686	312,223
Loans and advances	61,825	149,198
Subtotal	321,511	461,421
Allowances for expected credit losses	(161)	(879)
Total	321,350	460,542

Placements with other banks that serve as collateral for derivative transactions and are not freely disposable amount to EUR 16,298 (2022: EUR 29,409).

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, 2023	461,421	(879)	-	-	-	-	461,421	(879)
Originated or purchased	448,984	(204)	-	-	-	-	448,984	(204)
Matured or sold	(612,331)	922	-	-	-	-	(612,331)	922
Re-measurement	22,872	-	-	-	-	-	22,872	-
Exchange differences	565	-	-	-	-	-	565	-
At December 31, 2023	321,511	(161)	-	-	-	-	321,511	(161)

	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
At January 1, 2022	283,610	(196)	-	-	-	-	283,610	(196)
Originated or purchased	571,937	(884)	-	-	-	-	571,937	(884)
Matured or sold	(402,249)	201	-	-	-	-	(402,249)	201
Re-measurement	7,935	-	-	-	-	-	7,935	-
Exchange differences	188	-	-	-	-	-	188	-
At December 31, 2022	461,421	(879)	-	-	-	-	461,421	(879)

For the year ended December 31, 2023

9. Derivative financial instruments

In the ordinary course of business, the Group 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, 2023			December 31, 2022		
	Notional amount	Carrying value assets	Carrying value liabilities	Notional amount	Carrying value assets	Carrying value liabilities
<i>Derivatives held for trading</i>						
Interest rate swaps	140,867	974	967	583,869	11,042	11,042
Interest rate options (purchased)	80,500	1,101	-	-	-	-
Interest rate options (sold)	(80,500)	-	1,101	-	-	-
Foreign currency swaps	350,626	37,221	37,119	154,183	25,099	23,600
Foreign currency forwards	174,321	2,768	2,424	178,315	6,643	6,060
Foreign currency futures	40,165	-	343	-	-	-
Foreign currency options (purchased)	86,380	1,793	-	200,643	12,986	-
Foreign currency options (sold)	(86,380)	-	1,801	(199,987)	-	12,977
Commodity options (purchased)	303,559	17,081	-	-	-	-
Commodity options (sold)	(303,559)	-	17,084	-	-	-
Equity options (purchased)	-	-	-	8,093	1,223	-
Equity options (sold)	-	-	-	(8,093)	-	1,223
Commodity swaps	48,829	3,242	2,963	11,458	691	501
Total	754,808	64,180	63,802	928,481	57,684	55,403
<i>Derivatives in economic hedge relationship</i>						
Interest rate swaps	3,000	87	86	3,000	120	119
Foreign currency swaps	2,181,603	38,817	48,428	1,423,111	45,137	53,010
Forwards	54,310	27	73	123,504	942	932
Total	2,238,913	38,931	48,587	1,549,615	46,199	54,061
<i>Derivatives in fair value hedge accounting relationships</i>						
Interest rate swaps	1,612,354	784	5,270	641,419	7,011	22,633
Total	1,612,354	784	5,270	641,419	7,011	22,633
<i>Derivatives in net investment hedge accounting relationship</i>						
Foreign currency swaps	321,381	6,320	18,918	408,907	2,029	11,333
Total	321,381	6,320	18,918	408,907	2,029	11,333
Total Derivatives	4,927,456	110,215	136,577	3,528,422	112,923	150,548

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Derivative financial instruments held or issued for trading purposes: A financial asset is held for trading if the Group 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 Group's derivatives in economic hedge relationships relate to asset and liability management of the Group and deals with customers who are normally laid off with counterparties. Included in this classification are any derivatives entered into by the Group 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 Group 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 Group 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 Group's value or income to fluctuate.

The Group 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 Group's strategy and risk appetite. In addition, for specific loans, the Group hedges the changes in the fair value of the foreign currency denominated loans relating to changes in foreign currency exchange rates.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023	Carrying amount of hedged items		Accumulated amount of fair value adj. on the hedged items	
	Assets	Liabilities	Assets	Liabilities
<i>Micro fair value hedges</i>				
Fixed rate corporate loans	40,267	-	95	-
Fixed rate FVOCI debt instruments	30,033	-	757	-
Fixed rate subordinated liabilities	-	139,852	-	483
Subtotal	70,300	139,852	852	483
<i>Portfolio fair value hedges</i>				
Fixed rate customer deposits	-	1,416,004	-	4,607
Subtotal	-	1,416,004	-	4,607
Total	70,300	1,555,856	852	5,090

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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The following table sets out the outcome of the Group'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, 2023		Gains /(losses) attributable to the hedged risk	Hedge ineffectiveness
Hedged Items	Hedging Instruments	Hedged Items	Hedging Instruments
Micro fair value hedge relationships			
<i>hedging assets</i>			
Fixed rate corporate loans	Interest rate swaps	(95)	71
Fixed rate FVOCI debt instruments	Interest rate swaps	6,361	(6,250)
Subtotal		6,266	(6,179)
Micro fair value hedge relationships			
<i>hedging liabilities</i>			
Fixed rate subordinated liabilities	Interest rate swaps	483	(417)
Subtotal		483	(417)
Total micro fair value relationships		6,749	(6,596)
Portfolio fair value hedge relationships			
Fixed rate customer deposits	Interest rate swaps	(17,609)	17,779
Subtotal		(17,609)	17,779
Total portfolio fair value hedge relationships		(17,609)	17,779
Total		(10,860)	324
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			
<i>hedging assets</i>			
Fixed rate corporate loans	Foreign currency contracts	5,890	(6,019)
Fixed rate FVOCI debt instruments	Interest rate swaps	(4,177)	4,075
Subtotal		1,713	(1,944)
Micro fair value hedge relationships			
<i>hedging liabilities</i>			
Fixed rate subordinated liabilities	Interest rate swaps	2,527	(3,206)
Subtotal		2,527	(3,206)
Total micro fair value relationships		4,240	(902)
Portfolio fair value hedge relationships			
Fixed rate customer deposits	Interest rate swaps	22,548	(22,906)
Subtotal		22,548	(22,906)
Total portfolio fair value hedge relationships		22,548	(358)
Total		26,788	(1,260)

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

December 31, 2023	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fixed rate corporate loans						
Interest rate swaps			-	26,543	20,000	46,543
Fixed rate FVOCI debt instruments	-					
Interest rate swaps			-	6,063	34,769	40,832
Fixed rate subordinated liabilities	-					
Interest rate swaps			45,249	45,249	-	90,498
Fixed rate customer deposits	-					
Interest rate swaps	43,550	79,599	572,449	537,066	201,817	1,434,481
Total	43,550	79,599	617,698	614,921	256,586	1,612,354

December 31, 2022	Less than 1 month	1 to 3 months	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

CREDIT EUROPE GROUP N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2023***-Net investment hedges*

The objective is to protect net asset values of foreign investments of the Group 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 Group (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 Group's activities in relation to hedges of its net investment in foreign operations against foreign exchange movements are as follows:

	December 31, 2023	
Investments in subsidiaries functional currency of which is:	Change in fair value of hedged item for ineffectiveness assessment	Translation reserve
USD	(281)	345
RON	6,682	(1,076)
CHF	6,766	9,307
UAH	-	(536)
Total	13,167	8,040

	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

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

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

December 31, 2023	Carrying amount of hedging instruments			Changes in fair value of hedging instruments used for net investment hedge		
				Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
Net investment hedges	Notional amount	Assets	Liabilities			
USD swaps	17,502	900	287	281	-	281
RON swaps	146,911	2,899	7,074	(6,682)	-	(6,682)
CHF swaps	156,968	2,521	11,557	(6,766)	-	(6,766)
Total	321,381	6,320	18,918	(13,167)	-	(13,167)

December 31, 2022	Carrying amount of hedging instruments			Changes in fair value of hedging instruments used for net investment hedge		
				Effective portion recognized in OCI	Hedge ineffectiveness recognized in income statement	Total
Net investment hedges	Notional amount	Assets	Liabilities			
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)

CREDIT EUROPE GROUP N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2023**

The maturity profile of notional amounts of the Group'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	-	17,502	-	17,502
RON swaps	48,204	22,412	76,295	146,911
CHF swaps	116,287	-	40,681	156,969
Total at December 31, 2023	164,491	39,914	116,976	321,381

Hedging Instruments	Less than 1 month	1 to 3 months	3 to 12 months	Total
USD swaps	-	10537	-	10537
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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10. Loans and receivables – customers

	December 31, 2023	December 31, 2022
Commercial loans	2,276,872	2,215,502
Consumer loans	205,376	231,937
Public sector loans	185,381	-
Credit card loans	99,038	89,397
Finance lease receivables, net	3,501	4,366
Private banking loans	-	69
Subtotal	2,770,168	2,541,271
Allowances for expected credit losses	(48,987)	(71,966)
-Commercial loans	(26,509)	(48,325)
-Consumer loans	(20,691)	(22,924)
-Credit card loans	(1,787)	(717)
Total	2,721,181	2,469,305

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

Details of finance lease receivables are summarized below:

	December 31, 2023	December 31, 2022
Not later than 1 year	1,081	1,081
Later than 1 year and not later than 5 years	2,617	3,601
Gross lease receivables	3,698	4,682
Not later than 1 year	(91)	(118)
Later than 1 year and not later than 5 years	(106)	(198)
Unearned interest income	(197)	(316)
Finance lease receivables, net	3,501	4,366

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

11. Loans to customers, impairment charges and allowances

	December 31, 2023							
	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Balance at 1 January	2,111,761	(9,446)	257,899	(19,544)	171,611	(42,976)	2,541,271	(71,966)
Originated or purchased	1,526,160	(2,566)	5,190	(68)	-	-	1,531,350	(2,634)
Matured or sold	(1,110,486)	1,759	(27,086)	(52)	(34,486)	1,933	(1,172,058)	3,640
Transfers to Stage 1	98,604	(4,840)	(95,773)	3,885	(2,831)	955	-	-
Transfers to Stage 2	(34,430)	436	72,542	(2,950)	(38,112)	2,514	-	-
Transfers to Stage 3	(307)	3	(4,646)	309	4,953	(312)	-	-
Re-measurement	(102,080)	5,772	(6,782)	1,631	3,527	(11,644)	(105,335)	(4,241)
Amounts written off	-	-	-	2,310	(25,078)	26,844	(25,078)	29,154
Exchange differences	23	(55)	(5)	(35)	-	(2,850)	18	(2,940)
Balance at year end	2,489,245	(8,937)	201,339	(14,514)	79,584	(25,536)	2,770,168	(48,987)

	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	2,317,375	(10,251)	267,092	(21,546)	196,302	(26,366)	2,780,769	(58,163)
Originated or purchased	1,283,603	(3,651)	18,318	(372)	11,384	(909)	1,313,305	(4,932)
Matured or sold	(1,289,807)	2,886	(81,395)	5,324	(39,294)	5,157	(1,410,496)	13,367
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	(101,209)	(1,299)	(29,189)	1,010	(10,153)	(16,909)	(140,551)	(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	2,111,761	(9,446)	257,899	(19,544)	171,611	(42,976)	2,541,271	(71,966)

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

	January 1- December 31, 2023			January 1- December 31, 2022	
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers at amortized cost	1,221	2,191	(248)	3,164	(2,850)
Loans to banks at amortized cost	654	-	-	654	(503)
Debt securities	100	-	-	100	159
Credit related commitments (non-cash loans)	(103)	-	17	(86)	(200)
Net impairment loss on financial instruments	1,872	2,191	(231)	3,832	(3,394)

EUR 17,839 ‘Loans and receivables’ written off during the year (2022: None), which is still subject to enforcement activity.

12. Other assets and inventories

	December 31, 2023	December 31, 2022
Reposessed assets classified as inventories*	30,577	34,562
Contract assets	27,006	11,734
Materials and supplies	13,236	2,700
Prepayments to suppliers	8,701	10,231
Receivables from DSB	6,259	6,259
POS, plastic cards and ATM related receivables	1,906	3,703
Accounts receivable	172	3,781
Other assets **	6,657	7,257
Total	94,514	80,227

(*) Reposessed assets classified as inventories includes land, commercial and residential real estate amounting to EUR 24.6 million (2022: EUR 28.6 million), and recreational boats amounting to EUR 6 million (2022: EUR 6 million).

(**) Includes EUR 2.2 million (2022: EUR 2.4 million) “Cash collateral given” and EUR 1.2 million (2022: EUR: 1 million) “Operational tax receivables”.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

13. 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, 2023	53,763	8,839	481	1,869	1,915	66,867
Additions	1,537	1,355	355	134	43	3,424
Disposals	(1,791)	(346)	(24)	-	-	(2,161)
Revaluation*	(824)	-	-	-	-	(824)
Depreciation	(3,994)	(1,302)	(141)	(399)	(1,061)	(6,897)
Currency translation differences	(609)	26	(3)	116	(53)	(523)
Balance at December 31, 2023	48,082	8,572	668	1,720	844	59,886
Cost	95,085	52,191	6,543	4,671	14,052	172,542
Cumulative depreciation and impairment	(47,003)	(43,619)	(5,875)	(2,951)	(13,208)	(112,656)
Balance at December 31, 2023	48,082	8,572	668	1,720	844	59,886

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

The recoverable amount of CGU was based on fair value, using independent valuation report. Blend of income (50% weight), market and cost approaches were 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023

	Key assumptions		Impact of consequential 1% adverse movement in	
	Terminal growth rate	Discount rate	Terminal growth rate	Discount rate
Shipyard (Turkey)	2.40%	17.87%	534	540

December 31, 2022

	Key assumptions		Impact of consequential 1% adverse movement in	
	Terminal growth rate	Discount rate	Terminal growth rate	Discount rate
Shipyard (Turkey)	2.00%	20.6%	367	323

(*) Land and buildings of Atlas Tersanecilik are measured at Level 3. Please refer to Note 31 'Fair value hierarchy' for significant unobservable inputs.

