AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2020

June 2021

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Board of Directors' Annual Management Report
for the Financial Year 2020

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 2020, 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

The rapid spread of the COVID-19 pandemic in 2020 and the restrictive measures taken by most countries to address it, led the world economy to the greatest recession of the post-war period. The intensity of the recession has varied. While world GDP shrank by 3.3%, compared to a growth of 2.8% in 2019, in the Eurozone it stood at -6.6% (2019: + 1.3%), in the US at -3.5% (2019: +2.2%), while China exhibited a growth of 2.3%, from +6.1% in 2019. At the same time, the volume of global trade of goods and services decreased by 10.4%, compared to an increase of 1.2% in 2019, with seaborne transportation of raw materials, goods and commodities being affected to a lesser extent, recording an annual decline of 3.4% compared to an increase of 0.4% in 2019. For 2021, there is optimism that the gradual rollout of vaccination programs will confine the threat of the pandemic and will revive economic activity. Global GDP is projected to grow by 4.5% and the growth of international trade to recover the largest part of the 2020 losses.

The Greek economy was hit hard by the pandemic. GDP fell in 2020 by 8.2% (2019: + 1.9%) as the revenues of the tourism sector - which contributes substantially to the overall result - suffered an annual decline of more than 75%. The general government primary deficit amounted to 7.0% (2019: surplus of 3.8%), reflecting both the decline in fiscal revenues and the increase in expenditure to support the impacted sectors of the economy. The country's positive performance in the sovereign debt markets has allowed the funding of the deficit by successful new issues, through which in 2020 a total of €12 billion was raised, with significantly lower interest rates compared to the past. In the banking sector, private deposits increased by 14.5% and there was a wider, compared to previous years, credit expansion to private companies. At the same time, the stock of Non Performing Loans ("NPLs") decreased by €21.0 billion, to €47.4 billion at the end of 2020, now accounting for 30.2% of total loans (2019: 41%) – a percentage which nevertheless remains particularly high compared to the EU average (2.8%). In 2021 the gradual reinstatement of economic activity and the beginning of the recovery is expected for Greece as well, with an estimated growth rate of 4.0% -4.5%. However, the termination of the temporary moratoria on loan repayments for those affected by the pandemic is expected to increase pressure on the stock of NPLs.

Despite the adverse conditions, 2020 was for ABBank a profitable year with further growth of its operations:

- Total Assets grew by €101 million or 20.1% y-o-y, to €605 million from €504 million in 2019, including a credit expansion of €124.6 million or 49.3% (gross balances) and reduction of the respective NPL balances to €24.5 million or 6.5% of total loans, from €26.1 million and 10.3%, respectively. At the same time, customer deposits and interbank takings increased by €71 million and €23 million, respectively (+ 22.4%, cumulatively). Liquidity ratios remained strong, with the Loans to Deposits ratio standing as of 31.12.2020 at 82.1% (2019: 64.3%) and the Liquidity Coverage Ratio (LCR) at 284% (2019: 312%).

- Net Profit for the year amounted to €4.1 million, compared to a loss of €0.6 million in 2019. Operating Income recorded a y-o-y increase of 37.6%, to €18.1 million from €13.2 million and Profit before Taxes and Provisions amounted to €5.9 million from €2.0 million in 2019. Net Profit for the year includes an annual impairment loss on loans and other financial assets of €0.6 million (2019: €2.8 million) and Taxes of €1.3 million (2019: €0.2 million deferred tax credit).

- Taking into account the Net Profit for the year 2020, on 31.12.2020 the CET-1 capital ratio stood at 20.5%, from 26.2% in 2019, with the impact of IFRS 9 recorded on a fully loaded basis.

World Economic environment and developments

The rapid spread of the COVID-19 pandemic and the implemented restrictive measures on social and economic activity had a severe shock to global production effort and growth in 2020 and the first quarter of 2021. Social distancing measures and increased uncertainty reduced private consumption, leading to a decline in demand while at the same time there was a significant decline in the supply side as well, due to disruptions in the production activity and the supply chain, especially in the first half of 2020. In the second half of the year, the temporary subsidence of the pandemic during the summer months in the northern hemisphere and the reopening of many production units, allowed the partial recovery of economic activity in several sectors. Also, the interventions of governments and central banks have been prompt towards supporting the real economy and mitigating the direct effects of the pandemic on businesses and households. Overall, the global economy contracted by 3.3% in 2020, compared to a growth of 2.8% in 2019. The impact of the pandemic on production output varied between the world's major economies. Eurozone countries saw an annual decline in GDP of 6.6%, Japan of 4.5% and the US of 3.5%, while China saw a growth of 2.3%. The volume of international trade of goods and services decreased by 10.2% in 2020, reflecting the larger decline of certain services (travel, tourism) compared to that of goods.

The production of effective vaccines at the end of 2020 and the vaccination of the population that is already taking place gradually, in combination with the continuation of support policies by governments and central banks, create more favorable prospects for 2021 and 2022. The global economy is expected to recover by 5.5% in 2021 and by 4% in 2022. In addition, global trading activity is expected to increase by 8% in 2021 and by 6% in 2022.

In the Eurozone countries, GDP shrank by 6.6% in 2020 and deflationary trends were observed. Coordinated interventions by EU governments and the ECB have been immediate. The ECB has launched an emergency asset purchase program due to the pandemic (Pandemic Emergency Purchase Program, "PEPP") totaling €1.85 trillion by the end of March 2022, which has driven the EU-member countries' government bond yields to very low levels. The ECB has decided to continue reinvesting bond payments maturing until the end of 2023. EU leaders have decided to suspend the Stability and Growth Pact and the limitations on state aid and guarantees for business lending. Moreover, the €750 billion Recovery Fund was set up, out of which disbursements are expected to commence at the end of 2021, and for the first time, its funding was agreed to be through joint debt issuance. The Fund aims at the recovery and the strengthening of the resilience of the European economy after the pandemic crisis, with an emphasis on green economy and digital transition. For 2021, it is estimated that the real GDP of the Eurozone will increase by 4% and inflation will reach 1%.

In the US, during 2020 there was a smaller decline in GDP, amounting to 3.5%, while inflation fell to 1.2% from 1.8% in 2019. The US Federal Reserve (Fed) proceeded to lowering the base interest rate in the region of 0% -0.25% as well as significantly increasing its assets, by about $ 3.5 trillion, in order to mitigate the effects of the pandemic. In addition, the largest fiscal package in the country's history, worth $ 2.2 trillion, was approved in order to support businesses and households, which increased to $ 4.1 trillion in total, by the new US President in January 2021. In 2021, the US GDP is projected to grow by 5.5% and the Fed will continue its expansionary policy until at least 2022.

China, despite being the first country to see the rapid proliferation of COVID-19 and taking particularly stringent measures to curb social activity, was also the first country to show signs of recovery from the pandemic crisis. Its GDP grew by 2.3% in 2020 from 6.1% in 2019 and its industrial production increased by 2.0% from 5.7%, respectively. In 2021, a GDP growth of 8% is expected for China.

The Greek Economy

The Greek economy has been hit hard by the global spread of the COVID-19 pandemic. Having achieved a GDP growth of 1.9% in 2019, the Greek economy maintained its growth momentum in the first two months of 2020. However, the pandemic confinement measures that were subsequently implemented, had a significant impact on the annual production output. GDP fell by 8.2% in 2020, mainly reflecting the decline in private consumption and the drop in exports of services At the same time, the significant decline in fiscal revenues and the cost of the measures taken by the Greek government to support economic activities affected by the pandemic, led to the re-emergence of a general government primary deficit of 7.0% of GDP (2019: surplus 3.8%).

Since March 2020, the Greek Government has taken drastic measures to protect public health from the spread of Covid-19, imposing restrictions on the movement of citizens and the cessation of many economic activities (retail, hospitality, tourism) or the restriction of others. Concurrently, support measures were implemented for affected companies and employees, such as payroll subsidies, insurance coverage settlements, operating cost reduction arrangements, provision of public guarantees for bank borrowings to enhance liquidity, etc. The support measures are estimated at €23.9 billion in 2020, while the government budget deficit grew by €22.8 billion. The current account deficit increased by €11.2 billion, mainly due to the reduction of tourism revenues (72.5% on an annual basis).

However, the country's performance in both the international government bonds market, as well as the credit ratings of the Greek economy by international rating agencies was positive, while in March 2020 the ECB reinstated the waiver of the minimum credit quality requirement for debt securities issued by the Hellenic Republic, so that they become eligible under the PEPP. During 2020, five issues of Greek Government bonds were successfully completed, totaling €12 billion, at historically low cost. As early as the beginning of 2020, the international credit rating agency Fitch had upgraded Greece's credit rating to BB with positive outlook. In April 2020, both Fitch and S&P revised the outlook for the Greek economy from positive to stable, maintaining Greece's creditworthiness at the same levels (S&P: BB-), due to the impact of the pandemic on the Greek economy. In November 2020, the credit rating agency Moody's upgraded Greece's credit rating from B1 to Ba3, with stable outlook, while in April 2021, S&P raised the rating to BB+, with stable outlook.

According to the Bank of Greece Governor's Annual Report for 2020 (April 2021), in 2021 the Greek economy is forecast to recover at a rate of 4.2%. The report emphasizes that "this forecast is subject to uncertainty due to risks associated with the epidemiological developments and the feasibility of lifting many of the containment and lockdown measures soon, but also with the economy's structural characteristics" and notes that "the medium-term priorities of economic policy need to be centered around three key areas: (a) restoring fiscal sustainability to ensure Greece's creditworthiness; (b) a more growth-oriented fiscal policy; and (c) faster implementation of the national reform program, including a clean-up of bank balance sheets from impaired assets".

The Greek Financial Environment

According to the BoG Governor's Report for 2020, the main factors that shaped the banks' financial and regulatory figures in 2020 were (a) the significant amount of non-recurring income recorded, (b) the increased provisions for credit risk, (c) the further reduction of the stock of NPLs, and (d) the maintenance of capital adequacy at a satisfactory level, despite the net losses recorded. In 2020, both the Common Equity Tier 1 (CET1) Ratio and the Total Capital Adequacy Ratio (CAD Ratio) of Greek banks declined slightly, but remained, at the end of December 2020, at satisfactory levels, of 15.0% and 16.6% respectively. It is noted, however, that, incorporating the impact of IFRS 9 on a fully-loaded basis, the CET1 Ratio stands at 12.5% and the CAD Ratio at 14.3%, while more than half of the regulatory capital corresponds to a deferred tax asset against the Greek State.

During 2020, the increase in the operating income of Greek banks was significant. However, a contributor to this development was the realization of non-recurring income from financial transactions, which are basically linked to the management of Greek government bonds held by the banks. Net interest income declined, mainly due to the decrease in the balance of NPLs and the further reduction of interest margins. This decline in interest income outpaced the, positive for the net revenue, decline in interest expenses which derived from the reduction in funding costs. Operating expenses also subsided, mainly due to further staff downsizing, as part of most banks' restructuring and modernization programs. However, despite the abovementioned increase in operating income before provisions and taxes, the recordation of increased provisions for credit risk led to losses for 2020.

The liquidity of Greek banks continued to improve in 2020, both in terms of balances and in terms of cost, despite the outbreak of the pandemic. The improvement is due to the increase of private sector deposits to €163 billion on 31.12.2020. The government financial assistance programs for the impact of the pandemic on businesses and employees, the financial uncertainty caused by the pandemic and leading to reduced consumption and increased savings, as well as the continuous improvement of household and business confidence in the domestic banking system, drove total deposits (private and public sector) to increase y-o-y by 9%, i.e. to €173.5 billion on December 31, 2020. At the same time, the continuation in the downward trend of deposit interest rates has resulted in the containment of liquidity funding cost.

