AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2019

July 2020

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Board of Directors' Annual Management Report for the Financial Year 2019

Dear Shareholders,

We hereby submit for approval the Financial Statements and the Annual Report of the Board of Directors of Aegean Baltic Bank S.A. (hereinafter "ABBank" or the "Bank") for the year ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

ABBank is a Greek banking institution, specializing in the provision of corporate banking, ancillary, treasury and advisory financial products and services to business enterprises of the shipping sector, while as of 2018 it has also engaged in non-shipping corporate finance. ABBank operates through its head office at Maroussi, Athens, Greece and its two branches located in Piraeus and Glyfada. The Bank does not maintain other offices, branches, subsidiary or affiliated companies in Greece or abroad.

Overview

In 2019, the annual growth rate of global economic activity fell to 2.9%, from 3.6% in 2018, reflecting the slowdown caused in the first half of the year by trade tensions among the US, China and Europe, increased political uncertainty in some western economies and the decline of major industrial sectors in Europe. In the last quarter, the international economic environment seemed significantly improved and growth for 2020 was expected to recover to 3.3% YoY. International trade growth also decelerated in 2019 to 1.2%, from 4.0% in 2018. However, shipping freight markets and ship market values were not affected accordingly in the major shipping sectors. The tanker market rose significantly in terms of both shipping earnings and ship prices, while the corresponding indicators in the dry bulk and the containership markets presented mild volatility, with downward movement in the former case but upward movement in the latter. At the end of 2019, there was optimism that in 2020 the growth rate of international trade would accelerate to 2.5% and the shipping markets would follow a positive trajectory.

The Greek economy continued in 2019 the recovery course of the previous two years. GDP grew at an annual rate of 1.9%, like in 2018, assisted particularly by the rise in net exports of goods and services as well as private consumption. In the fiscal sector, the strong performance of the recent years was repeated, with the primary surplus amounting to 3.8% of GDP (2018: 4.2%) and the country's liquidity reserves exceeding €35 bil. At the end of the year, confidence in the prospects of the Greek economy was particularly positive, as reflected in the business and consumer expectations indicators, the upgrade of Greece's credit rating by international credit rating agencies and the decline in credit spreads on government bonds. The liquidity of the Greek banking system improved further in 2019, as ELA drawings had already been eliminated since March and customer deposits had increased by 4.6% at the end of the year. Deleveraging continued, but at a slower pace, as the reduction in household lending was offset by credit expansion in corporate loans. Non-performing exposures (NPEs) decreased by approximately €11 billion, remaining however at high levels, to the tune of 42% of total loans.

The rapid spread of the COVID-19 pandemic in the first quarter of 2020 and the drastic restrictive measures followed by most countries around the world have caused a severe blow to global economic activity. Presently, contrary to previous growth projections, global GDP is projected to shrink in 2020 between -3% and -5% and, consequently, international trade is expected to fall by more than 10%. In shipping, the financial impact of COVID-19 drove the bulk carrier market to historically low levels in the first half of 2020, while in the second quarter a significant decline was observed in the containership market as well. On the contrary, the exceptional conditions that prevailed in the international oil market have in the same period led the tanker sector to the highest freight levels of the last decade. In the Greek economy, a decline of -5% to -10% is estimated for 2020, as trade, tourism and related services make up more than 25% of the country's GDP.

2019 was a year of remarkable performance for ABBank. On 31.12.2019, Total Assets had increased by 86% YoY to €503.8 million, from €271.1 million in 2018. The loans portfolio grew by 55%, cash and liquid assets by 150% and customer deposits by 158%. Shipping loans continued to account for 95% of the on-balance sheet Loans and Advances to Customers, with the remaining 5% corresponding to non-shipping Greek corporate financings. NPEs decreased to 10% of total loans, from 16% the previous year and their provisions coverage ratio increased to 37% from 27% respectively. Operating Income (before provisions and tax) amounted to €1.97 million (2018: €3 thousand, following an impairment loss on loans and other financial assets charge of - €2.76 million (2018: + €584 thousand, reversal of previous provisions), a net loss (after taxes and provisions) of €0.59 million was recorded (2018: €0.39 million profit). At the end of the year, the CET-1 capital ratio stood at 26.2% (2018: 38.2%) and the liquidity coverage ratio (LCR) at 312% (2018: 181%). In February 2019, the Bank obtained from Standard & Poor's a credit rating of B/B (long-term/short-term) with a stable outlook, the highest among Greek banks at the time - a rating confirmed by S&P again on 12 May 2020, after taking into account the possible impact of COVID-19 on the Bank's financial standing.

Economic and Financial Environment

Global developments

In 2019, global GDP increased by 2.9% on an annual basis, recording a slowdown of 0.7% compared to the previous year (2018: 3.6%). The rate of slowdown was almost flat across most major economies and is mainly attributed to the slowdown in economic activity in the first half of the year, due to tensions in the US, China and Europe international trade, the increased political uncertainty in major economies such as the United Kingdom, as well as the reduced production output of significant European industrial sectors, such as the automotive industry. However, in both the Eurozone and the US, economic growth in 2019 was supported by rising private consumption, as result of rising wages and declining unemployment rates to levels before the 2008 international economic crisis. In the USA, the annual GDP growth stood at 2.3% from 2.9% in 2018, in the EU at 1.2% from 1.9%, in China at 6.1% from 6.8% and in other emerging economies at 3.7% from 4.4%. Respectively, industrial production increased annually by 1.1% in the US (2018: 4.2%) and 5.8% in China (2018: 6.3%), whereas in Japan it shrank by -2.8% and in Korea by -0.8%. In Europe, the industrial production of Germany fell by -3.5% year-on-year, of the UK by -0.8% and overall in EU by -1.0%.

Economic performance would be lower in 2019 if trade tensions between the United States and China did not subside in the second half of the year and the governments and central banks in Europe and the US did not take initiatives, mainly monetary and fiscal, to reverse downward pressures, revive economic activity and reduce uncertainty. In the US, in the second half of the year, the FED reduced base rates by 0.75%, cumulatively, so that at the end of the year the USD base rates fluctuated in the range of 1.5% to 1.75% p.a., while at the same time, it returned to a policy of quantitative easing through the selective purchase of securities. During the same period, the first phase of a new trade agreement with China was announced, which is expected to prevent the imposition of additional tariffs on exports between the two countries. In Europe, the ECB further reduced the base rate on bank deposits with the Central Bank by 10 bps, to -0.50% per annum (while maintaining the intervention rate at 0.0%), restated the asset purchase program at a monthly pace of €20.0 billion and extended by one year (i.e. from two to three years) the maximum expiration period of long-term refinancing operations (LTROs). At the end of the year, expectations for the recovery of the international economy and the international trade were significantly stronger and, on the one hand, the international stock market indices recorded a significant rise against last year's levels and the bond markets a substantial reduction in the credit spreads of high yield issues, while on the other hand, international economic organizations and analysts forecasted a recovery for 2020, setting the annual global GDP growth rate at 3.3% and the expansion of international trade at an annual rate of 2.5%.

The emergence and rapid spread of the COVID-19 pandemic in the first months of 2020 has gradually led most governments around the world to take drastic measures to protect public health through a complete cessation or restriction of the gathering and circulation of citizens and, consequently, of the economic activity. The general implementation of these measures for 2-3 months created conditions of global economic crisis. The expectations for recovery in 2020 were replaced by strong uncertainty and predictions by most international economic organizations, for a global recession, greater than that of the 2008-2009 financial crisis. In April 2020, the IMF forecasted a contraction of -3% in world GDP for 2020 and a recovery of + 5.8% in 2021. Developed economies are projected to mark in 2020 a -6.1% decline in GDP and a + 4.5% growth in 2021, while developing and emerging economies are expected to have a -1.0% decline in GDP in 2020 and a + 6.6% growth in 2021. In May, Fitch estimated a global GDP decline of -4.6% for 2020 and a recovery of +5.1% in 2021. In April, the World Trade Organization (WTO) estimated in 2020 that due to COVID-19, the decline in international trade would exceed -13% in commodity volumes and would be more pronounced in services, at least in the short term.

The European governments and the ECB have taken a number of measures to reduce the impact of COVID-19 on the real economy. Government measures include regulations to support businesses and citizens directly affected by the forced cessation of their economic activity. The ECB immediately adopted the EBA's directive of 2 April 2020 on the provision by banks of general short-term modifications in the servicing of loans to affected businesses and households, so that, under certain conditions, these loans are not classified as defaulted or potentially non-performing exposures. At the same time, in order to assist the banks to finance the real economy, on 18 March 2020, the ECB announced an emergency program for the pandemic that includes the purchase of an additional €750 billion in assets by the end of 2020 (Pandemic Emergency Purchase Program (PEPP)), while on 30 April 2020, it decided to conduct seven emergency longer-term refinancing operations for the pandemic (PELTROs), on improved terms, in order to provide liquidity to the Eurozone banking system and to ensure the uninterrupted operation of the money markets during the crisis. Accordingly, in early March, the FED had adopted measures of similar targeting, further reducing by 150 bps the USD base rates (at the level of 0.0% -0.25%), and announcing the gradual purchase in the coming months of $1.5 trillion government bonds and $200 billion mortgage-secured bonds (ABS), while at the end of March it announced the continuation, in essence, of quantitative easing measures without restriction.

The Greek Economy and the Greek Financial Environment

In 2019, Greek GDP grew by 1.9% year-on-year, for the second consecutive year, exceeding the growth rate of the Eurozone for the first time in the last decade. The positive review for 2019 also includes the attainment of a Primary Surplus of 3.8% of GDP (2018: 4.2%), the formation of more than €35 billion of liquidity reserves to cover possible financial obligations of the Hellenic Republic, the further upgrade of the country's creditworthiness to BB- (S&P, Fitch), the successful issuance of new government bonds, and the general fall of sovereign debt credit spreads in the international markets. Economic growth rate was supported by the rise in private consumption and in net exports of goods and services, with the tourism industry leading the way, recording a 12.9% annual increase in revenue. Unemployment fell to 16.3%, the lowest level since 2010, fixed capital formation expanded by 8.1% on an annual basis and construction activity continued to grow at a rate of 12.0%, with residential and commercial real estate prices increasing by 7.2% and 6.3%, respectively. At the end of the year, the strengthened indicators of business and consumer expectations, as well as the shrinking credit spreads attributed by the markets to Greek securities, reflected the improved climate of confidence in the prospects of the Greek economy.

The performance of the Greek banking system in 2019 generally moved on a positive trajectory. Liquidity conditions continued to improve, as from March 2019 Greek banks had been completely disengaged from the ELA, and by the end of the year private deposits had marked an annual increase of €8.9 bil. Operating profit rose, NPEs declined – remaining yet at the particularly high level of 42% of total loans – and business loans increased by 1.9% on an annual basis, for the second consecutive year – an increase, however, which merely reduced the overall pace of deleveraging to 0.5% on an annual basis, as household loan balances continued their downward trend, at an annual rate of -2.8%.
As reflected in the Interim Report of the Governor of BoG, based on data up to the third quarter of 2019, Greek banks showed increased operating profitability compared to the corresponding period of 2018, which is nevertheless mainly due to non-recurring profits from financial transactions. Capital adequacy was maintained at satisfactory levels, the banks' funding sources were expanded and broadened and the stock of NPEs de-escalated further. A positive development towards the reduction of NPEs is the approval by the European Commission of the government plan "Hercules", which is the first step in the systematic treatment of the high stock of problem loans issue. The increase in operating profitability in 2019 was assisted by revenues from financial transactions and the further containment of expenses, as income from interest-bearing operations and commissions continued to decline due to the shrinking of loan portfolios. At the same time, however, the efforts to reduce operating costs by downsizing the branch network and reducing general administrative costs paid-off, boiling down to a cost-to-income ratio of 50.9% (better than the European average of 64%). Provisions for credit risk also declined, a development linked to the reduction of NPEs. Regarding capital adequacy, the report states that both, Common Equity Tier 1 Capital ratio (CET1) and Total Capital Adequacy Ratio of Greek banks remained at a satisfactory level at the end of September 2019 (15.9% and 16.9% respectively). This progress is attributed to the strengthening of the regulatory capital of Greek banks through corporate actions of asset-liability management, the issuance of Tier 2 bonds, profitability, as well as to the increase of bonds measured at fair value and classified in the net worth (FVTOCI).

The spread of the COVID-19 pandemic in the first months of 2020 led the Greek government to take drastic measures to restrict the circulation of citizens, imposing the cessation of many economic activities (retail, hospitality, tourism) and the restriction of others to protect public health. At the same time, the government announced measures to support affected businesses and employees, such as payroll subsidies, adjustments of insurance covers, operating cost reduction measures, provision of government guarantees for bank facilities extended for working capital support purposes etc. Accordingly, Greek banks have adopted ECB's proposed measures to modify debt obligations in response to the coronavirus but also to provide new financing to businesses and households in order to limit the impact of this new external crisis on the real economy. However, the improving course of Greek banks' financial performance and the reduction of problem loans is expected to be halted in 2020.

In the area of public health, restrictive measures have proved particularly effective, with Greece recording one of the best performances in Europe, in both COVID-19 cases and deaths. As of mid-May, the gradual lifting of restrictions on the circulation of citizens within the country, as well as the reopening, through the end of June, subject to specific guidelines, of businesses and stores that had been forced to close, commenced. The lifting of entry restrictions into the country from abroad is also being gradually implemented since early June, while the reopening of hotel units, if they are able to implement the new guidelines imposed, has been set for early July. However, the impact on trade, tourism and related activities, which have an extensive contribution in Greek economic output, is expected to be particularly significant. The IMF report of April 2020 projected an annual contraction of -10.0% of Greek GDP in 2020, with an increase in unemployment to 22.3%, and a recovery of +5.1% with a decline in unemployment to 19.9% in 2021. In early May, the European Commission estimated that in 2020 Greece would record a recession of -9.7%, while the, as of May 26th, report by Fitch was more optimistic for Greece, setting the GDP decline to -4.7% for 2020 and the recovery of 2021 to + 5.1%. In addition, particular concern raised by the growing geopolitical tension instigated by Turkey in the Aegean Sea and the Southeastern Mediterranean since 2019 and its potential impact on the economic efforts of Greece, Cyprus and other countries in the region.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2019, the volume of seaborne trade fell to +0.4%, from +2.7% in 2018, reflecting the impact of tensions in the trade relationship of the USA with China and other important economies. However, this significant slowdown on the demand side has been combined with a mild annual growth rate of the active commercial fleet in 2019 (+ 3.9% for tankers and dry bulk carriers and + 0.5% for containership vessels) and did not affect accordingly the freight market and the ship prices in the main shipping sectors. Although prices for newbuilding orders remained largely stable, at the 2018 levels, the number of newbuilding orders fell by more than 20% year-on-year, reflecting the uncertainty about investment decisions brought about by the trade war and the slowdown of the international trade growth. Moreover, ship scrap prices at the end of 2019 had fallen by about 13% compared to the levels prevailing a year earlier and the number of ship disposals in 2019 was significantly reduced, for the second consecutive year - a factor increasing the growth rate of the active commercial fleet mentioned above.

In the tanker sector, the average freight levels in 2019 improved between 30% to 60% compared to 2018 and ship market values marked an increase to the tune of 15% -20%. The tanker freight market has been and continues to be significantly influenced by the peculiar conditions prevailing in the international oil market and the growing demand for ships for oil storage - an activity that has a downward effect on the supply of active tanker tonnage in the freight market. Freight revenues for dry bulk carriers presented a slight decline, by 10% -15% and similar was the decline in ship prices, while most categories of containership vessels recorded an increase of about 15% in freight rates, but a stagnation in ship market values.

At the end of 2019, the expectations for global economic recovery and acceleration of the international trade growth at an annual rate of +2.5% in 2020, combined with the milder growth rate in supply tonnage capacity (+2%) and the implementation of the environmental regulations IMO 2020 that were anticipated, created a reserved optimism about the prospects of shipping markets. However, uncertainties over the developments following the completion of the first phase of the US-China trade agreement, as well as the qualitative and quantitative changes in the global energy balance and maritime technology, had raised concerns about the medium/long-term viability of the recovery.

The proliferation of the COVID-19 pandemic in the first quarter of 2020 and the restrictive measures first taken by China and later by most countries around the world, led the dry bulk carrier markets to historically low levels in the first half of 2020, while in the second quarter, a significant decline was also observed in the containership freight market. On the other hand, the particular conditions prevailing in the international oil market, led in the same period the tanker sector to the highest freight levels of the last decade. The pace of newbuilding orders, as well as second-hand ship acquisitions has declined significantly, while the quarantine state in various countries of the world has created serious disruptions in the shipping services cycle. Successive lifting of protective measures against the pandemic in most parts of the world during the 2nd quarter raise expectations for recovery in the dry bulk and containership freight market from the 3rd quarter of 2020 onwards, while the up-until-May 2020 over-performance of tankers in combination with the oil reserves that have been accumulated in the previous period, raise concerns as to the future outlook of this sector.

Shipping Finance

During 2019, the shipping finance to Greek ship owners was marked by the stronger presence of Greek banks, the announcement of the gradual withdrawal from the ship-financing market of a foreign bank with the second largest shipping portfolio, as well as the increase of the market share of financial leasing schemes for newbuilding ships, provided by specialized institutions of the Far East, two of which have set up representative offices in Greece.

Among the Greek banks, two announced the sale of portfolios of non-performing shipping loans, of $900 mil in total. At the same time however, Greek banks were particularly active in the provision of new loans, on competitive terms, thus putting downward pressure on the prevailing credit margins for shipping loans. As regards the increased financial leasing transactions, it should be noted that although their lease payments incorporate much higher interest rates compared to conventional shipping loans, the loan advance ratios are also significantly higher.

According to the annual report "Petrofin Bank Research 2019" (19th annual bank research of Petrofin, June 2020), at the end of 2019, the shipping portfolios of Greek banks amounted to $9.9 billion, accounting for 18.6% of total loans to Greek ship owners, totaling $53.1 billion, with the remaining 81.6% provided by foreign banking institutions and financial firms or funds. These figures deviate only marginally from those of Petrofin's 18th annual survey for 2018, where total financing towards Greek shipping was estimated at $53.2 billion, with Greek banks providing $9.8 billion or 18.4% thereof. Consequently, in 2019, despite the aforementioned sale of loans, the market share of Greek banks presented both a quantitative and a percentage increase. The survey also notes that in 2019 the number of Cypriot financial institutions with a presence in Greek shipping finance increased from two to three and that the gradually declining presence of some, important in the sector, European banks, has been replaced by Far-eastern banks and financing companies.

The above developments confirm that the Greek and Cypriot banks, despite the challenges they have faced in recent years, are proving to be credible financing providers to Greek shipping, with long-term interest for the industry, while institutions from the Far East are developing their operations in tandem with, mainly, the developments and needs of the particularly strong shipbuilding industry in their respective countries of origin. Most of the European financial institutions include ship financing in the broader framework of transportation financing. As a result, they have extensive exposure to other transportation sectors, such as the aviation industry and railways, and their credit expansion or contraction strategies in respect of their shipping loans portfolios are particularly affected by corresponding developments or restructurings in those other sectors.

Taking into account the impact of the COVID-19 pandemic on the international commodity and passenger transportation markets, in conjunction with lending activities of credit institutions, in 2020 European banks are expected to keep a cautious attitude towards the extension of new shipping loans, while both Greek and Cypriot banks, as well as those in the Far East, will continue their credit expansion in the industry, but at a slower pace.

ABBank Financial Results

In 2019, ABBank recorded the highest level of total assets since its inception and significantly improved its operating profitability (i.e. before provisions and tax). Liquidity was further strengthened through the more than twofold increase of customer deposits and the expansion of its funding sources, the rate of credit expansion accelerated and annual net interest and commissions income also amounted to the highest level since the Bank's establishment. At the same time, the regulatory figures and indicators were kept at particularly healthy levels.

The main driver of the increase in total assets was the increase in customer deposits by 158%, which funded the increase of the loans portfolio by 55% (after provisions), the expansion of the marketable debt and equity securities portfolios by 67% and the strengthening, by 183 %, of cash deposits at the Central Bank and the interbank market. Total operating income rose by 36% YoY, while total operating expenses increased by 16%, following a corresponding growth of the Bank's personnel in 2019. Net operating income for 2019 amounted to €1.97 million, from €3 thousand in 2018. Following the formation of additional impairment charges on loans and other financial assets of - €2.76 million in 2019 (2018: + €0.58 million reversal of provisions due to restructuring of an NPE), net loss of €0.59 million was recorded (2018: €0.39 million profit).

On 31.12.2019 the Bank's CET1 capital adequacy ratio stood at 26.2%, from 38.2% in 2018 (with IFRS 9 adjustment on a fully loaded basis) and the regulatory liquidity ratios LCR and NSFR at 312% and 135% respectively (2018 : 181% and 114%, respectively).

Statement of Financial Position

The table below illustrates the Bank's Balance Sheet in an abridged form and the annual changes between 2019 and 2018 of the main asset and liability classes:

Balance Sheet (abridged)	**31/12/2019 € million**	**31/12/2018 € million**	**%**
Cash and balances with Banks	198.4	70.1	+182.9%
Loans (Net)	242.0	156.3	+54.9%
Marketable Securities (at FV through OCI and P&L)	22.7	28.2	-19.5%
Marketable Securities (at Amortized Cost)	24.5	-	*n/a*
Other Assets	16.1	16.3	-1.0%
Total Assets	**503.8**	**271.1**	**+85.8%**
Due to banks	34.3	32.3	+6.2%
Due to customers	376.6	145.8	+158.2%
Other liabilities	4.2	3.6	+16.8%
Total Liabilities	**415.0**	**181.7**	**+128.4%**
Total Equity	88.8	89.4	-0.7%
Total Liabilities and Equity	**503.8**	**271.1**	**+85.8%**

The Bank's total assets amounted to €503.8 million, increased by €232.7 million or 85.8% on an annual basis (2018: €271.1 mil), while Total Liabilities (excluding Equity) increased by €233.3 million or 128.4%, to €415.0 million (2018: €181.7 mil). The increase in liabilities is mainly due to the significant strengthening of customer deposits, by €230.8 million or 158.2%, which on 31.12.2019 amounted to €376.6 million (2018: 145.8 mil), while in the same period the Bank's interbank funding increased only by €2.0 million or 6.2% YoY, to €34.3 million, from €32.3 million the previous year. On 31.12.2019, ABBank was not raising any funding from the Eurosystem (2018: €5.0 mil).