The Group is using revaluation model for fair value measurement of its buildings. If the properties were continued to be measured using the cost model, the carrying amounts would have been EUR 48,023.

Fair value measurement disclosures for the revalued buildings are provided in Note 31.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The Group does not have any restrictions on title, and property and equipment pledged as security for liabilities (2022: None). The Group does not have any contractual commitments for the acquisition of property and equipment.

As of December 31, 2023, collaterals repossessed in property and equipment is EUR 24,102 (2022: EUR 26,652).

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

	Right-of-use assets				Total	December 31, 2023
	Land and Buildings	Vehicles	Furniture and Fixtures	Other		Lease Liabilities
As at 1 January 2023	11,026	84	136	66	11,312	11,089
Additions	1,450	182	315	3	1,950	2,006
Disposals	(1,033)	-	-	(1)	(1,034)	(553)
Depreciation expense	(2,336)	(61)	(97)	(21)	(2,515)	-
Interest expense	-	-	-	-	-	78
Payments	-	-	-	-	-	(3,088)
Currency translation differences	220	-	-	-	220	156
As at 31 December 2023	9,327	205	354	47	9,933	9,688

	Right-of-use assets				Total	December 31, 2022
	Land and Buildings	Vehicles	Furniture and Fixtures	Other		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	-	-	-	-	-	(2,481)
Currency translation differences	-	-	-	-	-	(354)
As at 31 December 2022	11,026	84	136	66	11,312	11,089

As of December 31, 2023 the Group recognised rent expense from short-term leases at amount of EUR 169 (2022: EUR 229). There is no rent expense from leases of low value assets (2022: None).

B. Investment property

Reconciliation of carrying amount

	December 31, 2023	December 31, 2022
Balance at 1 January	3,760	2,856
Changes in unrealized fair value	-	776
Currency translation differences	(96)	128
Balance at 31 December	3,664	3,760

Investment properties are classified as Level 3 in terms of fair value hierarchy.

As of December 31, 2023, the amount of accumulated change in unrealized fair value is EUR 62 negative (2022: EUR 62 negative).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

14. Intangible assets

The movement of intangibles is summarized as follows:

	Software and licenses	
Balance at January 1, 2023		7,892
Additions		5,559
Amortization		(3,521)
Currency translation differences		(11)
Balance at December 31, 2023		9,919
Cost		21,813
Cumulative amortization		(11,894)
Balance at December 31, 2023		9,919
	Software and licenses	
Balance at January 1, 2022		7,120
Additions		3,341
Amortization		(2,558)
Currency translation differences		(11)
Balance at December 31, 2022		7,892
Cost		16,254
Cumulative amortization		(8,362)
Balance at December 31, 2022		7,892

15. Due to banks

	December 31, 2023	December 31, 2022
Time deposits	437,395	300,746
Current accounts	78,084	150,512
Total	515,479	451,258

The amount of repo transactions in time deposits is EUR 191,578 (2022: EUR 58,021).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

16. Due to customers

	December 31, 2023	December 31, 2022
Retail time deposits	1,813,885	1,244,218
Retail saving and demand deposits	831,963	1,073,066
Corporate demand deposits	793,234	801,320
Corporate time deposits	591,130	275,884
Total	4,030,212	3,394,488

As of December 31, 2023, the Group maintained customer deposit balances of EUR 41,803 (2022: EUR 71,105), which were pledged to the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

As of December 31, 2023, EUR 1,181,612 (2022: EUR 1,187,616) of deposits from customers are expected to be settled in more than 12 months after the balance sheet date.

17. Other liabilities

	December 31, 2023	December 31, 2022
Advances from customers	20,528	13,956
Lease liabilities	9,688	11,089
Accrued expenses	6,432	4,207
Items in the course of settlement	2,797	5,410
Credit card payables	2,735	2,625
Other liabilities*	10,766	10,022
Total	52,946	47,309

(*) Includes EUR 3.1 million (2022: EUR 2.4 million) "Operational tax payables" and EUR 2.4 million (2022: EUR 1.7 million) "Payables to suppliers".

18. Provisions

	December 31, 2023	December 31, 2022
Litigation (*)	2,835	3,122
Staff related	7,451	5,372
- <i>Employee termination benefits</i>	690	128
- <i>Variable remunerations</i>	4,907	2,348
- <i>Vacation pay liability</i>	1,685	1,653
- <i>Other</i>	169	1,243
Credit related commitments	2,271	2,268
Other	39	61
Total	12,596	10,823

(*) Provision set for litigations regarding abusive clauses in consumer contracts in which the Group's and the Group's subsidiary, Credit Europe Bank (Romania) SA, are involved as of December 31, 2023. Further details are provided in Note 33: Commitments and Contingencies.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The table below presents movement in total provisions:

	December 31, 2023			
	Litigation	Staff related	Credit related commitments	Other
At January 1, 2023	3,122	5,372	2,268	61
Addition	319	4,987	80	-
Provisions used during the period	-	(2,605)	-	(21)
Reversal	(608)	(319)	(62)	(6)
Currency translation differences	2	16	(16)	5
At December 31, 2023	2,835	7,451	2,271	39

	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

19. 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 Group and other Group companies.

	Maturity Date	First possible call date	December 31, 2023	December 31, 2022
USD 136.2 million subordinated notes with a fixed interest rate of 9.62 % p.a.	May-24	May-24	124,325	141,802
USD 50 million AT1 instrument with a fixed interest rate of 10.27% p.a.	Perpetual	Jun-24	45,325	46,930
USD 17 million Tier II loan with a fixed interest rate of 12.81 % per annum	Perpetual		-	15,679
Total			169,650	204,411

(*) Original principal amount was USD 150 million. USD 13.8 million was bought back in November 2023.

Changes in liabilities arising from financial activities

	December 31, 2023	December 31, 2022
Subordinated loans		
Balance at the beginning of the year	204,411	191,663
Repayments	(28,288)	-
Interest expense	18,523	16,952
Interest paid	(18,529)	(16,394)
Change in fair value	(483)	-
Foreign exchange movement	(5,985)	12,190
Balance at year end	169,650	204,411

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

20. Equity

	December 31, 2023	December 31, 2022
Share capital	550,000	550,000
Retained earnings*	264,903	248,677
Tangible revaluation reserve	(92)	(16)
Fair value reserve	(5,383)	(27,472)
Foreign currency translation reserve	(50,913)	(72,294)
Net investment hedge reserve	(116,891)	(97,409)
Equity attributable to owners of the Parent Company	641,624	601,486
Equity attributable to non-controlling interests	15,280	1,712
Total equity	656,904	603,198

(*) In April 2023 the Group paid a dividend of EUR 4.6 million to its direct shareholder, based on the previous year's performance. In October 2023 and December 2023, the Bank paid interim dividends amounting to EUR 19.9 and EUR 7.6 million respectively to its direct shareholders.

As of December 31, 2023, the authorized share capital is EUR 1,000 million (2022: EUR 1,000 million) and consists of EUR 1,000 million (2022: EUR 1,000 million) ordinary shares with a face value of EUR 1. The called-up and paid-in capital consists of 550 million (2022: 550 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Non-Controlling Interest (NCI) in subsidiaries

On September 1, 2023, the Group's subsidiary Credit Europe Bank N.V. signed an agreement with a third party regarding the sale of its 49% stake in Atlas Tersanecilik Sanayi ve Ticaret A.S. consideration of USD 13.7 million. The transaction was completed in the third quarter which resulted in around EUR 0.8 million loss.

The following table summarizes the information relating to the calculation of NCI for Atlas Tersanecilik:

NCI Percentage:	49%
Loans and receivables – banks	615
Property and equipment	24,102
Other assets	45,049
Due to banks	20,065
Other liabilities	21,973
Net Assets	27,728
Carrying Amount of NCI	13,587
Profit	252.5
Total Comprehensive Income	252.5
Profit Allocated to NCI	399

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

21. Net interest income

	January 1- December 31, 2023	January 1- December 31, 2022
Interest income from financial instruments measured at amortized cost and FVOCI	308,635	172,737
Loans and receivables – customers*	236,123	152,569
Cash and balances at central banks	35,715	2,668
Loans and receivables – banks	23,022	9,480
Financial investments	13,657	7,873
Interest on financial lease	118	147
Interest income from financial instruments measured at FVTPL	11,813	7,289
Financial assets held for trading	10,803	6,147
Non-trading financial assets mandatorily at FVTPL	1,010	1,142
Subtotal	320,448	180,026
Interest expense from financial instruments measured at amortized cost	120,572	53,701
Due to customers	77,525	26,221
Subordinated liabilities	24,593	15,349
Due to banks	18,376	11,296
Lease liabilities	78	66
Cash and balances at central banks	-	769
Subtotal	120,572	53,701
Total	199,876	126,325

* Reference is made to Note 2-f ‘Comparative Information’

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

22. Net fee and commission income

	January 1- December 31, 2023	January 1- December 31, 2022
Fee and commission income		
Portfolio and other management fees	19,147	1,919
Letters of credit commissions	14,462	15,181
Credit card fees	6,843	6,557
Cash loan fees*	1,734	2,901
Commission on account maintenance	1,649	1,825
Payment and transaction services fees	1,323	1,830
Other fees and commissions	4,457	2,856
Subtotal	49,615	33,069
Fee and commission expense		
Credit card fees	2,801	2,780
Payment and transaction services expense	453	514
Other fee and commission expenses	984	932
Subtotal	4,238	4,226
Total	45,377	28,843

* Reference is made to Note 2-f 'Comparative Information'

23. Valuation results and net trading income

	January 1- December 31, 2023	January 1- December 31, 2022
Interest rate derivatives	4,346	15,400
Trading loans	3,455	4,827
Non trading financial assets mandatorily at FVTPL	1,662	(1,978)
Derivative financial instruments - hedge accounting	324	(1,260)
Debt securities	109	(587)
Foreign exchange	(6,156)	16,539
Subtotal	3,740	32,941
Derivative financial instruments - not qualifying for hedge accounting	(37,196)	(25,965)
<i>of which interest component</i>	(49,776)	(20,754)
<i>of which MTM component</i>	(1,495)	(713)
<i>of which FX component</i>	14,074	(4,498)
Total	(33,456)	6,976

(*) Hedge ineffectiveness result. Refer to Note 9 'Derivatives' for details.

CREDIT EUROPE GROUP N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2023****24. Net results on derecognition of financial assets measured at amortized cost**

As of December 31, 2023, there is no (2022: EUR 2,435 loss) transaction gain or loss is recognized.

25. Net results from investment securities

	January 1- December 31, 2023	January 1- December 31, 2022
Net gain from disposal of debt instruments at FVOCI	(4,136)	(15,202)
Total	(4,136)	(15,202)

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

26. Revenue from repossessed assets and other operating income***i. Revenue from repossessed assets***

	January 1- December 31, 2023	January 1- December 31, 2022
Revenue from shipbuilding activities	32,122	20,600
Gain on disposal of repossessed assets	1,762	10,311
Shipping charter and freight income	-	12,527
Total	33,884	43,438

The revenue in the table above relates to assets that the Group has repossessed as part of the foreclosure of collateral. In the efforts to maximize the proceeds, the Group operates these assets while optimizing their performance before selling them. As of December 31, 2023 the total amount of work in progress relating to the shipbuilding activities amounts to EUR 0.9 million, whereas EUR 18.5 million in advance payments was received.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

	January 1- December 31, 2023	January 1- December 31, 2022
Revenue from repossessed assets	33,884	43,438
Direct materials used in shipbuilding activities	14,677	7,133
Other expenses associated with shipbuilding activities	12,605	8,494
Employee expenses	2,788	2,191
Vessels running costs	-	8,268
Other (Incl. losses from disposal of repossessed assets)	4,945	13,037
<u>Expenses related to repossessed assets</u>	<u>35,015</u>	<u>39,123</u>
Depreciation	1,950	3,763
Net impairment result (Note 29)	1,335	2,237
<u>Expenses related to repossessed assets recognized in other PL items</u>	<u>3,285</u>	<u>6,000</u>
Net result (pre-tax)	(4,416)	(1,685)

ii. Other operating income

	January 1- December 31, 2023	January 1- December 31, 2022
Dividend income	590	5,183
Net monetary gain*	-	1,522
Change in fair value of investment property	-	790
Other income	826	1,536
Total	1,416	9,031

(*) Net monetary gain reflecting the IAS 29 hyperinflation impact in Turkey related to the indexation of Turkey's subsidiaries' statement of financial position.

27. Personnel expenses

	January 1- December 31, 2023	January 1- December 31, 2022
Wages and salaries	55,103	51,844
Social security payments	4,818	4,918
Retirement benefit costs	2,711	1,108
Other employee costs	8,292	6,111
Total	70,924	63,981
Average number of employees	1,013	1,051
– Netherlands	234	217
– Foreign countries	779	834

The retirement benefit costs of EUR 2,174 (2022: EUR 1,989) relates to a defined contribution plan. The Group has no defined benefit program. The assets of the schemes are held separately from those of the Group in funds under the control of insurance companies.