As regards key asset quality ratios, the ratio of NPLs to total loans remained high (30.2%) in December 2020 (compared to 2.8% for banks supervised by the Single Supervisory Mechanism) despite the fact that within 2020 the NPL stock decreased by €21.0 billion, to €47.4 billion (slightly above 10 bps, from 40.6% in December 2019). In particular, for corporate loans, the NPL ratio stood at 27.8% from 38.4% in 2019. Among corporate loans, better NPL performance is observed in the portfolio of large enterprises (14.8% from 21.8% in 2019) and in the portfolio of shipping loans (13.9% from 15.7% in 2019). In his Report for 2020, the Governor of the BoG points out that the decline of the NPL stock in 2020 is mainly due to sales and loan write-offs and to a lesser extent to the improvement of borrowers' credit behavior or the success of NPL forbearance schemes, recoveries, etc. It should also be noted that in 2020 the emergence of new NPLs was kept low due to the short-term moratoria schemes on loan payments applied to the obligors affected by the pandemic and there is concern that the end of the moratorium period will add upward pressure on NPL balances, particularly with regard to loan portfolios to small businesses and professionals of the industries that were mostly hit.

Shipping and Shipping Finance

Developments in the Shipping Markets

The economic impact of COVID-19 on world trade led in 2020 the seaborne transportation of raw materials, goods and commodities to an annual decline of 3.4%, in terms of tonnage, while quarantine regime in various countries around the world created serious malfunctions in the shipping services cycle. The effects of the pandemic on passenger shipping, coastal shipping and cruising were stronger, as the section of the transportation activity relating to both tourism and liner cargo carriage and supply, suffered a major blow of more than 50% y-o-y.

In oceangoing shipping, the largest decline in transportation volumes was observed in the crude oil and oil products sectors, amounting to 8% and 12%, respectively, and the smallest in the dry bulk cargo (1.6%) and container (1.4%) sectors. Nevertheless, the impact on freight markets and ship prices varied both over time, between the first and second half of the year, and by sector. Tankers experienced a historically high first semester and recessionary trends in the second, while bulk carrier and containerships experienced recessionary conditions in the first half of the year and a significant recovery in the second. Overall, in 2020 the average annual freight levels for crude oil tankers were 9% higher than the average levels of 2019, for product tankers 2% lower, for bulk carriers 10% lower, whereas for containerships 5% higher. The fluctuation in the values of secondhand vessels was similar. Tanker values at the end of May 2020 showed an annual increase of 10% and at the end of the year an annual decline of 12%, for bulk carriers the annual decline in May 2020 was 12% and at the end of the year it had been limited to 7%, while for containerships an annual decline of 10% was recorded in May and an annual growth of 8% in December 2020.

In 2020, newbuilding contract prices fell by 3% compared to 2019, and the number of newbuilding orders exhibited a significant annual reduction of more than 30%, reflecting the uncertainty in investment decisions brought about by both the pandemic and the trade war and slowdown of the growth rate of international trade that had preceded in 2019. Moreover, shipping scrap prices at the end of 2020 had increased by 10% compared to the levels of December 2019, and the number of ships withdrawn in 2020 was significantly increased, especially in the bulk carriers sector. The above factors have significantly held back the growth rate of the merchant fleet and create optimism about the strength of the freight markets of all sectors as soon as the operation of the world economy is restored and international trade of raw materials and goods begins to recover at a more stable pace.

In 2021, the gradual rollout of COVID-19 vaccination programs and the successive lifting of protective measures against the pandemic in most parts of the world justifies the assessment of the IMF and other economic analysts for a return to positive global growth rates and significant increase in international trade volumes. In shipping, the fluctuation of freight rates at high levels observed in the bulk carrier and containership sectors in the second half of 2020, was maintained in the first quarter of 2021 as well and is expected to continue through the rest of the year, while for tankers, stronger recovery rates are expected in the second half of 2021. Yet, these estimates are subject to a high degree of uncertainty about the exact time and impact rate of the expected economic recovery in each market and sector, combined with the concurrently ongoing qualitative and quantitative changes in the global energy balance and the shipping technology.

Shipping Finance

During 2019, the financing to Greek ship owners was marked by the stronger presence of Greek banks, the increase, from two to three, of Cypriot banks with presence in the sector, the gradual withdrawal 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.

In 2020, the Greek banks continued to increase their shipping portfolios, enhancing their positions both in absolute terms and in market share. According to preliminary data by Petrofin Bank Research for 2020, even though the total ship-financing to Greek shipowners is deemed to have de-escalated from the year-end 2019 level of $53.1 billion, Greek and Cypriots banks' shipping loans portfolios have marked an increase of about 20% to ca. $12 billion, capturing a market share in excess of 20% (2019: 18.6%). Moreover, the provision of new loans by Greek banks, combined with more competitive offered terms, has put downward pressure on credit margins.

The decline, in 2020, of the market share of foreign banks with longtime presence in the market is attributed to the quicker run-off of existing financings versus the rate of contracting new loans, combined with the impact of the pandemic on the risk taking strategies followed within 2020, while the increasing activity of Far Eastern financiers was not adequate to reverse the decline in the overall share of foreign institutions.

For 2021, the aforementioned trends are not expected to vary materially. It is expected that the shipping portfolios of Greek, Cypriot and Far Eastern institutions will continue to grow, while those of European banks will remain stable, leading to shrinking market shares. Nevertheless, the total lending to Greek shipping is expected to grow, owing to the observed increase in the market values of most ship types.

Developments concerning ABBank and Financial Results

Overview

In 2020 ABBank continued to grow its assets and significantly improved its profitability. The asset growth reflects the maintenance of high rates of credit expansion, increasing at the same time customer deposits and expanding funding sources, so that liquidity ratios remain strong. The credit expansion significantly enhanced the total income, which in 2020 reached the highest level since the establishment of the Bank. At the same time, the Bank's regulatory figures and indicators were maintained at healthy levels.

In 2020, total operating income increased annually by 37.6%, while total operating expenses increased by 9.1%, bringing the operating income before provisions and taxes to €5.9 million, from €2.0 million in 2019. Following the recognition of additional impairment loss of financial assets of €0.6 million in 2020, Net profit after tax amounted to €4.1 million, compared to a loss of €0.6 million in 2019.

Taking into account the Net Profit for the year 2020, on 31.12.2020 the Bank's CET1 capital ratio amounted to 20.5%, from 26.2% in 2019, with the application of IFRS 9 on a fully loaded basis. In addition, the regulatory capital of ABBank does not include deferred tax asset towards the Greek State.

In October 2020, Standard & Poor's reaffirmed ABBank's B / B (long-term / short-term) credit rating with stable outlook, taking into account the global adversity caused by the COVID-19 pandemic, noting that "the 'Stable' outlook reflects the balance between the risks that the shipping industry will face over the next 12 months due to the financial crisis caused by the pandemic, combined with the high capital adequacy and the positive track record of ABBank in risk management".

ABBank's Senior Management believes that, despite the impact of COVID-19 on the global and Greek real economy, the positive steps in managing the pandemic, the fundamentals of the Bank, its strong regulatory ratios and its organization and expertise will permit 2021 to be a year of further growth and profitability.

Statement of Financial Position

The table below illustrates the Bank's Balance Sheet in an abridged form and the annual changes between 2020 and 2019 of the main asset and liability classes:

Balance Sheet (abridged)	31/12/2020 € mil.	31/12/2019 € mil.	%
Cash and balances with Banks and Central Bank	148.8	198.4	-25.0%
Loans and customer advances (net of provisions)	367.1	242.0	+51.7%
Of which: Non-performing loans (NPL), after provisions	*24.5*	*26.1*	*-6.0%*
Marketable securities at fair value	20.3	22.7	-10.6%
Marketable securities at amortized cost	51.3	24.5	+109.1%
Other assets	17.6	16.1	+9.0%
Total Assets	**605.1**	**503.8**	**+20.1%**
Due to banks	57.6	34.3	+67.7%
Due to customers	447.1	376.6	+18.7%
Other liabilities	6.1	4.2	+46.8%
Total Liabilities	510.8	415.0	+23.1%
Total Equity	94.4	88.8	+6.3%
Total Liabilities and Equity	**605.1**	**503.8**	**+20.1%**

The Bank's Total Assets amounted to €605.1 million, increased by €101.3 million or 20.1% y-o-y (2019: €503.8 million), while Total Liabilities (excluding Equity) increased by €95.8 million or 23.1%, to €510.8 million (2019: €415.0 million).

The growth of total assets was the result of:

- the increase of the portfolio of Loans and Advances to Customers to €367.1 million on 31.12.2020, from €242.0 million on 31.12.2019, i.e. by €125.1 million or 51.7% y-o-y after provisions or by €124.6 million and 49.3% before provisions (gross balances),
- the increase of the portfolios of Marketable Securities measured at Fair Value and those measured at Amortized Cost, to €71.6 million in 2020 from €47.2 million in 2019, i.e. by €24.4 million cumulatively, or 51.6% y-o-y, and
- the reduction of Cash at hand, in Banks and the Central Bank to €148.8 million in 2020, from €198.4 million in 2019, i.e. by €49.6 million or 25% y-o-y.

Regarding the quality characteristics of the above assets it should be noted that:

- On 31.12.2020, the total balance of Loans and Advances to Customers in the Bank's balance sheet consisted by 90% of shipping and by 10% of non-shipping corporate loans (2019: 95% and 5%, respectively), while in terms of total approved credit limits (i.e. including undrawn and off-balance sheet amounts) the distribution between shipping and non-shipping credits was 85% and 15%, respectively (2019: 88% and 12%).
- The total gross balance of the Loans portfolio of 31.12.2020, includes gross NPL balances of €24.5 million or 6.5% of total loans, compared to €26.1 million or 10.3% in 2019. The total NPLs come from the shipping portfolio. The decline in the NPL ratio is due both to the credit expansion carried out by the Bank in 2020 and the absolute reduction of the NPL balance, while during the year there were no defaults or inclusion of new borrowers in the NPL category. Cumulative loan loss provisions amounted to €10.0 million in total (2019: €10.5 million), €8.9 million of which refer to NPLs (2019: €9.6 million). At the end of 2020, the coverage of NPLs by loan loss provisions was at the same levels as the previous year, i.e. 36.6% (2019: 36.8%), and included the effect of an expected collection of €5.6 million within the first quarter of 2021.
- The annual decrease of Cash at hand, in Banks and the Central Bank, totaling €49.6 million, consists of a decrease of €57.7 million in money market placements in the interbank market, and a simultaneous increase of €8.1 million of the cash with the Central Bank. At the same time, the investments in liquid assets (bonds) under the portfolios of marketable securities measured at Fair Value and those held at Amortized Cost, increased by €24.4 million and reached €71.6 million, cumulatively. Approximately €63.6 million or 89% thereof (2019: €44.6 million) are eligible for funding by the ECB, with €47.8 million comprising government and corporate debt securities by Western EU countries (2019: €44.6 million) and €15.9 million being Greek Government debt securities (2019: zero). The remaining €8.0 million are marketable corporate issues of Greek companies, non-eligible by the ECB (2019: €2.2 million). On 31.12.2020 a provision of €290 thousand was formed against impairment losses for the Bank's debt securities (2019: €12.5 thousand).

The growth of the assets was funded, on the Liabilities side, mainly by the increase in customer deposits and, additionally, by the increase of liabilities towards Financial Institutions:

- On 31.12.2020 Customer Deposits amounted to €447.1 million from €376.6 million, recording an annual increase of €70.5 million or 18.7%. The total deposits of ABBank derive from the private sector, with 32% coming from individuals and 68% from businesses (2019: 31% and 69%, respectively). Regarding deposits of individuals, since 2019 the Bank

has been cooperating with electronic retail deposit management platforms in Germany. On 31.12.2020 the balances of deposits from this source amounted to €95.3 million, accounting for 21.3% of total deposits, compared to €77.7 million and 20.6%, respectively, in 2019. These deposits are in their entirety time deposits with maturities between 15 days and 2 years and an average remaining maturity of 4.5 months on 31.12.2020. The balances of corporate deposits, as at 31.12.2020, consisted by 88% of non-financial sector corporate deposits (mostly shipping companies) and by 12% of financial sector corporate deposits (mostly insurance companies), compared to 86% and 14%, respectively, in 2019.

- Liabilities to Financial Institutions increased in 2020 by €23.3 million or 67.7% y-o-y, to €57.6 million from €34.3 million the previous year. As at 31.12.2020, 90% of the total amount relates to short-term interbank takings in US Dollars (2019: 98%). Throughout 2020, as well as on 31.12.2019, ABBank had not drawn liquidity from the Eurosystem.

