Pillar III Disclosures

For the year ended
31 December 2021

Aegean Baltic Bank S.A.

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INTRODUCTION

This report contains information of financial and supervisory nature of Aegean Baltic Bank S.A. ("ABBank" or the "Bank") for the year ended 31.12.2021 that, pursuant to Pillar 3 of the Basel III framework (Part Eight of Regulation (EU) No 575/2013 (CRR) as amended by Regulation (EU) 2019/876), Credit Institutions (CIs) are required to publicly disclose periodically.

1. THE BASEL III REGULATORY FRAMEWORK

1.1. The Pillar III Disclosures Guiding Principles

Pillar 3 of the Basel framework aims to strengthen the transparency and discipline of CIs on the supervisory rules of risk-taking and management. It aims to promote market discipline through regulatory disclosure requirements which enable market participants to access key information relating to a bank's regulatory capital, liquidity, and funding in order to increase transparency and confidence about a bank's exposure to risks and the overall adequacy of its regulatory capital and liquidity.

The disclosures included in this documented are presented in a form that is understandable to key stakeholders (i.e., investors, analysts, financial customers, and others) and describe the bank's main activities and all significant risks it is exposed to and their management, supported by relevant underlying data and information. Significant changes in risk exposures and relevant metrics between the reporting period and the previous one is described, together with the appropriate response by the management.

The disclosure requirements are presented in the form of tables based on the supervisory guideline's templates, which are completed with quantitative data in accordance with the definitions provided. Quantitative information is also provided in some instances which is included in the Bank's Financial Statements. Additionally, information in both qualitative and quantitative terms on the Bank's processes and procedures for identifying, measuring, and managing those risks is provided. The level of detail of such disclosure is proportionate to the complexity of the Bank's activities and organizational structure.

The information contained in this report is based on the FY-2021 and FY-2020 Audited Financial Statements of the Bank approved by the Board of Directors on 31 May 2022 and 3 June 2021, respectively, and the decisions of the relevant Annual Ordinary General Meeting of Shareholders of the Bank that followed such, in the summer of 2022 and 2021, respectively. This Pillar III Disclosures report is available on ABBank's official website at:

https://aegeanbalticbank.com/en/meet-abbank/publications/pillar-iii-publications

1.2. The Basel III Framework

The "Basel III" framework adopts most of the supervisory rules of Basel II, modifying some but also introducing new ones. Thus, Basel III builds on the three fundamental "Pillars" of supervision introduced by Basel II:

- **Pillar I** which pertains to the determination of the minimum capital requirements of Banking Institutions (BIs) in connection with their exposure to Credit Risk, Market Risk and Operational Risk, and the recognized methodologies for determining such risks and calculating the corresponding capital requirements. In comparison with the previous, (Pillar II) framework, Pillar III introduced the following fundamental changes:
  - Qualitative and quantitative amendments with regard to the composition the regulatory capital, setting out higher minimum adequacy levels for certain capital means, with particular emphasis given in the Common Equity Tier-1 capital (CET1);
  - The establishment of certain regulatory indicators (ratios) in relation to the minimum acceptable levels of Financial Leverage, Liquidity and Funding the Business Indicators should maintain at all times (Leverage Ratio, Liquidity Cover Ratio and the Net Stable Funding Ratio, respectively), as well as certain requirements for the limitation and control of large financial exposures;
  - Supplementary supervisory regulation aiming towards better serving and integrating the ideal of the "Banking Union" and the development of a "Single Rulebook" in the EU, through the

establishment of a comprehensive framework for the prudential supervision, inspection, and control of BIs and the establishment of relevant bodies with certain authority, responsibilities and cooperation between them. In this context, the role, and activities of the European Banking Authority (EBA) was elevated, the Bank Recovery and Resolution Directive (BRRD) was enacted, and certain bodies of prudential supervision were established, such as the Single Supervisory Mechanism (SSM), the Single Resolution Board (SRB) and the Sigle Resolution Fund (SFR).

- **Pillar II**, which comprises the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) which are carried out by each CIs in relation to the risk management procedures of all the risks to capital, liquidity and funding under Pillar I as well as all other material risk areas to which it may be exposed to. Pillar II also includes the Supervisory Review and Assessment Process (SREP) which is carried out by the pertinent supervisory authority, mainly on the basis of the ICAAP and the ILAAP reports submitted by the CIs and evaluates the business model and the risk management procedures of each bank, as well as the levels of adequate capital and the procedures each bank should internally maintain or develop, against all risks (Pillar I and Pillar II) it may be exposed to;
- **Pillar III**, which refers to the obligations of CIs to disclose information relevant to their exposure to the risks they undertake, and the procedures followed to deal with these risks and the measurement of the corresponding capital and liquidity requirements.

1.3. Basel III Reforms

In December 2017 the Basel Committee in Banking Supervision finalized and released the 4th iteration of reforms on Banking Supervision. This new set of reforms takes the official name of “Basel III: Finalizing post-crisis reforms”, but in the banking industry is also known as “Basel IV”. This framework is a central element of the Basel Committee’s response to the global financial crisis. It addresses several shortcomings with the pre-crisis regulatory framework and provides a regulatory foundation for a resilient banking system that supports the real economy. A key objective of the revisions in this document is to reduce excessive variability of Risk-Weighted Assets (RWAs).