CREDIT EUROPE GROUP N.V.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2023****28. Operating expenses**

	January 1- December 31, 2023	January 1- December 31, 2022
Professional fees and consultancy	6,198	5,970
Net monetary loss*	4,665	-
Communication and information expenses	3,395	3,421
Contributions and subscriptions	3,204	2,512
Rent and maintenance expenses	3,152	3,096
Information technology expenses	3,145	3,276
Supervision fees	1,861	1,887
Taxes other than income	1,739	1,592
Legal services expenses	1,455	1,641
Stationary, office supplies and printing expense	932	1,012
Fines and penalties**	724	630
Provision losses	172	731
Other expenses***	8,142	5,991
Total	38,784	31,759

(*) Net monetary loss reflecting the IAS 29 hyperinflation impact in Turkey related to the indexation of Turkey's subsidiaries' statement of financial position.

(**) Mainly related to residential mortgage portfolio.

(***) Other operating expenses mainly consist of security, insurance, advertising & marketing, cleaning, travel & transport related expenses.

29. Other impairment losses

	January 1- December 31, 2023	January 1- December 31, 2022
Reposessed assets classified as inventories	1,335	2,237
Property and equipment*	1,113	366
Total	2,448	2,603

(*) EUR 1,113 (2022: EUR 366) impairment recognised in 2023 is presented under "West Europe Wholesale" geographical segment in Note 4: Segment information.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

30. 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 2023. 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 2023, tax losses can 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, CEB 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 tax rate for current and deferred tax is 16% (2022: 16%). The effective tax rate as at 31 December 2023 is 16%. Starting 1 January 2024, credit institutions are required to pay an additional tax on turnover. The turnover tax rate is 2% for the years 2024-2025 and 1% starting 1 January 2026. Also, starting 2024, 70% of the tax losses can be carried forward to be offset against future profits for five years. Taxpayers must file their corporate income tax returns by 25 March of the year following the tax year to which they relate. A transfer pricing documentation file must be prepared on an yearly basis by all large taxpayers that have related party transactions exceeding certain thresholds, no later than the annual corporate income tax returns filing deadline (i.e. 25 March) and the tax authorities have the right to request it for review 10 days after the deadline has passed. 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Switzerland

In Switzerland cantonal and federal taxes are 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

In accordance the Law of Ukraine dated November 21, 2023 entered into force on December 8, 2023 the applicable tax rate for bank's profit 2023 is 50% (from 2024: 25%).

According to set rules, banks are prohibited to reduce the tax base for 2023 year by losses received in previous tax periods. Banks will be able to use this right again from January 1, 2024.

The tax amount defined by the Group 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 Group should keep its primary documents related to tax returns until the beginning of the tax audit, but for no less than three years.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	January 1- December 31, 2023	January 1- December 31, 2022
Effective tax rate	31.50%	13.67%
Income tax recognized in the income statement		
<i>Current income tax</i>	(6,220)	(3,719)
Current income tax charge	(6,220)	(3,719)
<i>Deferred income tax</i>	(21,834)	(2,072)
Relating to origination and reversal of temporary differences	(21,834)	(2,072)
Income tax reported in income statement	(28,054)	(5,791)

	December 31, 2023	December 31, 2022
Income tax recognized in equity		
Fair value reserve	(2,702)	2,107
Net investment hedge	(654)	-
Tangible revaluation reserve	27	182
Income tax reported in equity	(3,329)	2,289

	January 1- December 31, 2023	January 1- December 31, 2022
Reconciliation of income tax		
Operating profit before tax	89,069	42,359
Statutory tax rate	25.8%	25.8%
At statutory income tax	(22,980)	(10,929)
Tax losses on intercompany loans	245	6,675
Income not subject to tax	241	1,023
Change in estimates relating to prior years	(12)	(412)
Expenditure not allowable for income tax purposes	(836)	(156)
Effect of different income tax rates in other countries	(2,982)	(2,305)
Utilization of previously unrecognized tax losses	-	428
Other	(1,730)	(115)
Income tax	(28,054)	(5,791)

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Deferred tax assets and liabilities	December 31, 2023			December 31, 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses carried forward	48,275	(2,024)	46,251	70,661	(976)	69,685
Debt securities	3,160	(975)	2,185	5,722	(975)	4,747
Property, plant and equipment	965	(962)	3	639	(962)	(322)
Net investment hedge*	-	(654)	(654)	-	-	-
Loans and receivables	1,836	(3,201)	(1,366)	2,042	(4,433)	(2,391)
General risk provision	-	(12,389)	(12,389)	-	(12,535)	(12,535)
Other	1,597	-	1,597	1,720	-	1,720
Total	55,833	(20,206)	35,627	80,785	(19,881)	60,904

Deferred tax changes recorded in the income statement	December 31, 2023	December 31, 2022
Deferred tax of fiscal loss	(23,461)	(2,935)
Loan impairment provision	1,358	965
Other	269	(102)
Total	(21,834)	(2,072)

Country by country reporting

The table below provides an overview of main activity, turnover, PBT (profit or loss before tax excluding intercompany losses), tax on profit or loss and average number of FTEs per principal subsidiary in each country.

There is no tax related public subsidies received in 2023 and 2022.

December 31, 2023						
Country	Name	Nature of activities	Turnover (in millions)*	PBT (in millions)	Tax (in millions)	Average FTE
The Netherlands	Credit Europe Group N.V., Credit Europe Bank N.V., Yenikoy Enterprises B.V.	Wholesale banking Retail banking	42	34	(11)	234
Germany	Credit Europe Bank N.V.	Retail banking	2	(0.8)	(0.3)	30
Malta	Credit Europe Bank N.V.	Wholesale banking Retail banking	86	36	(12)	21
United Arab Emirates	Credit Europe (Dubai) Ltd	Wholesale banking	(0)	0.01	-	-
Switzerland	Credit Europe Bank (Suisse) SA	Wholesale banking Private banking	36	15	(2)	63
Romania	Credit Europe Bank (Romania) SA, Credit Europe Asset Management S.A.	Wholesale banking Retail banking Asset management	42	8	(1)	522
Ukraine	PJSC Credit Europe Bank (Ukraine), Credit Europe Leasing (Ukraine) LLC	Wholesale banking Retail banking Leasing	3	2.5	(1)	32
Malta	Hitit Shipping Ltd, Cappadocia Shipping Ltd Angora Yacht Ltd.,	Repossessed assets management	(0)	(0.3)	-	-
Turkey	Feniks Gayrimenkul Yatirim A.S., Seyir Gayrimenkul Yatirim A.S. Atlas Tersanecilik A.S.	Repossessed assets management ** Shipbuilding	(0) 32	(5) (1)	- -	- 111
Total			243	89	(28)	1,013

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

December 31, 2022						
Country	Name	Nature of activities	Turnover (in millions)	PBT (in millions)	Tax (in millions)	Average FTE
The Netherlands	Credit Europe Group N.V., Credit Europe Bank N.V., Yenikoy Enterprises B.V.	Wholesale banking Retail banking	62	10	(2)	217
Germany	Credit Europe Bank N.V.	Retail banking	2	(0.4)	0.1	28
Malta	Credit Europe Bank N.V.	Wholesale banking Retail banking	21	21	(0.3)	19
United Arab Emirates	Credit Europe (Dubai) Ltd	Wholesale banking	0.1	(1)	-	-
Switzerland	Credit Europe Bank (Suisse) SA	Wholesale banking Private banking	32	14	(1.9)	58
Romania	Credit Europe Bank (Romania) SA, Credit Europe Asset Management S.A.	Wholesale banking Retail banking Asset management	37	6	(1)	577
Ukraine	PJSC Credit Europe Bank (Ukraine), Credit Europe Leasing (Ukraine) LLC	Wholesale banking Retail banking Leasing	2	(3.8)	0.5	32
Malta	Mysia Shipping Ltd, Hitit Shipping Ltd, Cappadocia Shipping Ltd Angora 1 Shipping Ltd., Angora 4 Shipping Ltd.	Repossessed assets management	11	0.1	-	-
Turkey	Ziyaret Gayrimenkul Yatirim A.S., Feniks Gayrimenkul Yatirim A.S., Seyir Gayrimenkul Yatirim A.S. Etkin Deger Gayrimenkul Yatirim A.S. Atlas Tersanecilik A.S.	Repossessed assets management Shipbuilding	10 19	(0.4) (1)	(1) -	- 120
Total			197	45	(6)	1,051

31. 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 Group 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.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Classification of financial assets and liabilities

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

							December 31, 2023
	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	-	1,639,420	-	-	1,639,420
Financial assets at FVTPL	-	171,789	25,915	-	-	-	197,704
Financial investments	-	-	-	60,878	322,059	-	382,937
Loans and receivables - banks	-	-	-	321,350	-	-	321,350
Loans and receivables - customers	-	-	-	2,721,181	-	-	2,721,181
Derivative financial instruments	110,215	-	-	-	-	-	110,215
Total assets	110,215	171,789	25,915	4,742,829	322,059	-	5,372,807
Due to banks	-	-	-	-	-	515,479	515,479
Due to customers	-	-	-	-	-	4,030,212	4,030,212
Derivative financial instruments	136,577	-	-	-	-	-	136,577
Subordinated liabilities	-	-	-	-	-	169,650	169,650
Total liabilities	136,577	-	-	-	-	4,715,341	4,851,918

							December 31, 2022
	Trading	Designated at FVTPL	Measured mandatorily at FVTPL	Measured at amortized cost	Measured at FVOCI	Other amortized costs	Total carrying amount
Cash and balances at central banks	-	-	-	1,103,693	-	-	1,103,693
Financial assets at FVTPL	-	66,659	27,974	-	-	-	94,633
Financial investments	-	-	-	61,470	314,782	-	376,252
Loans and receivables - banks	-	-	-	460,542	-	-	460,542
Loans and receivables - customers	-	-	-	2,469,305	-	-	2,469,305
Derivative financial instruments	112,923	-	-	-	-	-	112,923
Total assets	112,923	66,659	27,974	4,095,010	314,782	-	4,617,348
Due to banks	-	-	-	-	-	451,258	451,258
Due to customers	-	-	-	-	-	3,394,488	3,394,488
Derivative financial instruments	143,430	-	-	-	-	-	143,430
Subordinated liabilities	-	-	-	-	-	204,411	204,411
Total liabilities	143,430	-	-	-	-	4,050,157	4,193,587

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 Group 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

For the year ended December 31, 2023

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 Group's portfolio. Transfers out of Level 1 into Level 2 or Level 3 occur when the Group establishes that markets are no longer active and therefore unadjusted quoted prices 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 Group 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 Group 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 Group 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 Group accounts for the following aspects: the default probability of the counterparty, the default probability of the Group itself, the nature of transactions and the impact of risk mitigants such as netting and collateralisation for each counterparty individually.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 2023, there has been no change in valuation techniques and models.

Valuation framework

The Group 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 Group 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).

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Trading assets	6	33,499	-	138,290	171,789
Derivative financial assets	9	-	110,215	-	110,215
Equity instruments measured at FVOCI	7	7,509	-	4,286	11,795
Non-trading assets mandatorily at FVTPL	6	187	-	25,728	25,915
Other financial investments	7	270,911	-	39,353	310,264
Total		312,106	110,215	207,657	629,978
Financial liabilities					
Derivative financial liabilities	9	-	136,577	-	136,577
Total		-	136,577	-	136,577
December 31, 2022					
Financial assets					
Trading assets	6	36,774	-	29,885	66,659
Derivative financial assets	9	-	112,923	-	112,923
Equity instruments measured at FVOCI	7	7,299	797	2,900	10,996
Equity instruments classified as AHS		-	-	4,538	4,538
Non-trading assets mandatorily at FVTPL	6	155	-	27,819	27,974
Other financial investments	7	162,879	87,819	53,088	303,786
Total		207,107	201,539	118,230	526,876
Financial liabilities					
Derivative financial liabilities	9	-	143,430	-	143,430
Total		-	143,430	-	143,430

There are no financial instruments transferred from Level 1 to Level 2 in 2023 (2022: EUR 87,819).

There are no financial instruments transferred from Level 1 to Level 3 in 2023 (2022: EUR 2,846).

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023, EUR 7,773 (2022: EUR 10,284) securities were classified as Level 3.

During 2023, 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. (2022: 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 29: Other impairment loss.

In 2023 there has been no change in valuation techniques.