As regards customer deposits, ABBank's cooperation, from the 4th quarter of 2019 onwards, with an online retail deposit management platform in Germany, significantly contributed to the aforementioned increase. On 31.12.2019, the total balances of customer deposits included €77.7 million from this source (20.6% of the total deposits and 1/3rd of the annual increase), all of which were time deposits with maturities between 15 days and 2 years and an average maturity of 3.5 months. The remaining 2/3^{rds} of the annual increase came mainly from the Bank's corporate shipping clientele (82% of the increase) but also from individuals/physical persons (9%) and from companies of the financial sector (insurance companies, asset management and investment companies). The total balance of customer deposits on 31.12.2019 came by 60% from corporates, mainly of the shipping industry, 31% from individuals/physical persons and 9% from financial companies (2018: 69%, 16% and 15%, respectively). The twofold increase of total deposits demonstrates the confidence of shipping and other depositors in ABBank.

The sharp liquidity increase mentioned above led, on the one hand, to a large increase in cash at hand and in banks by 182.9% YoY, to €198.4 million, versus €70.1 in 2018 (i.e. an increase of €128.3 mil) and, on the other, to a credit expansion of 55.0% (€85.7 mil) after provisions, with the corresponding balance of Total Loans amounting to €242.0 million on 31.12.2019, versus €156.3 million the previous year. At the same time, financial assets measured in fair value, as well as those measured in amortized cost also increased, by €19 million in total or 67.4%, from €28.2 million in 2018 to €47.3 million on 31.12.2019. About €44.6 million thereof are eligible for funding from the ECB (€24.5 mil), while €41.6 million comprise government bonds from Western European countries (2018: €24.5 mil), €5.4 million comprise corporate issues of Greek and European companies (2018: €3.3 mil) and €0.3 million concern stock of a NYSE-listed company (2018: €0.3 mil).

The annual development of the gross balance of loans and deposits described above led to an improvement in the Customer Loans to Deposits ratio from 113% in 2018 to 67% in 2019, while the placement of liquidity in short term deposits with the BoG and other commercial banks and high quality securities drove the regulatory Liquidity Coverage Ratio (LCR) to the particularly strong level of 312% (2018: 181%). At the same time, combined with the strengthening of retail term deposits, the Net Stable Funding Ratio (NSFR) stood at 31.12.2019 at 135%, from 114% at the end of the previous year.

The annual increase of €85.7 million or 55.0% of the Loans and Advances to Customers portfolio (after provisions) was the net result of new loan drawdowns of $128.5 million and €51.9 million, loan repayments of $49.1 million and €36.9 million respectively, the formation of additional loan loss provisions of €2.8 million, as well as the strengthening of the exchange rate of the Euro against the US Dollar (considering that more than 90% of the total net balance of Loans and Advances to Customers comprised USD-denominated loans). From the second half of 2018, ABBank began to diversify its activity in non-shipping Greek corporate banking. On 31.12.2019, the total balance of Loans and Advances to Customers on the Bank's balance sheet consisted by 95% of shipping and by 5% of non-shipping corporate loans (2018: 96% and 4%, respectively), while on the basis of total approved credit limits (i.e. including undrawn and off-balance sheet amounts) the distribution between shipping and non-shipping exposures was 88% and 12%, respectively.

As regards the qualitative aspect of the Bank's loans portfolio, on 31.12.2019 the Non-Performing Exposures (NPEs) amounted to €26.1 million, i.e. 10.3% of the total gross balance of loans (2018: €26.5 million and 16.2% respectively). NPEs include denounced and past due loans over 90 days of €20.1 million (2018: €16.7 mil) accounting for 8.0% of the total gross loan balances (2018: 10.2%). In 2019, an amount of €3.7 million was reclassified from performing exposures to NPEs and an amount of €3.3 million from NPEs to performing.

On 31.12.2019, cumulative provisions against loan impairment amounted to €10.5 million, increased by €2.8 million on an annual basis, from €7.8 million on 31.12.2018. Total provisions of 31.12.2019 covered by 4.2% the total gross loan balances (2018: 4.7%), while the NPEs were covered by provisions by 37% (2018: 27%), the Past Due over 90 days and Denounced loans thereof, being covered by 47% (2018: 39%). Moreover, on 31.12.2019, a provision of €12.5 thousand was formed against impairment losses from the Bank's positions in debt securities (2018: €12.7 thousand).

Income statement

Net operating income (before provisions and tax) amounted to €1.97 million, versus €3 thousand the previous year, while following the provisions and taxation charges a €0.57 million net loss was recorded, compared to a profit of €0.39 million in the previous year. The main figures of the Bank's Income Statement for FY-2019 and FY-2018 and the annual changes thereof, are presented in a tabular abridged form here below:

Income Statement (abridged)	12M 2019 € million	12M 2018 € million	%
Net Interest income	10.5	9.3	+13.5%
Net fee and commission	2.7	2.0	+35.8%
Net result from derivatives and investment securities	(0.1)	(1.5)	-94.1%
Other operating income	0.1	0.0	+566.7%
Total operating income	**13.2**	**9.7**	**+35.8%**
Personnel expenses	(6.6)	(5.9)	+12.2%
General administrative expenses	(3.6)	(3.1)	+16.4%
Depreciation and amortization charges	(1.0)	(0.7)	+42.0%
Total operating expenses	**(11.2)**	**(9.7)**	**+15.6%**
Net Operating Income (before Provisions and Tax)	**2.0**	**0.0**	**n/a**
ECL provisions	(2.8)	0.6	+561.6%
Income Tax	0.2	(0.2)	-200.4%
Net profit/(loss)	**(0.6)**	**0.4**	**+247.5%**

Net operating income (before provisions and tax) of €2.0 million was a result of the significant increase in Total Operating Income by 35.8% on an annual basis, amounting to €13.2 million, compared to €9.7 million in 2018, while Total Operating Expenses increased by 15.6% compared to last year and reached €11.2 million (2018: €9.7 mil).

Net Interest Income amounted to €10.5 million, an annual increase of 13.5%, with gross interest income showing an increase of 30.0% YoY, mainly due to the credit expansion that took place, and gross interest expense having doubled (108.0%), due to the annual increase by 130.6% of the balance of interest-bearing liabilities (customer deposits and interbank funding).

In particular:

- Interest on loans increased by 34% or €3.4 million, mainly due to the increase in the average annual balance of loans by €60.6 million (€211.5 million from €151.0 million in 2018).
- Interest income from interbank placements and securities shows a marginal decrease, by €0.08 million or 8% on an annual basis, despite the increased average annual balances by €60.1 million in 2019, mainly due to the reduction of euro and dollar base rates.
- Interest expense on customer deposits increased by €1.4 million or 91% compared to the previous year, due to the higher average balance of deposits by €87.5 million (+59.9%) and in particular term deposits (+71.4%, versus +49.8% in the average balance of sight and savings deposits, which bear almost zero interest rate), resulting also in an increase of the average annual cost of deposits from 1.1% in 2018 to 1.3% in 2019, despite the further de-escalation of base rates in the second half of the year.
- Interest expense on Interbank Funding was €0.64 million higher than the previous year (+84.9%), while the average annual balance of the Bank's interbank takings had increased by 169.4% on an annual base. Nevertheless, the average cost of total interbank takings fell to 1.3% from 1.8% in 2018.

Despite the increase of Net Interest Income (NII) analyzed above, the Bank's Net Interest Margin (NIM) fell in 2019 to 2.8% from 3.6% in 2018, as a result of the significantly higher annual average balance of total assets of the Bank, by approximately €119 million or 46% YoY, in conjunction with the rapidly increased customer deposits.

Net Income from Fees and Commissions amounted to €2.7 million from €2.0 million in 2018 (increase of 35.8% on an annual basis), due to increased income from commissions related to loans, remittances and other banking services, which presented an annual increase of 30%, 33% and 104%, respectively.

The Bank's net result from derivatives and debt securities portfolios transactions was a loss of €0.1 million in 2019, compared to a loss of €1.5 million in 2018. The cost of FX derivative transactions (currency swaps and futures to hedge the Bank's FX position in dollars) amounted to €1 million in 2019 (2018: €1.1 million). The above cost was almost equal to the €1.1 million income, which was recorded in 2019 from FX transactions for customers (2018: €0.3 mil). The loss from bond and stock transactions (sales, revaluation, yield hedging transactions) decreased significantly in 2019, i.e. by €0.6 million, amounting to €0.1 million from €0.7 million in 2018.

If the aforementioned hedging cost for the open USD position on the Bank's total assets was included in Net Interest Income in order to determine the total assets’ funding cost, this would be estimated at €5.1 million or 1.35% (2018: €3.1 million or 1.20%), and, accordingly, the Bank’s adjusted Net Interest Margin at 2.53% for 2019, versus 3.16% the previous year.

Total Operating Expenses amounted to €11.2 million in 2019, before the annual provisions for impairment losses on loans and debt securities, marking an increase of 15.6% on an annual basis (2018: €9.7 mil). In particular:

- Personnel Expenses increased by 12.2% from the previous year and amounted to €6.6 million from €5.9 million in 2018. The increase in the average number of full-time employees by 9 people (+12%) from the previous year and by 12 people between 31.12.2018 and 31.12.2019 (from 82 to 95 or by +16%), augmented this expense category.
- General Administrative Expenses were higher by 16.4% (+€0.5 mil) in 2019, mainly due to higher fees to third parties for advisory services, higher expenditure for software licenses and increased costs to the Deposit and Investment Guarantee Fund (deposit cover and resolution schemes), given the increased total assets of the Bank.

In 2019, the Bank formed additional provisions for impairment losses on loans and debt securities of €2.8 mil in total. Thereof, 92% (€2.5 mil) concerns the net change in provisions of non-performing exposures and the balance 8% concerns the increase in provisions due to the increase in total loans. In 2018, a profit from provisions of €0.6 million was recorded, due to an extraordinary write-off event relating to the restructuring of a loan which, together with the value of the NYSE-listed shares received by the Bank in the context of such restructuring, led to a €1.5 mil reversal of previously recorded provisions.

Shareholders’ Equity and Capital Adequacy

On 31.12.2019, the book value of the Bank's Shareholders’ Equity amounted to €88.8 million, from €89.4 million on 31.12.2018, taking into account the application of IFRS 9 on a fully loaded basis. ABBank's total Regulatory Capital consists exclusively of Common Equity Tier 1 (CET1) capital and amounts to €85.5 million (2018: €86.8 mil), having decreased by €1,3 million on an annual basis, as a result of the above decrease in the book value of Shareholders’ Equity through the net loss of FY 2019, but also the parallel increase by €0.7 million of other deductive adjustments on Regulatory Capital.

In 2019, the Bank’s total Risk Weighted Assets increased to €326.4 million, from €227.6 million on 31.12.2018, mainly due to the increase of the Bank's Total Assets. Consequently, on 31.12.2019, the Common Equity Tier 1 Capital Ratio (CET1 Ratio) of the Bank, which is equivalent to the Total Capital Adequacy Ratio, amounts to 26.2%, from 38.2% on 31.12.2018. It is worth noting that the ratio is calculated with the application of IFRS 9 (on a fully loaded basis) as ABBank did not make use of the transitional provisions for the gradual recognition of the additional provisions that resulted from its initial application on 1.1.2018.

Important events

On 5th and 7th of June 2019 sale and purchase agreements were signed for 90% of the Bank's shares, among existing shareholders as sellers and Aegean Financial Holdings S.a.r.I, a subsidiary of Chenavari Investment Managers (already holding since the end of 2017 a stake of 4% in the Bank's share capital), as buyer. The consummation of the agreement is subject to the approval of the regulatory banking authority, which until the date of this report has not been granted.

During 2019, the Bank of Greece conducted a "Stress Test Exercise" for the less important institutions under its supervision ("LSIs"), based on their financial data as of 31 December 2018. The results of the exercise were announced by the BoG to the participating financial institutions in October 2019 and were taken into account in the Supervisory Review Evaluation Process ("SREP") of each FI. ABBank also participated in the exercise and it was assessed that, the impact of the adverse scenario of the exercise would not materially affect the strength of the Bank's CET1 ratio as of 31.12.2018.

On 12 May 2020, Standard & Poor's confirmed ABBank's B/B (long-term/short-term) credit rating, with a stable outlook, despite the financial difficulties caused by the COVID-19 pandemic, noting *that "the global recession and subsequent decline of international trade is expected to negatively affect both the quality of assets and the level of provisions, as well as the profitability of the Bank. However, ABBank's specialization and experience in shipping, and its selective approach to shipping finance will allow it to record positive results, preserve its capital adequacy and maintain its strong risk-assumption profile during the crisis. The stable outlook reflects the expectation that any possible increase in loan arrears and provisions will be manageable and within the range of the current credit rating and the risk-adjusted capitalization of the Bank, and that in the next twelve months its lending and deposit base will prove to be resilient".*

The impact of COVID-19 on the quality of the customer loans portfolio and ABBank's liquidity is not expected to be significant. As of the end of June 2020, only two shipping and two non-shipping creditors had applied for a short-term deferral of their regular principal repayment obligations, totaling approximately €2.7 million, whereas none of the previously performing loans was or is expected to be in default. It is noted that on 30.6.2020 the total gross balance of Loans and Advances to Customers (before provisions) amounted to €316.7 million (31.12.2019: €252.6) and the customer deposits to €419.9 million (31.12.2019: €376.6 mil).

Disclosures pursuant to Article 6 of Law 4374/2016

In the context of complying with the provisions of paragraph 4, Article 6 of Law 4374/2016 (Hellenic Government's Gazette A'50/1.4.2016) pertaining to the "Transparency in the relationship of credit institutions with media companies and sponsored persons or entities", ABBank is hereby disclosing information with regards to payments made to natural persons and/or legal entities in 2019. Specifically, during 2019 (a) no payments were effected for marketing, advertisement or promotion, in the context of paragraph 1, Article 6 of Law 4374/2016; and (b) the payments effected for donations, sponsorships or grants, in the context of paragraph 2, Article 6 of Law 4374/2016, were the following:

NAME	NET PAYMENT
ASSOCIATION OF VOLUNTEERS AGAINST CANCER	100.00 €
HOLY DIOCESE OF NEA IONIA & PHILADELPHIA	2,031.57 €
GRAND TOTAL	**2,131.57 €**

In compliance with the current legislative, tax and regulatory framework, with respect to the above payments the Bank paid in addition the amount of €264.10 in total, for VAT and other charges.

Risk Management

Being a financial institution active in a dynamically evolving economic environment, ABBank has ranked highly the timely recognition, the continued monitoring and the effective management of the banking risks it is exposed to, with the aim to maintain its capital adequacy at solid levels and to prudently balance risk with return for the Bank's shareholders.

A prime objective of the Bank is to comply with the standards of corporate governance and risk management set out by the at each time applicable regulatory and supervisory framework which governs the operation of the European banking sector, taking also into account the particular characteristics of ABBank's specialist activity, its organic and economic size and the relevant best practices.

Since 1st January 2014 the Directive 2013/26/EU (CRD IV) and the Regulation 575/2013 of the European Parliament and the European Council have been implemented, introducing to the European financial sector the new Basel III capital adequacy framework. Further to new criteria for the qualitative and quantitative adequacy of own capital, Basel III also includes new minimum standards for liquidity and leverage. Moreover, since November 2014, the Single Supervisory Mechanism (the "SSM") operates as the new system of financial supervision under the auspices of the ECB. The SSM supervises directly the "important" (or "systemic") financial institutions of the Eurozone, whereas it exercises indirect monitoring ("oversight") to the "less-important" (or "non-systemic") ones which are supervised directly by the local supervising authority (the Bank of Greece, in the case of Greek banks).

Pursuant to their new responsibilities, the ECB and the SSM conduct European Comprehensive Assessment Tests for the systemic banks, including Asset Quality Reviews and Stress Tests under various macroeconomic scenarios. As a non-systemic bank, the Bank has not participated in such pan-European assessments. ABBank had participated though in the two similar exercises which were conducted by the Bank of Greece (BoG), with the assistance of specialist external advisors (BlackRock), for all Greek banks and the relevant results were published by the BoG in Q1-2012 and Q1-2014, respectively. In both of those exercises ABBank was evaluated as a bank with sound capital solidity and was not required to take any measures towards the restructuring of its activities and the strengthening of its capital base. As mentioned, during 2019 ABBank successfully participated in the Stress Test Exercise conducted by the BoG in respect of the less important institutions (LSIs) under its supervision.

Detailed information about the core risks borne by the Bank through its activities and financial exposures as of 31st December 2019 are provided in Note 4 of the Financial Statements, whereas Note 4.7 makes specific reference to the Bank's capital adequacy calculation under both, Pillar I and Pillar II of the Basel-III framework.

Credit Risk

Credit risk refers to the possibility of the Bank suffering losses as a result of the inability or unwillingness of its debtors to fully perform their obligations, pursuant to the contractually agreed terms and conditions. Credit risk is embedded in all financing transactions of the Bank, predominantly the lending activities, as well as in other banking activities that carry a risk of default by the Bank's counterparty, such as money market transactions, securities market transactions, transactions in derivatives, as well as transactions involving clearing.

The Bank follows specific procedures which support the continuing monitoring, measurement and assessment of credit risk and has compiled and documented relevant risk management policies. Given that until recently the Bank's loans portfolio exclusively consisted of unrated (by External Credit Agencies) obligors of the shipping sector, ABBank has established and follows its own, ten-grade, credit risk assessment and rating system. The Bank has also developed internally a shipping credit rating interface between its ten-grade rating system and that of the object finance slotting criteria methodology of the IRB-Basic approach included in the current regulatory framework for credit risk. This model is used by the Bank's Risk Management Unit to back-test, validate and re-evaluate the credit ratings of the ten-grade risk methodology used internally, as well as for credit risk stress-testing purposes of its shipping loans portfolio.

The Bank's methodologies for the monitoring and assessment of credit risk primarily aim at promptly identifying and optimizing the management of expected and unexpected loss which could possibly be incurred. With the view to contribute in the Bank's best possible protection against such losses, credit operations include specific lending policies and criteria, involving the purpose and type of each financial facility, the formation of appropriate limits per obligor or group of obligors, limits of individual or sectoral concentrations, the use of credit risk containment techniques by obtaining security and guarantee covers and the implementation of risk-related credit pricing in order to improve the use and yield of the corresponding capital requirements. The Bank's credit operations also involve the regular screening and review of credit procedures, with the purpose to improve the efficiency of the management of the whole credit function, as well as the independent assessment of the procedures of credit operations and credit risk management by the Internal Audit Unit. As of 2018, the Bank's credit policies and procedures have been expanded to also cover non-shipping corporate credits.

The procedures of approving new credits and regularly reviewing and reassessing existing ones until their full repayment, are clearly set out and centralized, constituting an exclusive competence of the Credit Committee of performing credits. Moreover, pursuant to the Act of the Executive Committee of the Bank of Greece ("ECA/BoG") Nr. 42/2014 and the ECA/BoG Nr. 47/2015 regarding the Arrears and Non-Performing Loans, the Bank has established a relevant documented strategy and relevant policies and procedures which also comply with best practices in relation to such loans. Management of such Non-Performing Exposures is conducted by a specific, dedicated Unit of the Bank, whereas relevant credit approvals are under the exclusive competence of a separate credit committee, the ANPL Credit Committee.

For the calculation of capital requirements for credit risk, the Bank follows the Standardized Approach of the current regulatory framework.

Details on Credit Risk are included in Note 4.2 of the Financial Statements.

Liquidity Risk

Liquidity risk refers to the Bank's ability to maintain sufficient liquid resources for the coverage of scheduled or unexpected withdrawals of cash, the repayment of other obligations of the Bank and the funding of its loan and other commitments.

The specialized business nature of ABBank, its relatively small size within the Greek banking system and the disruptions observed during the last few years in the financial and interbank markets have set the liquidity risk as an area of top priority for close monitoring and attention.

The Bank's Risk Management Unit regularly performs stress tests for the Bank's liquidity, under mild and extreme volatility scenarios of both idiosyncratic (company-specific) and systemic nature. The Risk Management Unit closely monitors customer deposits concentrations at individual or time zone level, depository behavioural trends of the Bank's clientele, as well as the evolution of the Bank's Loans to Deposits Ratio. Potential liquidity gaps and refinancing gaps are also analysed and the implementation of the liquidity management policy in relation to the enhancement of the funding sources and the availability of adequate amount of liquid assets and assets eligible for liquidation or refinancing, are also closely monitored. Ongoing liquidity risk analysis, stress test results under certain scenarios and the results of monitoring the sources, uses and cost of funds are submitted to the Bank's Assets-Liabilities Committee (ALCO) for its consideration and the appropriate decision-making by the committee and/or the Senior Management.

Pursuant to the new regulatory framework of Basel III which has been implemented since the 1st of January, 2014, (Directive 2013/26/EE and Regulation 575/2013 of the European Parliament and the Commission) the regulatory requirements for Liquidity Risk include the continuous calculation, monitoring and adherence to specific liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) which have gradually come into effect since October 2014.

Details on Liquidity and Liquidity Risk are included in Note 2.2 and Note 4.3 of the Financial Statements.

Market Risk

Market risk refers to the possibility of the Bank incurring losses due to adverse changes in the levels of market prices of bonds and securities, interest rates and foreign exchange rates it is exposed at.

ABBank follows a policy of maintaining limited market risk positions. Through documented policies and procedures being followed for the assumption and management of market risk, the Bank aims at timely identifying, evaluating, monitoring and minimizing such (e.g. through hedging transactions), in conjunction with the compliance with the relevant principles and limits having been set out and approved by its pertinent internal bodies.