The revisions to this new regulatory framework will help restore credibility in the calculation of RWAs by:

- enhancing the robustness and risk sensitivity of the standardized approaches for Credit Risk and Operational Risk, which will facilitate the comparability of bank’s capital ratios;
- constraining the use of internally modelled approaches;
- complementing the risk weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor.

While the revised framework will continue to permit the use of internally modelled approaches for certain risk categories (subject to supervisory approval), a jurisdiction which does not implement some or all of the internal-modelled approaches but instead only implements the standardized approaches is compliant with the Basel framework.

Moreover, on the 23rd of November 2016, the European Commission (EC) had presented a comprehensive package of reforms aimed at amending CRR, CRD IV, as well as the BRRD and the SRM. The above package, known as “CRR2/CRD5”, was submitted to the European Parliament and the Council for their consideration and adoption. The Banking Package includes prudential standards adopted by the Basel Committee on Banking Supervision (BCBS) and by the Financial Stability Board (FSB), while its main objective is to reduce risk in the European Banking system.

The revised rules on capital and liquidity (CRR2 and CRDV) and resolution (BRRD2 and SRMR2) were published in the Official Journal on the 7th of June 2019, following a legislative process which began at the end of 2016. On May 19th, 2021, the above proposals on CRD 5 and BBRD 2 were transposed into Greek legislation by virtue of Law 4799/2021 published in Government Gazette 78/A/18.05.2021 amending L.4335/2015.

1.4. SSM - Supervisory Priorities for 2022-2024

ECB Banking Supervision has defined its supervisory priorities by drawing on an assessment of the main risks and vulnerabilities to the European banking sector. The three priorities for the 2022-2024 period are all equally important. They aim to ensure that banks:

1. Are addressing the adverse impacts of the COVID-19 pandemic in order for the banking sector to remain resilient.
    - The banks should improve their credit risk management practices, especially with regards to timely identification, forward-looking measurement and mitigation of credit risks;
    - The banks should monitor their exposures to COVID-19 vulnerable sectors, including commercial real estate;
    - The banks should adhere to the supervisory expectations laid down in the related ECB Guidance for leverage finance;
    - The banks should have sound arrangements in place to manage the impact of medium-term interest rate and credit spread shocks and adjust their risk assessment, mitigation, and monitoring frameworks whenever the need arises.
2. Seize this opportunity to address structural weaknesses via effective digitalization strategies and enhanced governance.
    - The banks should embrace sound digital transformation and have adequate arrangements in place to make their business models sustainable in the long term;
    - The banks should address deficiencies in management bodies' functioning and composition.
3. Tackle their emerging risks.
    - The banks should proactively incorporate climate-related and environmental risks into their business strategies and their governance and risk management frameworks, in order to mitigate and disclose such risks and comply with the corresponding regulatory requirements;
    - The banks should have sound governance and risk management frameworks in place to cope with increased exposures to the counterparty credit risk (CCR) stemming from capital market services;
    - The banks should have more robust IT outsourcing arrangements and better resilience against cyber threats.

1.5. Basel III - Capital Adequacy Framework

The **Capital Adequacy** of Credit Institutions under the Basel III framework is structured, assessed, and monitored around two pillars:

Pillar I defines the minimum capital requirements, based on well-defined rules and methodologies for the identification and assessment of credit, market and operational risks and their transformation into Risk-Weighted Assets (RWAs). These requirements are covered by regulatory own funds, according to the CRR rules.

Pillar II addresses the internal processes for assessing that the overall capital as well as the liquidity of the Credit Institution can sufficiently cover its risk profile (Internal Capital Adequacy Assessment Process - ICAAP and Internal Liquidity Assessment Process - ILAAP). In addition, Pillar II introduces the Supervisory Review & Evaluation Process (SREP), which assesses the risks encountered by Credit Institutions and rectifies that they are adequately equipped to manage those risks properly.

1.5.1. Capital Adequacy under Pillar I

Under Pillar I, the current supervisory framework specifies:

- The main risk categories are Credit Risk, Market Risk and Operational Risk, and it defines the accepted methodologies for calculating the amount of risk per category of exposures, i.e., the ways of calculating

the weighted (against risk) financial exposures of each Asset class, on-and-off-balance sheet (i.e., the RWAs);

- The minimum level of regulatory capital that each bank should maintain in relation to the amount of financial risk exposure it has undertaken, i.e., the minimum Capital Requirement (CR) per category of financial asset and for each tier/qualitative segment of capital (e.g., CET 1 capital, Total Tier 1 capital[1], Tier 2 capital); and
- The calculation of the Capital Adequacy Ratio (CAR), i.e., the ratio of Total Regulatory Capital to Total Risk Weighted Assets.

The current regulatory framework requires financial institutions to maintain a minimum level of regulatory capital related to the undertaken risks under Pillar I, the latter measured in the form of RWAs. 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%,

provided that CET1 capital forms no less than 56.25% of the Total Tier 1 Capital (i.e., Additional Tier 1 capital may not exceed 43.75% of the Total Tier 1 Capital) and Tier 2 capital does not exceed 25% of the Total Regulatory Capital.