As at December 31, 2023 the Group has no non-financial liabilities measured at fair value (2022: None).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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	642	Market comparison approach	Price per square meter	1,020-1,080 Eur/sqm
		Income capitalization	Unit rental price p.m	9-10 Eur/sqm
			Vacancy rate	10%
			Operating expenses p.m	5,913-10,356
			Capitalization rate	8%
Romania- commercial properties Level-3	5,069	Market comparison approach	Price per square meter	211 Eur/sqm
		Income capitalization	Unit rental price p.m	6.8 Eur/sqm
			Vacancy rate	15%
			Operating expenses p.m	52,219
			Capitalization rate	8.5%
Loans mandatorily at FVTPL Level-3	16,530	Discounted cash flow	EURIBOR	3.2%-4.0%
Romania- Visa shares	2,487	Third party pricing	Broker price	n.a
Non-trading assets mandatorily at FVTPL	25,728			
Trading assets - Trading loans at FVTPL	138,290	Third party pricing	Broker price	n.a
Other financial investments - Trading loans at FVOCI	39,353	Third party pricing	Broker price	n.a
Equity instruments measured at FVOCI				
- Investment fund	4,286	Net asset value	n.a	n.a
Total- Level 3 financial assets	207,657			
Non-financial assets				
Western Europe- land/buildings		Market comparison approach	Price per square meter	18 Eur/sqm/month
	12,529	Income capitalization	IRR/Yield	7.35%
Romania- land/ buildings		Market comparison approach	Price per square meter	400-2,300 Eur/sqm/month
	6,213	Income capitalization		
Turkey- shipyard*		Income approach		
	23,639	Market comparison approach	Terminal growth rate	2.40%
		Cost approach	Discount rate	17.87%
Sub-total land/buildings	42,381			
Turkey- commercial properties		Market comparison approach	Price per square meter	2,868-7,811 Eur/sqm
	3,664			
Sub-total investment properties	3,664			
Western Europe- artworks	1,989	Market comparison approach	n.a	n.a
Sub-total assets held for sale	1,989			
Total Level 3 non-financial assets	48,034			

(*) Please refer to Note 13 for the valuation of Atlas Tersanecilik.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023					December 31, 2022				
	Financial Assets-FVOCI	Financial Assets-AHS	Financial Assets at FVTPL-Non-Trading	Financial Assets at FVTPL-Trading	Total	Financial Assets-FVOCI	Financial Assets-AHS	Financial Assets at FVTPL-Non-Trading	Financial Assets at FVTPL-Trading	Total
Balance at January 1	55,988	4,538	27,819	29,885	118,230	139,467	-	13,140	65,457	218,064
Total gains and losses										
- in net trading income	1,245	-	1,662	1,984	4,891	1,172	-	(1,799)	3,659	3,032
- in net interest income	-	-	1,010	4,383	5,393	-	-	1,142	4,290	5,432
- in OCI	2	-	-	-	2	(6,411)	-	-	-	(6,411)
Purchases/additions	3,180	-	-	379,313	382,493	16,363	-	18,000	291,504	325,867
Settlements/Collections/ Sales	(18,000)	(4,538)	(4,731)	(277,275)	(304,544)	(88,718)	-	(5,377)	(335,069)	(429,164)
Transfers to Level 3	1,108	-	-	-	1,108	-	-	2,846	-	2,846
Transfers between financial asset classes	-	-	-	-	-	(4,538)	4,538	-	-	-
Exchange differences	116	-	(32)	-	84	(1,347)	-	(133)	44	(1,436)
Balance at the year end	43,639	-	25,728	138,290	207,657	55,988	4,538	27,819	29,885	118,230

EUR 25 gain included in 'valuation results and net trading income' relates to unrealized gains and losses from financial assets that are held at the end of the reporting period (2022: EUR 28 loss).

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, 2023	Land&Buildings	Investment properties	Assets held for sale
Balance at the beginning of the period	45,695	3,760	14,875
Addition	28	-	-
Disposals	(341)	-	(11,986)
Depreciation	(1,436)	-	-
Change in fair value	(1,529)	-	(900)
Exchange differences	(36)	(96)	-
Balance at the year end	42,381	3,664	1,989

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023	Note	Level 1	Level 2	Level 3	Total fair Values	Total carrying amount
Financial assets						
Cash and balances at central banks	5	-	1,639,420	-	1,639,420	1,639,420
Loans and receivables - banks	8	-	318,760	-	318,760	321,350
Loans and receivables - customers	10	-	-	2,728,804	2,728,804	2,721,181
Total		-	1,958,180	2,728,804	4,686,984	4,681,951
Financial liabilities						
Due to banks	15	-	515,488	-	515,488	515,479
Due to customers	16	-	4,076,642	-	4,076,642	4,030,212
Subordinated liabilities	19	-	165,760	-	165,760	169,650
Total		-	4,757,890	-	4,757,890	4,715,341
December 31, 2022						
Financial assets						
Cash and balances at central banks	5	-	1,103,693	-	1,103,693	1,103,693
Loans and receivables - banks	8	-	460,707	-	460,707	460,542
Loans and receivables - customers	10	-	-	2,466,600	2,466,600	2,469,305
Total		-	1,564,400	2,466,600	4,031,000	4,033,540
Financial liabilities						
Due to banks	15	-	451,106	-	451,106	451,258
Due to customers	16	-	3,430,860	-	3,430,860	3,394,488
Subordinated liabilities	19	-	188,732	15,679	204,411	204,411
Total		-	4,070,698	15,679	4,086,377	4,050,157

For the year ended December 31, 2023

32. 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 Group'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 Group 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 Group or the counterparties. The Group 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, 2023
				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	110,215	-	110,215	(55,255)	(3,174)	-	51,786
Total	110,215	-	110,215	(55,255)	(3,174)	-	51,786
Liabilities							
Derivative liabilities	136,577	-	136,577	(55,255)	(11,435)	-	69,887
Repo agreements*	191,578	-	191,578	(182,658)	-	-	8,920
Total	328,155	-	328,155	(237,913)	(11,435)	-	78,807
							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	112,923	-	112,923	(14,434)	(38,301)	-	60,188
Total	112,923	-	112,923	(14,434)	(38,301)	-	60,188
Liabilities							
Derivative liabilities	143,430	-	143,430	(14,434)	(24,803)	-	104,193
Repo agreements	58,021	-	58,021	(57,439)	-	-	582
Total	201,451	-	201,451	(71,873)	(24,803)	-	104,775

(*) Reference is made to Note 15: 'Due to Banks'.

33. Commitments and contingencies

To meet the financial needs of customers, the Group 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 Group. 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 Group 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 Group 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 Group 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, 2023	December 31, 2022
Contingent liabilities with respect to irrevocable letters of credit - import	823,327	641,662
Contingent liabilities with respect to irrevocable letters of credit - export	363,464	170,663
Contingent liabilities with respect to letters of guarantee granted - corporates	70,025	91,747
Contingent liabilities with respect to letters of guarantee granted - banks	21,969	58,302
Total non-cash loans	1,278,785	962,374
Credit-card limits	202,381	188,004
Credit-line commitments	65,533	67,023
Total	1,546,699	1,217,401

Litigation claims

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

As a bank with a banking license, the Group's subsidiary 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, 2023, the Group and the Credit Europe Bank N.V.'s subsidiary, Credit Europe Bank (Romania) S.A., are involved in number of litigations regarding abusive clauses in consumer contracts, for which provision at amount of EUR 2,118 (2022: EUR 1,960) is already provided for in the consolidated statement of financial position.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

34. Related parties

The Group's Parent Company is FİBA Holding A.Ş., Turkey, 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 Group enters into transactions with its Parent company and other related parties controlled by Özyeğin family in the ordinary course of business at commercial interest and commission rates. The Group 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, 2023			December 31, 2022		
	Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Associates and joint ventures	Other Related Parties
Assets						
Loans and receivables – banks	-	-	589	-	-	3,719
Loans and receivables – customers	18,256	-	110,371	-	-	132,528
Derivative financial instruments	-	-	951	-	-	4,937
Liabilities						
Due to banks	-	-	989	-	-	1,240
Due to customers	764	136	77,343	689	28	69,184
Derivative financial instruments	-	-	466	-	-	160
Subordinated liabilities	45,325	-	-	46,930	-	15,679
Commitment and contingencies	-	-	1,005	-	-	950

All credit risk exposures related to derivative financial instruments are fully collateralized through pledge agreements. As of December 31, 2023, the Group does not have any stage 3 provisions regarding related party balances (2022: None).

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

	January 1- December 31, 2023			January 1- December 31, 2022		
	Parent Company	Associates and joint ventures	Other Related Parties	Parent Company	Associates and joint ventures	Other Related Parties
Interest income	1,769	-	12,661	-	-	6,554
Interest expense	(4,779)	-	(9,654)	(4,281)	-	(6,321)
Commission income	1	5	9,245	9	-	767
Commission expense	-	-	-	-	-	(48)
Net trading results	23	-	3,494	-	-	(1,206)
Other operating income	-	-	123	-	-	4,219
Operating expenses	-	-	(819)	-	-	(796)
Share of profit of associate	-	(135)	-	-	(2,449)	-

In the course of 2023, there is no loan sold to related parties (2022: EUR 26,186), and no gain or loss recognized (2022: EUR 2,435 loss) in the consolidated statement of income. Pricing of the loans have been determined in accordance with arm's length principle.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Key management is defined as those persons in the Group's Supervisory and Managing Board. The number of key management personnel is 9 (2022: 9). Key management personnel and their immediate relatives have transactions in the ordinary course of business at commercial interest and commission rates with the Group. There is no loan granted to key management as of December 31, 2023. (2022: None)

As of December 31, 2023, the Group does not have any provisions regarding the balances with key management personnel (2022: None). Key management costs, including remuneration and fees for the year ended December 31, 2023 amounted to EUR 2,830 (2022: EUR 2,632). Pension plan contribution amounted to EUR 151 (2022: EUR 147).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

35. 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 Group’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
<p>Governance</p> <ul style="list-style-type: none"> - Standardized policies, guidelines and limits - Risk tolerance is proposed and executed by the Managing Board upon the approval of the Supervisory Board - Risk appetite in certain geographies and segments is determined in accordance with local presence and expertise - Risk management is centralized and functions independently from the business lines <p>Reputation</p> <ul style="list-style-type: none"> - Ensure high financial reporting transparency and efficient external communications

QUANTITATIVE
<p>Credit risk concentration</p> <ul style="list-style-type: none"> - Diversified exposure within different geographies through retail, SME and corporate clients. - Low sovereign exposure <p>Liquidity</p> <ul style="list-style-type: none"> - No risk tolerance for liquidity risk, restrictions on short-term funding and credit-sensitive liabilities - Insignificant liability concentration <p>Trading and ALM</p> <ul style="list-style-type: none"> - Minor sensitivity to trading risk and limited interest rate mismatches in the Banking book - No exposure to securitized/re-securitized assets or CDOs

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

CEG 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 Bank' 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 CEG's risk governance framework. ARC meets four times a year, receives regular reports, and updates on the Group'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 Group and raises action items / investment plans – where necessary- to reach the desired level.

Capital Management

A capital level commensurate with the Group's risk profile is the key to financial resilience. CEG 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 Group's capital base under different assumptions. This framework is designed to ensure CEG 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.

CEG 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 CEG risk strategy has proved its value, not only by providing consistently strong financial results, but also by yielding consistently robust returns on equity.

The Group'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 Group'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 Group 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 Group's assets
- Possible volatility of reported profits and other capital resources compared with forecast.
- Capital ratio sensitivity to foreign-exchange-rate movements.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Regulatory Capital

CEG 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 Group 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The Group'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, 2023	December 31, 2022
Total Equity*	642,947	603,198
- Current year profit (1)	(5,614)	(36,531)
- Non-eligible minority interest (2)	(1,012)	(1,245)
Prudential filters		
- Prudent valuation	(667)	(571)
- Intangible asset (2)	(9,870)	(7,892)
- Deferred tax assets that rely on future profitability and do not arise from temporary differences (2)	(48,275)	(51,667)
- CIU Investment deductions	(3,179)	(2,900)
- Backstop deductions (3)	(13,342)	-
- Repossessed Assets deduction (4)	(1,479)	-
- Transitional adjustments to IFRS 9 provisions (5)	-	8,584
Core Tier I	559,509	510,976
Perpetual Tier I capital	45,325	62,608
Additional Tier I	45,325	62,608
Total Tier I capital	604,834	573,584
Tier II capital		
Subordinated capital	72,916	112,202
- Other deductions	(7,900)	(6,296)
Total Tier II capital	65,016	105,906
Total own funds	669,850	679,490

*Different consolidation scopes account for the deference between equity and intangible in own funds from the consolidated financial statements. Own funds are determined using the prudential consolidation scope, which solely combines financial institutions and excludes SPV companies in accordance with prudential supervision regulations.

- (1) Based on article 26, point 2 of CRR IV, CEG start to include interim year profit into Common Equity Tier 1 Capital. DNB granted permission to include 2023 Q3 interim profits in CET1 capital. Therefore, only Q4 interim profit is excluded from common Equity Tier 1 Capital as of yearend 2023.
- (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) According to CRR, Prudential NPE backstop deduction is applicable for NPLs that were originated after April 2019, whereas CEG conservatively applies this guidance retrospectively to its entire NPL portfolio and deduct the relevant capital amount from its total own funds under the Group's own initiative in accordance with Article 3 of the CRR as of 2023 June-end.
- (4) The aging of repossessed assets is addressed through capital deductions from CEG's own funds under the Group's own initiative in accordance with Article 3 of the CRR as of 2023 June-end. CEG applies maximum holding periods for repossessed assets and determined specific applicable amount of deduction from CET1 capital separately for each repossessed asset based on CEG NPE strategy policy.
- (5) By end of 2022, Transitional adjustment is permitted to apply the calculation by adding 25% IFRS 9 Provisions back to total own funds. IFRS 9 provision is fully eliminated from own fund starting from 2023.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The Group 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, 2023	December 31, 2022
Capital ratio	19.00%	19.63%
Tier I ratio	17.16%	16.57%
Core Tier I	15.87%	14.76%
Total Risk Exposure Amount	3,524,955	3,461,511

Credit risk

Credit risk is defined as the current or prospective threat to the Group'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 Group and arises mainly from its trade-finance, lending, treasury, mortgage and leasing businesses.

Concentration limits

The Group 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

CEG 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 Group'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. CEG 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 postmortem analyses.