The Bank regularly conducts stress tests in relation to all major market risks, such as Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in the banking book as well as to the value of its Marketable Securities holdings etc. Although ABBank has selected the Standardized Approach for the calculation of market risk capital requirements and the relevant supervisory reporting, for the sake of internally observing more effectively its market risk positions the VaR is calculated on a daily basis, at an overall as well as an itemized level (interest rate, foreign exchange, securities price), through the RiskValue application of Systemic.

Details on Market Risk are included in Note 4.4 of the Financial Statements.

Operational Risk

Operational risk involves the possibility of generating losses as a result of implementing inadequate or unsuccessful internal procedures and systems, of external events and/or the human factor.

The Bank has established a policy framework for the management of operational risk which includes the procedure of self-assessment of operational risks and the related area of control, the procedure of loss data collection and the development and update of relevant mitigating action plans.

For the calculation of the capital requirements for operational risk, the Bank follows the Basic Indicator approach.

Goals and potential

ABBank's Senior Management believes that the impact of COVID-19 on the quality of the customer loans portfolio and the liquidity of the Bank will not be significant. This belief is based on the Bank's expertise and the long-term experience of the Management in shipping finance - a sector that is anyway characterized by cyclicality - in combination with the particularly enhanced liquidity ratios and the high level of capital adequacy the Bank maintains.

In the second half of 2018, ABBank commenced its Greek corporate banking activities, focusing on the financing of non-shipping medium and large enterprises with exporting orientation, whereas the Bank additionally targets other domestic business sectors, such as commercial real estate financing. The positive medium/long-term prospects of the Greek Economy and the Bank's conservative approach towards credit risk assumption, encourage the gradual implementation of the aforementioned strategy, taking into account the requirements dictated by the prevailing conditions.

Access to the domestic and international interbank market, as well as the expansion of its depository base, are considered crucial for the Bank's development and asset growth. ABBank has focused on this area by developing new synergies with domestic and international credit institutions as well as regional development banks. As regards customer deposits, the Bank already successfully cooperates with a foreign electronic retail deposit management platform and within 2020 aims at further expanding similar collaborations. At the same time, the Bank continues to invest in digital banking and within the current year the Bank's customers will have access to a fully-fledged electronic WEB Banking platform.

The Senior Management of ABBank believes that, despite concerns about the impact of Covid-19 on the global and Greek real economy, the fundamental metrics, the strong regulatory ratios, the organization and expertise of the Bank and its personnel will permit it in 2020 to record yet another year of increased activity and improved profitability.

Athens, 16 July 2020

The Chairman of the BoD

Konstantinos Hadjipanayotis

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TRUE TRANSLATION FROM THE ORIGINAL IN GREEK

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AEGEAN BALTIC BANK S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AEGAN BALTIC BANK S.A. (the Bank), which comprise the statement of financial position as at 31 December 2019 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union.

Basis for Opinion

We concluded our audit in accordance with International Standards on Auditing (ISAs) as they have been incorporated into the Greek legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We have been independent of the Bank during the whole period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as incorporated into the Greek legislation and the ethical requirements in Greece relevant to the audit of the financial statements. We have fulfilled our ethical requirements in accordance with the applicable legislation and the above mentioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters and the assessed risks of material misstatements were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. .

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td colspan="2">Allowance for loans and advances to customers at amortized cost</td></tr>
<tr><td>Loans and advances to customers at amortized cost of the Bank amounted to € 242.039 th as at 31 December 2019 (€ 156.290 th at 31 December 2018), and impairment losses on loans and advances to customers (charge for the period) amounted to €2.757 th for the Bank for the year ended 31 December 2019 (reversal of impairment losses € 597 th for the year ended 31 December 2018).

The Bank establishes allowances for impairments on loans and advances to customers at amortised cost for expected credit losses (ECL) on an individual basis on its portfolio.

The estimation of ECL on loans and advances to customers at amortised cost is considered a key audit matter as it involves critical Management judgment and accounting estimates with high level of subjectivity and complexity.

The most significant Management judgements and accounting estimates, relate to:

• The criteria used for the staging assessment of loans and advances to customers.
• The prompt recognition of loans with a significance increase in credit risk and with non-performing exposures.
• Valuation of collateral and assumptions of future cash flows on individually assessed credit-impaired exposures, including the assessment of multiple scenarios.
• The evaluation of Management's adaptations in the results of the credit risk measurement models.
• The measurement of the loan assessment on an individual basis, including the evaluation process, the valuation of collaterals and the estimation of the discounted future cash flows.
• The estimated impact of the multiple economic scenarios, which includes the use of assumptions on future economic conditions.

Management has provided additional information regarding the accounting policies and principles when determining the allowance on impairment loss on loans and advances to customers at amortized cost, the management of credit risk and the evaluation of impairment losses in Notes 2.1, 2.9, 2.10, 4, 11 and 16 to the financial statements, respectively.</td><td>Based on our risk assessment and following a risk-based approach, we have evaluated the impairment methodologies applied and assumptions made by Management in relation to this key audit matter, which included, inter alia, the following audit procedures:

• We assessed the design and implementation of internal controls relevant to the ECL, including controls on methodologies applied, risk models used, economic scenarios and significant assumptions employed by Management, accuracy and completeness of data and related calculations as well as the internal controls on the manual individual assessment, on the valuation of collateral and on the assumptions used for determination of the exposures' future cash flows.
• We evaluated the design and operating effectiveness of the internal controls regarding the measurement of the loans on an individual basis, including internal controls related to the determination of the appropriate approach, the valuation of collaterals and the estimation of the discounted future cash flows.
• We evaluated the base and adverse economic scenario, as well as the weighted probability of these scenarios.
• We examined the evidence obtained regarding the prompt recognition of exposures with significant increase in credit risk and the prompt recognition of impaired exposures.
• We examined, on a sample basis, the reasonability of the significant assumptions used in the determination of the expected losses of exposures on an individual basis, including the valuation of collaterals as well as the estimation of discounted future cash flows.
• We assessed the appropriateness of management adjustments on the results of the credit risk measurement models based on the current economic and market conditions and the measures taken by management through:
- The assessment of the key developments against historical data.
- The assessment of the reasonableness of specific adjustments made by Management on the results of credit risks measurement models, evaluating the significant assumptions based on our knowledge and experience in the banking sector.
- The review of calculation methodology.

Given the complexity and granularity of the related disclosures, we assessed the completeness and accuracy of the disclosures in accordance with the relevant accounting standards.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information, included in the Board of Directors Report, referred to in the section "Report on Other Legal and Regulatory Requirements". Other Information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as endorsed by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee (article 44 of Greek Law 4449/2017) of the Bank is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as they have been incorporated into the Greek legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - *Continue*

As part of an audit in accordance with ISAs, as these have been incorporated into the Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

1. Board of Director's Report

Taking into consideration that Management is responsible for the preparation of the Board of Director's report, according to the provisions of paragraph 5 of article 2 of Law 4336/2015 (part B) we note the following:

a) In our opinion, the Board of Director's report has been prepared in accordance with the applicable legal requirements of article 150 of Greek Law 4548/2018 and its content is consistent with the accompanying financial statements for the year ended 31 December 2019.
b) Based on the knowledge we obtained during our audit of the Bank and its environment, we have not identified any material inconsistencies in the Board of Director's Report.

2. Additional Report to the Audit Committee

Our audit opinion on the financial statements is consistent with the additional report to the Audit Committee referred to in Article 11 of the European Union (EU) Regulation 537/2014.

3. Non-audit Services

We have not provided to the Bank any prohibited non-audit services referred to in Article 5 of EU Regulation 537/2014. The allowable non-audit services we have provided to the Bank during the year ended 31 December 2019 are disclosed in Note 39 to the accompanying financial statements.

4. Appointment

We were first appointed as statutory auditors by virtue of Bank's articles of association at incorporation, which was approved based on 25/9/2002 decision of Prefecture of Athens. Our appointment has been, since then, uninterrupted renewed by the Annual General Assembly of shareholders of the Bank for 17 consecutive years.

Athens, 16 July 2020

The Certified Public Accountant

Michalis Karavas
Reg. No. SOEL: 13371
Deloitte Certified Public Accountants S.A.
3a Fragkoklissias & Granikou Str.
GR 151-25 Maroussi, Athens, Greece
Reg. No. SOEL: E. 120

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2019

July 2020

Income Statement

	Note	2019 €' 000	2018 €' 000
Interest and similar income		14,624	11,218
Interest expense and similar charges		(4,114)	(1,959)
Net interest income	5	10,510	9,259
Fee and commission income		3,031	2,250
Fee and commission expense		(355)	(280)
Net fee and commission income	6	2,676	1,970
Net result from derivatives and investment securities	7	(91)	(1,541)
Other operating income		80	12
Total Income		**13,175**	**9,700**
Personnel expenses	8	(6,622)	(5,903)
General administrative expenses	9	(3,637)	(3,125)
Depreciation and amortization	10	(950)	(669)
Impairment losses on loans and advances	11	(2,757)	597
ECL of Investment securities	17,18	-	(13)
Profit/(Loss) before tax		**(791)**	**587**
Income Tax	12	198	(197)
Profit/(Loss) for the year		**(593)**	**390**
Attributable to:			
Equity holders of the Bank		(593)	390
Profit/(Loss) for the year		**(593)**	**390**

Athens, 16 July 2020

The Chairman	The Managing Director	The Chief Financial Officer
Konstantinos Hadjipanayotis	Theodore Afthonidis	George Kalantzis

The notes on pages 28 to 81 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2019 €' 000	2018 €' 000
Profit /(Loss) for the year		**(593)**	**390**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Financial assets at FVTOCI)	17	38	41
Related Tax	23	(10)	(12)
Total off items that may be reclassified subsequently to profit or loss		**28**	**29**
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gain / (Loss) of Retirement Benefit Obligations	29	(51)	(25)
Related Tax	23	(7)	7
Total off items that will not be reclassified subsequently to profit or loss		**(58)**	**(18)**
Other comprehensive income / (expense) for the year, net of tax		**(30)**	**11**
Total comprehensive income / (expense) for the year		**(623)**	**401**
Attributable to:			
Equity holders of the Bank		(623)	401
Total recognized income / (expense) for the year		**(623)**	**401**

Athens, 16 July 2020

The Chairman	The Managing Director	The Chief Financial Officer
Konstantinos Hadjipanayotis	Theodore Afthonidis	George Kalantzis

The notes on pages 28 to 81 are an integral part of these financial statements.

Statement of Financial Position

	Note	2019 €' 000	2018 €' 000
ASSETS			
Cash and balances with Central Bank	13	51,269	8,465
Due from banks	15	147,126	61,653
Loans and advances to customers	16	242,039	156,290
Investment securities FVTOCI	17	21,871	13,667
Financial assets at fair value through P&L	18	847	14,553
Debt securities at amortized cost	19	24,539	-
Derivative financial instruments	20	157	224
Intangible assets	21	1,396	1,117
Property and equipment	22	6,090	5,779
Other assets	24	8,114	7,828
Deferred tax assets	23	353	29
Non-current assets held for sale	25	-	1,512
Total assets		**503,801**	**271,116**
LIABILITIES			
Due to banks	26	34,334	32,336
Due to customers	27	376,558	145,847
Derivative financial instruments	20	15	120
Retirement benefit obligations	29	1,685	1,526
Deferred tax liabilities	23	-	-
Other liabilities	28	2,452	1,907
Total liabilities		**415,044**	**181,736**
SHAREHOLDERS' EQUITY			
Share capital	30	37,980	37,980
Share premium	31	50,207	50,207
Reserves	32	331	341
Retained earnings	33	239	852
Total shareholders' equity		**88,757**	**89,380**
Total liabilities and equity		**503,801**	**271,116**

Athens, 16 July 2020

The Chairman	The Managing Director	The Chief Financial Officer
Konstantinos Hadjipanayotis	Theodore Afthonidis	George Kalantzis

The notes on pages 28 to 81 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2018	**37,980**	**50,207**	**329**	**463**	**88,979**
Movement in the OCI reserve – valuation	-	-	29	-	29
Remeasurement of the defined benefit obligations, net of tax	-	-	(18)	-	(18)
Profit (Loss) for the year	-	-	-	390	390
Balance at 31.12.2018	**37,980**	**50,207**	**341**	**852**	**89,380**
Balance at 01.01.2019	**37,980**	**50,207**	**341**	**852**	**89,380**
Movement in the OCI reserve – valuation	-	-	28	-	28
Remeasurement of the defined benefit obligations, net of tax	-	-	(58)	-	(58)
Statutory reserve	-	-	20	(20)	-
Profit (Loss) for the year	-	-	-	(593)	(593)
Balance at 31.12.2019	**37,980**	**50,207**	**331**	**239**	**88,757**

The notes on pages 28 to 81 are an integral part of these financial statements

Cash Flow Statement

	Note	2019 €' 000	2018 €' 000
Cash flows from operating activities			
Profit before tax		**(791)**	**587**
Adjustments for:			
Depreciation and amortization charges	10	950	669
Credit provisions and other impairment charges	11,17	2,757	(584)
Provisions for retirement benefit obligations	29	108	115
Adjustment for Settlement/Termination loss/(gain)		-	-
(Gain) / Loss on disposal of non-current asset held for sale		(88)	-
(Gain) / Loss from sale of investment securities at FVTOCI	7	39	(27)
(Gain) / Loss from sale of investment securities at FVTPL	7	(36)	(37)
(Gain) / Loss from valuation of financial assets at fair value through P&L	7,18	27	71
Foreign exchange (profit) / loss on financial assets at fair value through P&L	18	(14)	(12)
Foreign exchange (profit) / loss on cash and cash equivalents		748	(619)
		3,700	**(163)**
Net (increase)/decrease in operating assets:			
Loans and advances to customers		(88,506)	(19,622)
Financial assets at fair value through P&L	18	13,730	7,144
Derivative financial assets		67	665
Other assets		(286)	436
Net increase/(decrease) in operating liabilities:			
Due to banks	26	1,998	18,142
Due to customers	27	230,711	15,255
Derivative financial liabilities		(105)	82
Other liabilities		527	570
Cash flow from operating activities before tax payment		161,836	22,834
Income tax paid		-	-
Net cash flow from operating activities		**161,836**	**22,834**
Cash flows from investing activities			
Acquisition of property and equipment	22	(819)	(157)
Acquisition of intangible assets	21	(686)	(499)
Acquisition of investment securities measured at FVTOCI	17	(11,073)	(17,726)
Acquisition of debt securities measured at amortised cost	19	(24,539)	-
Acquisition of current assets held for sale	25	1,600	(1,512)
Proceeds from disposal of investment securities	17	2,867	7,715
Net cash flow from investing activities		**(32,650)**	**(12,179)**
Cash flows from financing activities			
Cash payments of lease elements		(163)	-
Dividends paid		-	-
Net cash flow from financing activities		**(163)**	**-**
Net increase / (decrease) in cash and cash equivalents		**129,024**	**10,655**
Cash and cash equivalents at beginning of period	14	**70,119**	**58,843**
Foreign exchange profit /(loss) on cash and cash equivalents		**(748)**	619
Cash and cash equivalents at end of period	14	**198,395**	**70,119**

The notes on pages 28 to 81 are an integral part of these financial statements.

Note 1: General Information

The Bank is registered under the legal name 'AEGEAN BALTIC BANK S.A.' and uses its trade name 'AB Bank S.A.' Its registered office is located at Maroussi, 91 Meg.Alexandrou & 25th Martiou 151 24, Greece (Reg. 52755/06/B/02/34 and Gen.Reg GEMI- 4918201000). The Bank's duration is until 2099 however it can be extended or reduced by resolution of the General Assembly of the Shareholders.

The objective of the Bank is to execute, on its behalf or on behalf of third parties, in Greece or abroad, independently or in cooperation, including syndication with third parties, any and every operation acknowledged or delegated by law to banks and indicated in the fourth clause of its article of association.

The term of the Board of Directors (BoD) of the Bank, elected by the General Assembly of the Shareholders on 04 July 2017, terminates on the date of convocation of the Ordinary General Meeting in the year 2022.

The current BoD constituted in body on 24 October 2018.

The composition of BoD as amended after the resignations and replacements of its members until 31.12.2019 is as follows:

Konstantinos Hadjipanayotis	Chairman & Deputy Managing Director	Executive Member
Theodore Afthonidis	Vice Chairman and Managing Director	Executive Member
Petros Christodoulou	Member	Non-Executive
Pedro Miguel Weiss	Member	Non-Executive
Dimitris Potamitis	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent
Dimitris Anagnostopoulos	Member	Non-Executive
Panagiotis Constantaras	Member	Non-Executive, Independent
Anastasios Tourkolias	Member	Non-Executive

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 16 July 2020.

The Financial Statements are subject to the approval of the Annual General Meeting of the Bank's shareholders.

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (the E.U.). E.U. endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board (IASB) if at any point in time, new or amended IFRSs have not been endorsed by the E.U. At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019, which affect these financial statements, and there was no difference between IFRSs endorsed by the E.U. and IFRSs issued by the IASB in terms of their application to the Bank. Accordingly, the Bank's financial statements for the year ended 31 December 2019 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, and all derivative contracts measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period.

Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of over the counter ("OTC") derivatives, retirement benefits obligation, and recoverability of deferred tax assets and impairment of loans. Actual results in the future could differ from such estimates and the differences may be immaterial to the financial statements.

The financial statements are presented in Euro, rounded to the nearest thousand unless otherwise indicated.

a) <u>Standards, interpretations and amendments to published standards effective in 2019</u>

- **IFRS 16 "Leases"**

IFRS 16 introduces a single lease accounting model for lessees and lessors. IFRS 16 replaces leasing guidance, including IAS 17 standard Leases as well as the related interpretations when it enters into force, for accounting periods beginning on or after 01 January 2019. IFRS 16 requires lessees to recognize Right of use assets (RoU) and lease liabilities for all its lease contracts that fulfil the definition of a lease except from short term leases (lease term of 12 months or less) and leases of low-value assets. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating lease, using the same classification criteria with IAS 17. The Bank is involved only in operating leases and is acting only as a lessee.

The date of initial application of IFRS 16 for the Bank is 1 January 2019. The Bank has chosen the modified retrospective application of IFRS 16 using the simplified method as defined in IFRS16:C5b, according to which the cumulative effect of the initial application of the standard will be recognized as an adjustment directly to the opening balance of the retained earnings at the date of initial application, therefore comparative information will not be restated. Therefore the comparative information for 2018 is reported under IAS 17 and is not comparable to the information presented for the current period. In accordance with IFRS 16, at the commencement date of the lease, the Bank as a lessee recognizes an equal amount for both the right-of-use-assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, discounted using the rate implicit in the lease or, if this rate cannot be readily determined, the lessee's incremental borrowing rate "IBR". The RoU asset is initially at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received.

Subsequently, the RoU asset is measured at cost less accumulated depreciation and accumulated impairment. The Bank will make use of the practical expedient, as defined in IFRS16:C3, not to reassess at the date of initial application whether a contract is or contains a lease. In addition, the Bank will make use of the practical expedient regarding the separation of lease and non-lease component and therefore the Bank will account for each lease component and any associated non-lease component as a single lease. For the impact of the first time adoption of IFRS 16 as at 1 January 2019, refer to Note 37.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**

The interpretation aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments regarding the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates. These amendments are not expected to have any impact on the Bank's financial statements.

- **IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"**

The amendment allows companies to measure symmetrical options which include prepayable features with negative compensation at amortized cost or at fair value through other comprehensive income instead of at fair value through profit or loss. These amendments are not expected to have any impact on the Bank's financial statements.

- **IAS 28 (Amendment) "Long-term interests in Associates and Joint Ventures"**

The amendment clarifies that companies account for long-term interests in an associate company or a joint venture—to which the equity method is not applied using IFRS9. These amendments are not expected to have any impact on the Bank's financial statements.

- **IAS 19 (Amendment) "Employee benefits"**

The amendment clarifies that if a plan amendment, curtailment or settlements occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. Furthermore, the amendment clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments are not expected to have any impact on the Bank's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

- **IAS 12 (Amendment) "Income taxes"**

The amendment clarifies that all income tax consequences on dividends (i.e. distribution of profits) should be recognized in the Income Statement, regardless of how tax arises.

- **IAS 23 (Amendment) "Borrowing costs"**

The amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

- **IFRS 11 (Amendment) "Joint Arrangements"**

The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IFRS 3 (Amendment) "Business Combinations"**

The amendment clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

The adoption of the amendments had no impact.

b) New standards, amendments and interpretations to existing standards, effective after 2019.

Conceptual Framework (Amendments) "Amendments to References to the Conceptual Framework in IFRS Standards" (Effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU) The new Conceptual Framework does not constitute a substantial revision of the document. The IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with.

- **IAS 1 and IAS 8 (Amendments) "Definition of material"**

(Effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU) The amendment clarifies the definition of "material" and aligns the definition used in the Conceptual Framework and the standards themselves. The new definition states that "Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

- **IFRS 3 (Amendment) "Definition of Business"**

(Effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU) The amendment aims at resolving the difficulties that arise when an entity determines whether it has acquired or a group of assets. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements or processes and continuing to produce outputs, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Entities do not have to revisit such transactions that occurred in prior periods.

- **IFRS 17 "Insurance Contracts"**

(Effective for annual periods beginning on or after 1.1.2021) On 18.5.2017 the IASB issued IFRS 17 which replaces IFRS 4 "Insurance Contracts". In contrast to IFRS 4, the new standard introduces a consistent methodology for the measurement of insurance contracts. The key principles for an entity according to IFRS 17 are the following:

- identify as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder;
- separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divide the contracts into groups that the entity will recognize and measure;
- recognize and measure groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognize the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- present separately insurance revenue, insurance service expenses and insurance finance income or expenses; and
- disclose information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

- **IFRS 10 and IAS 28 (Amendments) "Sale or contribution of assets between an investor and its associate or joint venture"**

(Effective date to be determined) On 11.9.2014 the IASB issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent loses control of a subsidiary, which does not constitute a business, as defined in IFRS 3, it shall recognize to profit or loss only the part of the gain or loss which is related to the unrelated investor's interests in that associate or joint venture. The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognizes the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.
In IAS 28, respectively, it was clarified that the partial recognition of the gains or losses shall be applied only when the involved assets do not constitute a business. Otherwise, the total of the gain or loss shall be recognised.
On 17.12.2015, the IASB deferred the effective date for the application of the amendment that had been initially determined. The new effective date will be determined by the IASB at a future date after taking into account the results of its project relating to the equity method.