1.5.2. Capital Adequacy under Pillar II

The purpose of Pillar II under the current supervisory framework is to:

- Complement Pillar I by broadening and deepening the identification, analysis, measurement and management of the risks to which ABBank is subject, to ensure that sufficient financial resources (funds) remain available for the timely and effective treatment of risks undertaken by the Bank, but also for the continuous improvement of the procedures and systems for identifying, calculating and managing its risk exposures;
- Extend the concept of capital adequacy beyond the minimum supervisory capital requirements against the main risks covered by Pillar I, introducing the concept of adequacy of internal financial capital that must be taken into account to address all possible risks; additional risks that are not included in Pillar I. Pillar II also recognizes any special qualitative and quantitative characteristics of the Bank, depending on the size, nature and complexity of its operations and the risk management and mitigation practices that it applies, thus it adopts the principle of proportionality;
- Determine that the Bank should have drawn up and implemented an Internal Capital Adequacy Assessment Process (ICAAP), according to predetermined rules and conditions. The ICAAP of each bank is subject to the Supervisory Assessment Process (SAP) which is carried out by the competent banking supervisory.

Given that ABBank falls under the "Less Significant Credit Institutions" (LSIs), for which the local supervisory authority exercises direct supervision, the Bank's Supervisory Assessment Process is carried out by the Bank of Greece (BoG) subject to the methodology set out by the Law 4261/2014 and Regulation (EU) 575/2013, and adopts the EBA guidelines taking into account the corresponding SSM methodology, the principle of proportionality, as well as the best supervisory practices

[1] Total Tier 1 Capital is the sum of CET1 capital and Additional Tier 1 capital.

2. ABBank - GENERAL INFORMATION

2.1. Business Framework

Founded in 2002, ABBank is a fully licensed Greek banking institution specializing in corporate banking for companies of the shipping industry and, since 2018, for on-shore Greek business entities. ABBank operates through its head office in Maroussi, and two branches located in Piraeus and Glyfada, whereas no other offices and/or subsidiaries are maintained in Greece or abroad. ABBank is directly supervised by the Bank of Greece (BoG) as one of the Less Significant Institutions (LSIs) of the Greek banking system.

The Bank offers the full range of banking products and services that cover the business requirements of its shipping customers in Finance, Operational Transactions, Treasury and Advisory. In 2018, the Bank started diversifying in the non-shipping, on-shore, corporate sector, selectively providing lending, trade finance and operational/transactional products and services to Greek SMEs and larger corporates with exporting orientation, as well as commercial real estate and renewable energy financing projects. This diversification strategy intends to enrich ABBank's shipping specialist business profile with domestic corporate assets and income, aiming at a 2/3rds – 1/3rd split between shipping and non-shipping lending.

The Bank's management team has remained substantially the same since its establishment. All members of the management team have long experience in managing credits through the economic cycles of the shipping industry. Since 2018, human capital is gradually enforced with specialists in non-shipping Greek corporate banking. For the standards of shipping finance, the Bank historically maintains low levels of delinquent loans and loan write-offs, whereas no delinquencies have emerged to date in the non-shipping/Greek corporate loans portfolio.

ABBank historically maintains strong capital and liquidity adequacy, in both quantitative and qualitative terms. Regulatory capital entirely comprises CET1 capital, whereas the Total Capital Adequacy (CAD) ratio has always stood at multiples of the minimum regulatory requirements. ABBank has been one of the very few Greek banks that, since the emergence of the Greek crisis in 2010, has never been required to consummate a capital enhancement and, consequently, not having been under the strict monitoring of HFSF, the Troika, SSM and DG Comp. During the same period ABBank has probably been the only Greek banking institution continuously growing its personnel, from 53 FTEs in 2010 to 102 in 2021.

In December 2021, Standard & Poor's reaffirmed ABBank's B / B (long-term / short-term) credit rating with stable outlook, noting that "the 'Stable" outlook reflects the balance between risks over the next 12 months in the shipping industry, stemming from the global economic shock brought about by the impact of the COVID-19 pandemic, and ABBank's sound capital position and good financial track record. We anticipate that ABB will preserve its solvency and maintain adequate funding and liquidity and high collateralization in its loan book". In July 2022 S&P affirmed once more ABB's B/B credit rating but upgraded the outlook to positive, "on Improving Asset Quality and Earnings, and potentially less Funding Risk of Greek banks".