The annual evolution of the gross loan and deposit balances described above, drove the Loans to Deposits Ratio to 82% in 2020, from 64% in 2019, and, in combination with the increased liquidity placed with the BoG and in high quality debt securities eligible for funding by the ECB, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained strong at 284% (2019: 312%) and 116% (2019: 135%), respectively.

The impact of COVID-19 on the quality of ABBank's customer loans portfolio was not significant. Throughout 2020, only one non-shipping and two shipping obligors applied for, and the Bank proceeded to the short-term deferral of their scheduled principal repayment obligations (COVID-19 Moratoria). These loans amounted to €11.5 million in total, while the amount of their deferred obligations was €2.7 million in total. On 31.12.2020 only one of the above obligors, with a loan obligation of €1.7 million remained under the COVID-19 Moratorium. During 2020, none of the previously performing loans was subjected to default or gone concern status and no obligor was assessed as unviable with regard to the economic impact of the pandemic.

Income Statement

Net operating profit (before provisions and taxes) amounted to €5.9 million compared to €2.0 million the previous year, while the net result after taxes and provisions was a profit of €4.1 million, versus a loss of €0.6 million in the previous year.

The main figures of the Bank's Income Statement for FY-2020 and FY-2019 and the annual changes thereof, are presented in a tabular abridged form here below:

Income Statement (abridged)	**12M 2020 € mil.**	**12M 2019 € mil.**	**%**
Net Interest Income	13.6	10.5	+29.1%
Net fees and commissions	3.0	2.7	+12.1%
Net result from derivatives and investment securities	1.6	(0.1)	-
Net Operating Income	**18.1**	**13.2**	**+37.6%**
Personnel expenses	(7.4)	(6.6)	+11.1%
General administrative expenses	(3.8)	(3.6)	+5.3%
Depreciation	(1.0)	(1.0)	+9.9%
Operating Expenses	**(12.2)**	**(11.2)**	**+9.1%**
Net Operating Profit (before Provisions and Tax)	**5.9**	**2.0**	+200.5%
ECL Provisions	(0.6)	(2.8)	-79.9%
Income tax	(1.3)	0.2	-
Net Profit/(Loss)	**4.1**	**(0.6)**	**782.9%**

Net operating profit (before provisions and tax) of €5.9 million, was the result of the significant increase in Net Operating Income by 37.6% y-o-y, amounting to €18.1 million, compared to €13.2 million in 2019, while Operating Expenses increased by 9.1% compared to last year and amounted to €12.2 million (2019: €11.2 million).

Net Interest Income amounted to €13.6 million, recording an annual increase of €3.1 million or 29.1%, with gross interest income having increased by €2.8 million or 18.9%, mainly due to the credit expansion carried out, and gross interest expenses having decreased by €0.3 million or 7.4%, due to the fall in deposit and interbank borrowing rates despite the increase, by 73.4% in 2020, of the average annual balances of interest-bearing liabilities compared to the previous year. In particular:

- Interest on loans increased by 22.2% or €3.0 million mainly due to the increase in the average annual loan balances by €106.6 million or 50.4% in combination with the decline in both base interest rates and credit margins (-120 bps, cumulative).

- Interest income from interbank placements decreased by 53.0% or €0.5 million, despite the increase in their average annual balance, by €46.2 million or 43%, mainly due to the reduction of base interest rates in 2020, in the area of both the Euro and the US Dollar (-63 bps, in total).
- Interest income from debt securities increased by €0.3 million, due to the absolute growth of the bond portfolios (more than doubling of annual average balances), as well as the change in their composition, from the maturity of bonds with lower yields to the addition of new ones with higher. In 2020, the interest rate yield of the Bank's debt securities portfolios improved by 53 bps.
- Interest expense on customer deposits increased by €0.2 million or 5.9% y-o-y, even though the average balances of 2020 were 89.2% higher than those of 2019. The decline in market deposit rates improved the Bank's deposit funding cost to 59 bps.
- Interest expenses on interbank takings decreased by €0.5 million compared to the previous year (-50%), despite the increase in the annual average balances Due to Financial Institutions, by €7.1 million or 14.4%. Owing to the fall in interest rates, the average funding cost from the interbank market decreased in 2020 by 111 bps.

Despite the increase in Net Interest Income (NII) by €3.1 million or 29.1% mentioned above, the Bank's Net Interest Margin (NIM) fell in 2020 to 2.3% from 2.8% in 2019, as a result of the significant increase in the average annual balances of interest-bearing assets and liabilities in combination with the developments in the interest rate environment. The Bank's NIM is analyzed in 2.88% from gross interest income and in 0.63% from gross interest expenses.

Net Income from Fees and Commissions amounted to €3.0 million from €2.7 million in 2019, recording an annual increase of 12.1%. This was a result of the increase in revenues by 11%, but also of the reduction in expenses for commissions by 3%. The higher income from Fees and Commissions is mainly due to the increase in income from commissions related to credit products (+21% y-o-y), while the income from remittances remained stable.

In 2020 the Bank also recorded €1.6 million Net Income from Transactions in Derivatives and Debt Securities, against a loss of €0.1 million in 2019. The cost of FX derivatives transactions (currency swaps and futures for the purposes of hedging its FX position in dollars) amounted to €0.3 million from €1.0 million in 2019, while revenues from FX transactions for customers amounted to €1.2 million (2019: €1, 0 million). Moreover, profits of €0.7 million were recorded from transactions in bonds and shares (sales and revaluation) versus a loss of €0.1 million in 2019.

Should the aforementioned hedging cost for the open USD position on the Bank's total assets be included in the Net Interest Income in order to determine the assets' total funding cost, this would be estimated at €4.1 million or 0.69% in 2020, versus €5.1 million or 1.35% in 2019, and accordingly the Bank's adjusted NIM at 2.23% for 2020, compared to 2.53% in the previous year.

Total Operating Expenses amounted to €12.2 million in 2020, before the annual impairment loss provision for loans and debt securities, marking an increase of 9.1% y-o-y (2019: €11.2 million). More specifically:

- Personnel Expenses increased by 11.1% compared to the previous year and amounted to €7.4 million from €6.6 million in 2019. The increase in the average number of full-time employees by 4 people (+ 4.4%) versus the previous year and the full impact, on an annual basis, of the recruitments made during 2019, were the most important growth factors of this expense category.
- General Administrative Expenses were higher by 5.3% (+€0.2 million) in 2020, mainly due to increased VAT return, as well as the increased expenses towards the Deposit and Investment Guarantee Fund (deposit cover and resolution schemes), given the increased total assets of the Bank.
- Depreciation showed a marginal increase, less than €0.1 million, mainly relating to the increased depreciation expense of intangible assets (software programs).

During 2020, additional loan and debt securities impairment loss provisions were formed, amounting to €0.6 million, in total (2019: €2.76 million). 50% thereof comes from the net change in provisions for customer loans, with about 1/3rd relating to NPLs and 2/3^{rds} relating to the increase of performing loans, and the remaining 50% comes from the net change in provisions for debt securities.

Shareholders' Equity – Capital Adequacy

On 31.12.2020, the book value of the Bank's Equity amounted to €94.4 million, from €88.8 million on 31.12.2019, taking into account the application of IFRS 9 on a fully loaded basis. The above annual increase by €5.6 million or 6.3% is due to the positive result of the FY 2020 of €4.1 million, the creation of a reserve of €1.4 million from the positive revaluation of the own-use building due to the change in the valuation policy from the cost method to the fair value method, and the adjustment of other reserves by €0.1 million.

If the result of the FY 2020 is taken into account, the total regulatory capital of ABBank amounts to €92.7 million (2019: €85.5 million), after deducting €1.7 million of total adjustments in the regulatory capital (2019: €3.2 million).

On 31.12.2020 the Risk Weighted Assets increased to €451.4 million from €326.4 million on 31.12.2019, mainly due to the growth of the Bank's Total Assets which led to an annual increase of Credit Risk Weighted Assets by 39%, but also the increase in total income for FY 2020, which led to an increase of the capital requirements for Operating Risk by 29%.

Therefore:
- Taking into account the profits of FY 2020, on 31.12.2020 the Common Equity Tier 1 Ratio (CET1 Ratio) of the Bank amounts to 20.5%, from 26.2% on 31.12.2019, while
- Disregarding the profits of FY 2020, the distribution of which or not will be decided by the forthcoming Regular General Shareholders’ Meeting, the Bank's regulatory capital amounts to €88.6 million and the CET1 Ratio to 19.6%.

It is noted that (a) the ratio is calculated with the fully loaded application of IFRS 9 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, (b) ABBank's total regulatory capital consists exclusively of Common Equity Tier 1 or CET1 and therefore the CET1 capital adequacy ratio is equivalent to the Total Capital Adequacy Ratio, and (c) the Bank’s regulatory capital does not include deferred tax asset towards the Greek State.

Important Events after 31st December 2020

At 31.3.2021, the gross NPL balances decreased by €5.6 million, versus those of 31.12.2020, i.e. to €18.9 million from €24.5 million, while their provision coverage was maintained at €8.9 million. Concurrently, on the same date, the total gross balance of Loans and Customer Advances (before provisions) amounted to €418.1 million (31.12.2020: €377.2 million), shaping the ratio of NPLs over the total loans portfolio at 4.5% (31.12.2020: 6.5%) and their total provision cover at 47.0% (31.12.2020: 36.6%).

During the first quarter of 2021, no obligor applied for short-term moratorium on its loan obligations as a result of the impact of the COVID-19 pandemic on their operation (COVID-19 Moratoria).

On April 27, 2021, Standard & Poor’s re-affirmed ABBank's credit rating of B / B (long-term / short-term), with a stable outlook despite the financial difficulties caused by the COVID-19 pandemic, noting that “*despite the global recession and the decline in international trade brought about by the pandemic, ABBank is expected to maintain its strong capitalization and positive track record in shipping credit risk management, besides maintaining sound solvency, strong liquidity ratios for the funding of its operations, as well as high collateralization of its credit exposures*".

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 2020. Specifically, during 2020 (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
SMILE OF THE CHILD	2,771.60 €
HOLY DIOCESE OF NEA IONIA & PHILADELPHIA	2,919.16 €
CENTER OF SOCIAL WELFARE	200.00 €
HELLENIC MARINE ENVIRONMENT PROTECTION ASSOCIATION-HELMEPA	1,000.00 €
GRAND TOTAL	**6,890.76 €**

In compliance with the current legislative, tax and regulatory framework, with respect to the above payments the Bank paid in addition the amount of €379.49 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. 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 2020 and 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 for 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. As of 2018, the Bank's credit policies and procedures have been expanded to also cover non-shipping corporate credits.

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.

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 Acts of the Executive Committee of the Bank of Greece ("ECA/BoG") Nr. 42/2014, Nr. 47/2015 and Nr. 175/2020 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 Non-Performing Exposures is conducted by a specific, dedicated Unit of the Bank, whereas relevant credit approvals are distinctly under the competence of 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 4.4 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 all obligations of the Bank and the funding of its loan and other commitments.

The 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. Moreover, customer deposits concentrations are closely monitored at individual or time zone level, depository behavioral trends of the Bank's clientele, as well as the evolution of the Bank's Loans to Deposits Ratio. The Risk Management Unit also analyses potential liquidity and refinancing gaps and monitors the implementation of the liquidity management policy with the view to enhance the funding sources and the availability of adequate amount of liquid assets and assets eligible for liquidation or refinancing. 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, 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).

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 action plans for the mitigation of operational risks.

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

Goals and Prospects

ABBank continues to operate in corporate banking, specializing in credit and banking services towards the shipping industry. Since 2018 it started to gradually expand its activity in Greek corporate banking as well, focusing on medium and larger enterprises, with export orientation, while as of 2020 it has also encompassed other non-shipping sectors such as the financing of commercial real estate and companies that are active in digital transition as well as renewable energy. As at 31.12.2020, the Bank's loans portfolio consisted by 90% of shipping loans and by 10% of non-shipping loans, while the three-year target is to reach a composition of 70% and 30%, respectively.

ABBank's Senior Management considers that the impact of COVID-19 on the quality of the loans portfolio and on the Bank's liquidity will not be considerable and it does not expect a significant growth of the NPEs, after the end of the COVID-19 moratoria. This belief is based on the Bank's experience in the management of shipping finance, i.e. a sector that is characterized by cyclicality, but also on the absence of exposures to small enterprises and professionals of the domestic non-shipping sector that were particularly affected by the pandemic. On 31.12.2020 the NPLs comprised 6.5% of the Bank's total loans portfolio, while on 31.3.2021 they had already decreased both in absolute terms, from €24.5 million to €18.9 million, as well as in percentage terms over the total portfolio, to 4.5%. The further reduction of NPLs is an important goal of the Bank for 2021.