There are no other IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Bank's financial statements.

2.2 Going Concern

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered the extremely high level of the Bank's Common Equity Tier 1 (CET1) ratio (exceeding 25%) (see note 4.7), the high level of Liquidity Coverage Ratio (LCR) (311,8% at 31.12.2019) as well as the materiality of impact of Covid-19. The Board believes on the appropriateness of the use of going concern basis for the preparation of the financial statements and the feasibility of their plans for future actions in respect of going concern. The Board does not expect that the Bank will face liquidity issues as it remains in the high level of Liquidity Coverage Ratio (LCR) 346,6% during the first quarter of 2020 and has significant increase in deposits until the end of June 2020. The Board also considered the measures taken by the European Commission, the ECB, the SSM and the Greek Government to mitigate the effects of COVID-19 in European member state economies, in the firms facing disruptions along with the temporary capital and operational relief measures for European Banks. The Bank has also taken the necessary steps to support its customers and ensure the security and prosperity of its employees by applying different working practices such as house-working.

On May 12, 2020, Standard & Poor affirmed its 'B/B' long- and short-term issuer credit ratings on Aegean Baltic Bank S.A and maintained the "Stable" outlook, despite the COVID19 headwinds, noting that "global recession and depressed trade volumes are expected to affect asset quality, increase credit provisions, and reduce profitability. However, AB Bank's focus and expertise in the shipping industry, with a selective approach, is also expected to allow it to report positive results and preserve its capital and risk profile through the downturn. The stable outlook reflects S&Ps expectation that the anticipated increase of loan delinquencies and credit provisions will be manageable at the current rating level and risk-adjusted capitalization, and the funding base will prove resilient over the next 12 months. The review of the going concern and viability includes a period of twelve months from the reporting date.

2.3 Foreign currency transactions

The financial statements are presented in Euro, which is the currency of the country of incorporation of the Bank (functional currency). Transactions in foreign currencies are translated in Euro at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Euro at the closing exchange rate on that date. Foreign exchange differences (profit or loss) arising from translations are recognized in the income statement. Non-monetary assets and liabilities are recognized at the exchange rate prevailing on initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value.

2.4 Net Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on a time proportion basis, taking account of the principal outstanding and using the effective interest rate method based on the actual purchase price. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the next re-pricing date, in order for the present value of the future cash flows to be equal to the carrying amount of the financial instrument.

In particular due to the implementation of IFRS 9 the Bank applies:

- For the interest bearing financial assets classified within Stage 1 or Stage 2, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.
- For the interest bearing financial assets classified within stage 3, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.
- For the purchased or originated credit impaired interest bearing financial assets, interest income is calculated similar to the Stage 3 loans and by applying the credit adjusted effective interest rate of the financial asset.

As of 31st December 2019 the Bank did not purchased or originated credit impaired financial assets.

2.5 Net Fee and commission income

To recognize fees and commission income/expense under IFRS 15, the Bank applies the following five step model to all contracts with customers other than those in scope with other standards such as financial leasing, financial instruments in scope of IFRS 9:

- Identify the contract with the customer.
- Identify the performance obligations in the contracts.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognizing revenue when the entity satisfies a performance obligation.

As such, the Bank recognizes revenue when a performance obligation is satisfied, that is when control of the services or goods is transferred to the customer. Fee and commission income is recognized on an accrual basis over the period the relevant services have been provided. Transaction revenues relating to the origination of a financial instrument which is measured at amortized cost, such as loans and receivables, are capitalized and recognized in the income statement using the effective interest rate method.

2.6 Financial assets at fair value through profit or loss ("FVTPL")

A. Financial assets at FVTPL

This category includes financial assets that do not meet the criteria of being measured at either amortised cost or fair value through other comprehensive income ("FVTOCI"). All financial assets acquired principally for the purpose of selling in the short term or if so designated by the management, are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset and are classified under this category which has the following two sub-categories:

A1: Trading securities

Trading securities are securities, which are either acquired for generating a profit from short term fluctuations or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost and subsequently re-measured at fair value. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in fair value are included in net trading income/ (loss). Interest earned with holding trading securities is reported in interest income. Trading securities held are not reclassified out of the respective category. Respectively, investment securities are not reclassified into trading securities category while they are held.

A2: Designated at fair value through profit or loss

Upon initial recognition the Bank may designate any financial assets as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when either;

I. The Bank estimates or significantly reduces a measurement or recognition in consistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.

II. A group of financial assets, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel.

III. This category is measured at fair value. The determination of fair values of financial assets at fair value though profit or loss securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Changes in fair value are included in net trading income.

B. Financial assets mandatorily at FVTPL

The financial assets that their contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI Fail) are classified mandatorily at FVTPL. This category is measured at fair value. As at 31st December 2019 the Bank did not have any financial instruments classified mandatorily at FVTPL.

C. Equity Securities

Equity securities are measured at FVTPL unless the management of the Bank irrevocably elects to measure equity securities at FVTOCI (please refer to Note 2.7). The determination of fair values of financial assets at fair value though profit or loss securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Changes in fair value are included in net trading income.

2.7 Investment Securities measured at fair value through other comprehensive income "FVTOCI"

Debt securities measured at FVTOCI

In this category the Bank classifies the debt securities that satisfy both of the following criteria:
- The debt security is held within a business model whose objective is to both collect the contractual cash flows and sell assets (Hold to Collect and Sell "HTCS") and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These securities are not sold with the intention of short-term profit and that is why sales might be more frequent and significant in value in comparison with the Hold to Collect ("HTC") Business Model.

The Bank may elect to classify debt securities under the HTC Business Model due to the following reasons:
- manage everyday liquidity needs,
- maintain a particular interest yield profile, or
- match the duration of the financial assets to the duration of the financial liabilities that those assets are funding.
- manage the return on the portfolio on an opportunistic basis, by reinvesting in higher yielding assets, without a clear intention of holding the financial assets to collect contractual cash flows (although the Bank might end up holding the assets if no other investment opportunities occur).

The debt instruments, after initial recognition, are measured at FVTOCI with any fair value changes recorded directly in other comprehensive income.

In the Income Statement, the Bank recognizes interest income using the effective interest rate method, the expected credit losses and the foreign exchange changes. On the date of derecognition, the cumulative fair value gains/losses of debt securities are reclassified from other comprehensive income to profit and loss ("P&L").

Default Definition

A key issue in measuring expected losses is identifying when a "default" may occur. For debt securities the Bank identifies that a default has occurred when:
- Significant financial difficulty of the issuer exists;
- A breach of contract, such as a default or past due event (i.e., an issuer has failed to make a payment when contractually due);
- The issuer, for economic or contractual reasons relating to the issuer's financial difficulty, has granted a concession that the lender would not otherwise consider;

It is becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties within such market.
- The purchase of a debt security at a deep discount that reflects incurred credit losses.

Impairment losses on Debt securities

In line with the IFRS 9 provisions the Bank in the process of calculating ECL, assesses if SICR of debt securities exist. The identification of SICR is based on qualitative and quantitative criteria depending on the availability, quality and quantity of the information. SICR is identified in the following cases:
- Investment grade debt instruments which experience a downgrade to the "non-investment grade" range of the relevant ECAIs.
- Non-investment grade debt instruments that do not fall within the "default" rating range as provided by an ECAI and experience more than 2 notches credit rating downgrade.
- Debt instruments where the Probability of Default (PD) at each reporting date is higher than the PD at origination date by 200%.
- Should neither a credit rating nor a PD exist for a debt instrument but the instrument is traded in an organized market then SICR is considered when there is a significant increase of the credit spread by more than 5% in absolute terms at the reporting date vs the origination date.

The Bank classifies debt securities measured at FVTOCI in three stage for the ECL calculation.

- Stage 1 – The Bank classifies all debt securities rated by an ECAI that fall under the "Investment grade/non speculative" range at Stage 1, provided that it continues to fall within the "investment grade" range of the relevant ECAI. The bank estimates 12-month ECL for stage 1 debt securities;
- Stage 2 – The Bank classifies all debt securities which are a classified in stage 1 at the date of initial recognition and experience significant increase in credit risk "SICR" at the reporting date. The Bank estimates life time ECL for stage 2 debt securities;
- Stage 3 – The Bank classifies all debt securities which meet the criteria below:
  (i) There is objective evidence of impairment at the reporting date, or
  (ii) The debtor is compliant with the default definition as defined above, or
  (iii) The instrument's credit rating is equivalent to "default".
  The Bank estimates Life time ECL for stage 3 debt securities.

The Bank in the ECL calculation considers a weighted average estimated effect of two scenarios (base – adverse). The base scenario refers to the current macro-economic environment and consequently all the macro-variant risk parameters, specifically debt instrument's PD and LGD are known. The adverse scenario refers to a worse than the current macro-economic environment and it is characterized by a percentage increase.

Equity instruments

Equity instruments are measured at FVTPL. The management of the Bank may irrevocably elect to present in other comprehensive income subsequent changes in the fair value of an equity instrument. In the case that the management of the Bank irrevocably elects to present equity instruments at FVTOCI, the accumulated gains and losses recognised in other comprehensive income are not subsequently reclassified to the P&L, but may be reclassified within equity (to the retained earnings).

The equity instruments presented at FVTOCI are not subject to impairment. The dividend income on such equity instruments is recognised in the Income Statement, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains and losses (including those relating to foreign exchange) are recognized in Other Comprehensive Income.

2.8 Reclassification of financial assets

The Bank only reclassifies a financial asset on the assignment of an alternate business model to its portfolio. In this event, the Bank reclassifies an asset and the reclassification is applied prospectively, from the reclassification date onwards. The measurement adjustments are dependent on the original classification as well as the new classification of the asset. This does not give rise to a prior period error in the Financial Statements (as defined in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors") nor does it change the classification of the remaining financial assets held in that business model (i.e., those financial assets that the Bank recognised in prior periods and still holds), as long as the Bank have considered all relevant information that was available at the time that they made the business model assessment. Accordingly, any previously recognised gains, losses (including impairment losses) or interest should not be restated.

Changes in the business model for managing financial assets are expected to be infrequent. They must be determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in the objective of the Bank's Business Model will occur only when the Bank either begins or ceases to carry on an activity that is significant to its operations such as the acquisition or disposal of a business segment.

If the Bank reclassifies a financial asset from the amortised cost measurement category to the FVTPL or FVTOCI measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in the Income Statement for FVTPL and in the Statement of Total Comprehensive Income for FVTOCI.

For reclassifications to FVTOCI measurement category, the effective interest rate and the measurement of Expected Credit Losses are not adjusted as a result of the reclassification. However, the loss allowance would be derecognized and instead would be recognized as an accumulated impairment amount in other comprehensive income.

If the Bank reclassify a financial asset from the FVTPL measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount. The date of the reclassification is the date of initial recognition for impairment calculation purposes and the date for the effective interest rate calculation of the financial asset.

If the Bank reclassify a financial asset from the FVTPL measurement category and into the FVTOCI measurement category, the financial asset continues to be measured at fair value. At the reclassification date, the effective interest rate of the asset is calculated while the date of the reclassification is the date of initial recognition for impairment calculation purposes.

If a financial asset is reclassified from FVTOCI measurement category and into the amortised cost measurement category, the asset is reclassified at its fair value at the measurement date. However, the cumulative gain or loss previously recognized in other comprehensive income is reversed and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This reversal affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment under IAS 1. The effective interest rate and the calculation of Expected Credit Losses are not affected. The loss allowance is recognised as an adjustment to the gross carrying amount of the financial asset from the reclassification date.

If the Bank reclassify a financial asset from FVTOCI into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS 1 "Presentation of Financial Statements") at the reclassification date.

Reclassification of equity instruments is prohibited.

2.9 Default

A key issue in measuring expected losses is identifying when a "default" may occur. The definition of default applied by the Bank, is consistent with Regulation 575/2013 of the European Parliament (CRR) Article 178, "Default of an obligor". An obligor is considered as defaulted when either or both of the following have taken place:

- The debtor is past due more than 90 days on any material credit obligation to the institution;
- The debtor is assessed as unlikely to pay (UTP) its loans obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.

2.10 Loans and advances to customers measured at Amortised Cost ("AC")

Loans and advances to customers measured at AC include financial assets for which both of the following conditions are met:

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

Loans and advances to customers are initially recognized at fair value (plus any transaction costs) and measured subsequently at amortized cost using the effective interest rate method. Interest on loans and advances to customers is included in the Income Statement and is reported as "Interest and similar income".

Impairment losses on loans and advances to customers

In accordance with the IFRS 9 principles, Expected Credit Losses ("ECL") are calculated on loans and advances to customers measured at amortised cost. More specifically, the Bank recognizes ECL on loans and advances to customers at amortised cost when it is estimated that it will not be in a position to receive all payments due, as defined by the contract of the loan.

The amount of the ECL allowance for impairment on loans and advances to customers at amortised cost is the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate of the loan (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Bank performs calculation for expected loans and advances to customers at each reporting date. The loans and advances to customers are grouped per counterparty group, per industry or per type of loan and impairment provisions are calculated individually and collectively.

The Bank evaluates expected credit losses (ECL) for all its loan exposures through a discounted cash flow model, whereby the present value of the cash flows that the Bank anticipates to receive in respect of a loan (including the present value of the collateral's residual value) are compared to the loan exposure (netted against any cash collateral). performing The present value estimations are made using each facility's effective interest rate as discounting factor (recalculated annually

at each impairment testing, given the variable interest rate contained in the Bank's facilities). The ECL calculation has been based on information obtained by the submitted credit applications, reviews or internal update memos, data and information obtained from and/or confirmed directly by the officers, as well as the available market reports and databases.

For the estimation of ECLs, all loan exposures are categorized in 3 stages, depending on whether they are credit impaired or they present a significant increase in credit risk ("SICR"), as follows:

- **Stage 1**: includes all loans that are not credit impaired, nor do they present a SICR and are rated within the first 5 grades of the Bank's rating system. For stage 1 Loans, ECL resulting from default events within the next 12 months.
- **Stage 2**: all loans that present a SICR. The Bank according to its policy recognizes SICR when:
  (i) a more than 2 notches downgrade in the loan's credit rating between the origination date and reporting date,
  (ii) the existence of forbearance (forborne performing exposures) and the existence of early arrears (past due between 30 and 90 days, for stage 2 Loans, ECL resulting from default events that are possible within the life time of the loan.
- **Stage 3**: Credit impaired loans (loans that present an objective evidence of impairment and/or are considered "defaulted" under the CRR definition (see Note 2.9)

The stage allocation and the ECL calculation is conducted per borrower exposure for stage 3 Loans, for stage 1 and stage 2 loans the ECL calculation is conducted both on individual and on collective base. The Bank has developed 2 scenarios for the calculation of expected credit losses, one base and one adverse. The Bank weights 60% the base scenario and 40% the adverse scenario. The Bank for the ECL calculation takes into account several assumptions. These assumptions are based on forward-looking and historical data available at the date when the estimates were made.

The Bank adjusts the allowance for loans and advances to customers at every reporting date, to account for further expected credit losses, or reversals in the event of a decrease in credit risk, through recognition of impairment gains or losses accordingly.

For the Forborne exposures the Bank has adopted the EBA definition. Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). Forborne loans are tested for impairment in accordance with the Bank's Impairment policy for loans and advances to customers at amortized cost as described above.

2.11 Debt Securities measured at amortised cost ("AC").

In this category the Bank classifies the debt securities that satisfy both of the following criteria:

- The debt security is held within a business model whose objective is to collect the contractual cash flows (Hold to Collect "HTC") and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank may elect to classify debt securities under the HTC Business Model due to the following reasons:

- manage everyday liquidity needs,
- maintain a particular interest yield profile, or
- match the duration of the financial assets to the duration of the financial liabilities that those assets are funding.
- manage the return on the portfolio on an opportunistic basis, by reinvesting in higher yielding assets, without a clear intention of holding the financial assets to collect contractual cash flows (although the Bank might end up holding the assets if no other investment opportunities occur).

The debt instruments, after initial recognition, are measured at AC. In the Income Statement, the Bank recognizes interest income using the effective interest rate method, the expected credit losses and the foreign exchange changes are recognised in P&L. On the date of derecognition, the cumulative fair value gains/losses of debt securities are reclassified from other comprehensive income to profit and loss ("P&L").

The identification of default for Debt securities measured at AC remains the same with the identification of default for debt securities measured at FVTOCI, see Note 2.7 section Default definition.

For the calculation of expected credit losses for Debt securities measured at AC and the identification of significant increase in credit risk please see Note 2.7 section Impairment losses on Debt securities.

2.12 Modification of financial assets and derecognition of financial assets and financial liabilities

Modifications of financial assets

The Bank, in the normal course of its business activities, modifies the contractual terms of a loan either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition within the Banking industry, customer retention, etc.

Upon modification of the contractual terms of a loan, an assessment follows, in order to conclude on whether the forbearance qualifies as concession or due to other commercial reasons.

In all cases a modification of terms may result in expiry of the asset's original rights to cash flows, although it would not always do so. This is because it is implicit within the requirements for measuring impairment losses that a modification would sometimes be regarded as a continuation of the original, albeit impaired, asset. Therefore, the Bank would assess the modifications made against the notion of 'expiry' of the rights to the cash flows.

When the cash flows of a loan are modified the Bank assesses whether the rights over the cash flows have been modified substantially, or not. As such, the Bank determines whether the restructured loan should be regarded as:

- The continuation of the original loan if loan terms have not been modified substantially, with modification gain or loss recognized as a consequence of the restructuring, in this case the Bank recognizes modification gain or loss as the difference between the cash flows of the loan after modification discounted by the effective interest rate of the original loan and the carrying amount of the original financial asset; or

- A new loan which replaces the original loan that is hence derecognized if the Loan terms have been modified substantially. In this case the bank would recognize a gain or loss based on the difference between the fair value of the new loan and the carrying amount of the original financial asset.

Derecognition of financial assets

According to IFRS 9, the Bank is entitled to derecognize a financial asset when, and only when:

- The contractual rights to the cash flows from the financial asset seize to exist or expire; or
- When the risk and rewards of the financial asset are transferred.

As such, the Bank determines that the restructured debt should be regarded as a derecognition of the original loan when:

- The collateral of the related exposure has been realized in full or is of zero value; or
- The claims on the related exposure were waived in part or in full; and
- No more payments on the remaining claim are to be expected.
- Change in the currency that the lending exposure is denominated.
- Change in Borrower.
- Modifications on the interest rate type.
- Changes of the product type of the facility.
- Derecognition of financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or substantial 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.

2.13 Derivative financial instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value and subsequently are re-measured at their fair value.
All derivatives are presented in assets when favorable to the Bank and in liabilities when unfavorable to the Bank.

Derivatives are entered into for either hedging or trading purposes and they are recognized at fair value irrespective of the purpose for which they have been entered into. Valuation differences arising from these derivatives are recognized in net result from derivatives and investment securities in P&L. The Bank uses mostly FX SWAPs and FX Futures. The FX Swaps and the FX Futures are purchased in order to hedge the currency risk of the open FX position derived from Loans and Customer deposits in foreign currency.

The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in net result from derivatives and investment securities. However, the above instruments are effective economic hedges.

2.14 Intangible assets

Includes software carried at cost less amortization. Amortization is charged using the straight line method over the estimated useful life, which the Bank has estimated as three years. Expenditure incurred to maintain the software programs is recognized in the income statement as incurred.

2.15 Property and equipment

Includes land, buildings, additions and improvements cost to leased property and other equipment. Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any.

Subsequent expenditure is capitalized or recognized as separate asset only when it increases the future economic benefits. All costs for repairs and maintenance are recognized in the income statement as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment taking into account residual value.

The estimated useful lives are as follows:

- Land: No depreciation
- Buildings: Not exceeding 50 years
- Significant Components of the Building Not exceeding 10 years
- Additions to leased fixed assets and improvements: Over the term of the lease.
- Motor Vehicles and Equipment: 3 to 5 years.

Gains and losses arising from the sale of property and equipment are recognized in the income statement.

At each reporting date the Bank assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.16 Deferred and current income Tax

Deferred tax

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognized for financial reporting and tax purposes. Deferred tax is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are provided based on the expected manner of realization or settlement using tax rates (and laws) enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, taking into consideration the enacted tax rates at reporting date. Current and deferred tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity in which case it is recognized in equity.

The Bank has offset deferred tax assets and deferred tax liabilities based on the legally enforceable right to set off the recognized amounts i.e. offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Current income tax

Current Income tax liability is based on taxable profit for the year. Taxable profit differs from profit/(loss) for the period as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2.17 Provisions and other liabilities

A provision is recognized when the Bank has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

2.18 Employee benefits

Defined contribution plan

For defined contribution plan, the Bank pays contributions to publicly or privately administrated pension insurance plan, to insurance companies and other funds on a mandatory or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense on an accrual basis and charged to the income statement in the year to which they relate.

Defined benefit plan

The net liability of the Bank, in respect of defined benefit plans, is calculated based on the amount of the future benefits, for which the employees are entitled to and is dependent on their present and former service. The liability recognized in the statement of financial position with respect to defined benefit plan is the present value of the defined benefit obligation at the reporting. The defined benefit obligation is calculated annually based on actuarial valuation performed by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognized directly to the equity of the Bank, as they occur. These gains and losses are not recycled to profit or loss. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment and is recognized directly to profit or loss, when the plan amendment occurs.