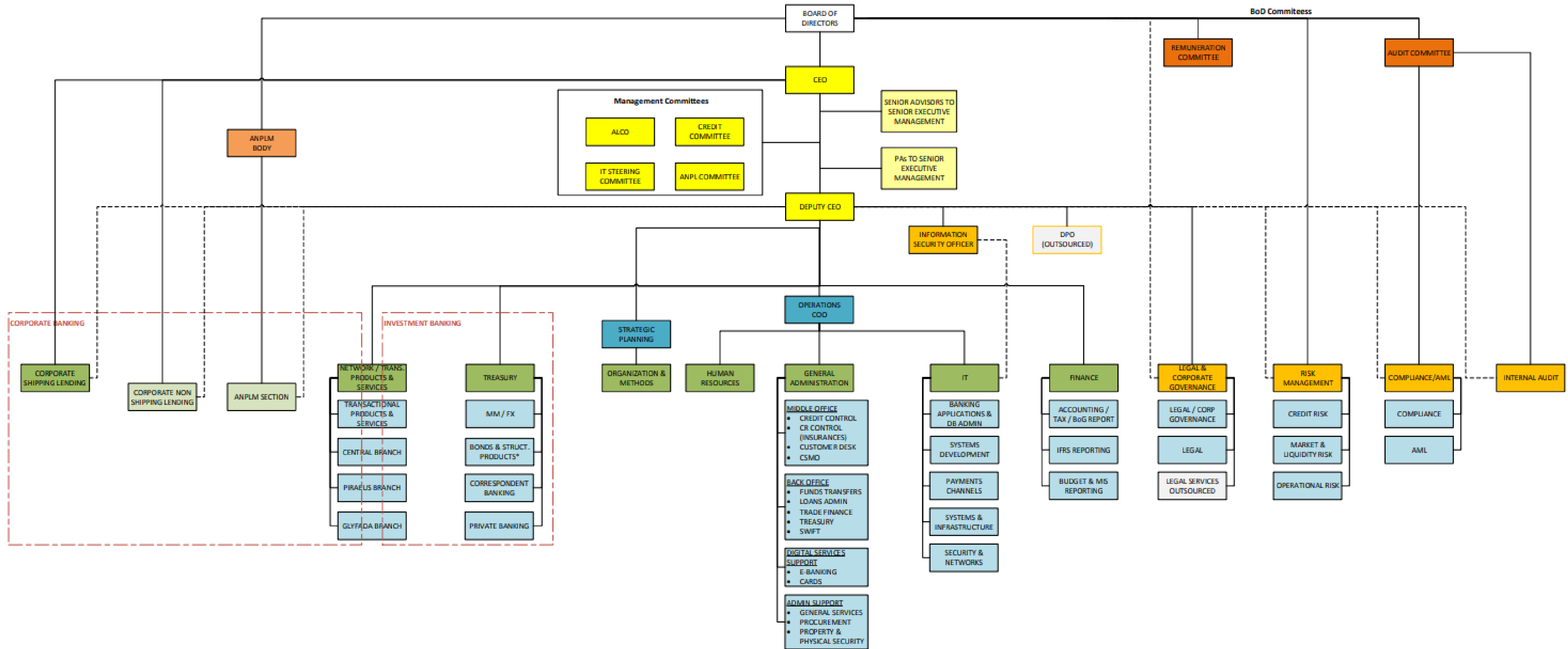
2.2. Corporate Governance

The governing authorities of the Bank ensure compliance with the Articles of Association and the provisions of the current legal and supervisory framework (e.g., Law 4548/2018, Law 3016/2002, BoG Act 2577/2006) as at each time applicable, and comprise:

- The General Assembly of Shareholders;
- The Board of Directors (BoD);
- The BoD Committees;
- Senior Executive Management;
- The Management Committees;
- The Supervisory Entities reporting to BoD and/or Senior Executive Management;
- The External Auditors.

The following chart represents the organizational structure of the Bank as of 31.12.2021:

Figure 1: ABBank Organizational Chart



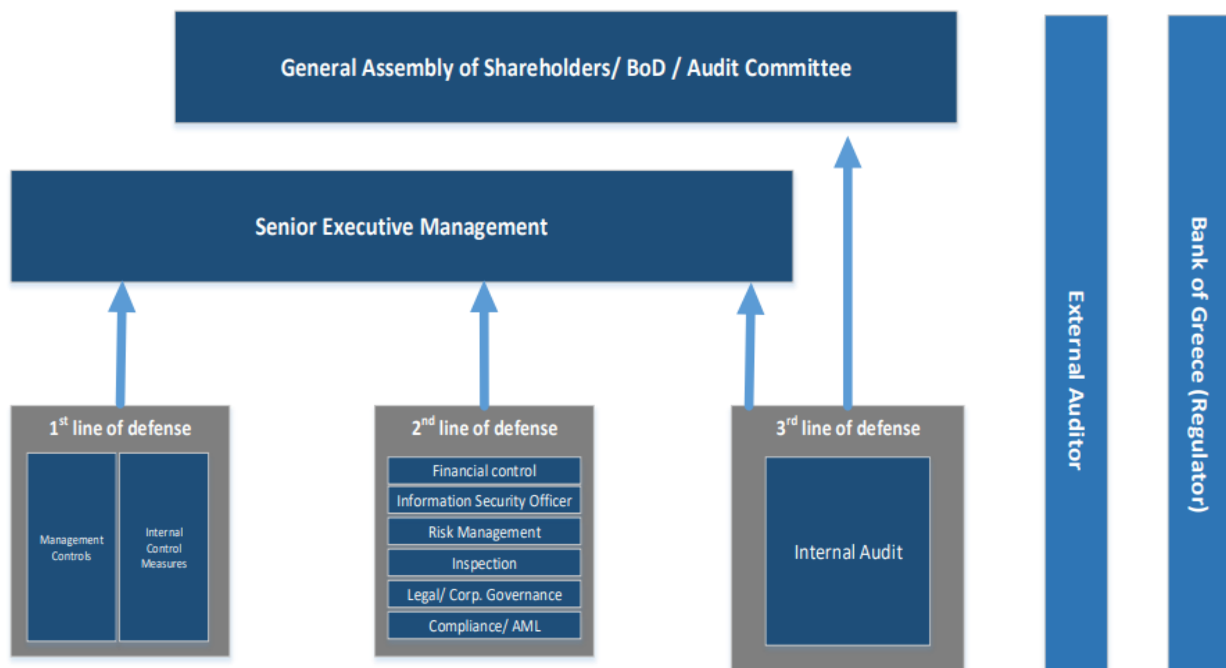
2.3. Board of Directors

The Board of Directors (BoD) is responsible for administering the Bank's affairs and managing its assets in the ordinary course of business, represent it before and out of courts, and take all (necessary or otherwise advisable) actions to promote the Bank's interests according to its Articles of Association. The BoD can exercise any authority not otherwise vested in the General Assembly of Shareholders. The members of the BoD possess adequate independence and integrity, as well as the necessary qualifications to ensure prudent and diligent management of the Bank. The BoD constitutes the BoD committees, appoints its members, assigns authority, and assesses their performance, in each case according to the current legal and supervisory framework and good international practices / professional standards. Except where prohibited by current legal and supervisory framework, the BoD may delegate, in whole or in part, its authority to one or more persons BoD members or not, provided the powers so delegated are clearly identified. Likewise, the BoD can also delegate part of its authority to specially constituted committees, which are vested powers, usually of an advisory nature, in relation to technical or specialized matters (i.e., Audit Committee, Remuneration Committee, etc.).