- For legal certainty 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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Internal Rating Models and Scorecards

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

Stress testing

The Group 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 Group 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 Group'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 Group'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 Group'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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35. a. Credit exposure

Maximum credit-risk exposure

The Group identifies its maximum credit exposure as the sum of all transactions that may potentially expose the Group 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 Group 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, 2023	December 31, 2022
Balance sheet items		
Balances with central banks	1,624,603	1,090,112
Financial assets measured at fair value through profit or loss	197,704	94,633
Financial investments	382,937	376,252
Loans and receivables - banks	321,511	461,421
Loans and receivables - customers	2,770,168	2,541,271
Derivative financial instruments	110,215	112,923
Subtotal	5,407,138	4,676,612
Off- balance sheet items		
Issued letters of guarantee	73,420	150,049
Issued irrevocable letters of credit	1,103,735	704,025
Undrawn credit-card limits	202,381	188,004
Other commitments and contingent liabilities	65,533	67,023
Total off-balance sheet	1,445,069	1,109,101
Maximum credit risk exposure	6,852,207	5,785,713

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.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.b. Sector concentration

The Group 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, 2023				December 31, 2022	
	On-balance sheet	Off-balance sheet	Total exposure	% of total exposure	Total exposure	% of total exposure
Balances with central banks	1,624,603	25,000	1,649,603	24.1%	1,115,112	19.3%
Financial assets measured at fair value through profit or loss	197,704	-	197,704	2.9%	94,633	1.6%
Financial investments	382,937	-	382,937	5.6%	376,252	6.5%
Loans and receivables - banks	321,511	388,249	709,760	10.4%	695,500	12.0%
Loans and receivables - customers	2,770,168	1,031,820	3,801,988	55.5%	3,391,293	58.6%
<i>Loans and receivables - corporate</i>	<u>2,349,151</u>	<u>821,974</u>	<u>3,171,125</u>	<u>46.3%</u>	<u>2,857,371</u>	<u>49.4%</u>
<i>Oil & Derivatives</i>	434,881	601,229	1,036,110	15.1%	835,880	14.4%
<i>Iron-Steel-Metals & Alloys</i>	285,666	113,707	399,373	5.8%	289,483	5.0%
<i>Shipping & Shipyard</i>	253,872	-	253,872	3.7%	343,649	5.9%
<i>Leisure & Tourism</i>	247,894	-	247,894	3.6%	285,443	4.9%
<i>Soft Commodities & Agricultural Products</i>	198,962	6,668	205,630	3.0%	174,331	3.0%
<i>Financial Service & Investment</i>	184,126	4,201	188,327	2.7%	148,645	2.6%
<i>Real Estate</i>	177,940	78	178,018	2.6%	209,380	3.6%
<i>Energy & Coal</i>	82,935	40,408	123,343	1.8%	150,318	2.6%
<i>Technology, IT & Electronic Equipment</i>	96,597	-	96,597	1.4%	80,663	1.4%
<i>Fertilizers</i>	49,111	37,967	87,078	1.3%	123,309	2.1%
<i>Transportation, Logistics & Warehousing</i>	58,339	-	58,339	0.9%	50,470	0.9%
<i>Petrochemical, Plasticizers & Derivatives</i>	7,196	15,127	22,323	0.3%	29,704	0.5%
<i>Retail</i>	21,757	-	21,757	0.3%	31,178	0.5%
<i>Automotive & Derivatives</i>	17,385	-	17,385	0.3%	30,502	0.5%
<i>Holding</i>	11,423	975	12,398	0.2%	11,543	0.2%
<i>Media & Publishing</i>	10,939	-	10,939	0.2%	12,727	0.2%
<i>Food, Beverage & Tobacco</i>	6,122	603	6,725	0.1%	11,286	0.2%
<i>Construction & Installation</i>	6,141	-	6,141	0.1%	11,314	0.2%
<i>Public loans</i>	185,381	-	185,381	2.7%	-	-
<i>other</i>	12,484	1,011	13,495	0.2%	27,546	0.5%
<i>Loans and receivables - retail customers and SMEs</i>	<u>421,017</u>	<u>209,846</u>	<u>630,863</u>	<u>9.2%</u>	<u>533,922</u>	<u>9.2%</u>
<i>Exposure to retail customers</i>	100,667	202,424	303,091	4.4%	279,841	4.8%
<i>Exposure secured by residential real estate</i>	203,716	-	203,716	3.0%	229,098	4.0%
<i>Exposure to SME</i>	116,634	7,422	124,056	1.8%	24,983	0.4%
Derivative financial instruments	110,215	-	110,215	1.6%	112,923	2.0%
Total credit risk exposure	5,407,138	1,445,069	6,852,207	100.0%	5,785,713	100.0%

The top five industries account for 67.57% (2022: 68.73%) of the total corporate portfolio, reflecting the traditional business areas of the Group where it possesses strong expertise and profound industry practice.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

In line with its Fossil Fuel Policy, the Group's Coal and Oil & Derivatives exposures only consist of trading activities. The Group monitors its consolidated Coal exposure, which is presented under Energy & Coal and Iron-Steel-Metal & Alloys sectors. The breakdown of the Group's total coal exposure is as follows:

				December 31, 2023			December 31, 2022
	On-balance sheet	Off-balance sheet	Total exposure	% of total exposure	Total exposure	% of Total exposure	
Thermal Coal	2,611	47,856	50,467	0.74%	67,019	1.15%	
Metallurgical Coal	-			0.00%	38,595	0.66%	
Total	2,611	47,856	50,467	0.74%	105,614	1.82%	

Increasing interest rates has notably impacted the commercial real estate sector (CRE). The surge in interest rates, combined with a reduced demand for office spaces, has led to higher vacancy rates and a decrease in property values. CEG's CRE exposure represents a minor portion of its overall loan portfolio and the allocation to office spaces is even smaller.

The following table presents the real estate type of the Group's real estate exposures, as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
	Total exposure	Total exposure
Residential	61,717	62,824
Retail	58,275	76,895
Office	40,784	40,538
Other & mixed use	17,242	29,123
Total	178,018	209,380

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.c. Geographical concentration

The following table provides the distribution of the Group's credit exposure by risk country as of December 31, 2023 and December 31, 2022.

							December 31, 2023
	Netherlands	Turkey	Romania	Switzerland	Non - investment grade	Investment grade	Total exposure
Balance sheet items							
Demand deposits with central banks	1,335,200	-	148,450	107,879	20,191	12,883	1,624,603
Financial assets measured at FVTPL	16,530	-	5,711	-	50,257	125,206	197,704
Financial investments	138,484	1,862	106,387	17,712	17,005	101,487	382,937
Loans and receivables - banks	957	17,041	1,686	68,273	48,470	185,084	321,511
Loans and receivables - customers	235,628	380,612	469,737	245,107	192,871	1,246,213	2,770,168
Derivative financial instruments	83,054	7,572	4	12,165	6	7,414	110,215
Total balance sheet	1,809,853	407,087	731,975	451,136	328,800	1,678,287	5,407,138
Off-balance sheet items	148,842	30,153	213,135	287,029	76,249	689,661	1,445,069
Total credit-risk exposure	1,958,695	437,240	945,110	738,165	405,049	2,367,948	6,852,207

							December 31, 2022
	Netherlands	Turkey	Romania	Switzerland	Non - investment grade	Investment grade	Total exposure
Balance sheet items							
Demand deposits with central banks	866,432	-	89,022	101,770	20,378	12,510	1,090,112
Financial assets measured at FVTPL	16,992	1,990	10,982	-	27,896	36,773	94,633
Financial investments	88,386	298	159,385	17,373	47,500	63,310	376,252
Loans and receivables - banks	439	116,754	40,119	27,746	74,508	201,855	461,421
Loans and receivables - customers	196,456	283,344	632,337	173,641	214,051	1,041,442	2,541,271
Derivative financial instruments	59,082	576	33	15,399	237	37,596	112,923
Total balance sheet	1,227,787	402,962	931,878	335,929	384,570	1,393,486	4,676,612
Off-balance sheet items	88,164	41,296	217,379	254,919	59,987	447,356	1,109,101
Total credit-risk exposure	1,315,951	444,258	1,149,257	590,848	444,557	1,840,842	5,785,713

The Group's credit risk exposures in Russia and Ukraine are very limited and under continuous monitoring.

As of December 31, 2023, the Group's credit risk exposure in Russia is EUR 4,985 (2022: EUR 34,567).

As of December 31, 2023, the Group's credit risk exposure in Ukraine is EUR 26,255 (2022: EUR 26,754).

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The following table provides the distribution of the Group's liabilities including due to banks, due to customers and derivative financial instruments by risk country:

	LIABILITY						
	Netherlands	Romania	Turkey	Switzerland	Non - investment grade	Investment grade	Total exposure
December 31, 2023	1,130,343	559,201	170,245	671,786	86,961	2,063,732	4,682,268
December 31, 2022	553,029	575,698	142,827	294,706	177,337	2,245,579	3,989,176

35.d. Collaterals and other credit enhancements obtained

The Group'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 Group 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, 2023
	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	1,624,603	-	-	-	-	-
Financial assets measured at fair value through profit or loss	197,704	-	23,385	23,385	12%	
Financial investments	382,937	-	-	-	-	-
Loans and receivables - banks	321,511	72,181	-	72,181	22%	
Loans and receivables - customers	2,770,168	394,506	1,102,138	1,496,644	54%	
Derivative financial instruments	110,215	-	-	-	-	-
Total balance sheet	5,407,138	466,687	1,125,523	1,592,210	29%	
Off-balance sheet	1,445,069	77,720	28,350	106,070	7%	
Total credit risk exposure	6,852,207	544,407	1,153,873	1,698,280	25%	

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

	December 31, 2022				
Breakdown of collateralized exposure by collateral type					
	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	376,252	-	-	-	-
Loans and receivables - banks	461,421	713	-	713	0%
Loans and receivables - customers	2,541,271	432,386	1,200,294	1,632,680	64%
Derivative financial instruments	112,923	-	-	-	-
Total balance sheet	4,676,612	433,099	1,222,066	1,655,165	35%
Off-balance sheet	1,109,101	12,643	-	12,643	1%
Total credit risk exposure	5,785,713	445,742	1,222,066	1,667,808	29%

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

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.e. Credit quality of financial assets

The following table presents the credit quality of the Group's financial assets per external mapped to the Fitch's credit rating scale, as of December 31, 2023 and 2022.

							December 31, 2023
	External rating class						Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	
Demand deposits with central banks	1,454,869	1,093	148,450	-	20,191	-	1,624,603
Financial assets measured at fair value through profit or loss	33,685	55,852	36,751	46,583	-	24,833	197,704
Financial investments	195,519	24,880	113,277	41,660	3,317	4,284	382,937
Loans and receivables - banks	31,026	118,478	28,867	77,778	-	65,362	321,511
Loans and receivables - customers	175,359	-	49,448	25,461	-	2,519,900	2,770,168
Derivative financial instruments	13,796	41,063	245	-	-	55,111	110,215
Off-balance sheet	21,485	182,879	227,608	92,748	1	920,348	1,445,069
Total	1,925,739	424,245	604,646	284,230	23,509	3,589,838	6,852,207

							December 31, 2022
	External rating class						Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / B-	Below B-	No rating	
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	22,868	376,252
Loans and receivables - banks	64,165	139,922	45,591	184,858	1,360	25,525	461,421
Loans and receivables - customers	-	-	37,470	-	-	2,503,801	2,541,271
Derivative financial instruments	18,546	17,246	304	-	-	76,827	112,923
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	3,594,597	5,785,713

Credit risk rating process

In principle, all risk ratings are based on a Risk Rating (PD) Model. The Group'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)

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The following tables present the credit quality of the Group's "loans to customers" exposures (including off-balance sheet exposure) by credit risk rating grade, as of December 31, 2023 and 2022.

December 31, 2023	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Loans and receivables - customers								
Investment grade	1,589,808	(659)	10,701	(97)	-	-	1,600,509	(756)
Non-investment grade	1,677,442	(8,060)	127,527	(6,888)	-	-	1,804,969	(14,948)
Sub-standard	23,142	(144)	65,162	(7,374)	-	-	88,304	(7,518)
Non-performing	217	74	322	(155)	79,584	(25,536)	80,123	(25,617)
Non rated	228,083	(148)	-	-	-	-	228,083	(148)
Total	3,518,692	(8,937)	203,712	(14,514)	79,584	(25,536)	3,801,988	(48,987)

December 31, 2022	Stage 1		Stage 2		Stage 3		TOTAL	
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL
Loans and receivables - customers								
Investment grade	1,090,414	(915)	479	(4)	-	-	1,090,893	(919)
Non-investment grade	1,809,813	(8,332)	151,234	(8,254)	-	-	1,961,047	(16,586)
Sub-standard	4,750	(199)	126,930	(11,286)	-	-	131,680	(11,485)
Non-performing	-	-	-	-	173,551	(42,976)	173,551	(42,976)
Non rated	34,122	-	-	-	-	-	34,122	-
Total	2,939,099	(9,446)	278,643	(19,544)	173,551	(42,976)	3,391,293	(71,966)

For the year ended December 31, 2023

35.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 Group's loans and advances portfolio. In 2020, the Group 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 Group 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.