2.19 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position and only when there is a legally enforceable right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

2.20 Share issue expenses

Incremental costs of share capital increase

Incremental external costs directly attributable to the issue of shares are deducted from share premium net from any related income tax benefit.

Share premium

The difference between the nominal value and the offering price of the shares issued is recorded as share premium.

2.21 Related party transactions

Related parties include:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(c) associates and joint ventures of the Bank; and
(d) fellow subsidiaries.

Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.22 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Bank, amounts due from other banks and highly liquid financial assets with original maturities of less than three months.

2.23 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Bank is involved only in operating leases and is acting only as a lessee.

When the Bank enters into a lease agreement as a lessee, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement date of the lease term when the Bank acquires control of the physical use of the asset.

Lease liabilities are presented within Other liabilities and RoU assets within Property and Equipment. Lease liabilities are measured based on the present value of the future lease payments over the lease terms, discounted using an incremental borrowing rate (IBR) concerning buildings and respectively using the rate implicit in the car leases. The interest expense on the lease liabilities is presented within Net interest income.

The RoU asset is initially at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Depreciation and Amortization charges.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (below €5,000), the Bank recognizes a lease expense on a straight-line-basis as permitted by IFRS 16 using the relevant practical expedient. This expense is presented within General & Administrative Expenses.

2.24 Accounting policies followed for the comparative figures of 2018

Leases (under IAS 17)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Bank is involved only in operating leases and is acting only as a lessee.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognized as an expense in the period in which they incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis over the lease term. Rental expenses are recorded in General & Administrative Expenses.

Note 3: Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRSs requires management to make subjective judgments, estimates and assumptions, which affect not only the carrying amount of assets and liabilities, but also the level of the income and expenses recognized in the financial statements and the notes which are an integral part of the financial statements. Management considers that the subjective judgments, estimates and assumptions, made for the preparation of the financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2019. The accounting principles, estimates and judgments adopted by the Bank which are material for the understanding of the financial statements are as follows:

3.1 Incremental Borrowing Rate

Determination of Incremental Borrowing Rate “IBR”

The present value of the lease liabilities, concerning buildings lease contracts, was measured by using the incremental borrowing rate “IBR” on the transition date, since the interest rate implicit in the specific leases was not readily determinable. The IBR was based on a Greek Government zero coupon curve derived from Bloomberg. The discount rate used to determine the lease liabilities will be recalculated on a regular basis, using updated input.

3.2 ECL Estimation

Determination of ECL of loans and advances to customers

The ECL measurement requires Management to apply a high degree of judgment in determining the allowance for impairment losses and for the assessment of the significant increase in credit risk (“SICR”).

The impairment loss on loans and advances to customers results from a continuous evaluation of the customer’s portfolio for expected losses. The evaluation of the customer’s portfolio is performed by officers responsible for each credit category, using specific methodology and guidance in accordance with IFRS 9, which are continuously reexamined. Management of the Bank performs individual and collective assessment of customers.

The individual provisions relate to loans and advances separately examined for allowance based in the best management’s estimation for the present value of future cash flows. Estimating the present value of future cash flows, the management evaluates the financial position of each customer and the recoverable amount of the collateralized assets (e.g. prenotation on Vessels and property). Each case is evaluated separately, whereas the followed methodology is reviewed periodically.

For the Bank’s customers that no allowance is calculated with the individual assessment performed by the responsible officers, the Bank performs a collective assessment. In the collective assessment the Bank uses the data and its prior knowledge of the portfolio assessed as well as forward looking elements available at the assessment date.

Determination of ECL of debt securities

The Bank’s estimated ECL for debt securities is the output of a probability weighted model for each scenario with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

For the purposes of the ECL measurement, the Bank performs the necessary model parameterization based on observed point-in-time data. The ECL calculations are based on input parameters, i.e. Exposure At Default (“EAD”), Probability of Default (“PDs”), Loss Given Default (“LGDs”), etc. incorporating Management’s view of the future, by using the current macro-variant risk parameters and the respective ones of a worse than the current macro-economic environment and it is characterized by a percentage increase of the debt instrument’s PD and LGD. The exact values of the percentage increase are not constant and they are subject to the macroeconomic state at the date of the exercise.

Determination of a significant increase of credit risk (SICR)

The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial assets for which there has been significant increase in credit risk (“SICR”) since initial recognition, whether assessed on an individual or collective basis considering all reasonable and supportable information, including forward-looking.

The assessment is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument and requires Management to apply a high degree of judgment in determining the allowance for impairment losses.

The identification of SICR is based on qualitative and quantitative criteria depending on the availability, quality and quantity of the information.

Determination of scenarios, scenario weights and macroeconomic factors of loans and advances to customers

To achieve the objective of measuring ECL, the Bank evaluate a range of possible outcomes in line with the requirements of IFRS 9 through the application of macroeconomic scenarios i.e. base and adverse, in a way that reflects an unbiased and probability weighted outcome, which express potential future developments in the Shipping Industry. Each of the aforementioned scenarios, are based on Management's assumptions for future economic conditions in the form of macroeconomic, market and other factors. Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables would have an effect on the ECL.

3.3 Fair value of loans and advances to customers mandatorily at Fair Value through Profit or Loss ("FVTPL")

Loans and advances to customers that do not meet the criteria for classification at amortised cost, because their contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that fail the SPPI test), are measured at FVTPL.

The fair value of loans and advances to customers is calculated using a discounted cash flow model, taking into account yield curves and any required adjustments for the credit risk element.

3.4 Retirement benefit obligations

The retirement benefit obligations are estimated with actuarial techniques using assumptions for future salary levels and discounting factors. These assumptions are in compliance with annual salary increases affected by the Bank's labor agreements and relevant policies.

3.5 Income tax

The Bank is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of normal bank activity, there are many transactions and calculations for which the final tax assessment is not certain. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which the final outcome is determined.

3.6 Deferred Tax

The Bank recognizes deferred tax on temporary tax differences in accordance with the regulations of tax law which distinguishes revenues on those subject to tax and non-taxable, assessing future benefits as well as tax liabilities. For the calculation and evaluation of the deferred tax asset recoverability, management considers the appropriate estimates for the evolution of the Bank's tax results in the foreseeable future. Moreover the Bank examines the nature of the temporary differences and tax losses, as well as the ability for their recovery, in accordance with the tax regulations related to their offsetting with profits generated in future periods (e.g. five years).

Note 4: Financial risk management

4.1 Introduction and overview

The Bank is exposed to the following risks:

- Credit Risk
- Liquidity Risk
- Market Risks
- Operational Risk

This note presents the Bank's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, as well as the management of capital.

The Bank, acknowledges its exposure to banking risks as well as the need to control and effectively manage those risks in the most optimum way and provide continuous and high quality returns to its shareholders.

The Board of Directors (BoD) has total responsibility for the development and overseeing of the risk management framework. The implementation and ongoing development of the Risk Management Framework is a priority and is taken into account in the formulation of annual business plans.

The responsibility for the specification and implementation of the risk management framework, according to directions by the Board of directors, has the Risk Management unit. The head of the Management unit reports directly to the Board of directors. The Risk Management Unit is comprised of the following divisions: a) Credit Risk Management division and b) Market, Liquidity and Operational Risk Management division.

4.2 Credit risk

4.2.1 Credit risk management strategies and procedures

The Bank engages in activities that can expose it to the credit risk. Credit risk is the risk of default of a counterparty regarding its contractual obligations. Credit risk is the most significant risk for the Banks and therefore its effective monitoring and persistent management constitutes a top priority for senior management.

Bank's main exposure to credit risk is loans and advances to customers and due from banks. Management gives great consideration to the proper management of credit risk having set up the necessary infrastructure and procedures.

The implementation of the credit policy, that describes the principles of credit risk management of the Bank, ensures effective and uniform credit risk monitoring and control.

Under the Risk Management, there is the Credit Risk Management Division which operates with the mission of continuous monitoring, measurement and control of the Bank's credit risk exposures against enterprises.

4.2.2 Credit risk measurement and reporting systems

Given that the Bank's loans portfolio exclusively consists of unrated by External Credit Assessment Institutions (ECAI) obligors of the shipping sector, the Bank has established and follows its own, ten-grade, credit risk rating system.

The Bank has also developed internally a shipping credit rating interface between its ten-grade rating system and the object finance slotting criteria methodology of the IRB-Basic approach included in the Basel-II framework. To date, this model is being used by the Bank's Risk Management Department to validate the credit ratings of the ten-grade risk methodology used internally as well as for shipping credit risk stress-testing purposes.

Each category of the credit rating scale corresponds to a specific policy of the Bank as far as the relationship with the respective obligors is concerned. The credit rating scale for borrowing customers comprises 10 grades from which 5 grades correspond to obligors that have not defaulted on their contractual obligations, 1 grade corresponds to obligors who have not defaulted on their contractual obligations, or who have undergone a mild distress restructuring, 1 grade corresponds to obligors who have recorded or are expected to record sporadic (non-continuing) payment defaults, or who have undergone a distress restructuring, 1 grade corresponds to obligors who have recorded continuing payment defaults, or who have undergone a significant distress restructuring and the last 2 grades correspond to obligors who have defaulted on their contractual obligations and the Bank has commenced legal action against them.

Rating	Credit Worthiness	Policy
1	Excellent	Develop relationship
2	Strong	Develop relationship
3	Very Good	Develop relationship
4	Good	Develop relationship
5	Satisfactory	Develop on a case by case basis (lower leverage, strong collateral) / Maintain relationship
6	Acceptable	Maintain relationship / Increase exposure on very selective basis. Strengthen collateral. Improve through mild restructuring.
7	Vulnerable	Limit exposure / Maintain relationship subject to very strong collateral. Improve through preferably mild or distress restructuring
8	Substandard	Limit exposure / Restructure (distress) subject to very strong collateral and/or much stronger debt servicing potential
9	Doubtful	Restructure / Terminate relationship through liquidation. Enforce legal rights with the aim to avoid incurring loss.
10	Loss	Terminate relationship through liquidation. Enforce legal rights or restructure (forbearance) with the aim to limit loss.

These information sources (credit rate) are first used to determine the appropriate IFRS 9 stage of the shipping exposures and assess if an event of significant increase in credit risk ("SICR") has been occurred.

When the Bank considers that the borrower has become risky, it takes the necessary measures to reduce its exposure to that risk and furthermore to reduce all the financial facilities towards that borrower. The Bank, before the approval and during the term of the loan, at least annually at the reporting date, measures the creditworthiness of the counterparty as well as the quality and sufficiency of the collateral. During each counterparty's evaluation of creditworthiness, classification in a category and determination of credit limit, the financial information is examined quantitatively and qualitatively.

The most common practice used by the Bank to mitigate credit risk is requiring collaterals for loans and advances to customers. The major collateral types for loans and advances to customers are vessels, mortgages, cash collaterals and corporate or personal guarantees.

The collateral associated with a credit is initially evaluated during the credit approval process, based on their current or fair value and is reevaluated at regular intervals at least once a year.

Significant Increase in Credit Risk

The assessment of significant increase in credit risk is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit loss or based on lifetime ECL. If, following this assessment, a significant increase in credit risk occurs, the Bank recognize a loss allowance amount equal to the expected credit loss (ECL) amount over the life of that financial instrument.

Under IFRS 9 significant deterioration in a borrower's credit rating should be considered a factor of equal importance to its absolute credit rating. In compliance with the framework and for the purposes of stage allocation, the Bank uses a combination of the following criteria for the purposes of identifying a Significant Increase in Credit Risk (SICR):

a) **Relative Rate Threshold**. The Bank recognizes a significant increase in credit risk for exposures to borrowers that have been downgraded by two (2) or more notches since their initial recognition and as a result of such downgrade fall within the credit ratings five (5) and seven (7). Essentially, such exposures for which the Bank recognizes a significant increase in credit risk are classified to stage 2
b) **Forbearance**. All Forborne Performing Exposures (FPE) are classified as having a significant increase in credit risk.
c) **Backstop indicators**. Lending exposures that are overdue more than 30 days, are considered as exposures with Significant Increase in Credit Risk and are classified into Stage 2.

Expected Credit Loss Estimation

Loans and advances to customers

The bank assesses the impairment losses on individual facility level. Due to the small size and diversity of the Bank's loan portfolio, the individual calculation approach is deemed to be the most accurate and efficient for the Bank's needs. As such, the stage allocation and the expected credit loss calculation is conducted per borrower exposure. Notable exceptions are cases whereby certain exposures to a specific group are legally or commercially bound.

ECL is defined as the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows expected to be received (i.e., all cash shortfalls), discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets). All contractual cash flows of the loan and cash flows resulting from the sale of collateral or other credit enhancements are considered.

The Bank measures the ECL after classifying the companies under "Going Concern" or "Gone Concern" depending on their servicing capacity and financial standing while due to the nature of the business and the characteristics of the shipping loans (which usually include mortgaged ships and balloon payments due at maturity), the liquidation of the operating collateral (vessels) is considered in both cases as a source of repaying the loan and especially the final balloon payment.

The calculation of the expected future cash flows is carried out in accordance with two approaches Going Concern approach and Gone Concern approach.

Going Concern

"Going Concern" methodology is applied for cases of borrowers whose businesses continue to operate and are expected to remain operational in the foreseeable future. In such cases, their future operational cash flows along with potential cash flows from liquidation or refinancing of collaterals are taken into account when calculating ECL, as the Bank would reasonably expect to have a legal claim to those cash flows in the event of a default.

The Bank calculates the best possible estimation of the present value of the related recoverable amount, based on the following:

- Calculation of the obligor's net cash flow until the contractual maturity of the facility (lifetime impairment);
- Estimation of the collateral's residual market value. Customarily, the collateral comprises one or more vessels and the residual value is calculated by taking into account factors such as the asset's present market value and scrap value, and the historical correlation between asset prices and vessel earning levels, as well as by applying linear interpolations when necessary. A haircut is then applied on the calculated residual value so as to reflect potential refinancing or forced sale of the asset;

In calculating the factors above, certain assumptions are employed by the Bank, regarding the future generated income and present market value of the underlying assets, various operating expenses, interest rates, scrap metal prices etc. These assumptions are generally based on forward-looking and historical data available at the date when the estimates were made.

Additional factors, which are considered significant in affecting the debt servicing outcome (such as minimum liquidity / cash collateral requirement, other collateral, cash sweep provisions, fixed employment contracts, asset sale contracts, advanced negotiations for the restructuring of the repayment terms, potential contributions by the shareholders, etc.) are also incorporated in the aforesaid framework.

In cases whereby the contractual maturity of the relevant facility has expired, the impairment test horizon is usually set twelve (12) months from the test reference date, or at an earlier or later date which represents a reasonable time frame for the liquidation of the collateral depending on the case and the prevailing liquidation scenario.

Gone Concern
The "Gone Concern" methodology is applied to business which either have ceased their operations or their cash flows are significantly reduced to an extent, where they can no longer service any of their debt obligations.

In such cases, the Credit Risk Management Division "CRMD" does not take into account any future cash flows in its calculations. The estimated recovery amount is solely based on the present value of expected cash flows that stem from liquidation of connected collaterals taking into account the time and the liquidation costs.

Similarly to the expired facilities above, the impairment test horizon under the "Gone Concern" methodology is usually set twelve (12) months from the test reference date, or at an earlier or later date which represents a reasonable time frame for the liquidation of the collateral depending on the case and the prevailing liquidation scenario.

The time horizon over which the ECL of loans advances to customers is assessed depends on the stage where each lending exposure has been allocated to:

- Exposures that display neither significant increases in credit risk nor indications of impairment, and thus are classified in Stage 1, have their expected credit losses measured within a 12month time period.
- Exposures that display significantly increased credit risk (SICR), yet do not have any indications of impairment, are classified at Stage 2, and lifetime expected credit losses are estimated.
- Exposures that display objective evidence of impairment have their impairment losses measured through the calculation of Lifetime ECL.

For off- balance sheet exposures, the Bank calculates the exposure amount at risk calculated through an appropriate credit conversion factor (CCF) and subsequently, measures the expected credit loss through the aforementioned methods.

Macroeconomic Scenario Integration
According to IFRS 9 financial institutions should integrate available information about future economic developments into their ECL calculation. As such, the Bank bases its estimations of future cash flows on the weighted average of two scenarios (base – adverse), which express potential future developments in the Shipping Industry.

The Bank integrates future economic developments by using expected freight rates to estimate the impact on expected cash flows and collateral liquidation values. Market value of collateral is assessed either through straight line depreciation after taking into account the current market and scrap value of the ship or based on the income method after consideration of the spot and forward freight rates and their correlation with market values. For lifetime ECL calculations, the Bank estimates cash flows based on forward freight rates (1-year and 3-year) using interpolation methods for a period up to six (6) years. For periods above six (6) years, estimations are based on historical data of the market, as the Bank assumes that the freight market will converge back to its historical averages over extended periods of time.

Debt Securities
In compliance with the impairment requirement under IFRS 9, the Bank assesses the expected credit losses for each of the debt instruments. The time horizon over which the ECL is assessed depends on the stage where each debt instrument exposure has been allocated.

The amount of expected credit losses (ECL) recognized as an impairment loss allowance depends on the extent of credit deterioration since initial recognition. The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

Debt instruments that display neither significant increases in credit risk nor indications of impairment, and thus are classified in Stage 1, have their expected credit losses measured within a 12month time period.

Debt instruments that display significantly increased credit risk (SICR), yet do not have any indications of impairment, are classified at Stage 2.

Debt instruments that display objective evidence of impairment have their impairment losses measured through the calculation of Lifetime ECL.

The risk parameters used to estimate ECL for the respective financial instruments are:

- **Exposure at Default**: represents the amount of book value or carrying amount at each reporting period
- **Loss Given Default (LGD):** represents the estimation of loss over the EAD at the default date. LGD for sovereign and corporate debt securities is taken from respective recovery rating tables provided by ECAIs, the Bloomberg, paper surveys, or based on historical data of the Bank
- **Probability of Default (PD):** represents the probability that a debt instrument will default over a period of time since the date of assessment (reporting date). There are two PD types that are used for the expected credit loss calculation, as shown below:
    - **12-month PD:** the PD of the shortest period between a period of 12 months and the maturity (if it matures earlier than 12 months) of the debt instrument. The 12-month PD is used for the estimation of the 12 month ECL on Stage 1.
    - **Lifetime PD:** the PD over the remaining lifetime of the debt instrument. The lifetime PD is used for the estimation of the lifetime ECL on Stage 2. Lifetime PD is the sum of the marginal PDs with the latter being the incremental probability of default in a specific time period.

Purchased or Originated Credit Impaired
Purchased or originated credit impaired financial assets ("POCI assets") are financial assets that are credit-impaired on initial recognition. The corresponding assessment for POCI-assets is performed at initial recognition instead of subsequent periods.

POCI assets are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses.

Write-offs

- Where the Bank has no reasonable expectations of recovering a financial asset either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. After all the relevant investigations and legal required actions have been performed, the loan is written-off through the use of the allowance account.

- Write-offs are approved by the competent Credit Committee members and Bank's Board of Directors.

4.2.3 Expected Credit Loss for loans and advances to customers and for the off balance credit exposures

The following tables depict the expected credit loss per loan category, financial Guarantees and Undrawn commitments of the closing balance 31.12.2019 and 31.12.2018, based on the weighted probability of two different macroeconomic scenarios, as described above:

			31.12.2019	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	(593)	(173)	(9,591)	(10,357)
Loans and advances to corporate sector	(62)	(102)	-	(164)
Other loans & Staff loans	-	(5)	-	(5)
Total on Balance sheet Credit Losses	**(655)**	**(280)**	**(9,591)**	**(10,526)**
Financial Guarantees	-	-	-	-
Undrawn Commitments	-	-	-	-
Total off Balance sheet Credit Losses	**-**	**-**	**-**	**-**
Total Credit Losses	**(655)**	**(280)**	**(9,591)**	**(10,526)**

			31.12.2018	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	(335)	(360)	(7,055)	(7,750)
Loans and advances to corporate sector	(15)	-	-	(15)
Other loans & Staff loans	-	(4)	-	(4)
Total on Balance sheet Credit Losses	**(350)**	**(364)**	**(7,055)**	**(7,769)**
Financial Guarantees	-	-	-	-
Undrawn Commitments	-	-	-	-
Total off Balance sheet Credit Losses	**-**	**-**	**-**	**-**
Total Credit Losses	**(350)**	**(364)**	**(7,055)**	**(7,769)**

4.2.4 Gross Balances for loans and advances to customers and for the off balance credit exposures

The below table shows the gross amounts of the Bank's credit exposures for financial instruments at amortised cost as well as the off balance credit exposures as at as at 31 December 2019 and 31 December 2018.

			31.12.2019	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	188,931	23,284	26,130	**238,345**
Loans and advances to corporate sector	9,163	2,843	-	**12,006**
Other loans & Staff loans	364	1,850	-	**2,214**
Total Loans and advances to customers (on Balance sheet exposure)	**198,458**	**27,977**	**26,130**	**252,565**
Financial Guarantees	16,119	-	-	**16,119**
Undrawn Commitments	11,061	27	-	**11,088**
Total off Balance sheet Exposure	**27,180**	**27**	**-**	**27,207**
Total Exposure	**225,638**	**28,004**	**26,130**	**279,772**

			31.12.2018	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	106,977	23,679	26,511	**157,167**
Loans and advances to corporate sector	5,010	-	-	**5,010**
Other loans & Staff loans	481	1,400	-	**1,882**
Total Loans and advances to customers (on Balance sheet exposure)	**112,469**	**25,079**	**26,511**	**164,059**
Financial Guarantees	1,451	-	-	**1,451**
Undrawn Commitments	11,328	1,100	-	**12,428**
Total off Balance sheet Exposure	**12,779**	**1,100**	**-**	**13,879**
Total Exposure	**125,248**	**26,179**	**26,511**	**177,938**

The following table presents the Bank's maximum credit risk exposure as at 31 December 2019 and 31 December 2018, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported in the statement of financial position.