2.4. Three Lines of Defense Model

The Bank applies the Three Lines of Defense (LOD) Model, as depicted below, according to the Institute of Internal Auditors (IIA). In the three LOD Model, management controls and internal control measures form the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third line of defense. Each of these three "lines" plays a distinct role within the Bank's wider governance framework.

Figure 2: ABBank - Three Lines of Defense Model



At the 1st line of defense, managers own and manage risks. Management (including front, middle and back-office operations) is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Also, management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.

The 2nd line of defense includes various risk management and compliance functions established by Management to help build and/ or monitor the first line of defense controls. Management establishes these functions to ensure the first line of defense is properly designed, in place, and operating as intended.

The 3rd line of defense comprises the Internal Audit Department which provides the governing body and Senior Executive Management with comprehensive assurance based on the highest level of independence and objectivity (which is not available in the 2nd line of defense) within the Bank. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the way the 1st and 2nd lines of defense achieve risk management and control objectives.

External auditors and Bank of Greece as regulator, reside outside the Bank's structure, but they have an important role in the Bank's overall governance and control structure. Regulators set requirements intended to strengthen the controls in an organization and on other occasions perform an independent and objective function to assess the whole or some part of the first, second, or third line of defense regarding those requirements. When coordinated effectively, external auditors and regulators are considered as additional lines of defense, providing assurance to the Bank's shareholders, including the BoD and Senior Executive Management.

2.5. Internal Control System (ICS)

The Internal Control System (ICS) includes the following functions in compliance with the corresponding regulatory framework.

- Risk Management Unit
- Compliance Unit
- Internal Audit Unit

The Bank's ICS system consists of auditing mechanisms and control procedures relating to all its activities, aiming at the latter's effective and secure operation. Particularly, the Internal Control System of the Bank ensures the:

- Coverage of all the Bank's activities and transactions with adequate documentation and appropriate level of detail with respect to the control areas and procedures;
- Consistent implementation of the business strategy with an effective utilization of the available resources;
- Identification and management of all risks undertaken;
- Completeness and the credibility of the data and information required for the accurate and timely determination of the financial situation of the Bank and the generation of reliable financial statements. Support by an integrated Management Information System (MIS) and a communication system with clearly defined hierarchical lines;
- Compliance with the current regulatory framework, the internal regulations and the Code of Ethics and Conduct;
- Provision of procedures for assessment of ICS adequacy;
- Prevention and avoidance of erroneous actions that could jeopardize the reputation and interests of the Bank, the Shareholders and those transacting with the Bank;
- Effective operation of the IT systems to support the business strategy and the secure circulation, processing, and storage of critical business information.

2.6. Financial Performance in FY-2021 and FY-2020

FY-2021 Financial Performance Highlights:

- Net Profit after Tax of €6.9 mil (2020: €4.07 mil), increasing accordingly the Bank's shareholders' equity, given that no dividend was distributed;
- Asset growth of +€394.5 mil (+65% YoY) mainly funded by Customer Deposits, which increased by €395.3 mil or 88% YoY, whereas interbank funding/borrowing (Due to Banks), declined annually by €9.0 mil (-16% YoY);
- Customer loans (net) of €566.0 mil, grown by +€198.9 mil or +54% YoY, comprising 57% of Total Assets (2020: 61%);
- NPLs of €10.8 mil or 1.9% of Total Gross Loans (2020: €24.5 mil or 6.5%, respectively). NPE Provisions Cover of 50% (2020: 36%). No new NPLs during the year;
- Liquid and near-liquid Assets increased by €194.8 mil or 88% YoY, to €415.3 mil, comprising 42% of Total Assets (2020: €220.5 mil and 36%, respectively).

Table 1: Abridged FY-2020 and FY-2021 Bank Financial Performance and Relevant Indicators

Balance Sheet	**(€ '000)**	**2021**	**2020**
ASSETS			
Liquidity with Central Bank and Due from Banks		307.9	148.8
Customer loans (Net of Provisions)		566.0	367.1
Thereof: NPLs (Net of Provisions)		*5.4*	*15.6*
Marketable Securities (mainly Bonds)		107.4	71.6
Fixed & intangible assets		9.5	9.2
Other current assets		9.0	8.3
Total Assets		**999.9**	**605.1**
LIABILITIES			
MM takings (Due to Banks)		48.5	57.6
Customer deposits		842.4	447.1
Other current liabilities		7.6	5.8
Total Liabilities		**898.5**	**510.8**
Shareholders' Equity		**101.4**	**94.7**
Total Liabilities & Equity		**999.9**	**605.4**
Income Statement	**(€ '000)**	**2021**	**2020**
Net interest income		17.92	13.57
Net fees & commissions		3.87	3.01
Net income from trading and hedging		1.60	1.56
Total operating income		**23.39**	**18.14**
Staff, Administration and Depreciation Expenses		**(13.00)**	**(12.22)**
Gross operating profit (before tax and provisions)		**10.39**	**5.92**
Loans impairment / provisions		(1.63)	(0.55)
Net income (pre-tax)		**8.76**	**5.37**
Taxation & deferred tax		(1.89)	(1.30)
Net Income After Tax		**6.87**	**4.07**
Growth & Financial Indicators		**2021**	**2020**
Total assets growth		+65%	+20%
Customer loans (net) growth		+54%	+52%
Customer deposits growth		+88%	+19%
Loans - Deposits ratio		0.67	0.82
Total NPLs as % of total loans (gross)		1.9%	6.5%
PD>90d&Denounced loans as % of total loans (gross)		1.9%	5.3%
Total NPLs Provisions Cover ratio		49.7%	36.5%
Cost-income ratio (ex - provisions)		56%	67%
NIM (Net interest income/ aver. total assets)		2.35%	2.29%
Nr. of Full-Time Employees at Year-End		102	95