CEG 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 Group 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 CEG'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 CEG 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.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

	December 31, 2023						
	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	2,349,151	(23,603)	2,325,548	382,094	811,776	1,193,870	51%
Stage 1	2,182,795	(6,710)	2,176,085	339,705	701,298	1,041,003	48%
Stage 2	135,718	(12,346)	123,372	29,567	93,542	123,109	100%
Stage 3	30,638	(4,547)	26,091	12,822	16,936	29,758	114%
Retail loans (incl. mortgages)	304,383	(22,640)	281,743	2,603	191,977	194,580	69%
Stage 1	224,496	(1,998)	222,498	2,339	133,632	135,971	61%
Stage 2	38,397	(1,234)	37,163	217	27,550	27,767	75%
Stage 3	41,490	(19,408)	22,082	47	30,795	30,842	140%
SME loans	116,634	(2,744)	113,890	9,809	98,385	108,194	95%
Stage 1	81,954	(229)	81,725	9,797	69,271	79,068	97%
Stage 2	27,224	(934)	26,290	12	25,108	25,120	96%
Stage 3	7,456	(1,581)	5,875	-	4,006	4,006	68%
Total exposure	2,770,168	(48,987)	2,721,181	394,506	1,102,138	1,496,644	55%
Total Stage 3 (NPLs)	79,584	(25,536)	54,048	12,869	51,737	64,606	120%

	December 31, 2022						
	Gross loans	ECL	Net loans	Financial collateral	Physical collateral	Total collateral	Collateral to net loans
Corporate loans	2,195,600	(47,747)	2,147,853	427,492	957,797	1,385,289	64%
Stage 1	1,923,786	(8,767)	1,915,019	332,719	802,390	1,135,109	59%
Stage 2	153,468	(13,946)	139,522	15,714	118,602	134,316	96%
Stage 3	118,346	(25,034)	93,312	79,059	36,805	115,864	124%
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	2,541,273	(71,966)	2,469,307	432,387	1,200,294	1,632,681	66%
Total Stage 3 (NPLs)	171,611	(42,976)	128,635	79,089	84,448	163,537	127%

The Group 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, 2023 is 143% (2022:137%).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

Further credit quality breakdown of retail loans is as below:

	December 31, 2023				
	Gross loans	ECL	Net loans	Total collateral	Collateral to net loans
Credit cards	99,038	(1,787)	97,251	-	-
Stage 1	87,802	(200)	87,602	-	-
Stage 2	8,987	(84)	8,903	-	-
Stage 3	2,249	(1,503)	746	-	-
Mortgage	203,715	(20,426)	183,289	191,977	105%
Stage 1	135,937	(1,798)	134,139	133,632	100%
Stage 2	29,209	(1,149)	28,060	27,550	98%
Stage 3	38,569	(17,479)	21,090	30,795	146%
Other retail	1,630	(427)	1,203	2,603	216%
Stage 1	757	-	757	2,339	309%
Stage 2	201	(1)	200	217	109%
Stage 3	672	(426)	246	47	19%
Total retail exposure	304,383	(22,640)	281,743	194,580	69%
Total Stage 3 (NPLs)	41,490	(19,408)	22,082	30,842	140%

	December 31, 2022				
	Gross loans	ECL	Net loans	Total collateral	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%

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

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

The following tables provide a summary of the Group's forbore assets as of December 31, 2023 and December 31, 2022:

	Stage 1		Stage 2		Stage 3		December 31, 2023
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	-	-	20,855	13,006	14,272	22,683	70,816
Corporate loans	-	-	18,555	12,907	2,373	22,446	56,281
Retail loans (incl. mortgage)	-	-	2,282	99	7,526	237	10,144
SME	-	-	18	-	4,373	-	4,391
Total exposure	-	-	20,855	13,006	14,272	22,683	70,816

	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

(*) Terms and conditions

NPL ratio

Gross NPL ratio of the Group 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.

						December 31, 2023
	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	NPL deduction from CET1 (Art.3 of CRR)	TOTAL
Gross exposure	39,353	22,881	176,907	2,770,168	-	3,009,309
NPLs (Gross)	-	6,351	-	79,584	(13,342)	72,593
Gross NPL ratio						2.4%
ECL	-	-	(161)	(48,987)	-	(49,148)
NPLs (Net)	-	6,351	(161)	30,597	(13,342)	23,445
Net NPL ratio						0.8%

						December 31, 2022
	Financial investments at FVOCI - Loans	Non- trading financial assets mandatorily at FVTPL	Loans and receivables - banks	Loans and receivables - customers	NPL deduction from CET1 (Art.3 of CRR)	TOTAL
Gross exposure	53,088	26,070	343,162	2,541,271	-	2,963,591
NPLs (Gross)	-	9,078	-	171,611	-	180,689
Gross NPL ratio						6.1%
ECL	-	(1,097)	-	(71,966)	-	(73,063)
NPLs (Net)	-	7,981	-	99,645	-	107,626
Net NPL ratio						3.6%

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.g. Aging of loans and advances to customers

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

	December 31,					
	2023					
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	2,322,691	13,244	-	-	13,216	2,349,151
Retail loans and residential mortgage loans	241,344	18,949	5,550	3,773	34,767	304,383
SME loans	106,223	3,586	-	-	6,825	116,634
Total loans and advances to customers	2,670,258	35,779	5,550	3,773	54,808	2,770,168

	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	2,156,068	1,640	104	6,062	31,726	2,195,600
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	2,422,967	21,603	8,045	26,155	62,503	2,541,273

As of December 31, 2023, EUR 2,648,829 (2022: EUR 2,362,151) of total exposure is neither past due nor impaired, EUR 41,841 (2022: EUR 29,762) of total exposure is past due but not impaired.

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.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, 2023							
Gross exposure	Netherlands	Romania	Turkey	Switzerland	Non - investment grade	Investment grade	Total exposure
Corporate loans	235,606	51,974	380,522	244,749	192,834	1,243,466	2,349,151
Stage 1	223,898	45,439	245,909	244,749	183,865	1,238,935	2,182,795
Stage 2	11,708	6,535	110,866	-	2,078	4,531	135,718
Stage 3	-	-	23,747	-	6,891	-	30,638
Retail loans (incl. mortgages)	22	301,129	90	358	37	2,747	304,383
Stage 1	22	221,827	90	98	-	2,459	224,496
Stage 2	-	37,990	-	260	-	147	38,397
Stage 3	-	41,312	-	-	37	141	41,490
SME loans	-	116,634	-	-	-	-	116,634
Stage 1	-	81,954	-	-	-	-	81,954
Stage 2	-	27,224	-	-	-	-	27,224
Stage 3	-	7,456	-	-	-	-	7,456
Total exposure	235,628	469,737	380,612	245,107	192,871	1,246,213	2,770,168

December 31, 2022							
Gross exposure	Netherlands	Romania	Turkey	Switzerland	Non - investment grade	Investment grade	Total exposure
Corporate loans	195,708	287,548	283,255	173,641	214,006	1,041,442	2,195,600
Stage 1	184,244	250,438	99,361	173,641	174,660	1,041,442	1,923,786
Stage 2	4,678	29,854	107,145	-	11,791	-	153,468
Stage 3	6,786	7,256	76,749	-	27,555	-	118,346
Retail loans (incl. mortgages)	748	320,287	89	-	45	-	321,169
Stage 1	514	167,523	89	-	-	-	168,126
Stage 2	211	102,305	-	-	-	-	102,516
Stage 3	23	50,459	-	-	45	-	50,527
SME loans	-	24,502	-	-	-	-	24,502
Stage 1	-	19,849	-	-	-	-	19,849
Stage 2	-	1,915	-	-	-	-	1,915
Stage 3	-	2,738	-	-	-	-	2,738
Total exposure	196,456	632,337	283,344	173,641	214,051	1,041,442	2,541,271

For the year ended December 31, 2023

35.i. Liquidity risk

The Group 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. CEG considers funding and liquidity as a major source of risk. CEG's low risk appetite towards liquidity risk is explicitly reflected in its stress-testing and funding plan framework.

Stress-Test Scenarios

The Group 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 Group the level of required liquidity across different time horizons. In this respect, the design and frequency of the stress test scenarios reveal the Group'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 Group maintains a buffer of 'readily available liquid assets' to prevent mismatches between the inflow and outflow of the Group 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 CEG's 'low 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 Group ensures that its available liquidity is larger than the required amount implied by its stress scenarios at all times.

Funding Plan & Strategy

The Group'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 Group'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

As of December 31, 2023, both the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) stand above 100%, meeting the minimum regulatory requirement for these ratios.

	December 31, 2023	December 31, 2022
NSFR	192 %	177 %
LCR	578 %	524 %

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	Discounted amounts based on remaining contractual maturity						December 31, 2023
	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	1,639,420	-	-	-	-	-	1,639,420
Financial assets measured at FVTPL	20,278	-	49,438	111,213	13,101	3,674	197,704
Financial investments	100,188	67,479	88,333	56,333	58,809	11,795	382,937
Loans and receivables – banks	231,429	30,949	58,972	-	-	-	321,350
Loans and receivables – customers	1,133,066	391,284	123,866	607,738	411,182	54,045	2,721,181
Tangible and intangible assets	-	-	-	-	-	73,469	73,469
Other assets	41,451	14,361	89,671	103,827	-	13,302	262,612
Total assets	3,165,832	504,073	410,280	879,111	483,092	156,285	5,598,673
Liabilities							
Due to banks	473,983	25,638	15,858	-	-	-	515,479
Due to customers	2,154,823	241,692	869,851	707,029	56,817	-	4,030,212
Other liabilities	40,511	17,700	55,364	76,311	1,512	35,030	226,428
Subordinated liabilities	-	-	169,650	-	-	-	169,650
Total liabilities	2,669,317	285,030	1,110,723	783,340	58,329	35,030	4,941,769
Cumulative liquidity gap	496,515	715,558	15,115	110,886	535,649	656,904	656,904

	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	154,150	36,662	16,435	79,598	78,410	10,997	376,252
Loans and receivables – banks	231,732	126,239	102,571	-	-	-	460,542
Loans and receivables – customers	874,875	214,111	126,991	658,969	465,724	128,635	2,469,305
Tangible and intangible assets	-	-	-	-	-	78,519	78,519
Other assets	75,611	14,693	65,909	114,426	4,678	18,101	293,418
Total assets	2,442,140	391,705	355,881	898,571	548,812	239,253	4,876,362
Liabilities							
Due to banks	283,174	157,903	10,181	-	-	-	451,258
Due to customers	1,974,553	195,428	468,506	708,400	47,601	-	3,394,488
Other liabilities	54,303	17,160	38,231	68,718	11,831	32,764	223,007
Subordinated liabilities	-	-	141,802	46,930	-	15,679	204,411
Total liabilities	2,312,030	370,491	658,720	824,048	59,432	48,443	4,273,164
Cumulative liquidity gap	130,110	151,324	(151,515)	(76,992)	412,388	603,198	603,198

(*) As at December 31, 2023, total on demand assets amount to EUR 1,873,342 (2022: EUR 1,562,180) and total on demand liabilities amount to EUR 150,336 (2022: EUR 403,550) are disclosed under “Up to 1 month” column.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows:

Undiscounted amounts based on remaining contractual maturity								December 31, 2023
	Up to 1 month	1-3 months	3-12 months	1-5 Year	Over 5 years	Maturity not applicable	Adjustments*	Total
Due to banks	474,656	25,818	16,412	-	-	-	(1,407)	515,479
Due to customers	1,440,084	324,239	1,103,677	937,297	283,003	-	(58,088)	4,030,212
Other liabilities	40,509	17,613	33,522	99,568	2,560	35,030	(2,374)	226,428
Subordinated liabilities	-	-	199,698	-	-	-	(30,048)	169,650
Total liabilities	1,955,249	367,670	1,353,309	1,036,865	285,563	35,030	(91,917)	4,941,769
Off-balance sheet liabilities								
Credit-line commitments	65,533	-	-	-	-	-	-	65,533
Irrevocable letters of credit	1,186,791	-	-	-	-	-	-	1,186,791
Guarantees	73,420	-	-	-	-	-	-	73,420
Other	202,381	-	-	-	-	-	-	202,381
Total off-balance	1,528,125	-	-	-	-	-	-	1,528,125

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	10,547	-	-	-	(1,097)	451,258
Due to customers	1,217,551	243,477	750,383	906,208	298,356	-	(21,487)	3,394,488
Other liabilities	54,302	17,104	24,320	84,671	11,831	32,764	(1,985)	223,007
Subordinated liabilities	-	-	155,289	70,937	-	15,679	(37,494)	204,411
Total liabilities	1,555,299	418,943	940,539	1,061,816	310,187	48,443	(62,063)	4,273,164
Off-balance sheet liabilities								
Credit-line commitments	67,023	-	-	-	-	-	-	67,023
Irrevocable letters of credit	812,325	-	-	-	-	-	-	812,325
Guarantees	150,049	-	-	-	-	-	-	150,049
Other	188,004	-	-	-	-	-	-	188,004
Total off-balance	1,217,401	-	-	-	-	-	-	1,217,401

(*) This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values.

For the year ended December 31, 2023

35.j. Market risks

Market risk is defined as the current or prospective threat to the Group'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 Group has a 'limited' risk appetite in market risk. The Group 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 Group 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 Group 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 December 31, 2023, VaR has been calculated as EUR 0.5 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 2.8 million. Other market risks such as liquidity, re-pricing and interest-rate risk on the Banking book are measured and monitored through sensitivity and gap analyses, detailed in subsequent sections.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 (2023)*	Total	Diversification effect	Interest-rate risk	Foreign-exchange risk
Average	630	100%	621	164
Maximum	1,254	100%	1,230	396
Minimum	38	100%	127	23
Period-end	1,254	100%	-	23

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

(*) Values in thousand Euros

35.k. Interest-rate risk in the Banking book

One of the Group's major risks under Pillar II is the interest-rate risk on the Banking book. The Group 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 Group has a 'limited' risk appetite towards interest-rate risk in its banking book.