	2019 €' 000	**2018** €' 000
ASSETS		
Due from banks	147,126	61,653
Loans and advances to customers	242,039	156,290
Investment securities – FVTOCI	21,871	13,667
Financial assets at fair value through P&L	847	14,553
Debt Securities at amortised cost	24,539	-
Derivative financial instruments	157	224
Other assets	8,114	7,828
Maximum exposure from assets	**444,693**	**254,215**
OFF BALANCE SHEET ITEMS		
Undrawn commitments	11,088	12,428
Financial guarantees	16,119	1,451
Maximum exposure from off balance sheet items	**27,207**	**13,879**

4.2.5 Collaterals and guarantees

The collaterals are measured at fair value. When the value of the collateralized property exceeds the loan balance, the value of collateral is capped to the loan balance before allowance for impairment.

The below tables provide an analysis of the closing balance 31.12.2019 and 31.12.2018 of collaterals held for all stages of loans and advances to customers at amortized cost.

			31.12.2019	(€' 000)
Collateral amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	197,304	24,413	19,886	241,603
Loans and advances to corporate sector	4,510	2,862	-	7,372
Other loans & Staff loans	-	1,850	-	1,850
Total Loans and advances to customers	**201,814**	**29,125**	**19,886**	**250,825**

			31.12.2018	(€' 000)
Collateral amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	107,822	20,172	24,023	151,967
Loans and advances to corporate sector	-	1,400	-	1,400
Other loans & Staff loans	50	-	-	50
Total Loans and advances to customers	**107,872**	**21,572**	**24,023**	**153,417**

Breakdown of collateral and guarantees as at 31.12.2019

			31.12.2019	(€' 000)
	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Collaterals and guarantees of loans and advances	10,092	26,656	214,077	**250,825**
Total	**10,092**	**26,656**	**214,077**	**250,825**

Breakdown of collateral and guarantees as at 31.12.2018

			31.12.2018	(€' 000)
	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Collaterals and guarantees of loans and advances	8,414	41,861	103,142	**153,417**
Total	**8,414**	**41,861**	**103,142**	**153,417**

4.2.6 Concentration risk management

The concentration of exposure to credit risk can arise from two types of inadequate risk diversification within a portfolio: (a) group concentration and (b) sector concentration. Group concentration is associated with inadequate risk diversification arising from large exposure to individual groups of connected borrowing clients. The sector concentration arises from large exposures to customer groups affected by common factors such as the macroeconomic environment, industry activity, currency etc.

In order to comply with the regulatory limits, the Bank sets specific limits for concentration risk, mostly in group concentration. These limits are set in absolute terms (maximum exposure).
Credit risk concentration arising from a large exposure to a counterparty or group of connected clients whose probability of default depends on common risk factors, is monitored through the Large Exposures and Large Debtors reporting framework.

Finally, within the Internal Capital Adequacy Assessment Process (ICAAP), the Bank has adopted a methodology to measure the risk arising from concentration to economic sectors (sectoral concentration) and to individual companies (name concentration). Additional capital requirements are calculated, if necessary, and Pillar 1 capital adequacy is adjusted to ultimately take into account such concentration risks.

4.2.7 Loans and advances to customers

4.2.7.1 Credit quality of loans and advances to customers

The Bank performs quality analysis of Loans and advances to customers at amortised cost on an individual basis. The below tables present the closing balance 31.12.2019 and at 31.12.2018 of quality analysis with IFRS 9 of impaired loans and advances to customers at amortized cost:

			31.12.2019	(€' 000)
Stage 1	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	188,932	-	-	188,932
Loans and advances to corporate sector	9,163	-	-	9,163
Other loans & Staff loans	-	-	364	364
Total loans and advances to customers stage 1	**198,095**	**-**	**364**	**198,458**
Stage 2	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	9,687	13,597	-	23,284
Loans and advances to corporate sector	-	2,843	-	2,843
Other loans & Staff loans	-	1,850	-	1,850
Total loans and advances to customers stage 2	**9,687**	**18,290**	**-**	**27,977**
Stage 3	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	-	26,130	-	26,130
Loans and advances to corporate sector	-	-	-	-
Other loans & Staff loans	-	-	-	-
Total loans and advances to customers stage 3	**-**	**26,130**	**-**	**26,130**
Total Loans and advances to customers	**207,781**	**44,420**	**364**	**252,565**

			31.12.2018	(€' 000)
Stage 1	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	106,978	-	-	106,978
Loans and advances to corporate sector	5,010	-	-	5,010
Other loans & Staff loans	50	-	431	481
Total loans and advances to customers stage 1	**112,038**	**-**	**431**	**112,469**
Stage 2	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	10,504	13,175	-	23,679
Loans and advances to corporate sector	-	-	-	-
Other loans & Staff loans	-	1,400	-	1,400
Total loans and advances to customers stage 2	**10,504**	**14,575**	**-**	**25,079**
Stage 3	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	-	26,511	-	26,511
Loans and advances to corporate sector	-	-	-	-
Other loans & Staff loans	-	-	-	-
Total loans and advances to customers stage 3	**-**	**26,511**	**-**	**26,511**
Total Loans and advances to customers	**122,542**	**41,086**	**431**	**164,059**

4.2.7.2 Credit quality of forborne loans and advances to customers at amortised cost

31.12.2019 (€' 000)	Loans and Advances to customers at amortised cost	Forborne Loans and Advances to customers at amortised cost	% of Forborne Loans and Advances to customers at amortised cost
Stage 1	198,458	-	0%
Stage 2	27,977	4,735	16.9%
Stage 3	26,130	6,027	23.1%
Total Gross exposure	**252,565**	**10,762**	**4.3%**
Stage 1 ECL allowance	(655)	-	0%
Stage 2 ECL allowance	(280)	(117)	41.7%
Stage 3 ECL allowance	(9,591)	(68)	0.7%
Total ECL allowance	**(10,526)**	**(185)**	**1.8%**
Stage 1	197,803	-	0%
Stage 2	27,698	4,618	16.7%
Stage 3	16,539	5,959	36.0%
Total Loans and advances to customers at amortised cost (net)	**242,040**	**10,577**	**4.4%**
Value of collateral	250,825	10,762	4.3%

31.12.2018 (€' 000)	Loans and Advances to customers at amortised cost	Forborne Loans and Advances to customers at amortised cost	% of Forborne Loans and Advances to customers at amortised cost
Stage 1	112,469	-	0%
Stage 2	25,079	10,744	43%
Stage 3	26,511	9,853	37%
Total Gross exposure	**164,059**	**20,597**	**13%**
Stage 1 ECL allowance	(350)	-	0%
Stage 2 ECL allowance	(364)	(208)	57%
Stage 3 ECL allowance	(7,055)	(614)	9%
Total ECL allowance	**(7,769)**	**(823)**	**11%**
Stage 1	112,119	-	0%
Stage 2	24,715	10,536	43%
Stage 3	19,456	9,238	47%
Total Loans and advances to customers at amortised cost (net)	**156,290**	**19,774**	**13%**
Value of collateral	153,391	20,618	13%

The below tables presents the movement of forborne loans and advances to customers at amortised cost for the year ending 31.12.2019 and 31.12.2018:

	2019 (€' 000)	**2018** (€' 000)
Opening balance under (net) 01.01	**19,774**	**16,270**
Forbearance measures during the year	64	5,051
Repayment of loans and advances (partial or total)	(1,156)	(1,307)
Loans and advances that exited forbearance status	(8,390)	-
ECL allowance / Allowance for Impairment	621	73
Foreign exchange differences and other movements	(336)	(313)
Closing balance (net) 31.12	**10,577**	**19,774**

	31.12.2019 (€' 000)	**31.12.2018** (€' 000)
Loans to shipping corporations	9,181	18,378
Other Loans & Staff Loans	1,396	1,396
Total Loans and advances to customers (net)	**10,577**	**19,774**

4.2.7.3 Ageing analysis of loans and advances

Shipping industry			31.12.2019	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	188,931	23,284	6,027	**218,242**
Past due Over 180 days	-	-	20,103	**20,103**
Total	**188,931**	**23,284**	**26,130**	**238,345**

Corporate Sector			31.12.2019	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	9,163	2,817	-	**11,980**
1-30 days	-	26	-	**26**
Total amount corporate sector	**9,163**	**2,843**	**-**	**12,006**

Other Loans & Staff Loans			31.12.2019	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	364	1,449	-	**1,813**
1-30 days	-	401	-	**401**
Total amount Other Loans & Staff Loans	**364**	**1,850**	**-**	**2,214**
Total Corporate, Other loans & Staff Loans	**12,370**	**1,850**	**-**	**14,220**

Shipping industry			31.12.2018	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	106,977	23,679	9,853	140,509
1-30 days	-	-	9	9
31-60 days	-	-	8	8
61-90 days	-	-	42	42
91-180 days	-	-	28	28
Past due Over 180 days	-	-	16,572	16,572
Total	**106,977**	**23,679**	**26,511**	**157,167**

Gross Loan and advances to corporate sector as of 31.12.2018 amounted to €5,010 thousands and Gross Other Loans and staff Loans amounted €1,882 thousands are performing.

4.2.7.4 Interest income recognized by quality of loans and advances to customers

				31.12.2019 (€' 000)
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping industry	10,491	1,566	879	12,936
Loans and advances to corporate sector	569	-	-	569
Other loans and staff loans	33	63	-	96
Total	**11,093**	**1,629**	**879**	**13,601**

				31.12.2018 (€' 000)
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping corporations	6,920	1,473	1,691	10,084
Loans and advances to corporate sector	9	-	-	9
Other loans and staff loans	9	54	-	63
Total	**6,937**	**1,527**	**1,691**	**10,156**

4.2.7.5 Movement of loans and advances to customers

The tables below present the movement in stages of gross loans and advances to customers for the year 2019 and 2018:

Movement of Loans and advances to customers stage 1	**2019** (€'000)	**2018** (€'000)
Gross Loans and advances to customers 01.01	**112,469**	**89,036**
Repayments	(36,518)	(40,456)
New Loans / Additions	111,328	61,635
Transfer from stage 1 to stage 2 Gross Loans	(2,050)	(4,480)
Transfer from stage 1 to stage 3 Gross Loans	-	-
Transfer from stage 2 to stage 1 Gross loans	-	-
Transfer from stage 3 to stage 1 Gross Loans	-	-
Write off	-	-
Interest Income	11,093	6,937
FX difference	2,136	(203)
Total gross amount of Loans and advances to customers 31.12, Stage 1	**198,458**	**112,469**

Movement of Loans and advances to customers stage 2	**2019** (€' 000)	**2018** (€' 000)
Gross Loans and advances to customers 01.01	**25,079**	**24,064**
Repayments	(3,707)	(5,401)
New Loans / Additions	2,845	493
Transfer from stage 1 to stage 2 Gross Loans	2,050	4,480
Transfer from stage 3 to stage 2 Gross Loans	3,338	-
Transfer from stage 2 to stage 1 Gross loans	-	-
Transfer from stage 2 to stage 3 Gross Loans	(3,729)	-
Write off	-	-
Interest Income	1,629	1,527
FX difference	471	(84)
Total gross amount of Loans and advances to customers 31.12, Stage 2	**27,977**	**25,079**

Movement of Loans and advances to customers stage 3	**2019** (€'000)	**2018** (€'000)
Gross Loans and advances to customers 01.01	**26,511**	**32,803**
Repayments	(1,920)	(10,199)
New Loans / Additions	36	3,754
Transfer from stage 1 to stage 3 Gross Loans	-	-
Transfer from stage 2 to stage 3 Gross Loans	3,729	-
Transfer from stage 3 to stage 1 Gross loans	-	-
Transfer from stage 3 to stage 2 Gross Loans	(3,338)	-
Write off	-	(1,466)
Interest Income	879	1,691
FX difference	233	(72)
Total gross amount of Loans and advances to customers 31.12, Stage 3	**26,130**	**26,511**

The tables below present the movement in stages of ECL of loans and advances to customers for the year 2019 and 2018:

Movement of ECL stage1	**2019** (€'000)	**2018** (€'000)
ECL of Loans and advances to customers 01.01	**(392)**	**(974)**
Transfer from stage 1 to stage 2 ECL	6	483
Transfer from stage 1 to stage 3 ECL	-	-
Transfer from stage 2 to stage 1 ECL	-	-
Transfer from stage 3 to stage 1 ECL	-	-
Reversal of provisions	75	385
Additional provisions	(337)	(243)
Write off	-	-
FX difference	(7)	(42)
ECL of Loans and advances to customers 31.12, Stage 1	**(655)**	**(392)**

Movement of ECL stage2	**2019** (€'000)	**2018** (€'000)
ECL of Loans and advances to customers 01.01	**(322)**	**(429)**
Transfer from stage 1 to stage 2 ECL	(6)	(483)
Transfer from stage 3 to stage 2 ECL	(113)	-
Transfer from stage 2 to stage 1 ECL	-	-
Transfer from stage 2 to stage 3 ECL	2,525	-
Reversal of provisions	186	759
Additional provisions	(2,542)	(145)
Write off	-	-
FX difference	(7)	(24)
ECL of Loans and advances to customers 31.12, Stage 2	**(280)**	**(322)**

Movement of ECL stage 3	**2019** (€'000)	**2018** (€'000)
ECL of Loans and advances to customers 01.01	**(7,055)**	**(8,426)**
Transfer from stage 1 to stage 3 ECL	-	-
Transfer from stage 2 to stage 3 ECL	(2,525)	-
Transfer from stage 3 to stage 1 ECL	-	-
Transfer from stage 3 to stage 2 ECL	113	-
Reversal of provisions	481	1,722
Additional provisions	(561)	(1,589)
Write off	-	1,466
FX difference	(44)	(228)
ECL of Loans and advances to customers 31.12, Stage 3	**(9,591)**	**(7,055)**

4.2.8 Bond portfolios

The table below presents an analysis of the Bank's bond portfolios, using the higher of the two lower rating of Moody's, Standard & Poor's and Fitch as at 31 December 2019 and 2018:

Bond portfolios as at

				31.12.2019 (€' 000)
	At Fair Value Through OCI	At Fair Value Through P&L	At Amortised Cost	Total
A- till AAA	20,216	288	2,209	**22,713**
B- till BBB+	540	-	20,290	**20,830**
C- till CCC+	-	559	-	**559**
Unrated	1,114	-	2,040	**3,154**
Total interest Income	**21,870**	**847**	**24,539**	**47,256**

			31.12.2018 (€' 000)
	At Fair Value Through OCI	At Fair Value Through P&L	Total
A- till AAA	10,300	14,254	**24,554**
B- till BBB+	704	-	**704**
C- till CCC+	758	-	**758**
Unrated	1,905	299	**2,204**
Total interest Income	**13,667**	**14,553**	**28,220**

4.3 Liquidity risk

Liquidity Risk is the current or prospective risk that a financial institution will not be able to meet its obligations as they become due, because of lack of required liquidity.

The Assets and Liabilities Committee (ALCO) monitors the gap in maturities between assets and liabilities as well as the funding requirements based on various assumptions, including conditions that might have an adverse impact on the Bank's ability to liquidate investments and trading positions and the ability to access capital markets.

In general, liquidity risk analysis relates to the financial, operating and investing activities of the Bank. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

For the Bank, the main resources which ensure liquidity are customers' deposits, interbank credit lines and ECB funding. Effective liquidity risk management enables the Bank to comfortably fulfill its client needs and to meet all its payment obligations.

The contractual undiscounted cash outflows are presented in the table below:

Contractual undiscounted cash outflow as at 31.12.2019

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	33,540	-	816	-	-	34,356
Due to customers	234,352	52,355	83,974	6,701	491	377,873
Derivatives financial instruments	15	-	-	-	-	15
Total on balance sheet	**267,907**	**52,355**	**84,790**	**6,701**	**491**	**412,244**
Off Balance sheet (Loan Commitments)	11,132	2,137	2,850	-	-	16,119
Total (On & Off Balance sheet)	**279,038**	**54,492**	**87,640**	**6,701**	**491**	**428,362**

Contractual undiscounted cash outflow as at 31.12.2018

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	16,743	5,480	10,326	-	-	32,549
Due to customers	80,916	52,565	8,029	3,435	-	144,945
Derivatives financial instruments	120	-	-	-	-	120
Total on balance sheet	**97,779**	**58,045**	**18,355**	**3,435**	**-**	**177,614**
Off Balance sheet (Loan Commitments)	7,945	4,483	-	-	-	12,428
Total (On & Off Balance sheet)	**105,724**	**62,528**	**18,355**	**3,435**	**-**	**190,043**

4.4 Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's credit standing), will affect the Bank's income or the value of its financial instruments. Specifically for the Bank, market risk is further analyzed in the following risks:

- Risk from the change in bond prices classified as FVTOCI.
- Interest rate risk arising from transactions in bonds that are classified as FVTOCI.
- Interest rate risk arising from interest rate swaps.
- Foreign exchange risk arising from transactions in outright FX forwards.

4.4.1 Interest rate risk

Interest rate risk is the current or prospective risk to earnings (Net Interest Income) and capital arising from adverse movements in interest rates affecting the banking book positions. Assets and liabilities are analyzed with respect to interest rate risk (gap analysis). Assets and liabilities are categorized into time periods (gaps) by either contractual repricing in the case of variable interest rate instruments or maturity date in the case of fixed interest rate instruments.

Interest Rate Risk as at 31.12.2019

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	51,269	-	-	-	-	-	**51,269**
Due from banks	147,126	-	-	-	-	-	**147,126**
Loans and advances to customers	93,186	159,410	1,340	410	-	(12,307)	**242,039**
Investment securities – FVTOCI	-	1,000	15,048	5,362	461	-	**21,871**
Debt securities at amortised cost	-	-	-	24,539	-	-	**24,539**
Financial assets at FVTPL	-	-	559	-	288	-	**847**
Other remaining assets	-	-	-	-	-	16,110	**16,110**
TOTAL ASSETS	**291,582**	**160,410**	**16,946**	**30,311**	**749**	**3,803**	**503,801**
LIABILITIES							
Due to banks	33,529	-	805	-	-	-	**34,334**
Due to customers	234,875	55,268	83,106	3,274	-	35	**376,558**
Other remaining liabilities	-	-	-	-	-	4,152	**4,152**
TOTAL LIABILITIES	**268,404**	**55,268**	**83,911**	**3,274**	**-**	**4,187**	**415,044**
Total interest sensitivity gap	**23,178**	**105,142**	**(66,965)**	**27,037**	**749**	**(384)**	**88,757**

The measurement of Interest Rate Risk sensitivity of the Bank's Statement of Financial Position items in respect to a parallel shift of 100bp in interest rates showed no material effect on the net position of the Bank because most of the Bank's interest bearing assets and liabilities are floating rate instruments with contractual repricing period of less than 12 months.

Interest Rate Risk as at 31.12.2018

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	8,465	-	-	-	-	-	**8,465**
Due from banks	61,653	-	-	-	-	-	**61,653**
Loans and advances to customers	61,001	103,444	12	419	7	(8,593)	**156,290**
Investment securities – available for sale	608	5,248	7,811	-	-	-	**13,667**
Financial assets at FVTPL	-	14,254	-	-	299	-	**14,553**
Other remaining assets	-	-	-	-	-	16,489	**16,489**
TOTAL ASSETS	**131,727**	**122,946**	**7,823**	**419**	**306**	**7,896**	**271,116**
LIABILITIES							
Due to banks	16,733	5,478	10,125	-	-	-	**32,336**
Due to customers	81,325	54,765	7,887	-	-	1,870	**145,847**
Other remaining liabilities	-	-	-	-	-	3,553	**3,553**
TOTAL LIABILITIES	**98,058**	**60,243**	**18,012**	**-**	**-**	**5,423**	**181,736**
Total interest sensitivity gap	**33,669**	**62,703**	**(10,189)**	**419**	**306**	**2,473**	**89,380**

4.4.2 Foreign exchange risk

The Management of the Bank has set low limits for foreign exchange exposure, which are monitored daily. The Bank's open foreign exchange position is mainly in US Dollars because of its specialized activity. The Bank files standard foreign exchange position reports on a regular basis enabling the Central Bank to monitor its foreign exchange risk.

The foreign exchange position of the Bank as at 31 December 2019 and 31 December 2018 respectively is as follows:

Foreign exchange position as at 31.12.2019

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	299	50,823	147	51,269
Due from banks	18,361	125,940	2,825	147,126
Loans and advances to customers	220,856	21,183	-	242,039
Investment securities – FVTOCI	-	21,871	-	21,871
Debt securities at amortised cost	-	24,539	-	24,539
Financial assets at FVTPL	747	100	-	847
Other remaining assets	3	16,107	-	16,110
TOTAL ASSETS	**240,266**	**260,563**	**2,972**	**503,801**
LIABILITIES				
Due to banks	30,929	3,405	-	34,334
Due to customers	179,304	195,155	2,099	376,558
Other remaining liabilities	198	3,953	-	4,152
TOTAL LIABILITIES	**210,431**	**202,513**	**2,099**	**415,044**
Net balance sheet position	**29,835**	**58,050**	**873**	**88,757**
Off balance sheet net notional position	(29,735)	29,696	39	-
Total FX position	**100**	**87,746**	**912**	**88,757**

The measurement of foreign exchange risk sensitivity of the Bank's Statement of Financial Position items in respect to a parallel shift of 1% in foreign currency rates showed no material effect on the net position of the Bank.

Foreign exchange position as at 31.12.2018

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	231	8,120	114	8,465
Due from banks	3,211	55,741	2,701	61,653
Loans and advances to customers	146,486	9,804	-	156,290
Investment securities – available for sale	-	13,667	-	13,667
Financial assets at FVTPL	733	13,820	-	14,553
Other remaining assets	109	16,379	-	16,489
TOTAL ASSETS	**150,770**	**117,531**	**2,815**	**271,116**
LIABILITIES				
Due to banks	7,871	24,465	-	32,336
Due to customers	86,412	57,450	1,985	145,847
Other remaining liabilities	14	3,540	-	3,554
TOTAL LIABILITIES	**94,297**	**85,455**	**1,985**	**181,736**
Net balance sheet position	**56,473**	**32,076**	**830**	**89,380**
Off balance sheet net notional position	(55,960)	56,179	(219)	-
Total FX position	**513**	**88,255**	**611**	**89,380**

4.5 Fair value of financial assets and liabilities not measured at fair value

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at 31 December 2019 and 2018:

Cash and balances with Central Bank, due from and due to banks: The carrying amount of cash and balances with Central Bank and due from-to banks approximates their fair value.