2.7. Capital Adequacy and Other Regulatory Metrics Highlights

2.7.1. Capital, Leverage and Liquidity Adequacy Under Pillar I

ABBank has historically maintained Capital Adequacy Ratios and other regulatory metrics at levels well above the minimum requirements.

The Bank's regulatory capital comprises entirely of CET1 capital, calculated on an IFRS9 fully loaded basis and without including Differed Taxation items towards the Greek state. The last share capital increase took place in March 2008. During the "Greek crisis" no capital enhancement or similar measures were required.

As also outlined in the previous Section of this report in relation to FY-2021 and FY-2020, since 2018 the Bank has performed significant annual asset growth rates, resulting in lower, but still strong, capital adequacy and leverage ratios, whereas the liquidity and funding ratios are also maintained at high levels.

The following table presents the key prudential metrics related to risk-based capital ratios, leverage ratio and liquidity standards of the Bank for the periods of 2020 and 2021.

Table 2: KM1 - Key metrics template

Amounts in € '000	2021	2020
Available capital (amounts)		
Common Equity Tier 1 (CET1)	**99,770**	**92,962**
Tier 1	99,770	92,962
Total capital	**99,770**	**92,962**
Risk-weighted assets (amounts)	-	-
Total risk-weighted assets (RWA)	**623,997**	**451,093**
Total risk-weighted assets (pre-floor)	-	-
Risk-based capital ratios as a percentage of RWA	-	-
CET1 ratio (%)	**15.99%**	**20.61%**
Tier 1 ratio (%)	15.99%	20.61%
Total capital ratio (%)	**15.99%**	**20.61%**
Fully loaded ECL accounting model total capital ratio (%)	3.24%	3.24%
Total capital ratio (%) (pre-floor ratio)	1.82%	1.82%
Additional CET1 buffer requirements as a percentage of RWA	-	-
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
Countercyclical buffer requirement (%)	0.01%	0.01%
Total of bank CET1 specific buffer requirements (%)	2.51%	2.51%
CET1 available after meeting the bank's minimum capital requirements (%)	4.75%	9.37%
Basel III Leverage ratio	-	-
Total Basel III leverage ratio exposure measure	1,019,615	615,181
Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	**9.79%**	**15.06%**
Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	3.00%	3.00%
Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	0%	0%
Liquidity Coverage Ratio (LCR)	-	-
Total high-quality liquid assets (HQLA)	334,770	117,170
Total net cash outflow	179,462	42,926
LCR ratio (%)	**186.54%**	**272.95%**
Net Stable Funding Ratio (NSFR)	-	-
Total available stable funding	571,817	371,852
Total required stable funding	459,303	309,969
NSFR ratio	**124.50%**	**119.96%**

The annual change in the capital adequacy and leverage ratios is mainly attributed to the substantial asset growth performed by the Bank in FY-2021. The main driver of the annual change in the Liquidity Cover Ratio was the substantial increase in Customer Deposits, albeit especially deposits placed with maturity of up to 30 days.

Specifically:

- On 31.12.2021, the Bank's Total Assets (on Balance Sheet) marked a €394.5 mil growth (+65% YoY) and total RWAs amounted to €624.0 mil, from €451.1 mil in 2020 (+38% YoY), whereas Total Shareholders' Equity increased by €6.71 mil or +7.1% YoY and the Total Regulatory Capital by €6.81 mil or +7.3% YoY, bringing the CET1 and CAD ratios of the Bank at 15.99%, compared to 20.61% the year prior;
- Further to the on-balance sheet asset growth noted above, the gross off-balance sheet items of FY-2021 stood approximately €24.1 mil or 39% higher than those of FY-2020, resulting in 66% higher sum of total exposures and a Leverage Ratio of 9.79%, from 15.06% in FY-2020;
- The LCR as of December 2021 is equal to 186.54%, compared to 272.95% the previous year. This change is mainly driven by a large part of customer deposit's increase having been originated by corporate customers and be placed in short term deposits;
- As of December 2021, the NSFR stood at 124.5%, compared to 120.0% in December 2020. The improvement is mainly connected to the enlargement performed during 2021 of the Very High-Quality Liquid Assets portfolios, which requires very limited stable funding.

2.7.2. Capital and Liquidity Adequacy Under Pillar II

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 of the ABBank. The predominant component of the Bank's risk-weighted assets are credit risk exposures of the banking book, followed by operational risk, whereas market risk comprises a small or minimal part of RWAs. Moreover, under the Internal Capital Adequacy Process (ICAAP) of the Bank, it is ensured that all risk exposures are adequately considered and are properly consolidated in the Internal Capital Adequacy assessment results.