The prospects for the Greek Economy to return to growth in 2021 and 2022, and the establishment and operation within 2021 of the European Recovery Fund, encourage the implementation of ABBank's strategy to expand its activities, in combination with its strong liquidity ratios and its high capital adequacy level. At the same time, the Bank's investment in digital banking continues and its clients have at their disposal a fully-fledged WEB Banking electronic platform.

Access to the domestic and international interbank market, as well as the expansion of its investor 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 and investors, having included in its current three-year Business Plan the issuance of capital instruments for the further strengthening of its regulatory capital.

ABBank's Senior Management believes that, despite the prevailing concerns about the impact of COVID-19 on the global and Greek real economy, the strong fundamental and regulatory metrics of the Bank, the expertise and quality of its staff, and the cautious implementation of its business plan will permit it to continue its growth and improve its profitability in 2021.

Athens, 3 June 2021

The Chairman of the BoD	The Managing Director
Konstantinos Hadjipanayotis	Theodore Afthonidis

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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 2020 and the income statement, the statements of comprehensive income and 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 2020 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.

Key audit matter	How our audit addressed the Key audit matter
Expected Credit Loss (ECL) on loans and advances to shipping corporations at amortized cost	
Loans and advances to shipping corporations at amortized cost amounted to € 337,645 thousand as at 31 December 2020 (€ 238,345 thousand at 31 December 2019), and impairment loss on these loans amounted to €9,928 thousand for the year ended 31 December 2020 (€ 10,357 thousand for the year ended 31 December 2019). The ECL estimate on loans and advances at amortized cost of Stage 2 and Stage 3 individually assessed shipping loans, involves critical Management judgement with high level of subjectivity and complexity, and therefore is considered a key audit matter. The most significant Management judgements and accounting estimates in connection with the ECL measurement of individually assessed Stage 2 and Stage 3 shipping loans relates to the assumptions used by Management to calculate the discounted future cash flows, including the forward freight rates, the expected operating expenses, the valuation and time to liquidation of the vessels as well as the macro economic scenarios and the weighted probability of these scenarios that are incorporated in the ECL measurement. 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, 3.1, 4, 11 and 16 to the financial statements, respectively.	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 estimate, including controls on methodologies applied, on accuracy and completeness of data used and significant assumptions made by Management for the ECL measurement of Stage 2 and Stage 3 individually assessed shipping loans. • On a sample basis, we tested whether the criteria used for the timely identification of staging of loans with significant increase in credit risk and timely identification of credit impaired loans are appropriate and have been properly applied. • On a sample basis, we assessed whether the approach used for the calculation of the estimated future cash flows of Stage 2 and Stage 3 individually assessed shipping loans is appropriate and we examined the reasonableness of the significant assumptions used by Management, including the forward freight rates, the expected operating expenses, the valuation and the time to liquidation of the vessels as well as the macro economic scenarios and the weighted probability of these scenarios that are incorporated in the ECL measurement. 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.

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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.

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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 2020.
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 2020 are disclosed in Note 37 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 18 consecutive years.

Athens, 11 June 2021

The Certified Public Accountant

Michalis Karavas
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AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2020

June 2021

Income Statement

	Note	2020 €' 000	2019 €' 000
Interest and similar income		17,340	14,624
Interest expense and similar charges		(3,772)	(4,114)
Net Interest Income	5	**13,568**	**10,510**
Fee and commission income		3,365	3,031
Fee and commission expense		(365)	(355)
Net fee and commission income	6	**3,000**	**2,676**
Net result from derivatives and investment securities	7	1,559	(91)
Other operating income		10	80
Total Income		**18,137**	**13,175**
Personnel expenses	8	(7,357)	(6,622)
General administrative expenses	9	(3,831)	(3,637)
Depreciation and amortization	10	(1,044)	(950)
Impairment losses on loans and advances to customers	11 & 4	(278)	(2,757)
ECL of Investment securities	17 & 19	(277)	-
Profit/(Loss) before tax		**5,350**	**(791)**
Income Tax	12	(1,298)	198
Profit/(Loss) for the year		**4,052**	**(593)**

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

Statement of Comprehensive Income

	Note	2020 €' 000	2019 €' 000
Profit /(Loss) for the year		**4,052**	**(593)**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Financial assets at FVTOCI)	17	333	38
Related Tax	23	(80)	(10)
Total items that may be reclassified subsequently to profit or loss		**253**	**29**
Items that will not be reclassified subsequently to profit or loss			
Change in reserve of actuarial Gain / (Loss)	28	145	(51)
Related tax of retirement benefit obligation	23	(35)	(7)
Revaluation surplus (gain) from property & equipment		1,856	-
Related tax from revaluation surplus from property & equipment		(446)	-
Total items that will not be reclassified subsequently to profit or loss		**1,520**	**(18)**
Other comprehensive income / (expense) for the year, net of tax		**1,773**	**11**
Total comprehensive income / (expense) for the year		**5,825**	**(623)**

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

Statement of Financial Position

	Note	31.12.2020 €' 000	31.12.2019 €' 000
ASSETS			
Cash and balances with Central Bank	13	59,382	51,269
Due from banks	15	89,441	147,126
Loans and advances to customers	16	367,110	242,039
Financial assets at fair value through other comprehensive income (FVTOCI)	17	19,852	21,871
Financial assets at fair value through profit or loss (FVTPL)	18	466	847
Debt securities at amortized cost	19	51,322	24,539
Derivative financial instruments	20	16	157
Intangible assets	21	1,673	1,396
Property and equipment	22	7,520	6,090
Other assets	24	8,347	8,114
Deferred tax assets	23	-	353
Total assets		**605,129**	**503,801**
LIABILITIES			
Due to banks	25	57,568	34,334
Due to customers	26	447,103	376,558
Derivative financial instruments	20	4	15
Retirement benefit obligations	28	1,947	1,685
Deferred tax liabilities	23	776	-
Other liabilities	27	3,368	2,452
Total liabilities		**510,766**	**415,044**
EQUITY			
Share capital	29	37,980	37,980
Share premium	30	50,207	50,207
Reserves	31	2,087	331
Retained earnings	32	4,089	239
Total equity		**94,363**	**88,757**
Total liabilities and equity		**605,129**	**503,801**

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

Statement of Changes in Equity

	Note	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2019		**37,980**	**50,207**	**341**	**852**	**89,380**
Movement in the OCI reserve – valuation, net of tax		-	-	28	-	28
Remeasurement of the defined benefit obligations, net of tax	31	-	-	(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**

	Note	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2020		**37,980**	**50,207**	**331**	**239**	**88,757**
Movement in the OCI reserve – valuation, net of tax		-	-	253	-	253
Remeasurement of the defined benefit obligations, net of tax	31	-	-	(110)	-	(110)
Revaluation gain on property & equipment, net of tax		-	-	1,411	-	1,411
Statutory reserve		-	-	203	(203)	-
Profit (Loss) for the year		-	-	-	4,052	4,052
Balance at 31.12.2020		**37,980**	**50,207**	**2,087**	**4,089**	**94,363**

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

Cash Flow Statement

	Note	2020 €' 000	2019 €' 000
Cash flows from operating activities			
Profit before tax		**5,350**	**(791)**
Adjustments for:			
Depreciation and amortization charges	10	1,044	950
Credit provisions and other impairment charges	11,17,19	(555)	2,757
Provisions for retirement benefit obligations	28	117	108
(Gain) / Loss on disposal of non-current asset held for sale		-	(88)
(Gain) / Loss from sale of investment securities at FVTOCI	7	(598)	39
(Gain) / Loss from sale of investment securities at FVTPL	7	(71)	(36)
(Gain) / Loss from valuation of financial assets at fair value through P&L	7,18	(15)	27
Foreign exchange (profit) / loss on financial assets at fair value through P&L	18	46	(14)
Foreign exchange (profit) / loss on cash and cash equivalents		3,826	748
		9,144	**3,700**
Net (increase)/decrease in operating assets:			
Loans and advances to customers		(124,516)	(88,506)
Financial assets at fair value through P&L	18	381	13,730
Derivative financial assets		141	67
Other assets		(233)	(286)
Net increase/(decrease) in operating liabilities:			
Due to banks	25	23,234	1,998
Due to customers	26	70,545	230,711
Derivative financial liabilities		(11)	(105)
Other liabilities		906	527
Cash flow from operating activities before tax payment		(20,409)	161,836
Income tax paid		-	-
Net cash flow from operating activities		**(20,409)**	**161,836**
Cash flows from investing activities			
Acquisition of property and equipment	22	(108)	(819)
Acquisition of intangible assets	21	(785)	(686)
Acquisition of investment securities measured at FVTOCI	17	(122,008)	(11,073)
Acquisition of debt securities measured at amortised cost	19	(37,043)	(24,539)
Acquisition of current assets held for sale		-	1,600
Proceeds from disposal of investment securities	17,19	134,796	2,867
Net cash flow from investing activities		**(25,148)**	**(32,650)**
Cash flows from financing activities			
Cash payments of lease elements		(189)	(163)
Net cash flow from financing activities		**(189)**	**(163)**
Net increase / (decrease) in cash and cash equivalents		**(45,747)**	**129,024**
Cash and cash equivalents at beginning of period	14	**198,395**	**70,119**
Foreign exchange profit /(loss) on cash and cash equivalents		**(3,826)**	**(748)**
Cash and cash equivalents at end of period	14	**148,823**	**198,395**

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 31.12.2020 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 3 June 2021.

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 2020, there were no unendorsed standards effective for the year ended 31 December 2020, 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 2020 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) Standards, interpretations and amendments to published standards effective in 2020

- **IAS 1 and IAS 8 "Definition of material"**

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 "Definition of Business"**

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.

Annual Improvements to IFRS Standards 2018-2020 Cycle

- **IFRS 1 (Amendment) "First-time Adoption of International Financial Reporting Standards"**

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards after its parent company has already adopted them. The proposed amendment relates to the measurement of cumulative translation differences

- **IFRS 9 (Amendment) " Financial Instruments "**

The amendment clarifies the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognize a financial liability

- **IFRS 16 (Amendment) "Leases"**

The amendment removes the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.

The adoption of the amendments had no impact.

b) New standards, amendments and interpretations to existing standards, effective after 2020.

Conceptual Framework (Amendments) "Amendments to References to the Conceptual Framework in IFRS Standards" (Effective for annual periods beginning on or after 1 January 2021, 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.

IFRS 16 (Amendment): Covid-19 Related Rent Concessions

The amendment provides lessees (but note lessors) with relief in the form of an optional exception from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would for changes which are not considered lease modifications. The amendment is mandatory for annual reporting periods beginning on or after 1 June 2020 and thus for these financial statements from January 2021. The adoption of these amendment did not have a material impact on the Financial Statements.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

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 high level of the Bank's Common Equity Tier 1 (CET1) ratio which is exceeding the 20% at 31.12.2020 (see note 4.7) including the expected credit losses from the full adoption of the IFRS 9 (fully loaded), the high level of Liquidity Coverage Ratio (LCR) (272% at 31.12.2020) as well as the materiality of the 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) 285% during the first quarter of 2021 and has significant increase in deposits until the end of April 2021.

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 October 22, 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 "the stable outlook of AB Bank reflects the balance between risks over the next 12 months in the shipping industry stemming for the deep global economic shock, and AB Bank's sound capital position and good financial track record.

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 2020 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 2020 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 (hereinafter External Credit Assessment Institutions.)
- 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.

In light of COVID-19 the EBA stated, that it is of the view that the public and private moratorium to the extent they are not borrower specific but rather addressed to broad rangers of product classes and customers, do not lead to automatic classification in default, forborne or IFRS 9 status.

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.

As recommended by the prudential and supervisory authorities, and repeated over by the IASB in a press release on 27 March 2020, the granting of moratoria directly related to the cash flow difficulties generated by the occurrence of COVID-19 pandemic did not lead to the automatic transfer of these credit outstandings into Stage 2 nor into Stage 3.