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

According to the revised EBA guidelines applicable since December 31, 2019, CEG 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, 2023, EVE drops by EUR 9.9 million in case of a short rates shock up scenario (2022: EUR 8.1 million in case of a short rates shock down scenario).

The interest rate repricing gap table below is prepared to determine the Group'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 Group calculates the projected net interest income for +/-200 bps parallel shift of the yield curve. As of 31 December 2023, NII drops by EUR 9.9 million in case of +200 bps shock over 12 months from the reporting date. (2022: EUR 20.6 million in case of -200 bps shock over 12 months from the reporting date).

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

							December 31, 2023
	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	1,619,138	-	-	-	-	20,282	1,639,420
Financial assets measured at FVTPL	33,500	33,895	103,829	22,806	-	3,674	197,704
Financial investments	41,269	52,810	113,589	106,193	54,364	14,712	382,937
Loans and receivables - banks	216,824	29,300	59,473	-	-	15,753	321,350
Loans and receivables - customers	1,712,362	592,065	203,548	136,968	26,970	49,268	2,721,181
Tangible and intangible assets	-	-	-	-	-	73,469	73,469
Other assets	-	-	-	-	-	262,612	262,612
Total assets	3,623,093	708,070	480,439	265,967	81,334	439,770	5,598,673
Liabilities							
Due to banks	474,197	35,567	5,715	-	-	-	515,479
Due to customers	1,121,684	391,603	1,232,904	760,868	59,569	463,584	4,030,212
Other liabilities	-	-	-	-	-	226,428	226,428
Subordinated liabilities	-	-	169,650	-	-	-	169,650
Total liabilities	1,595,881	427,170	1,408,269	760,868	59,569	690,012	4,941,769
Off-balance interest-sensitivity gap	129,522	99,254	(22,347)	(176,982)	(39,769)	-	(10,322)
Net gap	2,156,734	380,154	(950,177)	(671,883)	(18,004)	(250,242)	896,824

							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	13,217	376,252
Loans and receivables - banks	216,621	86,231	102,551	-	-	55,139	460,542
Loans and receivables - customers	1,496,488	558,139	156,112	118,183	32,458	107,925	2,469,305
Tangible and intangible assets	-	-	-	-	-	78,519	78,519
Other assets	-	-	-	-	-	293,418	293,418
Total assets	2,872,044	665,993	416,235	243,228	107,209	571,653	4,876,362
Liabilities							
Due to banks	284,223	166,926	-	-	-	109	451,258
Due to customers	1,007,721	217,212	668,347	1,006,317	78,770	416,121	3,394,488
Other liabilities	-	-	-	-	-	223,007	223,007
Subordinated liabilities	-	-	204,411	-	-	-	204,411
Total liabilities	1,291,944	384,138	872,758	1,006,317	78,770	639,237	4,273,164
Off-balance interest-sensitivity gap	(388,524)	(35,061)	180,877	264,197	(28,380)	-	(6,891)
Net gap	1,191,576	246,794	(275,646)	(498,892)	59	(67,584)	663,891

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

35.1. Currency risk

The Group has limits and controls on its open currency positions determined by the Group's internal risk appetite statement as well as any regulatory restrictions. The Group 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 Group 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 Group also differentiates between its trading and structural currency positions. The result of structural currency positions –which arises due to the Group'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 Group 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 35.j.) is inclusive of the foreign-exchange risk.

CREDIT EUROPE GROUP N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023

Currency analysis for the year ended December 31, 2023 and 2022:

									December 31, 2023
	EUR(*)	USD	CHF	RON	RUB	UAH	TRY	Others	Total
Cash and balances with central banks	1,362,082	1,220	108,362	146,738	-	20,197	-	821	1,639,420
Financial assets measured at FVTPL	142,975	54,729	-	-	-	-	-	-	197,704
Financial investments	247,793	91,411	17,712	23,089	-	2,932	-	-	382,937
Loans and receivables – banks	49,902	235,036	1,354	25,913	164	-	128	8,853	321,350
Loans and receivables – customers	1,097,648	1,110,523	71,151	201,638	-	1,196	218,581	20,444	2,721,181
Derivative financial instruments	87,422	22,696	-	5	-	-	92	-	110,215
Property and equipment	16,555	26,997	5,333	14,455	-	200	10	-	63,550
Intangible assets	3,062	-	3,634	3,132	-	42	49	-	9,919
Other assets	81,535	45,335	2,118	21,771	-	833	356	449	152,397
Total assets	3,088,974	1,587,947	209,664	436,741	164	25,400	219,216	30,567	5,598,673
Due to banks	354,487	126,733	158	33,942	-	-	127	32	515,479
Due to customers	2,868,696	877,634	6,851	210,434	156	14,341	41,685	10,415	4,030,212
Derivative financial instruments	112,070	24,313	-	100	-	-	92	2	136,577
Other liabilities	42,869	7,168	25,205	10,730	-	1,813	2,066	-	89,851
Subordinated liabilities	-	169,650	-	-	-	-	-	-	169,650
Total liabilities	3,378,122	1,205,498	32,214	255,206	156	16,154	43,970	10,449	4,941,769
Net on-balance sheet position	-	382,449	177,450	181,535	8	9,246	175,246	20,118	946,052
Off-balance sheet net position	-	(333,240)	(171,401)	(148,096)	-	-	(183,446)	(19,791)	(855,974)
Net open position	-	49,209	6,049	33,439	8	9,246	(8,200)	327	90,078

									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	188,357	82,528	17,373	87,994	-	-	-	-	376,252
Loans and receivables – banks	82,282	346,470	25,193	1,048	3,375	-	105	2,069	460,542
Loans and receivables – customers	923,032	1,142,355	76,222	270,428	-	1,903	32,376	22,989	2,469,305
Derivative financial instruments	97,961	14,736	-	-	-	-	226	-	112,923
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	2,322,630	1,721,783	240,099	501,030	7,914	23,438	33,074	26,394	4,876,362
Due to banks	150,285	232,490	2,289	60,895	-	-	167	5,132	451,258
Due to customers	2,469,045	652,090	18,111	203,405	129	13,578	32,797	5,333	3,394,488
Derivative financial instruments	126,811	16,279	-	101	13	-	226	-	143,430
Other liabilities	34,739	9,707	21,029	11,930	-	614	1,336	222	79,577
Subordinated liabilities	-	204,411	-	-	-	-	-	-	204,411
Total liabilities	2,780,880	1,114,977	41,429	276,331	142	14,192	34,526	10,687	4,273,164
Net on-balance sheet position	-	606,806	198,670	224,699	7,772	9,246	(1,452)	15,707	1,061,448
Off-balance sheet net position	-	(616,662)	(192,898)	(197,365)	(1,579)	-	408	(15,029)	(1,023,125)
Net open position	-	(9,856)	5,772	27,334	6,193	9,246	(1,044)	678	38,323

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

For the year ended December 31, 2023

35.m Operational risk

The Group's Operational Risk Management (ORM) function operates as the second line of defence within the three lines of defence model. ORM's primary objective is to strengthen the Group's operational and information risk culture through the development, implementation, and oversight of the ORM framework.

Operational risk appetite, categorized by business and subsidiary-specific thresholds, is subject to quarterly monitoring by ORM. The presence of early warning limits for operational risk metrics serves to intensify risk monitoring efforts. Additionally, ORM conducts quarterly assessments of a comprehensive set of Key Risk Indicators (KRIs), which were enhanced in 2023. These thresholds and the results of the KRIs assessments are reported to both the Non-Financial Risk Committee and Audit Risk Committee.

ORM plays a pivotal role in managing operational risk incidents, facilitating their registration, escalation, and reporting to enhance the Group's response, minimize losses, and ensure regulatory compliance.

In 2021, ORM initiated the Control Testing process by introducing a Control Testing Framework. Subsequently, in 2022, Control Testing activities were launched to strengthen front-line responsibility for operational risk management and evaluate the effectiveness of key controls. In 2023, ORM enhanced the list of key controls and conducted independent control testing.

Also, the Group conducts Risk Control Self-Assessment for critical processes, addressing risks that exceed the risk appetite through actions such as mitigation, acceptance, transfer, or avoidance. The Product Approval and Review Process governs new products and modifications with planned strengthen this process in 2024. Ongoing employee training and awareness sessions ensure the integration of operational risk management into the Group's daily operations.

36. Assets held for sale

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

As of December 31, 2023, following repossessed assets have been classified as "Assets held for sale":

. artworks in Western Europe (EUR 1,989), for which marketing activities are ongoing.

37. Subsequent events

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

CREDIT EUROPE GROUP N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

38. 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	Interest
			December 31, 2023	December 31, 2022
Credit Europe Bank N.V.	Amsterdam	The Netherlands	100.00%	100.00%
JSC Credit Europe Bank (Ukraine)	Kiev	Ukraine	0.01%	0.01%

Amsterdam, April 18, 2024

Supervisory Board:

Aysecan Ozyegin Oktay
Seha Ismen Ozgur
Wilfred Nagel
Korkmaz Ilkorur
Ali Fuat Erbil

Managing Board:

Senol Aloglu
Umut Bayoglu
Batuhan Yalniz

Parent Company
Financial Statements
As of and for the year ended
December 31, 2023

CREDIT EUROPE GROUP N.V.
STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2023
In thousands of EURO

	Notes	December 31, 2023	December 31, 2022
Assets			
Amount due from banks	b	46,348	47,241
Loans and advances to customers	c	10,055	10,007
Derivative financial instruments	d	-	12
Investments in group companies	e	642,572	617,905
Other assets		1	-
Total assets		698,976	675,165
Liabilities			
Amount due to banks	f	10,004	10,022
Derivative financial instruments	d	-	74
Provisions		2,024	976
Subordinated loans	g	45,325	62,608
Total liabilities		57,353	73,680
Equity			
Share capital	h	550,000	550,000
Legal reserves	i	182,404	124,864
-Fair value reserve		(5,383)	(27,472)
-Affiliated companies		355,683	322,055
-Currency translation differences		(50,913)	(72,294)
-Net investment hedge		(116,891)	(97,409)
-Tangible revaluation reserve		(92)	(16)
Other reserves		(89,172)	(70,541)
Unappropriated result		(1,609)	(2,838)
Total equity		641,623	601,485
Total equity and liabilities		698,976	675,165

CREDIT EUROPE GROUP N.V.
STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2023
In thousands of EURO

	Notes	January 1- December 31, 2023	January 1- December 31, 2022
Interest and similar income		5,562	4,288
Interest expense and similar charges		(6,138)	(6,756)
Net interest income	j	(576)	(2,468)
Fees and commissions expense		(8)	(23)
Net fee and commission income		(8)	(23)
Valuation results and net trading income	k	24	137
Operating income		24	137
Net operating income		(560)	(2,354)
Operating expenses		(1)	(15)
Total operating expenses		(1)	(15)
Operating profit before tax		(561)	(2,369)
Income tax expense*		(1,048)	(469)
Results from participating interests	l	62,193	39,369
Profit for the year		60,584	36,531

*Tax position and fiscal unity information of the Company is explained in consolidated disclosure 'Note: 30 'Taxation'

CREDIT EUROPE GROUP N.V.
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2023
In thousands of EURO

	Legal Reserves							Unappropriated results	Total
	Issued capital	Fair value reserve	Affiliated companies	Currency translation differences	Net investment hedge	Other legal reserve	Other reserves		
At December 31, 2022	550,000	(27,472)	322,055	(72,294)	(97,409)	(16)	(70,541)	(2,838)	601,485
IAS 29 impact	-	-	3,500	-	-	-	-	-	3,500
At January 01, 2023	550,000	(27,472)	325,555	(72,294)	(97,409)	(16)	(70,541)	(2,838)	604,985
Change in fair value reserve	-	22,089	-	-	-	-	(15,793)	-	6,296
Change in foreign currency translation reserve	-	-	-	21,381	-	-	-	-	21,381
Change in tangible revaluation reserve	-	-	-	-	-	(76)	-	-	(76)
Change in net investment hedge reserve	-	-	-	-	(19,482)	-	-	-	(19,482)
Total income and expense for the year recognized directly in equity	-	22,089	-	21,381	(19,482)	(76)	(15,793)	-	8,119
Dividends declared and paid	-	-	(32,065)	-	-	-	-	-	(32,065)
Profit for the year	-	-	62,193	-	-	-	-	(1,609)	60,584
Transfer from retained earnings	-	-	-	-	-	-	(2,838)	2,838	-
At December 31, 2023	550,000	(5,383)	355,683	(50,913)	(116,891)	(92)	(89,172)	(1,609)	641,623

CREDIT EUROPE GROUP N.V.
STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2023

In thousands of EURO

	Legal Reserves							Unappropriated results	Total
	Issued capital	Fair value reserve	Affiliated companies	Currency translation differences	Net investment hedge	Other legal reserve	Other reserves		
At December 31, 2021	550,000	(4,544)	280,374	(60,422)	(92,866)	467	(64,255)	(2,972)	605,782
IAS 29 impact	-	-	8,312	-	-	-	-	-	8,312
At January 01, 2022	550,000	(4,544)	288,686	(60,422)	(92,866)	467	(64,255)	(2,972)	614,094
Change in fair value reserve	-	(22,928)	-	-	-	-	(3,314)	-	(26,242)
Change in foreign currency translation reserve	-	-	-	(11,872)	-	-	-	-	(11,872)
Change in other 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	-	-	(6,000)	-	-	-	-	-	(6,000)
Profit for the year	-	-	39,369	-	-	-	-	(2,838)	36,531
Transfer from retained earnings	-	-	-	-	-	-	(2,972)	2,972	-
At December 31, 2022	550,000	(27,472)	322,055	(72,294)	(97,409)	(16)	(70,541)	(2,838)	601,485

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

Basis of preparation

The Parent Company financial statements of Credit Europe Group N.V. (CEG, the Group) 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 Group.