Based on Council Regulation 1024/2013, the Bank of Greece conducts a Supervisory Review and Evaluation Process (SREP) on a biannual basis, to define the prudential requirements of the institutions under its supervision, by delimiting for each bank an overall capital requirement (OCR) under Pillar II of the regulatory framework and the Pillar II Guidance capital requirement (P2G) which, in combination with the OCR delimit the Total SREP Capital Requirements of each bank.

As of the reference date of this report (31.12.2021), as well as on 31.12.2020, the results of the SREP-20 (announced to the Bank by the BoG in April 2020) were applicable, whereby the OCR was set at 13.74%, comprising the P1R of 8%, plus a P2R of 3.24% plus the CCB of 2.5%. Moreover, the P2G was set at 0.50%, hence resulting in Total SREP Capital Requirements of 14.24%. Notably, the Supervisor's P2R assessment was based on ABBank's financial position and performance and the ICAAP of FY-2018, whereas for the P2G the Bank's performance in the stress test conducted by the Supervisor for all Greek LSIs during 2019 (December 2018 financial positions basis) was taken into account. As per regulation, with regards to the Bank's capital composition, 56.25% should comprise CET1 capital and no less than 75.0% should be Tier-1 capital, whereas the CCB and the P2G capital requirements should be covered exclusively through CET1 capital.

In June 2022, the latest SREP results were presented to the Bank by the BoG (SREP-22) whereby as of the same date, in addition to the minimum capital requirement of 8% under Pillar I, ABBank is required to maintain P2R of 3.08%, plus the CCB of 2.5%, thus bringing the OCR to 13.58%. On top of the OCR, the P2G capital requirement was set at 0.25%, raising the Total SREP Capital Requirements of the Bank to 13.83%, applicable from June 2022 onwards. In comparison to the SREP-20 capital requirements, the SREP-22 Total Capital Requirement of the Bank improved by 0.41% in total, as result of 0.16% lower P2R and 0.25% lower P2G requirements. The SREP-22 assessment of the Supervisor was based on ABBank's financial position and performance and the ICAAP of FY-2020, whereas for the P2G the Bank's performance in the stress test conducted by the Supervisor for all Greek LSIs during 2021 (December 2020 financial positions basis) was considered.

3. REGULATORY OWN FUNDS & CAPITAL MANAGEMENT

3.1. Capital Requirements under Pillar I

The Bank has implemented the new regulatory framework CRD IV (Basel III implementation under EU rules), which came into force with Directive 2013/36/EU and Regulation (EU) No. 575/2013.

The Bank applies the following methodologies for the calculation of Pillar I capital requirements:

- Credit Risk: The Standardized Approach;
- Counterparty Credit Risk: The Simplified Standardized Approach;
- Market Risk: The Standardized Approach;
- Operational Risk: The Basic Indicator Approach.

The next table presents the risk exposure amounts (Risk Weighted Assets) under Pillar I as of 31.12.2020 and 31.12.2021, according to the CRR/CRD IV regulatory framework. The capital requirements under Pillar I are equal to 8% of the risk exposure amounts.

Table 3: OV1 - Overview of RWAs

Amounts in € '000	2021		2020	
	RWA	Minimum CR	RWA	Minimum CR
Credit risk (excluding counterparty credit risk)	589,269	47,142	424,486	33,959
Of which: standardized approach (SA)	*589,269*	*47,142*	*424,525*	*33,959*
Counterparty credit risk (CCR)	541	43	107	9
Of which: Simplified SA- CCR	*541*	*43*	*107*	*9*
Market risk	0	0	868	69
Of which: standardized approach (SA)	*0*	*0*	*868*	*69*
Operational risk	34,187	2,735	25,632	2,051
Of which: basic indicator approach (BIA)	*34,187*	*2,735*	*25,632*	*2,051*
Total Risk Weighted Assets and Capital Requirements	623,997	49,920	451,093	36,087

On 31.12.2021, the Bank's Total Assets (on Balance Sheet) had marked a €394.5 mil growth (+65% YoY) and the off-Balance Sheet items had marked an annual growth of €24.1 mil (+39% YoY). Total RWAs amounted to €624.0 mil from €451.1 mil in 2020 (+38% YoY)

As of 31.12.2021, the total RWAs are broken down in 94.5% Credit (including Counterparty Credit Risk), 0.0% Market and 5.5% Operational RWAs, whereas in December 2020 total RWAs were broken down in 94.1%, 0.2% and 5.7%, respectively.

3.2. Composition of ABBank's Regulatory Capital

The Regulatory Capital of ABBank consists entirely of CET1, and it is calculated on (i) an IFRS9 fully loaded basis, and (ii) without including any Deferred Tax Assets connected to the Hellenic Republic (PSI). Since its inception, the Bank has never raised or issued any other form of capital or capital enhancement instruments. Consequently, the CAD Ratio as well as the Tier-1 Capital Ratio of ABBank is equal to the CET1 Ratio.

On 31.12.2021 CET1 capital amounted to €99.77 mil (2020: €92.96 mil as it was restated due to the adoption of IFRS19) i.e., €6.81 mil higher than the year before. This was mainly the result of FY-2021 net profit of €6.87mil (including the amount credited to the Statutory Reserve), a €0.10 mil reduction of other deductible adjustments (e.g., intangible assets) and a €0.16 mil decrease of the OCI Reserves, (FVOCI, Actuarial and Building Revaluation).