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. The Bank decided to change its accounting policy voluntary from cost to revaluation model under IAS 16, as at 31 December 2020, in the entire class of property and equipment. This change provides reliable and more relevant financial information as the carrying amount of property and equipment as at 31 December 2020 does not differ materially from its fair value. The Bank will apply this change prospectively, as retrospectively application is impracticable.

As at 31 December 2020 and onwards property and equipment are measured at fair value based on periodic valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses if any. A revaluation surplus is credited to other reserves in shareholders’ equity. As at 31 December 2020 the fair values of property and equipment have been determined by external, independent, certified valuators.

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 to allocate their cost or revalued amounts, net of their residual value, over the estimated useful life of each part of an item of property, plant and equipment.

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 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. The obligation deriving from benefit plan has been calculated and recognized on the basis of an independent actuarial study using the "Projected Unit Credit Method". The current service cost is the increase in the present value of a defined benefit obligation arising from employee service during the current period. 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. 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.

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.

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 2020. 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 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.

3.2 Retirement benefit obligations

The retirement benefit obligations are estimated with actuarial techniques using assumptions for future salary levels, benefit levels and discounting factors. These assumptions are in compliance with annual salary increases affected by the Bank's labor agreements and relevant policies. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. The independent qualified actuaries determine the appropriate discount rate at the end of each year by reference to yield curves based on corporate bond indices.

3.3 Property and equipment

Property and equipment is carried at fair value, as determined by external, independent, certified valuators on an annual basis or more or less often if deemed appropriate upon assessment of relevant circumstances. For the determination of the Fair Value a combination of the Market Approach (Comparative) and Investment Approach (Income) is used. According to the comparative method the valuation will be based on the conclusions drawn from research and collecting comparative data of property with similar characteristics. The method of the income approach calculates the fair value of each property based on capitalized value of the present lease.

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.

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

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 implementation of credit policy, that describes the principles of the Bank's credit risk policy and practices with respect to credit assessment, ensures its effective monitoring procedures. Management implements a credit quality control procedure, for the timely detection of possible changes in the creditworthiness of the counterparties, as well as collaterals' regular control. All credit limits are determined through credit rating system which is regularly reviewed for each borrower. The above credit quality control process helps Management to assess the expected credit loss resulting from the risks exposed, taking structural measures.

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

The Bank distinguishes between two ECL measurement approaches, after classifying its obligors under "going concern" or "gone concern", as analyzed further below. It is clarified that the selection of each approach is dependent on the operational and financial status, as well as the cash-flow generating and debt servicing capacity of each obligor and, may therefore be applicable irrespective of the classification status of the underlying exposure (performing or non-performing).

"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.

Provided that the relevant obligor continues to be operational and capable of generating cash flows (thus the use of the "going concern" methodology can be applied), if the contractual maturity of the relevant facility has expired, the impairment test horizon is usually set at twelve (12) months from the test reference date, or at an earlier or later date which represents a reasonable time frame for the due repayment of the exposure through the obligor's prospective cash flows and/or the potential liquidation of collateral, as the case may be.

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.

Provided that the obligor's activity and cash-flow generating capacity has greatly diminished or ceased (thus the use of the "gone concern" methodology can be applied) if the contractual maturity of the relevant facility has expired, the impairment test horizon is usually set at 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 potential 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 economic developments affecting the cash flows of the obligors.

With regard to its shipping corporate loan exposures, 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.

With regard to its non-shipping corporate loan exposures, considering the small size and diversity of such portfolio, the Bank incorporates reasonable and conservative estimates of future economic impact on the individualized cash flow projections performed for each exposure. These estimates are generic (i.e. not factor-specific), may vary among different cases and depend on the particular characteristics of each obligor and the sector within which it operates, as well as on the existence and strength of legal rights to specific cash flows or assets in favor of the Bank, including, where applicable, assessment of potential economic impact on the counterparties through which such cash flows are originated.

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 31.12.2020 and 31.12.2019, based on the weighted probability of two different macroeconomic scenarios, as described above:

			31.12.2020	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	(881)	(68)	(8,979)	(9,927)
Loans and advances to corporate sector	(113)	(4)	-	(117)
Other loans & Staff loans	-	-	-	-
Total on Balance sheet Credit Losses	**(993)**	**(72)**	**(8,979)**	**(10,045)**
Financial Guarantees	(19)	-	-	(19)
Undrawn Commitments	(32)	-	-	(32)
Total off Balance sheet Credit Losses	**(51)**	**-**	**-**	**(51)**
Total Credit Losses	**(1,044)**	**(72)**	**(8,979)**	**(10,095)**

			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)**

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 2020 and 31 December 2019.

			31.12.2020	(€' 000)
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	290,398	22,718	24,530	337,646
Loans and advances to corporate sector	37,763	1,326	-	39,089
Other loans & Staff loans	420	-	-	420
Total Loans and advances to customers (on Balance sheet exposure)	**328,581**	**24,044**	**24,530**	**377,155**
Financial Guarantees	15,342	-	-	15,342
Undrawn Commitments	13,714	8	-	13,722
Total off Balance sheet Exposure	**29,056**	**8**	**-**	**29,064**
Total Exposure	**357,637**	**24,052**	**24,529**	**406,218**

			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**

The following table presents the Bank's maximum credit risk exposure as at 31 December 2020 and 31 December 2019, 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.

	31.12.2020 €' 000	**31.12.2019** €' 000
ASSETS		
Due from banks	89,441	147,126
Loans and advances to customers	367,110	242,039
Investment securities – FVTOCI	19,852	21,871
Financial assets at fair value through P&L	466	847
Debt Securities at amortised cost	51,322	24,539
Derivative financial instruments	16	157
Other assets	8,347	8,114
Maximum exposure from assets	**536,554**	**444,693**
OFF BALANCE SHEET ITEMS		
Undrawn commitments	13,722	11,088
Financial guarantees	15,342	16,119
Maximum exposure from off balance sheet items	**29,064**	**27,207**

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 total exposure (on & off balance sheet) before allowance for impairment.

The below tables provide an analysis of the closing balance 31.12.2020 and 31.12.2019 of collaterals held for all stages of loans and advances to customers at amortized cost and Off balance sheet Exposures.

			31.12.2020	(€' 000)
Collateral amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to shipping corporations	307,641	22,752	21,305	351,698
Loans and advances to corporate sector	24,254	1,326	-	25,580
Other loans & Staff loans	-	-	-	-
Total Loans and advances to customers	**331,895**	**24,078**	**21,305**	**377,278**

			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**

Breakdown of collateral and guarantees as at 31.12.2020

			31.12.2020	(€' 000)
	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Collaterals and guarantees of loans and advances	30,546	46,690	300,042	377,278
Total	**30,546**	**46,690**	**300,042**	**377,278**

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**

The group of collaterals that are subject to individual valuations and revaluations on a regular basis should be updated at the time when the exposure is classified as non-performing and at least annually while it continues to be classified as such. The Bank ensures that, for the collateral subject to indexation or other similar methods, the indexation is updated at least annually. For properties with an updated individual valuation that has taken place within the past 12 months, the property value may be indexed up to the period of the impairment review.

Particular consideration is given to the value and strength of the collateral securing each credit facility, and especially the asset to be financed or being financed and mortgaged (e.g. ship type, age, condition, and technical characteristics, present and prospect market value)

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 31.12.2020 and at 31.12.2019 of quality analysis with IFRS 9 of impaired loans and advances to customers at amortized cost:

			31.12.2020	(€' 000)
Stage 1	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	284,452	5,946	-	290,398
Loans and advances to corporate sector	37,763	-	-	37,763
Other loans & Staff loans	-	-	420	420
Total loans and advances to customers stage 1	**322,215**	**5,946**	**420**	**328,581**
Stage 2	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	8,408	14,310	-	22,718
Loans and advances to corporate sector	-	1,326	-	1,326
Total loans and advances to customers stage 2	**8,408**	**15,636**	**-**	**24,044**
Stage 3	**Satisfactory**	**Watchlist**	**Unrated**	**Total**
Loans and advances to shipping corporations	-	24,530	-	24,530
Total loans and advances to customers stage 3	**-**	**24,530**	**-**	**24,530**
Total Loans and advances to customers	**330,623**	**46,112**	**420**	**377,155**

			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
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**

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

31.12.2020 (€' 000)

	Loans and Advances to customers at amortised cost	Of which: Forborne Loans and Advances to customers at amortised cost	% of Forborne Loans and Advances to customers at amortised cost
Stage 1	328,581	-	0%
Stage 2	24,044	5,369	22.3%
Stage 3	24,530	4,526	18.5%
Total Gross exposure	**377,155**	**9,895**	**2.6%**
Stage 1 ECL allowance	(994)	-	0%
Stage 2 ECL allowance	(72)	(16)	22.3%
Stage 3 ECL allowance	(8,979)	(90)	1%
Total ECL allowance	**(10,045)**	**(106)**	**1.1%**
Stage 1	327,589	-	0%
Stage 2	23,972	5,353	22.3%
Stage 3	15,551	4,436	28.5%
Total Loans and advances to customers at amortised cost (net)	**367,112**	**9,789**	**2.7%**
Value of collateral	377,278	9,909	2.6%

31.12.2019 (€' 000)

	Loans and Advances to customers at amortised cost	Of which: 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	27,697	4,618	16.7%
Stage 3	16,539	5,959	36.0%
Total Loans and advances to customers at amortised cost (net)	**242,039**	**10,577**	**4.4%**
Value of collateral	250,825	10,762	4.3%

The below tables presents the movement of forborne loans and advances to customers at amortised cost for the year ending 31.12.2020 and 31.12.2019:

	31.12.2020 (€' 000)	**31.12.2019** (€' 000)
Opening balance under (net) 01.01	**10,577**	**19,774**
Forbearance measures during the year	2,492	64
Repayment of loans and advances (partial or total)	(2,631)	(1,156)
Loans and advances that exited forbearance status	(1,400)	(8,390)
ECL allowance / Allowance for Impairment	94	621
Foreign exchange differences and other movements	657	(336)
Closing balance (net) 31.12	**9,789**	**10,577**

	31.12.2020 (€' 000)	**31.12.2019** (€' 000)
Loans to shipping corporations	9,789	9,181
Other Loans & Staff Loans	-	1,396
Total Loans and advances to customers (net)	**9,789**	**10,577**

4.2.7.3 Ageing analysis of loans and advances

Shipping industry			31.12.2020	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	290,398	22,688	4,526	317,612
Past due Over 180 days	-	29	20,004	20,033
Total	**290,398**	**22,718**	**24,530**	**337,645**

Corporate Sector			31.12.2020	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	37,763	1,327	-	**39,090**
Total amount corporate sector	**37,763**	**1,327**	**-**	**39,090**

Other Loans & Staff Loans			31.12.2020	(€' 000)
	Stage 1	Stage 2	Stage 3	Total
Performing	420	-	-	420
Total amount Other Loans & Staff Loans	**420**	**-**	**-**	**420**
Total Corporate, Other loans & Staff Loans	**38,183**	**1,327**	**-**	**39,510**

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**

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

				31.12.2020 (€' 000)
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping industry	13,351	942	1,072	15,365
Loans and advances to corporate sector	1,022	170	-	1,192
Other loans and staff loans	65	-	-	65
Total	**14,437**	**1,112**	**1,072**	**16,622**

				31.12.2019 (€' 000)
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping corporations	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**

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 2020 and 2019:

Movement of Loans and advances to customers stage 1	**2020** (€'000)	**2019** (€'000)
Gross Loans and advances to customers 01.01	**198,458**	**112,469**
Repayments	(75,369)	(36,518)
Additions	208,494	111,328
Transfer from stage 1 to stage 2 Gross Loans	(2,089)	(2,050)
Interest Income	14,437	11,093
FX difference	(15,350)	2,136
Total gross amount of Loans and advances to customers 31.12, Stage 1	**328,581**	**198,458**

Movement of Loans and advances to customers stage 2	**2020** (€' 000)	**2019** (€' 000)
Gross Loans and advances to customers 01.01	**27,977**	**25,079**
Repayments	(6,359)	(3,707)
Additions	1,198	2,845
Transfer from stage 1 to stage 2 Gross Loans	2,089	2,050
Transfer from stage 3 to stage 2 Gross Loans	-	3,338
Transfer from stage 2 to stage 3 Gross Loans	-	(3,729)
Interest Income	1,112	1,629
FX difference	(1,973)	471
Total gross amount of Loans and advances to customers 31.12, Stage 2	**24,044**	**27,977**