Although CEG 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, CEG 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 Group, as set out in those financial statements.

The additional accounting policies that are specific to the Parent Company Financial Statements of CEG are set out below.

Financial Instruments

The Group applied expected credit loss model under IFRS 9 in parent company financial statements.

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 Group. 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 Group 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.

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

A. Corporate Information

Credit Europe Group N.V., herein after ‘the Group’, is domiciled in Amsterdam, the Netherlands.

The Group’s registered office is Karspeldreef 6A, 1101 CJ Amsterdam, Netherlands and Chamber of Commerce registration number is 34106005.

B. Amounts due from banks

Due from banks consists of placements amounting to EUR 46,348 (2022: EUR 47,241). As of December 31, 2023, there is no (2022: EUR 46,930) due from banks amount, which is not expected to mature within one year.

C. Loans and advances to customers

Loans and advances to customers consists of participated loan amounting to EUR 10,055 (2022: EUR 10,007), which is not expected to mature within one year.

D. Derivative financial instruments

In the ordinary course of business, CEG 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, 2023		December 31, 2022			
	Notional amount	Carrying value assets	Carrying value liabilities	Notional amount	Carrying value assets	Carrying value liabilities
<i>Derivatives in economic hedge relationship</i>						
Foreign currency swaps	-	-	-	14,811	12	74
Total Derivatives	-	-	-	14,811	12	74

Derivatives in economic hedge relationships: Most of the Group’s derivatives in economic hedge relationships relate to asset and liability management of the Group and deals with customers who are normally laid off with counterparties. Included in this classification are any derivatives entered into by the Group 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.

CREDIT EUROPE GROUP N.V.**NOTES TO FINANCIAL STATEMENTS****For the year ended December 31, 2023****E. Investments in group companies and associates**

For 2023, the movement of participating interests in Group companies and associates is as follows:

	Balance at 31 Dec- 2022	IAS 29 Effect	Balance at 1 Jan- 2023	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31- Dec-2023
Credit Europe Bank N.V.	617,905	3,500	621,405	(13,262)	62,193	(49,145)	21,381	642,572
Total	617,905	3,500	621,405	(13,262)	62,193	(49,145)	21,381	642,572

For 2022, the movement of participating interests in Group companies and associates is as follows:

	Balance at 31 Dec- 2021	IAS 29 Effect	Balance at 1 Jan- 2022	Change in reserves	Result for the year	Dividend paid	Translation difference	Balance at 31- Dec-2022
Credit Europe Bank N.V.	650,761	8,312	659,073	(31,268)	39,369	(37,397)	(11,872)	617,905
Total	650,761	8,312	659,073	(31,268)	39,369	(37,397)	(11,872)	617,905

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

F. Amounts due to banks

As of December 31, 2023, the Group has obtained borrowing amounting to EUR 10,004 (2022: EUR 10,222), which is from a third-party financial institution and not expected to mature within one year. As of December 31, 2023, there is no (2022: None) borrowing amount, which is from direct and indirect subsidiaries.

G. Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of CEG. 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, 2023	December 31, 2022
USD 17 million AT 1 instrument with a fixed interest rate of 12.81 % p.a.			-	15,678
USD 50 million AT 1 instrument with a fixed interest rate of 10.27 % p.a.	Perpetual	June 2023	45,325	46,930
Total			45,325	62,608

The Group had not any defaults on principal, interest or other breaches with respect to its subordinated liabilities during the years ended 2023 and 2022.

H. Share capital

The authorized share capital is EUR 1,000 million (2022: EUR 1,000 million) and comprises 1,000 million (2022: 1,000 million) ordinary shares with a face value of EUR 1.

The called-up and paid-in capital consists of 550 million (2022: 550 million) ordinary shares with a face value of EUR 1.

I. Legal reserves

Under Dutch law, legal reserves are required in certain circumstance. The objective of these legal reserves is to protect the creditors (i.e. the Group is only allowed to pay out profits to its shareholders that it has realized or can be realized when the Group wants to). Legal reserves only relate to the Group Financial Statements and are not applicable to the Consolidated Financial Statements. Reserves of participations cannot be paid out to the Group due to local legal requirements.

For the Group, the following legal reserves are important:

- Participations reserve
- Currency translation differences reserve
- Fair value reserve
- Net investment hedge reserve
- Other legal reserves

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.

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

J. Net interest income

	January 1- December 31, 2023	January 1- December 31, 2022
Interest income from financial instruments measured at amortized cost and FVOCI	5,562	4,288
Loans and receivables – banks	4,779	4,281
Loans and receivables – customers	783	7
Subtotal	5,562	4,288
Interest expense from financial instruments measured at amortized cost	6,138	6,756
Subordinated liabilities	5,556	6,531
Due to banks	582	225
Subtotal	6,138	6,756
Total	(576)	(2,468)

K. Valuation results and net trading income

	January 1- December 31, 2023	January 1- December 31, 2022
Foreign exchange	(61)	(115)
Subtotal	(61)	(115)
Derivative financial instruments - not qualifying for hedge accounting	85	252
<i>of which interest component</i>	89	254
<i>of which MTM component</i>	(4)	(2)
Total	24	137

L. Results from participating interests

	January 1- December 31, 2023	January 1- December 31, 2022
Net result from participating interests	62,193	39,369
- <i>Group companies</i>	62,193	39,369
Total	62,193	39,369

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

M. Risk Management

i. Liquidity risk

The Group 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. CEG considers funding and liquidity as a major source of risk. CEG's minor and very limited tolerance towards liquidity risk is explicitly reflected in its stress-testing and funding plan framework.

Stress-Test Scenarios

The Group 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 Group the level of required liquidity across different time horizons. In this respect, the design and frequency of the stress test scenarios reveal the Group'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 Group maintains a buffer of 'readily available liquid assets' to prevent mismatches between the inflow and outflow of the Group 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 CEG'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 Group ensures that its available liquidity is larger than the required amount implied by its stress scenarios at all times.

Funding Plan & Strategy

The Group'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 Group'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, 2023	December 31, 2022
NSFR	192%	177%
LCR	578%	524%

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

Discounted amounts based on remaining contractual maturity					December 31, 2023
	Up to 1 month *	3–12 months	1-5 Year	Maturity not applicable	Total
Assets					
Amount due from banks	1,021	45,325	-	-	46,346
Loans and receivables – customers	-	-	-	10,055	10,055
Other assets	-	-	-	642,575	642,575
Total assets	1,021	45,325	-	652,630	698,976
Liabilities					
Due to banks	-	10,004	-	-	10,004
Other liabilities	-	-	2,024	-	2,024
Subordinated liabilities	-	45,325	-	-	45,325
Total liabilities	-	55,329	2,024	-	57,353
Cumulative liquidity gap	1,021	(8,983)	(11,007)	641,623	641,623

Discounted amounts based on remaining contractual maturity					December 31, 2022
	Up to 1 month *	3–12 months	1-5 Year	Maturity not applicable	Total
Assets					
Amount due from banks	311	-	46,930	-	47,241
Loans and receivables – customers	-	-	-	10,007	10,007
Other assets	12	-	-	617,905	617,917
Total assets	323	-	46,930	627,912	675,165
Liabilities					
Due to banks	-	10,022	-	-	10,022
Other liabilities	74	-	976	-	1,050
Subordinated liabilities	-	46,930	-	15,678	62,608
Total liabilities	74	56,952	976	15,678	73,680
Cumulative liquidity gap	249	(56,703)	(10,749)	601,485	601,485

(*) As at December 31, 2023, total on demand assets amount to EUR 1,021 (2022: EUR 311) are disclosed under “Up to 1 month” column.

ii. Currency risk

The Group has limits and controls on its open currency positions determined by the Group's internal risk appetite statement as well as any regulatory restrictions. The Group 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 Group 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 Group also differentiates between its trading and structural currency positions. The result of structural currency positions –which arises due to the Group'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 Group 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.

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

Currency analysis for the year ended December 31, 2023 and 2022:

	December 31, 2023				
	EUR(*)	USD	UAH	TRY	Total
Amount due from banks	966	45,325	55	-	46,346
Loans and receivables – customers	10,055	-	-	-	10,055
Equity-accounted investments	642,574	-	-	-	642,574
Other assets	1	-	-	-	1
Total assets	653,596	45,325	55	-	698,976
Due to banks	10,004	-	-	-	10,004
Derivative financial instruments	-	-	-	-	-
Other liabilities	2,024	-	-	-	2,024
Subordinated liabilities	-	45,325	-	-	45,325
Total liabilities	12,028	45,325	-	-	57,353
Net on-balance sheet position	-	-	55	-	55
Off-balance sheet net position	-	-	-	-	-
Net open position	-	-	55	-	55

	December 31, 2022				
	EUR(*)	USD	UAH	TRY	Total
Amount due from banks	74	47,111	55	1	47,241
Loans and receivables – customers	10,007	-	-	-	10,007
Derivative financial instruments	12	-	-	-	12
Equity-accounted investments	617,905	-	-	-	617,905
Total assets	627,998	47,111	55	1	675,165
Due to banks	10,022	-	-	-	10,022
Derivative financial instruments	74	-	-	-	74
Other liabilities	976	-	-	-	976
Subordinated liabilities	-	62,608	-	-	62,608
Total liabilities	11,072	62,608	-	-	73,680
Net on-balance sheet position	-	(15,497)	55	1	(15,441)
Off-balance sheet net position	-	14,773	-	-	14,773
Net open position	-	(724)	55	1	(668)

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

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

N. Remuneration

Key management costs including remuneration and fees:

	December 31, 2023	December 31, 2022
Total remuneration to supervisory board members	643	511
Total remuneration to managing board members	2,187	2,121
Total	2,830	2,632

Pension plan contribution amount is EUR 151 (2022: EUR 147).

These transactions were concluded at staff terms and market rates. There is no loan provided to Managing Board in 2023 (2022: None). There is no guarantee provided to Managing and Supervisory Board members.

Amsterdam, April 18, 2024

Supervisory Board:

Aysecan Ozyegin Oktay
Seha Ismen Ozgur
Wilfred Nagel
Korkmaz Ilkorur
Ali Fuat Erbil

Managing Board:

Senol Aloglu
Umut Bayoglu
Batuhan Yalniz

CREDIT EUROPE GROUP N.V.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

O. 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, 2023			December 31, 2022		
	KPMG NL	KPMG- Other	Total	KPMG NL	KPMG- Other	Total
Statutory audit of annual accounts	579	338	917	548	269	817
Other assurance services	360	252	612	188	210	398
Other non-audit services	-	-	-	-	24	24
Total	939	590	1,529	736	503	1,239

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).

P. Subsequent events

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

CREDIT EUROPE GROUP N.V.

OTHER INFORMATION

For the year ended December 31, 2023

Q. Other information

Proposed profit appropriation

The profit is appropriated pursuant to Article 31 of the Articles of Association of CEG; 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	60,584
Interim dividend payment	27,485
Dividend distribution of Euro 0.01 per share	5,614



Independent auditor's report

To: the General Meeting and the Supervisory Board of Credit Europe Group N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Credit Europe Group N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Credit Europe Group N.V. as at 31 December 2023 and of its result and its cash flows for the year 2023 in accordance with International Financial Reporting Standards as endorsed 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 Group N.V. as at 31 December 2023 and of its result for the year 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2023;
- 2 the following statements for the year 2023: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

- 1 statement of financial position as at 31 December 2023;
- 2 the company statement of profit or loss account for the year 2023; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Credit Europe Group N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), 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 fraud and non-compliance with laws and regulations and going concern was 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

Audit response to the risk of fraud and non-compliance with laws and regulations

In the chapter 'Non-financial 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 non-compliance;
- performing relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Legal and Compliance;
- evaluating internal reports from Internal Audit and Compliance on indications of possible fraud and non-compliance;
- evaluating correspondence with relevant supervisory authorities and regulators as well as legal confirmation letters.

We incorporated elements of unpredictability in our audit by, amongst others, making use of random selected items for substantive testing.

As a result, from our risk assessment, we identified the following areas as those most likely to have a material effect on the financial statements in case of non-compliance:

- 'Wet op het financieel toezicht' (Wft, Act on Financial Supervision), including banking-specific regulatory requirements as imposed by the prudential regulator DNB 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).

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:

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, such as management override of controls for specific provisioning (ECL).

Responses:

In response to the identified fraud risk of management override of controls, we performed among other things the following procedures:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as processes related to journal entries.
- We performed a data analysis of high-risk journal entries and 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 evaluated the design and the implementation of internal controls that mitigate fraud risks, such as process related to estimates, including those related to specific provisioning for stage 3 loans.
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We evaluated key estimates and judgments for bias by the Bank's management, including retrospective reviews of prior year's estimates with respect to the specific provisioning for stage 3 loans.

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 inquired of individuals involved in the financial reporting process to identify whether they are aware of inappropriate or unusual and unsupported activity relating to the processing of journal entries and other adjustments.
- We tested the design and implementation of relevant controls.
- We reconciled revenue recognized in 2023 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.

Our evaluation of procedures performed 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.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

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;
- contains all the information regarding the management report and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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 management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_algemeen_01

This description forms part of our independent auditor's report.

Amstelveen, 18 April 2024

KPMG Accountants N.V.

W.G. Bakker RA