Loans and advances to customers: According to IFRSs, the fair value of loans is estimated using discounted cash flow models. The discount rates are based on current market interest rates offered for loans with similar terms to borrowers of similar credit quality. This category is carried at amortized cost. Substantially all the loans and advances of the Bank are at floating rates of interest, which re-price at frequent intervals. A number of them have considerable amount of unamortized discount. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the loans and advances to customers approximates its fair value.

Due to customers: The fair value for demand deposits and deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed maturity deposits is estimated using discounted cash flow models based on rates currently offered for relevant product types with similar remaining maturities. The carrying amount of term deposits approximates their fair value because the re-pricing date of their interest rate is too short and reflects the current interest rates of the market.

4.6 Financial assets and liabilities measured at fair value

Determining the fair value of financial instruments

The Bank measures the fair value of its financial instruments based on the framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market. An active market is a market in which transactions for assets or liabilities take place with sufficient frequency and volume, provide pricing information on an ongoing basis and are characterized with low bid/ask spreads.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain over-the-counter (OTC) derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

31 December 2019

(€' 000)	Level-1	Level-2	Level-3	**Total**
ASSETS				
Investment securities – FVTOCI	21,870	-	-	**21,870**
Financial assets at FVTPL	847	-	-	**847**
Derivatives	10	147	-	**157**
TOTAL ASSETS	**22,727**	**147**	-	**22,874**
LIABILITIES				
Derivatives	-	15	-	**15**
TOTAL LIABILITIES	**-**	**15**	**-**	**15**

31 December 2018

(€' 000)	Level-1	Level-2	Level-3	**Total**
ASSETS				
Investment securities – FVTOCI	13,667	-	-	**13,667**
Financial assets at FVTPL	14,553	-	-	**14,553**
Derivatives	90	134	-	**224**
TOTAL ASSETS	**28,310**	**134**	-	**28,444**
LIABILITIES				
Derivatives	111	9	-	**120**
TOTAL LIABILITIES	**111**	**9**	**-**	**120**

4.7 Capital Adequacy

The Bank has implemented the new regulatory framework CRDIV (Basel III implementation under EU rules), which came into force with Directive 2013/36/EU and Regulation (EU) No. 575/2013.
The new regulatory framework requires financial institutions to maintain a minimum level of regulatory capital related to the undertaken risks. The minimum capital adequacy ratios, as per article 92 of the CRR, are as follows:

- Common Equity Tier 1 Ratio (CET1 Ratio): 4.5%
- Tier 1 Ratio (Tier 1): 6%
- Total Capital Ratio (CAD Ratio): 8%

Based on Council Regulation 1024/2013, the Central Bank conducts annually a Supervisory Review and Evaluation Process (SREP), in order to define the prudential requirements of the institutions under its supervision, by delimiting an overall SREP capital requirement (OCR) under Pillar 2 of the regulatory framework. Following the conclusion of the SREP for year 2019, the Bank of Greece advised ABBank that as of April 13th, 2020 that it has to maintain and OCR of at least 13.74% (2019: 13.90%), consisting of (a) CAD Ratio of 8%, (b) additional capital requirements under Pillar 2 of 3.24%, and (c) the Capital Conservation Buffer of 2.5% (2019: 8%, 3.40% and 2.5%, respectively). Moreover, on the basis of the outcome of the Bank's participation in the stress test exercise conducted by BoG during 2019 for all LSIs, the aforesaid OCR applicable as of April 2020 is enhanced by 0.5% against the Pillar 2 Guidance capital requirements (P2G capital requirement). Nevertheless, taking into account the possible impact and operational challenges of the COVID-19 pandemic, the BoG has allowed all financial institution under its supervision not to cover the P2G top-up requirement.

The Bank actively manages its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and, at the same time, to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes. The risk-weighted assets arise from the credit risk of the banking book and the market risk of the trading book as well as the operational risk. The current capital ratios (Tier I ratio and capital adequacy ratio) are greater than the regulatory limits set by the relevant directive and the capital base is capable of supporting the business growth of the Bank in all areas for the next years. For the calculation of regulatory capital, own share capital must undergo some regulatory adjustments, such as the deduction of intangible assets. The regulatory capital of the Bank, as defined by the Bank of Greece is comprised of two tiers, Tier I and Tier II capital. AB Bank has only Tier I capital.

Presented below, are the year-end capital adequacy ratios of 2019 and 2018. The figures have been calculated using CRD IV rules.

	2019 €' 000	2018 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,207	50,207
Retained earnings	239	852
Statutory reserve	643	623
Reserve from remeasurement of the defined benefit obligations	(328)	(270)
OCI reserve	16	(13)
	88,757	**89,380**
Regulatory adjustments on Tier I capital		
Less: intangible assets	(1,396)	(1,117)
Less : other adjustments	(1,818)	(1,415)
Total regulatory adjustments on Tier I capital	**(3,214)**	**(2,532)**
Total Core Tier I capital	**85,543**	**86,848**
Risk weighted assets		
Risk weighted assets (credit risk)	304,911	200,382
Risk weighted assets (market risk)	1,628	9,877
Risk weighted assets (operational risk)	19,855	17,318
Total Risk Weighted Assets	**326,394**	**227,577**
Common Equity Tier 1 Ratio (CET1)	**26.21%**	**38.16%**
Tier 1 Ratio (T1)	**26.21%**	**38.16%**
CAD Ratio	**26.21%**	**38.16%**

It should be noted that the disclosure as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2655/16.3.2012 in relation to Pillar III, will be updated on the web site www.aegeanbalticbank.com upon its completion.

Note 5: Net interest income

	2019 €' 000	2018 €' 000
Interest and similar income		
Interest from debt securities measured at FVTOCI	-	258
Interest from debt securities at amortized cost	3	-
Interest due from banks	1,006	773
Interest from loans and advances to customers	13,602	10,156
Other	13	31
Total Interest and similar income	**14,624**	**11,218**
Interest expense and similar charges		
Interest due to customers	(3,085)	(1,612)
Interest due to banks	(974)	(347)
Interest expense from lease liabilities	(15)	-
Interest from debt securities measured at FVTOCI [(1)]	(40)	-
Total Interest expense and similar charges	**(4,114)**	**(1,959)**
Net interest income	**10,510**	**9,259**

(1) For the fiscal year 2019, the interest expenses of debt securities measured at FVTOCI derive from negative bond yield.

Note 6: Net fee and commission income

The following table includes net fees and commission income from contracts with customers in the scope of IFRS 15, disaggregated by major type of industries.

	2019 €' 000			
	Shipping Corporations	Corporate Sector	Other sectors	Total
Fees and commission income				
Loan origination fees and commissions	1,209	44	211	**1,464**
Funds transfers	649	16	701	**1,366**
Other	23	129	49	**201**
Total Fees and commission income	**1,881**	**189**	**961**	**3,031**
Fees and commission expense				
Banks	-	-	(157)	**(157)**
Other	-	-	(198)	**(198)**
Total Fees and commission expense	**-**	**-**	**(355)**	**(355)**
Net fee and commission income	**1,881**	**189**	**606**	**2,676**

	2018 €' 000			
	Shipping Corporations	Corporate Sector	Other sectors	Total
Fees and commission income				
Loan origination fees and commissions	1,090	-	52	**1,142**
Funds transfers	998	-	25	**1,023**
Other	69	-	16	**85**
Total Fees and commission income	**2,157**	-	**93**	**2,250**
Fees and commission expense				
Banks	-	-	(164)	**(164)**
Other	11	-	(127)	**(116)**
Total Fees and commission expense	**11**	-	**(292)**	**(280)**
Net fee and commission income	**2,168**	-	**(198)**	**1,970**

The Bank's main activity is the contracting and management of syndicated loans to shipping companies in which the Bank may also participates. The result of the Bank's main activity is the collection of commissions for both the contracting of the syndicated loans as an arranger, as an agent and as a participant to the loan.
The commissions received by the Bank as a participant in the syndicated loans are capitalized, then amortized over the life of the loan with the effective interest rate method and included in the interest from loans and advances to customers. The commissions received by the Bank and amortized over the life of the financial instrument with the effective interest rate method are for the year 2019 € 1,437 thousands (€ 739 thousands for 2018). The commissions received by the Bank as an arranger and as an agent are recognized in the income statement when a performance obligation is satisfied.

Note 7: Net result from derivatives and investment securities

	2019	2018
	€' 000	€' 000
Foreign exchange contracts and derivatives	(61)	(1,534)
Net results from sale of financial assets measured at FVTOCI	(39)	27
Net results from sale of financial assets measured at FVTPL	36	37
Net result from financial instruments at fair value through profit or loss	(27)	(71)
Net trading income	**(91)**	**(1,541)**

Included within the net results from foreign exchange contracts and derivatives are gains and losses from derivative contracts (FX swap) and futures committed for economic hedge purposes.

Note 8: Personnel expenses

	2019	2018
	€' 000	€' 000
Wages and salaries	(4,870)	(4,411)
Social security contributions	(1,045)	(880)
Defined contribution plans	(154)	(137)
Defined benefit plans (see Note 29)	(108)	(115)
Other	(445)	(360)
Personnel expenses	**(6,622)**	**(5,903)**

The number of employees of the Bank at 31 December 2019 was 95 (82 as at 31 December 2018). The average number of employees for the period 1 January 2019 to 31 December 2019 was 91 (81 for the year 2018).

Note 9: General administrative expenses

	2019	2018
	€' 000	€' 000
Rental expense for buildings	(12)	(92)
Rental expense for cars	(11)	(90)
Third party fees	(1,331)	(984)
IT expense	(714)	(556)
Telecommunication – mail expense	(126)	(125)
Promotion and advertising expense	(29)	(86)
Office material	(30)	(28)
Utilities	(103)	(93)
Taxes and duties	(441)	(385)
Maintenance and other related expenses	(90)	(89)
Subscription expenses	(42)	(37)
Contributions	(256)	(174)
Officers and directors insurance	(102)	(97)
Other general administrative expenses	(350)	(289)
General and administrative expenses	**(3,637)**	**(3,125)**

Note 10: Depreciation and amortization

	2019	2018
	€' 000	€' 000
Property and equipment	(543)	(372)
Intangible assets	(407)	(297)
Depreciation and amortization	**(950)**	**(669)**

Note 11: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2019 €' 000	2018 €' 000
Balance as at 1 January (under IFRS 9)	**(7,769)**	**(9,832)**
Impairment losses on loans and advances for the year	(3,440)	(2,003)
Amounts recovered	742	2,894
Effect of foreign currency movements	(59)	(294)
Impairment losses/gains on loans and advances charged in Income statement	**(2,756)**	**597**
Loans written off	-	1,466
Balance as at 31 December	**(10,526)**	**(7,769)**

Note 12: Income tax

	2019 €' 000	2018 €' 000
Income tax for the year	(143)	-
Deferred income tax	341	(197)
Income tax	**198**	**(197)**

The calculation of the income tax expense is as follows:

	2019	2018
Profit / (Loss) before tax	**(791)**	**587**
Tax calculation at 24% (2018: 29%)	190	(170)
Non tax deductible expenses	(7)	(9)
Impact of tax change rate on Deferred Tax	15	-
Other	-	(18)
Income tax	**198**	**(197)**

The corporate tax rate is 24% for year 2019 and 29% for the year 2018.
Further information concerning the income tax contingent liabilities is presented in Note 32.
According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years.
There was no tax loss carried forward by the Bank at 31.12.2019 (€ 370 thousands at 31.12.2018).
Further information concerning deferred tax is presented in Note 23.

Note 13: Cash and balances with Central Bank

	2019 €' 000	2018 €' 000
Cash in hand	1,128	615
Balance with Central Bank	50,141	7,850
Cash and balances with Central Bank	**51,269**	**8,465**

The Bank is required to maintain a current account with the Central Bank of Greece (BoG) to facilitate interbank transactions with the BoG, its member banks, and other financial institutions through the TARGET system (Trans-European Automated Real-Time Gross Settlement Express Transfer).

BoG requires all banks established in Greece to maintain deposits with BoG equal to 1% of total customer deposits as these are defined by the European Central Bank. From 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (0.00% at 31.12.2019). It is at the Bank's discretion to withdraw the total amount of the balance with Central Bank under the condition that the average balance during the period (month) will not be less than the minimum required amount. As at 31.12.2019 the minimum required amount of the Bank amounts to € 3,603 thousands (At 31.12.2018, € 1,373 thousands).

Note 14: Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following outstanding balances as at 31.12.2019 and 31.12.2018:

	2019	2018
	€' 000	€' 000
Cash on hand	1,128	615
Non-restricted placements with Central Bank,	50,141	7,851
Short-term balances due from banks	147,126	61,653
Cash and cash equivalents	**198,395**	**70,119**

All Short-term balances due from banks are classified as stage 1. The ECL is below €1 thousand.

Note 15: Due from banks

	2019	2018
	€' 000	€' 000
Current accounts	30,523	11,633
Money Market Placements	116,603	50,020
Due from banks	**147,126**	**61,653**

Included within Current accounts is restricted amount €20,937 thousands as of 31.12.2019 (31.12.2018: €5,683 thousands) related to guarantees provided to credit institutions for swaps.

Note 16: Loans and advances to customers

	2019	2018
	€' 000	€' 000
Loans and Advances to shipping corporations at amortized cost	227,988	149,418
Loans and advances to corporate sector	11,842	4,995
Other Loans and staff loans	2,208	1,877
	242,039	**156,290**

There are no loans and advances to customers that have been pledged as collateral.

Loans and advances to customers are analyzed:	**2019 €' 000**		
	Gross amount	Impairment amount	Net amount
	€' 000	€' 000	€' 000
Loans and Advances to shipping corporations	238,345	(10,357)	227,988
Loans and advances to corporate sector	12,006	(164)	11,842
Other Loans and staff loans	2,214	(5)	2,208
Total	**252,565**	**(10,526)**	**242,039**

Loans and advances to customers are analyzed:	**2018 €' 000**		
	Gross amount	Impairment amount	Net amount
	€' 000	€' 000	€' 000
Loans and Advances to shipping corporations	157,169	(7,750)	149,418
Loans and advances to corporate sector	5,010	(15)	4,995
Other Loans and staff loans	1,881	(4)	1,877
Total	**164,059**	**(7,769)**	**156,290**

No debt restructuring took place during 2019. In 2018, the Bank as lender had agreed to the restructuring of a loan of a shipping company listed in the NYSE, which included a debt to equity swap transaction. Pursuant to this restructuring agreement, the borrower's loan balance was reduced and, for a part thereof, the borrower issued equity shares listed at the NYSE, in favor of the lender. Hence, the transaction resulted in the Bank acquiring a minority shareholding over the borrower.

The table below depicts the debt to equity swap transaction that took place in 2018:

		2018	**€'000**
Company	**% Holding**	**Date of acquisition**	**Cost of acquisition**
NYSE-listed shipping company	1%	10/8/2018	736

Note 17: Investment securities – FVTOCI

Analysis per Issuer for the year ended 31.12.2019

	2019 €'000			
Investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Domestic Corporate Entities Bonds	1,654	-	-	1,654
Foreign Government Bonds	20,217	-	-	20,217
Total Investment securities at FVTOCI	**21,871**	**-**	**-**	**21,871**

Movement in Gross Carrying amount of investment securities

Investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2019	**13,625**	**42**	**-**	**13,667**
Additions	11,068	-	-	11,068
Disposals/ Maturities	(2,864)	(42)	-	(2,906)
Changes in Fair value	38	-	-	38
ECL charge for the year	4	-	-	4
Closing Balance 31.12.2019	**21,871**	**-**	**-**	**21,871**

Movement in ECL allowance for the year ended 31.12.2019

ECL for investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2019	**13**	**-**	**-**	**13**
Domestic Corporate Entities Bonds	(8)	-	-	(8)
Foreign Government Bonds	4	-	-	4
ECL charge for the year	**(4)**	**-**	**-**	**(4)**
ECL 31.12.2019	**9**	**-**	**-**	**9**

Analysis per Issuer for the year ended 31.12.2018

	2018 €'000			
Investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Domestic Corporate Entities Bonds	3,325	42	-	3,367
Foreign Government Bonds	10,300	-	-	10,300
Total Investment securities at FVTOCI	**13,625**	**42**	**-**	**13,667**

Movement in Gross Carrying amount of investment securities

Investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance at 31.12.2017	-	-	-	-
Reclassification from AFS to FVTOCI	3,560	42	-	3,602
Balance 01.01.2018	**3,560**	**42**	**-**	**3,602**
Additions	17,726	-	-	17,726
Disposals/ Maturities	(7,689)	-	-	(7,689)
Changes in Fair value	41	-	-	41
ECL impairment charge for the year	(13)	-	-	(13)
Closing Balance 31.12.2018	**13,624**	**42**	**-**	**13,667**

Movement in ECL allowance for the year ended 31.12.2018

ECL for investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance at 31.12.2017	-	-	-	-
Remeasurement IFRS 9 (FTA)	-	-	-	-
Balance 01.01.2018	**-**	**-**	**-**	**-**
Domestic Corporate Entities Bonds	13	-	-	13
Foreign Government Bonds	-	-	-	-
ECL impairment charge for the year	**13**	**-**	**-**	**13**
ECL 31.12.2018	**13**	**-**	**-**	**13**

All the debt securities in the FVTOCI portfolio are traded in public markets. The ECB eligible securities included in the Banks portfolios (FVTOCI) amounted to €20 million as at 31.12.2019 versus €10 million the end of previous year.

Note 18: Financial assets at fair value through P&L

	2019 €' 000	2018 €' 000
European Governments	-	14,254
Listed shares	288	299
Banks - Financial institutions	559	-
Total Investment securities – FVTPL	**847**	**14,553**
Movement for the year:		
Balance as 1 January	**14,553**	**21,719**
Additions	530	1,769
Disposals (Sales and redemption)	(14,223)	(8,876)
Profit /(loss) from changes in fair value	(27)	(71)
Exchange differences	14	12
Balance as 31 December	**847**	**14,553**

The Bank had no ECB eligible securities included in its portfolio (FVTPL) as at 31.12.2019 versus €14 million the end of previous year.
Through the aforesaid ECB-eligible bonds, on 31.12.2019 the Bank had no participation with €5 million in ECB's regular Medium Term Refinancing Operations (€5 million at 31.12.2018) neither used part of the above securities as collateral for Repo transactions with other banks (€4,9 million at 31.12.2018). Both of the above-mentioned amounts (if any) included in Due to Banks balance.

Note 19: Debt Securities at amortized cost

	2019 €' 000	2018 €' 000
European Governments	21,367	-
Corporate Entities Bonds	3,172	-
Total debt securities at amortized cost	**24,539**	**-**

Analysis per Issuer for the year ended 31.12.2019				**2019 €'000**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
European Governments	21,367	-	-	**21,367**
Corporate Entities Bonds	3,172	-	-	**3,172**
Total amount Debt Securities at AC	**24,539**	**-**	**-**	**24,539**

Movement in Gross Carrying amount of debt securities

Debt securities at AC	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 01.01.2019	**-**	**-**	**-**	**-**
Additions	24,543	-	-	**24,543**
Disposals/ Maturities	-	-	-	**-**
ECL impairment charge for the year	(4)	-	-	**(4)**
Closing Balance 31.12.2019	**24,539**	**-**	**-**	**24,539**

Movement of ECL for debt securities at AC	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 01.01.2019	**-**	**-**	**-**	**-**
European Governments	3	-	-	**3**
Corporate Entities Bonds	1	-	-	**1**
ECL impairment charge for the year	**4**	**-**	**-**	**4**
ECL for debt securities at AC as at 31.12.2019	**4**	**-**	**-**	**4**

The ECB eligible securities included in the Banks portfolios (amortised cost) amounted to €24 million as at 31.12.2019.

Note 20: Derivative financial instruments

	31.12.2019 (€' 000)			31.12.2018 (€' 000)		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
FX swaps / forwards	30,976	147	15	41,931	126	9
Warrant Linked to Greek GDP	2,835	10	-	2,835	8	-
Future FX	-	-	-	14,000	90	-
Future Bunds	-	-	-	13,626	-	111
Derivative financial instruments	**33,811**	**157**	**15**	**72,392**	**224**	**120**

The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in the Net results from derivatives and investment securities. The FX swaps and FX futures referred above are effective economic hedges.

Note 21: Intangible assets

	2019 €' 000	**2018** €' 000
Acquisition cost:		
Opening balance as at 1 January	3,521	3,022
Additions	686	499
Closing balance as at 31 December	**4,207**	**3,521**
Accumulated amortization:		
Opening balance as at 1 January	2,405	2,108
Amortization charge for the year	407	297
Closing balance as at 31 December	**2,812**	**2,405**
Net book value:		
Opening net book value as at 1 January	**1,117**	**915**
Closing net book value as at 31 December	**1,396**	**1,117**

Intangible assets include only software.