Movement of Loans and advances to customers stage 3	**2020** (€'000)	**2019** (€'000)
Gross Loans and advances to customers 01.01	**26,130**	**26,511**
Repayments	(1,476)	(1,920)
Additions	754	36
Transfer from stage 2 to stage 3 Gross Loans	-	3,729
Transfer from stage 3 to stage 2 Gross Loans	-	(3,338)
Interest Income	1,072	879
Other technical adjustments	(707)	-
FX difference	(1,243)	233
Total gross amount of Loans and advances to customers 31.12, Stage 3	**24,530**	**26,130**

The tables below present the movement in stages of ECL of loans and advances to customers for the year 2020 and 2019:

Movement of ECL stage1	**2020** (€'000)	**2019** (€'000)
ECL of Loans and advances to customers 01.01	**(655)**	**(392)**
Transfer from stage 1 to stage 2 ECL	6	6
Reversal of provisions	227	75
Additional provisions	(619)	(337)
FX difference	48	(7)
ECL of Loans and advances to customers 31.12, Stage 1	**(993)**	**(655)**

Movement of ECL stage2	**2020** (€'000)	**2019** (€'000)
ECL of Loans and advances to customers 01.01	**(280)**	**(322)**
Transfer from stage 1 to stage 2 ECL	(6)	(6)
Transfer from stage 3 to stage 2 ECL	-	(113)
Transfer from stage 2 to stage 3 ECL	-	2,525
Reversal of provisions	202	186
Additional provisions	(3)	(2,542)
FX difference	14	(7)
ECL of Loans and advances to customers 31.12, Stage 2	**(73)**	**(280)**

Movement of ECL stage 3	**2020** (€'000)	**2019** (€'000)
ECL of Loans and advances to customers 01.01	**(9,591)**	**(7,055)**
Transfer from stage 2 to stage 3 ECL	-	(2,525)
Transfer from stage 3 to stage 2 ECL	-	113
Reversal of provisions	1,332	481
Additional provisions	(1,838)	(561)
Other technical adjustments	707	-
FX difference	411	(44)
ECL of Loans and advances to customers 31.12, Stage 3	**(8,979)**	**(9,591)**

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 2020 and 2019:

Bond portfolios as at

			31.12.2020 (€' 000)	
	At Fair Value Through OCI	At Fair Value Through P&L	At Amortised Cost	Total
A- till AAA	4,077	-	2,166	**6,244**
B- till BBB+	12,234	-	46,417	**58,651**
C- till CCC+	2,077	466	2,738	**5,281**
Unrated	1,462	-	-	**1,463**
Total interest Income	**19,852**	**466**	**51,322**	**71,639**

			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**

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 31.12.2020

(€' 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	50,144	6,528	919	-	-	**57,591**
Due to customers	296,026	85,854	112,064	7,652	-	**501,596**
Derivatives financial instruments	4	-	-	-	-	**4**
Total on balance sheet	**346,174**	**92,382**	**112,983**	**7,652**	**-**	**559,191**
Off Balance sheet (Loan Commitments)	6,142	7,146	2,056	-	-	**15,342**
Total (On & Off Balance sheet)	**352,315**	**99,528**	**115,039**	**7,652**	**-**	**574,533**

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**

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 31.12.2020

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing / Other	Total
ASSETS							
Cash and balances with Central Bank	59,382	-	-	-	-	-	**59,382**
Due from banks	89,441	-	-	-	-	-	**89,441**
Loans and advances to customers	169,190	192,010	18,441	418	-	(12,949)	**367,110**
Investment securities – FVTOCI	-	2,002	14,220	1,679	1,951	-	**19,852**
Debt securities at amortised cost	5,001	4,989	2,738	32,010	6,583	-	**51,322**
Financial assets at FVTPL	-	-	466	-	-	-	**466**
Other remaining assets	-	-	-	-	-	17,556	**17,556**
TOTAL ASSETS	**323,014**	**199,001**	**35,865**	**34,107**	**8,534**	**4,607**	**605,129**
LIABILITIES							
Due to banks	50,138	6,524	906	-	-	-	**57,568**
Due to customers	253,806	83,091	102,576	7,538	-	92	**447,103**
Other remaining liabilities	-	-	-	-	-	6,095	**6,095**
TOTAL LIABILITIES	**303,944**	**89,615**	**103,482**	**7,538**	**-**	**6,187**	**510,766**
Total interest sensitivity gap	**19,070**	**109,386**	**(67,617)**	**26,569**	**8,534**	**(1,580)**	**94,363**

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 31.12.2019

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing / Other	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**

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 2020 and 31 December 2019 respectively is as follows:

Foreign exchange position as at 31.12.2020

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	395	58,896	90	59,382
Due from banks	2,604	84,283	2,553	89,441
Loans and advances to customers	296,778	70,332	-	367,110
Investment securities – FVTOCI	-	19,852	-	19,852
Debt securities at amortised cost	-	51,322	-	51,322
Financial assets at FVTPL	-	466	-	466
Other remaining assets	21	17,536	-	17,556
TOTAL ASSETS	**299,798**	**302,687**	**2,643**	**605,129**
LIABILITIES				
Due to banks	56,747	821	-	57,568
Due to customers	207,652	237,472	1,978	447,103
Other remaining liabilities	163	5,902	29	6,095
TOTAL LIABILITIES	**264,563**	**244,196**	**2,007**	**510,766**
Net balance sheet position	**35,236**	**58,491**	**635**	**94,363**
Off balance sheet net notional position	(35,236)	35,248	(12)	-
Total FX position	**-**	**93,739**	**623**	**94,363**

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 31.12.2019

(€' 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**

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 2020 and 2019:

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.

Debt Securities measured at amortised cost: The fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity yield, quoted market prices in non-active markets for identical or similar financial instruments, or by using the discounted cash flows method.

For other financial instruments, which are not short-term or re-price at frequent intervals (cash and balances with Central Bank, due from and due to banks and due to customers), the carrying amounts represent reasonable approximations of fair values.

The fair value hierarchy categorization of financial assets and liabilities not measured at fair value on the balance sheet is presented in the following table:

31 December 2020

(€' 000)	Level-1	Level-2	Level-3	Fair value	Carrying value
ASSETS					
Loans and advances to customers	-	-	367,110	**367,110**	**367,110**
Debt Securities measured at amortised cost	52,154	-	-	**52,154**	**51,322**
Total assets not measured at fair value	**52,154**	**-**	**367,110**	**419,264**	**418,432**

31 December 2019

(€' 000)	Level-1	Level-2	Level-3	Fair value	Carrying value
ASSETS					
Loans and advances to customers	-	-	242,039	**242,039**	**242,039**
Debt Securities measured at amortised cost	24,569	-	-	**24,569**	**24,539**
Total assets not measured at fair value	**24,569**	**-**	**242,039**	**266,608**	**266,578**

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 2020

(€' 000)	Level-1	Level-2	Level-3	Total
ASSETS				
Investment securities – FVTOCI	19,852	-	-	**19,852**
Financial assets at FVTPL	466	-	-	**466**
Derivatives	-	16	-	**16**
Total assets measured at fair value	**20,318**	**16**	-	**20,334**
LIABILITIES				
Derivatives	-	4	-	**4**
Total liabilities measured at fair value	**-**	**4**	**-**	**4**

There were no transfers between Level 1 and Level 2 in the year ended 31 December 2020.

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 measured at fair value	**22,727**	**147**	-	**22,874**
LIABILITIES				
Derivatives	-	15	-	**15**
Total liabilities measured at fair value	**-**	**15**	**-**	**15**

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 2020 and 2019. The figures have been calculated using CRD IV rules.

	2020 €' 000 Including Current Year's Profit	**2020** €' 000	**2019** €' 000
Tier I capital			
Share capital	37,980	37,980	37,980
Share premium	50,207	50,207	50,207
Retained earnings	4,089	4,089	239
Statutory reserve	845	845	643
Revaluation Reserve Land & Building (Net of Tax)	1,411	1,411	-
Reserve from remeasurement of the defined benefit obligations	(438)	(438)	(328)
OCI reserve	269	269	16
	94,363	**94,363**	**88,757**
Regulatory adjustments on Tier I capital			
Less: intangible assets	(1,673)	(1,673)	(1,396)
Less: Adjustment for Retained earnings not yet recognized	-	(4,052)	-
Less : other adjustments	(20)	(20)	(1,818)
Total regulatory adjustments on Tier I capital	**(1,694)**	**(5,746)**	**(3,214)**
Total Core Tier I capital	**92,669**	**88,617**	**85,543**
Risk weighted assets			
Risk weighted assets (credit risk)	424,631	424,631	304,911
Risk weighted assets (market risk)	868	868	1,628
Risk weighted assets (operational risk)	25,632	25,632	19,855
Total Risk Weighted Assets	**451,131**	**451,131**	**326,394**
Common Equity Tier 1 Ratio (CET1)	**20.54%**	**19.64%**	**26.21%**
Tier 1 Ratio (T1)	**20.54%**	**19.64%**	**26.21%**
CAD Ratio	**20.54%**	**19.64%**	**26.21%**

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 upload on the web site www.aegeanbalticbank.com upon its issuance.

Note 5: Net interest income

	2020 €' 000	2019 €' 000
Interest and similar income		
Interest from debt securities measured at FVTOCI	145	-
Interest from debt securities at amortized cost	95	3
Interest due from banks	476	1,006
Interest from loans and advances to customers	16,622	13,602
Other	2	13
Total Interest and similar income	**17,340**	**14,624**
Interest expense and similar charges		
Interest due to customers	(3,284)	(3,085)
Interest due to banks	(476)	(974)
Interest expense from lease liabilities	(12)	(15)
Interest from debt securities measured at FVTOCI (1)	-	(40)
Total Interest expense and similar charges	**(3,772)**	**(4,114)**
Net interest income	**13,568**	**10,510**

(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.

	2020 €' 000			
	Shipping Corporations	Corporate Sector	Other sectors	Total
Fees and commission income				
Loan origination fees and commissions	1,138	237	154	**1,529**
Funds transfers	513	16	829	**1,358**
Other	50	373	55	**478**
Total Fees and commission income	**1,701**	**626**	**1,038**	**3,365**
Fees and commission expense				
Banks	-	-	(153)	**(153)**
Other	(1)	-	(211)	**(212)**
Total Fees and commission expense	**(1)**	**-**	**(364)**	**(365)**
Net fee and commission income	**1,700**	**626**	**674**	**3,000**

	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**

The commissions received by the Bank from loans and advances to customers at amortised cost 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 2020 € 2,249 thousands (€ 1,437 thousands for 2019). The commissions received by the Bank as an arranger and as an agent of syndicated loans are recognized in the income statement when a performance obligation is satisfied.

Note 7: Net result from derivatives and investment securities

	2020 €' 000	2019 €' 000
Foreign exchange contracts and derivatives	875	(61)
Net results from sale of financial assets measured at FVTOCI	598	(39)
Net results from sale of financial assets measured at FVTPL	71	36
Net result from financial instruments at fair value through profit or loss	15	(27)
Net trading income	**1,559**	**(91)**

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

	2020 €' 000	2019 €' 000
Wages and salaries	(5,529)	(4,870)
Social security contributions	(1,113)	(1,045)
Defined contribution plans	(173)	(154)
Defined benefit plans (see Note 28)	(117)	(108)
Other	(425)	(445)
Personnel expenses	**(7,357)**	**(6,622)**

The number of employees of the Bank at 31 December 2020 was 95 (95 as at 31 December 2019). The average number of employees for the period 1 January 2020 to 31 December 2020 was 95 (91 for the year 2019).

Note 9: General administrative expenses

	2020 €' 000	2019 €' 000
Rental expense for buildings	(14)	(12)
Rental expense for cars	(1)	(11)
Third party fees	(1,031)	(1,331)
IT expense	(805)	(714)
Telecommunication – mail expense	(140)	(126)
Promotion and advertising expense	(7)	(29)
Office material	(29)	(30)
Utilities	(97)	(103)
Taxes and duties	(731)	(441)
Maintenance and other related expenses	(84)	(90)
Subscription expenses	(76)	(42)
Contributions	(449)	(256)
Officers and directors insurance	(151)	(102)
Other general administrative expenses	(216)	(350)
General and administrative expenses	**(3,831)**	**(3,637)**

Note 10: Depreciation and amortization

	2020 €' 000	2019 €' 000
Property and equipment	(536)	(543)
Intangible assets	(508)	(407)
Depreciation and amortization	**(1,044)**	**(950)**

Note 11: Impairment losses on loans and advances to customers

The following table presents the impairment losses on loans and advances to customers, on letters of guarantee and undrawn loan commitments as well as recoveries:

	2020	2019
	€' 000	€' 000
Impairment losses on loans and advances for the year (on BS) (a)	(2,461)	(3,440)
Amounts reversed (b)	1,760	742
Effect of foreign currency movements (c)	474	(59)
Impairment losses/gains on loans and advances (off BS)	(51)	-
Impairment losses/gains on loans and advances charged in Income statement	**(278)**	**(2,757)**

Movement of Impairment losses on loans and advances to customers

	31.12.2020	31.12.2019
	€' 000	€' 000
ECL of Loans and advances to customers 01.01	**(10,526)**	**(7,769)**
Impairment losses on loans and advances for the year (on BS) (a+b+c above)	(226)	(2,757)
Other technical adjustments (Note 4.2.7)	707	-
ECL of Loans and advances to customers 31.12	**(10,045)**	**(10,526)**

Note 12: Income tax

	2020	2019
	€' 000	€' 000
Income tax for the year	(659)	(143)
Deferred income tax	(629)	341
Income tax	**(1,298)**	**198**

The calculation of the income tax expense is as follows:

Profit / (Loss) before tax	**5,350**	**(791)**
Tax calculation at 24%	(1,284)	190
Non tax deductible expenses	(14)	(7)
Impact of tax change rate on Deferred Tax	-	15
Income tax	**(1,298)**	**198**

The corporate tax rate is 24% for years 2020 & 2019.
Further information concerning the income tax contingent liabilities is presented in Note 34.
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 31.12.2020 and 31.12.2019.
Further information concerning deferred tax is presented in Note 23.

Note 13: Cash and balances with Central Bank

	31.12.2020	31.12.2019
	€' 000	€' 000
Cash in hand	1,248	1,128
Balance with Central Bank	58,134	50,141
Cash and balances with Central Bank	**59,382**	**51,269**

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 31.12.2020). 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 31.12.2020 the minimum required amount of the Bank amounts to € 4,241 thousands (At 31.12.2019, € 3,603 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 31.12.2020 and 31.12.2019:

	31.12.2020	31.12.2019
	€' 000	€' 000
Cash on hand	1,248	1,128
Non-restricted placements with Central Bank	58,134	50,141
Short-term balances due from banks	89,441	147,126
Cash and cash equivalents	**148,823**	**198,395**

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

Note 15: Due from banks

	31.12.2020	31.12.2019
	€' 000	€' 000
Current accounts	26,442	30,523
Money Market Placements	62,999	116,603
Due from banks	**89,441**	**147,126**

Included within Current accounts is restricted amount €22,936 thousands as of 31.12.2020 (31.12.2019: €20,937 thousands) related to guarantees provided to credit institutions for swaps.

Note 16: Loans and advances to customers

	31.12.2020	31.12.2019
	€' 000	€' 000
Loans and Advances to shipping corporations at amortized cost	327,717	227,988
Loans and advances to corporate sector	38,973	11,842
Other Loans and staff loans	420	2,208
	367,110	**242,039**

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

Loans and advances to customers are analyzed:	**31.12.2020 €' 000**		
	Gross amount	Impairment amount	Net amount
	€' 000	€' 000	€' 000
Loans and Advances to shipping corporations	337,645	(9,928)	327,717
Loans and advances to corporate sector	39,090	(117)	38,973
Other Loans and staff loans	420	-	420
Total	**377,155**	**(10,045)**	**367,110**

Loans and advances to customers are analyzed:	**31.12.2019 €' 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**

Note 17: Financial assets at fair value through other comprehensive income (FVTOCI)

Analysis per Issuer for the year ended 31.12.2020

	31.12.2020 €'000			
Investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Domestic Corporate Entities Bonds	15,042	-	-	15,042
Banks - Financial institutions	2,078	-	-	2,078
Foreign Government Bonds	2,732	-	-	2,732
Total Investment securities at FVTOCI	**19,852**	**-**	**-**	**19,852**

Movement in Gross Carrying amount of investment securities

Investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	**21,871**	**-**	**-**	**21,871**
Additions	122,606	-	-	122,606
Disposals/ Maturities	(124,667)	-	-	(124,667)
Gains / (losses) from changes in fair value	190	-	-	190
ECL charge for the year	(148)	-	-	(148)
Closing Balance 31.12.2020	**19,852**	**-**	**-**	**19,852**

Movement in ECL allowance for the year ended 31.12.2020

ECL for investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	**9**	**-**	**-**	**9**
Domestic Corporate Entities Bonds	5	-	-	5
Banks - Financial institutions	81	-	-	81
Foreign Government Bonds	61	-	-	61
ECL charge for the year	148	**-**	**-**	148
ECL 31.12.2020	**157**		**-**	**157**

Analysis per Issuer for the year ended 31.12.2019

	31.12.2019 €'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 impairment 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 impairment charge for the year	**(4)**	**-**	**-**	**(4)**
ECL 31.12.2019	**9**	**-**	**-**	**9**

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 €15 million as at 31.12.2020 versus €20 million the end of previous year.

Note 18: Financial assets at fair value through profit or loss (FVTPL)

	31.12.2020	31.12.2019
	€' 000	€' 000
Listed shares	466	288
Banks - Financial institutions	-	559
Total Investment securities – FVTPL	**466**	**847**

Movement for the year:		
Balance as 1 January	**847**	**14,553**
Additions	312	530
Disposals (Sales and redemption)	(662)	(14,223)
Profit /(loss) from changes in fair value	15	(27)
Exchange differences	(46)	14
Balance as 31 December	**466**	**847**

The Bank had no ECB eligible securities included in its portfolio (FVTPL) as at 31.12.2020 & 31.12.2019.

Note 19: Debt Securities at amortized cost

	31.12.2020	31.12.2019
	€' 000	€' 000
European Governments	44,489	21,367
Banks - Financial institutions	2,738	-
Corporate Entities Bonds	4,095	3,172
Total debt securities at amortized cost	**51,322**	**24,539**

During the Year, the Bank proceeded with new investments in marketable Bonds categorized in Debt securities at amortized cost (mainly European Government Bonds) in order to place a part of the excess of liquidity created form new deposits from customers and Banks in liquid interest earning assets.

Analysis per Issuer for the year ended 31.12.2020				**2020 €'000**
	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	**24,539**	**-**	**-**	**24,539**
European Governments	23,122	-	-	**23,122**
Banks - Financial institutions	2,738	-	-	**2,738**
Corporate Entities Bonds	922	-	-	**922**
Total amount Debt Securities at AC	**51,322**	**-**	**-**	**51,322**

Movement in Gross Carrying amount of debt securities				
Debt securities at AC	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 01.01.2020	**24,539**	**-**	**-**	**24,539**
Additions	37,043	-	-	**37,043**
Disposals/ Maturities	(10,129)	-	-	**(10,129)**
ECL impairment charge for the year	(129)	-	-	**(129)**
Closing Balance 31.12.2020	**51,322**	**-**	**-**	**51,322**

Movement of ECL for debt securities at AC	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 01.01.2020	**4**	**-**	**-**	**4**
European Governments	14	-	-	**14**
Banks - Financial institutions	115	-	-	**115**
Corporate Entities Bonds	-	-	-	**-**
ECL impairment charge for the year	**129**	**-**	**-**	**129**
ECL for debt securities at AC as at 31.12.2020	**133**	**-**	**-**	**133**

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 €49 million as at 31.12.2020 and €24 million as at 31.12.2019.

Note 20: Derivative financial instruments

	31.12.2020 (€' 000)			31.12.2019 (€' 000)		
	Nominal	Fair value		Nominal	Fair value	
	value	Assets	Liabilities	value	Assets	Liabilities
FX swaps / forwards	35,818	16	4	30,976	147	15
Warrant Linked to Greek GDP	-	-	-	2,835	10	-
Derivative financial instruments	**35,818**	**16**	**4**	**33,811**	**157**	**15**

The Bank does not apply 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

	31.12.2020	31.12.2019
Acquisition cost:	€' 000	€' 000
Opening balance as at 1 January	4,207	3,521
Additions	785	686
Closing balance as at 31 December	**4,993**	**4,207**
Accumulated amortization:		
Opening balance as at 1 January	2,812	2,405
Amortization charge for the year	508	407
Closing balance as at 31 December	**3,320**	**2,812**
Net book value:		
Opening net book value as at 1 January	**1,396**	**1,117**
Closing net book value as at 31 December	**1,673**	**1,396**

Intangible assets include only software.

Note 22: Property and equipment

Property and equipment as at 31.12.2020

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Right of use assets	**Total**
Opening balance as at 01.01.2020, cost:	1,051	4,998	341	15	1,025	1,216	650	9,296
Additions	-	-	-	-	30	42	36	108
Elimination of accumulated depreciation on revaluation	-	(1,305)	-	-	-	-	-	(1,305)
Revaluation surplus	769	1,087	-	-	-	-	-	1,856
Disposals and write offs	-	-	-	(15)	-	-	-	(15)
Closing balance at FV	**1,820**	**4,780**	**-**	**-**	**-**	**-**	**-**	**6,600**
Closing balance at cost	**-**	**-**	**341**	**-**	**1,055**	**1,258**	**686**	**3,340**
Closing balance PPE as at 31.12.2020	**1,820**	**4,780**	**341**	**-**	**1,055**	**1,258**	**686**	**9,940**
Accumulated depreciation:								
Opening balance as at 01.01.2020	-	1,085	167	15	710	1,069	160	3,206
Depreciation	-	222	27	-	56	61	170	536
Disposals and write offs	-	(1,307)	-	(15)	-	-	-	(1,322)
Closing balance as at 31.12.2020	**-**	**-**	**194**	**-**	**766**	**1,130**	**330**	**2,420**
Closing net book value as at 31.12.2020	**1,820**	**4,780**	**147**	**-**	**289**	**128**	**356**	**7,520**

The below table presents the carrying amount that would have been recognised had the assets of property and equipment been carried under the cost model as at 31.12.2020:

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Right of use assets	**Total**
Opening balance as at 01.01.2020, cost:	1,051	4,998	341	15	1,025	1,216	650	9,296
Additions	-	-	-	-	30	42	36	108
Disposals and write offs	-	-	-	(15)	-	-	-	(15)
Closing balance PPE as at 31.12.2020, cost	**1,051**	**4,998**	**341**	**-**	**1,055**	**1,258**	**686**	**9,389**
Accumulated depreciation:								
Opening balance as at 01.01.2020	-	1,085	167	15	710	1,069	160	3,206
Depreciation	-	220	27	-	56	61	170	532
Disposals and write offs	-	-	-	(15)	-	-	-	(15)
Closing balance as at 31.12.2020	**-**	**1,305**	**194**	**-**	**766**	**1,130**	**330**	**3,725**
Closing net book value as at 31.12.2020	**1,051**	**3,693**	**147**	**-**	**289**	**128**	**356**	**5,664**

As at 31 December 2020 the Bank decided to change its accounting policy voluntary from cost to revaluation model under IAS 16, as described above in Note 2.15.

Property and equipment as at 31.12.2019 (cost model):

(€' 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**

No property and equipment has been pledged as collateral

Note 23: Deferred tax assets / liabilities

Deferred tax assets	**31.12.2020** €' 000	**31.12.2019** €' 000
Revaluation of assets	(446)	-
Loans and advances to customers	698	427
Defined benefits obligations	467	404
Derivatives and financial instruments	(49)	82
Greek Government Bonds (PSI)	1,115	1,175
Lease liabilities	101	121
Other temporary differences	42	19
Total Deferred tax assets	**1,928**	**2,228**
Deferred tax liabilities		
Loans and advances to customers	2,704	1,875
Total Deferred tax Liabilities	**2,704**	**1,875**
Net Deferred tax (Liabilities) / Assets	**(776)**	**353**

The increase in deferred tax liabilities balance amounting € 776 thousands as of 31.12.2020 compared to a net deferred tax assets balance of € 353 thousands as of 31.12.2019. is arising from revaluation of property and equipment as well as movements in loans and advances to customers deferred tax balance.