Note 22: Property and equipment

Property and equipment as at 31.12.2019

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Right of use assets	**Total**
Cost:								
Opening balance as at 01.01.2019	1,051	4,910	341	15	954	1,220	-	8,491
FTA IFRS 16 impact	-	-	-	-	-	-	575	575
Opening balance as at 01.01.2019 (adjusted)	**1,051**	**4,910**	**341**	**15**	**954**	**1,220**	**575**	**9,066**
Additions	-	89	-	-	73	7	75	244
Disposals and write offs	-	(1)	-	-	(2)	(11)	-	(14)
Closing balance as at 31.12.2019	**1,051**	**4,998**	**341**	**15**	**1,025**	**1,216**	**650**	**9,296**
Accumulated depreciation:								
Opening balance as at 01.01.2019	-	867	140	15	659	1,031	-	2,712
Depreciation	-	219	27	-	53	43	160	502
Disposals and write offs	-	(1)	-	-	(2)	(5)	-	(8)
Closing balance as at 31.12.2019	**-**	**1,085**	**167**	**15**	**710**	**1,069**	**160**	**3,206**
Closing net book value as at 31.12.2019	**1,051**	**3,913**	**174**	**-**	**315**	**147**	**490**	**6,090**

Property and equipment as at 31.12.2018

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Right of use assets	**Total**
Cost:								
Opening balance as at 01.01.2018	1,051	4,853	341	15	934	1,140	-	8,334
Additions	-	57	-	-	20	80	-	157
Disposals and write offs	-	-	-	-	-		-	-
Closing balance as at 31.12.2018	**1,051**	**4,910**	**341**	**15**	**954**	**1,220**	**-**	**8,491**
Accumulated depreciation:								
Opening balance as at 01.01.2018	-	654	113	15	613	946	-	2,341
Depreciation	-	213	27	-	46	84	-	370
Disposals and write offs	-	-	-	-	-	1	-	1
Closing balance as at 31.12.2018	**-**	**867**	**140**	**15**	**659**	**1,031**	**-**	**2,712**
Closing net book value as at 31.12.2018	**1,051**	**4,043**	**201**	**-**	**295**	**189**	**-**	**5,779**

No property and equipment has been pledged as collateral

Note 23: Deferred tax assets / liabilities

	2019 €' 000	2018 €' 000
Deferred tax assets		
Loans and advances to customers	427	239
Defined benefits obligations	404	442
Derivatives and financial instruments	82	11
Greek Government Bonds (PSI)	1,175	1,485
Lease liabilities	121	-
Other temporary differences	19	350
Total Deferred tax assets	**2,228**	**2,527**
Deferred tax liabilities		
Loans and advances to customers	1,875	2,498
Total Deferred tax Liabilities	**1,875**	**2,498**
Net Deferred tax (Liabilities)	**353**	**29**

Movement of temporary differences analyzed as follows:

Movement for 2019 (€'000)	**Balance as at 1.1.2019**	Recognized through income statement 2019	Recognized through equity 2019	**Balance as at 31.12.2019**
Loans and advances to customers	**(2,258)**	809	-	**(1,448)**
Defined benefits obligations	**443**	(32)	(7)	**404**
Derivatives and investment Securities	**23**	69	(10)	**82**
Greek Government Bonds (PSI)	**1,484**	(309)	-	**1,175**
Lease liabilities	**-**	121	-	**121**
Other temporary differences	**336**	(317)	-	**19**
Total	**29**	**341**	**(17)**	**353**

Movement for 2018 (€'000)	**Balance as at 1.1.2018**	Recognized through income statement 2018	Recognized through equity 2018	**Balance as at 31.12.2018**
Loans and advances to customers	**(2,671)**	413	-	**(2,258)**
Defined benefits obligations	**403**	33	7	**443**
Derivatives and investment Securities	**(100)**	135	(12)	**23**
Greek Government Bonds (PSI)	**1,549**	(65)	-	**1,484**
Other temporary differences	**586**	(714)	464	**336**
Total	**(233)**	**(197)**	**459**	**29**

Note 24: Other assets

	2019 €' 000	2018 €' 000
Accrued income	6	1
Prepaid expenses	286	227
Hellenic Deposit and Investment Guarantee Fund	6,782	6,781
Tax Prepayments and other recoverable taxes	299	111
Other	741	708
Other assets	**8,114**	**7,828**

Hellenic Deposit and Investment Guarantee Fund included in other assets relate to the Bank's participation in assets the investment and deposit cover scheme.

The above figure consists of:
1. The amount contributed relating to investment cover scheme and
2. The difference between the regular annual contribution of credit institutions resulting from the application of article 6 of Law 3714/2008 "Borrowers protection and other regulations", which raised the amount of deposits covered from Deposit Guarantee scheme from € 20 thousands to € 100 thousands per each depositor.
The above difference is included according to Law 4370/7.3.2016 Deposit Guarantee Scheme (incorporating Directive2014/49/EE), Deposit and Investment Guarantee Fund and other regulations in a special group of assets, whose elements owned in common by the participant credit institutions, according to the participation percentage of each one.

Note 25: Non-current assets held for sale

At 7th of June 2019 the Bank signed a memorandum of agreement for the sale of the vessel ALKIONI, a 1994-built catamaran car-passenger ferry classified as non-current asset held for sale at the Bank's ownership, in the amount of € 1,6 million (acquisition cost of approximately €1,5m). The sale completed at 28th of June 2019.

Note 26: Due to banks

	2019 €' 000	2018 €' 000
Amounts due to Central Bank	-	5,000
Time deposits due to credit institutions	34,334	27,336
Due to banks	**34,334**	**32,336**

Note 27: Due to customers

	2019 €' 000	2018 €' 000
Sight deposits	155,553	56,965
Term deposits	220,969	87,272
Other	36	1,610
Due to customers	**376,558**	**145,847**

Due to customers include blocked deposits of:

	2019 €' 000	2018 €' 000
Blocked deposits for the issuance of Guarantee Letters	3,498	1,342
Blocked deposits for loans granted	28,890	31,480
Total	**32,388**	**32,822**

The only concentration relates to deposits of five (5) customers that represent approximately 38% of the amounts due to customers (€ 144 Million out of € 377 Million). In 2018 five (5) customers represented approximately 30% of the amounts due to customers (€ 44 Million out of € 146 Million).

Note 28: Other liabilities

	2019 €' 000	2018 €' 000
Taxes – duties (other than income tax)	506	305
Amounts due to social security funds	252	213
Accrued expenses and deferred income	442	515
Suppliers	263	504
Hellenic Deposit and Investment Guarantee Fund	106	79
Lease liabilities	503	-
Other payables	380	291
Other liabilities	**2,452**	**1,907**

The movement of the lease liability is summarized as follows:

Lease liabilities movement for the year 2019	**2019** €' 000
First time adoption impact of IFRS 16, 01/01/2019	**575**
Additions	75
Disposals	-
Interest Expense	16
Payments during the year	(163)
Lease Liabilities under IFRS 16, 31/12/2019	**503**

Note 29: Retirement benefit obligations

Defined benefit plans

According to Greek labor law, employees are entitled to a one-off payment when they retire.

The amount differs according to the salary of the employees and the years of their employment up to the date of retirement. In the event that an employee voluntarily leaves, there is no similar liability. This one-off payment meets the definition of a defined benefit plan and at 31 December 2019 the present value of the liability amounted to €1,685 thousand (in 2018 € 1,526 thousand).

The retirement benefit obligations were calculated in compliance with the provisions of Greek Law 2112/20. Law 4093/12 decreased the minimum statutory indemnity. The Bank has decided to maintain the pre L.4093/12 benefit formula.

The provision is based on an independent actuarial study using the "Projected Unit Credit Method", according to which the cost of employee retirement indemnities is charged to the income statement.

The present value of the defined obligation is determined by the estimated future cash outflows using interest rates of high credit rating company securities, which have terms to maturity approximating the terms of the related liability.

	2019 €' 000	2018 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,685	1,526
Net Liability in SOFP	**1,685**	**1,526**
Amounts recognized in the Income Statement		
Service cost	85	96
Net interest on the net defined benefit liability	23	19
Regular P&L Charge	**108**	**115**
Settlement/Curtailment/Termination loss/(gain)	-	-
Total P&L Charge	**108**	**115**
Reconciliation of benefit obligation		
DBO at start of period	1,526	1,386
Service cost	85	96
Interest cost	23	19
Benefits paid directly by the Company	-	-
Settlement/Curtailment/Termination loss/(gain)	-	-
Actuarial (gain)/loss - financial assumptions	71	(30)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - experience	(20)	55
DBO at end of period	**1,685**	**1,526**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	(71)	30
Liability experience gain/(loss) arising during the year	20	(55)
Total actuarial gain/(loss) recognized in OCI	**(51)**	**(25)**
Other adjustments recognized in OCI	-	-
Total amount recognized in OCI over the period	**(51)**	**(25)**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	**1,526**	**1,386**
Benefits paid directly	-	-
Total expense recognized in the income statement	108	115
Total amount recognized in the OCI	51	25
Net Liability in SOFP	**1,685**	**1,526**
Cash flows		
Expected benefits paid by the plan for next financial year	539	564
Assumptions:		
Discount rate	1.01%	1.85%
Price inflation	1.30%	1.75%
Rate of compensation increase	2.30%	2.75%
Plan duration	10.87	10.97

The amounts recognized in the Statement of Financial Position are determined as follows:

	2019 €' 000	2018 €' 000	2017 €' 000	2016 €' 000	2015 €' 000
Present value of obligations	1,685	1,526	1,386	1,495	1,270
Total obligation	**1,685**	**1,526**	**1,386**	**1,495**	**1,270**

Sensitivity analysis

• If the discount rate used were 0.5% higher (1.51% p.a. rather than 1.01% p.a.), then the DBO would be lower by about 5.24%.

• If the discount rate used were 0.5% lower (0.51% p.a. rather than 1.01% p.a.) then the DBO would be higher by about 5.78%.

Note 30: Share capital

Share capital for the year ended at: **(Amounts in €)**

	31.12.2019			31.12.2018		
	Number of Shares	Nominal Value	Share Capital	Number of Shares	Nominal Value	Share Capital
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 31: Share premium

	2019 €' 000	2018 €' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (net of tax)	(306)	(306)
Share premium	**50,207**	**50,207**

Note 32: Reserves

	2019 €' 000	2018 €' 000
Statutory reserve	643	623
Valuation of FVTOCI portfolio	20	(18)
Deferred tax on valuation of FVTOCI portfolio	(5)	5
Actuarial Gain (Loss) of Retirement Benefit Obligations	(431)	(380)
Deferred tax on Remeasurement of the defined benefit obligations	104	111
Reserves	**331**	**341**

Movement of Reserves	2019 €' 000	2018 €' 000
Opening Balance 01.01	**341**	**330**
Statutory reserve	**20**	**-**
Net gain/(losses) from changes in fair value of OCI investments	38	41
Deferred tax on valuation of FVTOCI portfolio	(10)	(12)
Net change in Fair value	**28**	**29**
Actuarial Gain (Loss) of Retirement Benefit Obligations	(51)	(25)
Deferred tax on Remeasurement of the defined benefit obligations	(7)	7
Net change from the remeasurement of the defined benefit obligations	**(58)**	**(18)**
Closing Balance 31.12	**331**	**341**

Note 33: Retained earnings

	2019 €' 000	2018 €' 000
Opening balance	**853**	**1,599**
Dividends distributed	-	-
Statutory reserve movement	(20)	-
Remeasurement (IFRS-9 FTA impact, net of tax)	-	(1,136)
Profit / (Loss) for the year	(593)	390
Closing balance	**239**	**853**

Note 34: Lease Liabilities

Operating leases
The Bank has liabilities from the lease of its branches in Piraeus and Glyfada and company cars that it uses. The duration of the lease contract is 12 years for the buildings and 3 to 6 years for the company cars. The rents are usually subject to annual adjustments due to inflation. It is the Bank's policy to renew these contracts.

The table below presents the contractual undiscounted cash flows of the Bank's gross lease liabilities as at 31 December 2019 and as at the date of transition to IFRS 16, that is 1 January 2019. The bank has elected to take a recognition exemption for short-term leases (3 out of 19 contracts with an annual rental expense of €19 thousands) and leases of low-value assets (1 out of 19 contracts with an annual rental expense of €3 thousands), hence the analysis below does not include any leases with a residual term lower than 12 months and any leases with value less than €5 thousands, as of 1 January 2019.

	31.12.2019 €' 000	01.01.2019 €' 000
No later than 1 year	172	159
Later than 1 year and no later than 5 years	327	361
Later than 5 years	11	89
Total undiscounted gross liabilities	**510**	**609**
Less discount effect (IFRS 16)	7	34
Total discounted lease liabilities	**503**	**575**

Lease liabilities are included within the line item "Other liabilities". The present value of lease liabilities, as of 31 December 2019, amounts to €503 thousands (1 January 2019: €575 thousands). For the IFRS 16 first time adoption transition disclosures refer to Note 37.

Leases as lessee non-cancelable operating leases for 2018 (under IAS 17) were payable as follows:	**2018** €' 000
No later than 1 year	176
Later than 1 year and no later than 5 years	365
Later than 5 years	89
Total	**630**

Note 35: Contingent liabilities and commitments

Legal issues
There are no pending legal actions for or against the Bank.

Tax issues
The Bank has been audited by the tax authorities for the financial years up to and including 2009 while the financial year 2010 remains unaudited by the tax authorities. For the financial year 2010, it is expected that no additional taxes and penalties can be imposed based on the legislative framework with respect to the expiration of the time limitation period of the Greek State's right to impose additional taxes and penalties as of 31.12.2019.
The financial years 2011, 2012 and 2013 have been audited by its certified auditors, Deloitte Certified Public Accountants S.A. (the statutory auditor), in accordance with article 82 of Law 2238/1994. The relevant tax audit certificates were issued at 11.07.2012 at 26.09.2013 and at 10.07.2014 respectively.

For the financial year 2011, the Greek State's right for income tax corrective assessments has been time-barred as of 31.12.2019. As mentioned above, the Bank has received tax audit certificates with no qualifications for the financial years 2012 and 2013. These years are considered as closed due to the elapsing of the 18-month limitation period from the date of the tax audit certificate posting.

Following the 1680/2018 minute of the Hellenic State Legal Council, which has been accepted by the Governor of the Independent Public Revenue Authority, it is reasoned that financial years 2012 and 2013 with regards to tax audits cannot be deemed as closed until the issue is finally resolved by the Hellenic Council of State.

The financial years 2014, 2015, 2016, 2017 and 2018 have been audited by the Bank's statutory auditor in accordance with article 65A of law 4174/2013. The relevant tax audit certificates were issued with no qualifications at 29.09.2015 at 28.09.2016, 23.10.2017, 29.10.2018 and at 30.10.2019 respectively. For the financial year 2019 the audit from the statutory auditor is in progress and the relevant tax compliance report is expected to be granted after the publication of the financial statements of the year ended. If any additional tax liabilities arise after the completion of the tax audit, we estimate that they will not have significant effect on the financial statements.
Based on Ministerial Decision 1006/05.01.2016 for the financial years 2014 onwards, there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the statutory auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books.

Consequently, additional taxes and penalties may be imposed as a result of such tax audits. Although the amounts cannot be reliably determined, it is not expected to have a material effect on the statement of financial position of the Bank.

Capital commitments

	2019 €' 000	2018 €' 000
Undrawn commitments	16,118	12,428
Financial guarantees	11,088	1,451
Total	**27,206**	**13,879**

Syndicated Loans
The Bank acts as an agent and administrator for syndicated loans granted to shipping corporations. The total amount of the syndicated loans administrated or participated by the Bank analyzed as follows:

	2019 €' 000	2018 €' 000
Participation of other banks in drawdowned syndicated loans	577,475	723,046
AB Bank's participation in drawdown syndicated loans	9,703	11,874
Total amount of drawdowned syndicated loans	**587,178**	**734,920**
Other banks participation in unused credit facilities of syndicated loans	-	16,000
Total amount of unused credit facilities of syndicated loans	**-**	**16,000**
Total amount of syndicated loans administrated with the participation of AB-Bank	**587,178**	**750,920**

Note 36: Events after the reporting period

Regarding the rapid transmission of COVID-19, the Bank has taken the necessary steps to support its customers and ensure the security and prosperity of the employees. This steps are being carried out concurrently with the actions of the Greek Government to address the economic impact of COVID-19 as well as the economy. The evolution of the disease and its economic impact, remains highly uncertain. Against the framework of ongoing downward revisions of growth forecasts for the global economy and the European economy, the Greek GDP growth is expected to deviate from the official scenario in 2020.

The emergence of Covid-19, for the year ended 31 December 2019 for companies in Europewide, is a non-adjusting event since the outbreak occurred in the middle of March 2020. Therefore, potential impact of Covid-19 will be discussed the next reporting period.

Our economic scenarios used to calculate ECL as of 31 December 2019 do not capture the economic impact of the COVID-19 due to the limited information and nature of the outbreak in Greece occurred in March 2020. Due to the ongoing developments of COVID-19, the measurement of its financial effect on the financial position of the Bank, cannot be, currently, reasonably estimated.

On 20 March 2020, the ECB Banking Supervision announced new supervisory measures to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus-related economic shock to the global economy. First, within their remit and on a temporary basis, supervisors will exercise flexibility regarding the classification of debtors as "unlikely to pay" when banks call on public guarantees granted in the context of coronavirus. Second, loans which become non-performing and are under public guarantees will benefit from preferential prudential treatment in terms of supervisory expectations about loss provisioning. Third, supervisors will deploy full flexibility when discussing with banks the implementation of NPL reduction strategies, taking into account the extraordinary nature of current market conditions. Lastly, the ECB recommended that all banks avoid procyclical assumptions in their models to determine provisions and that those banks that have not done this so far opt for the IFRS 9 transitional rules. Evidence available to the ECB shows that a deterioration in the GDP outlook could lead to an increase in the probability of default (P.D.). The last determines among others an indication of transfer of a financial instrument from stage 1 to stage 2.

In the same direction, on 25 March 2020 the European Banking Authority (EBA) issued a statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures.

The EBA supports the measures taken and proposed by national governments and EU bodies to address the adverse systemic economic impact of the COVID-19 pandemic in the form of general moratorium, payment holidays stemming from public measures or industrywide payment relief initiatives taken by credit institutions. In this regard, the EBA sees the need to clarify a number of aspects on the functioning of the prudential framework, with the aim to provide clarity to the EU banking sector on how to handle in a consistent manner, aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment. Recent facts and circumstances around COVID-19, during the first quarter of 2020, so far suggest that in 2020, global and Greek economic growth is expected to be negatively impacted by the pandemic outbreak and the resulting disruption of economic activity, which could primarily impact specific lending portfolios through higher than expected ECL allowances and potential impairment of assets.

On 5th and 7th of June 2019 sale and purchase agreements were signed for 90% of the Bank's shares, among existing shareholders as sellers and Aegean Financial Holdings S.a.r.I, a subsidiary of Chenavari Investment Managers (already holding since the end of 2017 a stake of 4% in the Bank’s share capital), as buyer. The consummation of the agreement is subject to the approval of the regulatory banking authority, which until the date of this report has not been granted.

Note 37: IFRS 16 Transition disclosures

From 1st of January 2019, the Bank has adopted and implemented the requirements of IFRS 16 'Leases'. These transitional disclosures to the IFRS 16 provide information relevant to understanding the impact of the new accounting standard on the Bank's financial statements. The Bank as a lessee has assessed the estimated IFRS 16 FTA impact as at 1 January 2019 will have on the Bank's financial statements.

Assumptions taken for the IFRS 16 FTA impact

The Bank has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to lease entered or modified before 1 January 2019.

The Bank applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. For the purposes of applying the modified retrospective approach, the Bank elected to:

- measure the present value of the outstanding lease liability using its incremental borrowing rate (IBR) 2.6% concerning buildings and respectively using the rate implicit in the car leases 3.7%, at the date of transition and set the Right of Use asset equal to the amount of the lease liability;
- apply the practical expedient to exclude initial direct costs from RoU asset.

Upon the adoption of IFRS 16 on 1 January 2019, the Bank recognised an amount of €575 thousands of lease liabilities for the leasing contracts that fall within the scope of IFRS 16 respectively. The RoU asset was set equal to the lease liability amount and therefore there was no impact on Total Equity as at the transition date.

The following table presents the reconciliation of the operating lease commitments in accordance with IAS 17, as disclosed in the Annual Financial Statements as of 31 December 2018, to the lease liabilities recognised as of 1 January 2019 based on the provisions of IFRS 16:

	€' 000 **Balance**
Operating lease commitment at 31/12/2018 as disclosed under IAS 17	630
Total Operating Lease Liabilities as at 31/12/2018 under IAS 17	**630**
Less: Recognition exemption for short term leases	21
Adjusted Total Operating Lease Liabilities as at 31/12/2018 under IAS 17	**609**
Less: Discounting effect of operating lease liabilities at 01/01/2019	34
Total Operating Lease Liabilities recognised as at 01/01/2019 under IFRS 16	**575**

Note 38: Related party transactions

Related parties include:
(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(c) associates and joint ventures of the Bank; and
(d) fellow subsidiaries.
Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

Main shareholders of the Bank are Costanus Limited, Mr. Theodore Afthonidis personally and Vealmont Limited which is controlled by Mr. Afthonidis.

Outstanding balances and results of related transactions are as follows:

	2019 €' 000	2018 €' 000
Assets		
Loans and advances to customers	5,208	4,809
Total assets	**5,208**	**4,809**
Liabilities		
Due to customers	12,354	17,634
Total liabilities	**12,354**	**17,634**
Income		
Interest and similar income	313	202
Fees and commission income	277	83
Total income	**590**	**285**
Expenses		
Interest expense and similar charges	149	-
General administrative expenses	180	-
Impairment losses on loans and advances	119	221
Write offs on loans and advances	-	1,459
Total expenses	**448**	**1,680**

Remuneration, short term employee and post-employment benefits of the Board of Directors (BoD) members and General Managers, charged to the Income statement, summarized as follows:

	2019 €' 000	2018 €' 000
Remuneration	1,745	1,714
Short Term employee and post-employment benefits	90	272
Total	**1,835**	**1,986**

There are no other transactions related to the Board of Directors or the General Managers of the Bank.

Note 39: Independent auditor's fees

Deloitte Certified Public Accountants S.A. is our independent public accountant for the year ended 31 December 2019. The following table presents the fees for professional audit and other services rendered:

	2019 €' 000	2018 €' 000
Audit fees	80	72
Audit-related fees	20	20
Other non-audit related fees	4	4
Total	**104**	**96**