Movement of temporary differences analyzed as follows:

Movement for 2020 (€'000)	**Balance as at 1.1.2020**	Recognized through income statement 2020	Recognized through equity 2020	**Balance as at 31.12.2020**
Revaluation of assets	**-**	-	(446)	**(446)**
Loans and advances to customers	**(1,448)**	(558)	-	**(2,006)**
Defined benefits obligations	**404**	28	35	**467**
Derivatives and investment Securities	**82**	(51)	(80)	**(49)**
Greek Government Bonds (PSI)	**1,175**	(60)	-	**1,115**
Lease liabilities	**121**	(20)	-	**101**
Other temporary differences	**19**	23	-	**42**
Total	**353**	**(637)**	**(491)**	**(776)**

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**

Note 24: Other assets

	31.12.2020	31.12.2019
	€' 000	€' 000
Accrued income	-	6
Prepaid expenses	358	286
Hellenic Deposit and Investment Guarantee Fund	6,783	6,782
Tax Prepayments and other recoverable taxes	169	299
Other	1,037	741
Other assets	**8,347**	**8,114**

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: Due to banks

	31.12.2020	31.12.2019
	€' 000	€' 000
Time deposits due to credit institutions	57,568	34,334
Due to banks	**57,568**	**34,334**

Note 26: Due to customers

	31.12.2020	31.12.2019
	€' 000	€' 000
Sight deposits	190,785	155,553
Term deposits	256,226	220,969
Other	92	36
Due to customers	**447,103**	**376,558**

The increase in 2020, of due to customers' balance of amount € 70,5 million, compared to the prior year, mainly derives from new deposits of the private sector with the major part coming from corporates and the rest from individuals.

Due to customers include blocked deposits of:

	31.12.2020	31.12.2019
	€' 000	€' 000
Blocked deposits for the issuance of Guarantee Letters	6,483	3,498
Blocked deposits for loans granted	32,761	28,890
Total	**39,244**	**32,388**

The only concentration relates to deposits of five (5) customers that represent approximately 36% of the amounts due to customers (€ 162 Million out of € 447 Million). In 2019 five (5) customers represented approximately 38% of the amounts due to customers (€ 144 Million out of € 377 Million).

Note 27: Other liabilities

	31.12.2020 €' 000	31.12.2019 €' 000
Taxes – duties (other than income tax)	1,063	506
Amounts due to social security funds	254	252
Accrued expenses and deferred income	348	442
Suppliers	336	263
Hellenic Deposit and Investment Guarantee Fund	204	106
Lease liabilities	372	503
Other payables	791	380
Other liabilities	**3,368**	**2,452**

The movement of the lease liability is summarized as follows:

Lease liabilities movement	2020 €' 000	2019 €' 000
Opening balance, 01/01	**503**	**575**
Additions	33	75
Interest Expense	13	16
Payments during the year	(177)	(163)
Closing balance, 31/12	**372**	**503**

Note 28: Retirement benefit obligations

Defined benefit plans

According to Greek labor law 2112/1920 & Law 4093/2012 as amended and currently in force, employees are entitled to receive a lump sum benefit upon their retirement.

The lump sum amount depends on the salary of the employees and the years of service up to the date of retirement. In the event that an employee voluntarily leaves before his retirement date he is note entitled to receive such a retirement benefit. This retirement benefit meets the definition of a defined benefit plan according to provisions of IAS 19 and at 31 December 2020 the present value of this liability amounted to €1,947 thousand (in 2019 € 1,685 thousand).

The retirement benefit obligations of the Bank were calculated in compliance with the provisions of Greek Law, however it has decided to maintain the pre L.4093/2012 benefit formula and not decrease the number of salaries entitled.

Retired benefit obligation deriving from benefit plan has been calculated and recognized on the basis of an independent actuarial study using the "Projected Unit Credit Method".

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.

The below table presents the analysis of the defined benefit plan:

	2020 €' 000	2019 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,947	1,685
Net Liability in SOFP	**1,947**	**1,685**
Amounts recognized in the Income Statement		
Service cost	120	85
Net interest on the net defined benefit liability	14	23
Regular P&L Charge	**134**	**108**
Recognition of Past Service Cost	(17)	-
Total P&L Charge	**117**	**108**
Reconciliation of benefit obligation		
Defined Benefit Obligation “DBO” at start of period	1,685	1,526
Service cost	120	85
Interest cost	14	23
Past service cost arising over last period	(17)	-
Actuarial (gain)/loss - financial assumptions	112	71
Actuarial (gain)/loss - experience	33	(20)
DBO at end of period	**1,947**	**1,685**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	(112)	(71)
Liability experience gain/(loss) arising during the year	(33)	20
Total actuarial gain/(loss) recognized in OCI	**(145)**	**(51)**
Other adjustments recognized in OCI	-	-
Total amount recognized in OCI over the period	**(145)**	**(51)**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	**1,685**	**1,526**
Benefits paid directly	-	-
Total expense recognized in the income statement	117	108
Total amount recognized in the OCI	145	51
Net Liability in SOFP	**1,947**	**1,685**
Cash flows		
Expected benefits paid by the plan for next financial year	544	539
Assumptions:		
Discount rate	0.48%	1.01%
Price inflation	1.30%	1.30%
Rate of compensation increase	2.30%	2.30%
Plan duration	11.33	10.87

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

	2020 €' 000	2019 €' 000	2018 €' 000	2017 €' 000	2016 €' 000
Present value of obligations	1,947	1,685	1,526	1,386	1,495
Total obligation	**1,947**	**1,685**	**1,526**	**1,386**	**1,495**

Sensitivity analysis for the significant assumption (discount rate):

• If the discount rate used were 0.5% higher (0.98% p.a. rather than 0.48% p.a.), then the DBO would be lower by about 5.40%.

• If the discount rate used were 0.5% lower (-0.02% p.a. rather than 0.48% p.a.) then the DBO would be higher by about 5.96%.

Note 29: Share capital

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

	31.12.2020			31.12.2019		
	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 30: Share premium

	31.12.2020	31.12.2019
	€' 000	€' 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 31: Reserves

	Note	31.12.2020 €' 000	31.12.2019 €' 000
Statutory reserve		845	643
Valuation of FVTOCI portfolio	Note 17	354	20
Deferred tax on valuation of FVTOCI portfolio	& OCI	(85)	(5)
Actuarial Gain / (Loss) of Retirement Benefit Obligations	Note 28	(576)	(431)
Deferred tax on Remeasurement of the defined benefit obligations	& OCI	139	104
Revaluation reserve property & equipment	Note 22	1,856	-
Deferred tax on revaluation reserve property & equipment	& OCI	(446)	-
Reserves		**2,087**	**331**

Movement of Reserves	2020	2019
	€' 000	€' 000
Opening Balance 01.01	**331**	**341**
Statutory reserve	**203**	**20**
Net gain/(losses) from changes in fair value of OCI investments	333	38
Deferred tax on valuation of FVTOCI portfolio	(80)	(10)
Net change in Fair value	**253**	**28**
Actuarial Gain (Loss) of Retirement Benefit Obligations	(145)	(51)
Deferred tax on Remeasurement of the defined benefit obligations	35	(7)
Net change from the remeasurement of the defined benefit obligations	**(110)**	**(58)**
Revaluation surplus (gain) from property & equipment	1,856	-
Deferred tax on revaluation surplus (gain) from property & equipment	(446)	-
Net change in revaluation surplus	**1,410**	**-**
Closing Balance 31.12	**2,087**	**331**

Note 32: Retained earnings

	2020	2019
	€' 000	€' 000
Opening balance 01 January	**239**	**853**
Dividends distributed	-	-
Statutory reserve movement	(203)	(20)
Profit / (Loss) for the year	4,052	(593)
Closing balance 31 December	**4,089**	**239**

Pursuant to article 158 of Law 4548/2018, and as in conjunction with the Bank's Articles of Association, a percentage of 5% is deducted from the net profit of the period for the formation of statutory reserve.

According to article 149A par.2 of Law 4261/2014, voted within reference period, by way of derogation from item c) of par.2 of article 160 and par. 2 of article 161 of law 4548/2018, credit institutions are no longer subject to obligation to distribute a minimum dividend.

Note 33: Lease Liabilities

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 contracts 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 2020 and 31 December 2019. The bank has elected to take a recognition exemption for short-term and low-value leases (1 out of 18 contracts with an annual rental expense of €10 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 31 December 2020 and 31 December 2019. Lease liabilities are included within the line item "Other liabilities".

	31.12.2020	**31.12.2019**
	€' 000	€' 000
No later than 1 year	145	172
Later than 1 year and no later than 5 years	236	327
Later than 5 years	-	11
Total undiscounted gross liabilities	**381**	**510**
Less discount effect (IFRS 16)	9	7
Total discounted lease liabilities	**372**	**503**

Note 34: Contingent liabilities and commitments

Legal issues

There are no material legal claims against the Bank as at 31.12.2020 that require disclosure in the Financial Statements.

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 31.12.2020.

The financial years 2011, 2012, 2013 and 2014 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 at 10.07.2014 and at 29.09.2015 respectively.

The years 2011, 2012, 2013 and 2014 are considered statute barred in accordance with the provisions of the circular POL.1208 / 20.12.2017 of the Independent Public Revenue Authority.

The financial years 2015, 2016, 2017, 2018 and 2019 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 28.09.2016, 23.10.2017, 29.10.2018, 30.10.2019, 30.10.2019 and at 29.10.2020 respectively. For the financial year 2020 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, 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

	31.12.2020	31.12.2019
	€' 000	€' 000
Undrawn commitments	15,342	16,118
Financial guarantees	13,722	11,088
Total	**29,064**	**27,206**

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:

	31.12.2020	31.12.2019
	€' 000	€' 000
Participation of other banks in drawdowned syndicated loans	507,804	577,475
AB Bank's participation in drawdown syndicated loans	5,307	9,703
Total amount of drawdowned syndicated loans	**513,111**	**587,178**
Other banks participation in unused credit facilities of syndicated loans	84,300	-
Total amount of unused credit facilities of syndicated loans	**84,300**	**-**
Total amount of syndicated loans administrated with the participation of AB-Bank	**597,411**	**587,178**

Note 35: Events after the reporting period

On April 27, 2021, Standard & Poor's re-affirmed ABBank's credit rating of B / B (long-term / short-term), with a stable outlook despite the financial difficulties caused by the COVID-19 pandemic, noting that "*despite the global recession and the decline in international trade brought about by the pandemic, ABBank is expected to maintain its strong capitalization and positive track record in shipping credit risk management, besides maintaining sound solvency, strong liquidity ratios for the funding of its operations, as well as high collateralization of its credit exposures*".

Note 36: 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:

	2020 €' 000	2019 €' 000
Assets		
Loans and advances to customers	2,910	5,208
Total assets	**2,910**	**5,208**
Liabilities		
Due to customers	10,477	12,354
Total liabilities	**10,477**	**12,354**
Income		
Interest and similar income	211	313
Fees and commission income	249	277
Total income	**460**	**590**
Expenses		
Interest expense and similar charges	32	149
General administrative expenses	90	180
Impairment losses on loans and advances	9	119
Total expenses	**131**	**448**

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:

	2020 €' 000	2019 €' 000
Remuneration	1,705	1,745
Short Term employee and post-employment benefits	105	90
Total	**1,810**	**1,835**

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

Note 37: Independent auditor's fees

On 6 August 2020, the Ordinary General Meeting of the Shareholders appointed Deloitte Certified Public Accountants S.A. as the statutory auditor for the year ended 31 December 2020. The following table presents the total fees for statutory audit, other audit and non-audit related rendered in 2020 and 2019:

	31.12.2020	31.12.2019
	€' 000	€' 000
Statutory audit fees	85	80
Tax audit fees	22	20
Other audit & non-audit related fees	4	4
Total	**111**	**104**

Athens, 3 June 2021

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