Notably, the Annual General Meeting of Shareholders of the Bank held in June 2022, decided in favor of not distributing any dividends, hence the full amount of retained earnings enhances the Bank's capital. Similarly, the Annual General Meeting of Shareholders of the Bank held in July 2021, had decided to not distribute any dividends out of the FY-2020 financial results of the Bank.

The composition of the Bank's Regulatory Capital for 2021 and 2020 is outlined in the table below:

Table 4: CC1 - Composition of regulatory capital

Amounts in € '000	2021	2020
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus	88,187	88,187
Retained earnings	10,872	4,344
Accumulated other comprehensive income and other reserves	2,308	2,125
Common Equity Tier 1 capital before regulatory adjustments	101,368	94,655
Common Equity Tier 1 capital: regulatory adjustments		
Prudent valuation adjustments	-68	-20
Goodwill (net of related tax liability)	-1,529	-1,673
Total regulatory adjustments to Common Equity Tier 1 capital	-1,597	-1,694
Common Equity Tier 1 capital (CET1)	99,770	92,962
Capital adequacy ratios and buffers		
Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	15.99%	20.61%
Tier 1 capital (as a percentage of risk-weighted assets)	15.99%	20.61%
Total capital (as a percentage of risk-weighted assets)	15.99%	20.61%
Institution-specific CET1 buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	8.82%	8.82%
Of which: capital conservation buffer requirement	2.50%	2.50%
Of which: bank-specific countercyclical buffer requirement	0.01%	0.01%
Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	4.75%	9.37%

The following table provides a reconciliation of the Bank's consolidated balance sheet on an accounting consolidation basis as of the 31st of December 2021 and 2020, to the equivalent Bank's consolidated balance sheet under the regulatory scope of consolidation. The basis of consolidation for financial accounting purposes does not differ from that used for prudential purposes and therefore columns a and b of the respective template have been merged as per the relevant guidelines. It should be noted that, given that ABBank has no whatsoever equity participations in any other company, financial reporting and regulatory reporting is performed only at a bank "solo" form and no accounting or regulatory consolidation is essentially required.

Table 5: CC2 Reconciliation of regulatory own funds to B/S in the audited financial statements.

Amounts in € '000	2021	2020
Assets		
Cash and balances at central banks	239,214	59,382
Items in the course of collection from other banks	68,714	89,441
Trading portfolio assets	-	466
Derivative financial instruments	18	16
Loans and advances to customers	566,022	367,109
Debt securities at amortized cost	39,314	51,322
Available for sale financial investments	68,067	19,852
Current and deferred tax assets	-	-
Prepayments, accrued income and other assets	8,999	8,348
Goodwill and intangible assets	1,529	1,673
Property, plant and equipment	8,000	7,520
Total assets	**999,877**	**605,129**
Liabilities		
Deposits from banks	48,546	57,568
Customer accounts	842,360	447,103
Derivative financial instruments	139	4
Accruals, deferred income and other liabilities	4,423	3,367
Current and deferred tax liabilities	1,279	867
Retirement benefit liabilities	1,762	1,564
Total liabilities	**898,510**	**510,474**
Shareholder's equity		
Share (premium + capital)	88,187	88,187
Of which: amount eligible for CET1 capital	*88,187*	*88,187*
Of which: amount eligible for AT1 capital	-	-
Retained earnings	10,872	4,344
Reserves	2,308	2,125
Total shareholders' equity	**101,368**	**94,655**

The above table depicts that in 2021 asset growth continued by an annual rate of 65%. Total Assets increased to ca. €1.0 billion, from €605.1 mil in 2020, mainly funded through Customer Deposits which marked an 88% YoY growth, to €842.4 mil from €447.1 mil in 2020, whereas interbank borrowings contracted by €9.0 mil or 16% YoY, to €48.6 mil from €57.6 mil in 2020. Notably, the Balance Sheet size of 31.12.2021 is the largest ABBank ever had since its inception.

3.3. Leverage Ratio

The Leverage ratio is calculated in accordance with the methodology set out in article 429 of the regulation (EU) No 575/2013 of the European Parliament and of the Council, as amended by European Commission delegated Regulation 62/2015 of 10 October 2014. It is defined as an institution's capital measure divided by that institution's total leverage exposure measure and is expressed as a percentage. ABBank submits to the regulatory authorities the leverage ratio on a quarterly basis and monitors the level and the factors that affect the ratio.

The tables below include the summary of the Bank's leverage exposure ratio measure and the leverage ratio with reference dates 31.12.2020 and 31.12.2021:

Table 6: LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

Amounts in € '000	2021	2020
Total consolidated assets as per published financial statements	999,877	605,129
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	-	-
Adjustments for temporary exemption of central bank reserves (if applicable)	-	-
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
Adjustments for eligible cash pooling transactions	-	-
Adjustments for derivative financial instruments	1,270	553
Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	21,587	9,093
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
Other adjustments	-3,119	-1,673
Leverage ratio exposure measure	**1,019,615**	**613,101**

As of the 31st of December 2021, the Bank's leverage ratio (table below) declined to 9.79% vs 15.11% compared to the previous year, standing well-above the supervisory minimum threshold of 3% in both years:

Table 7: LR2 - Leverage ratio common disclosure

Amounts in € '000	2021	2020
On-balance sheet exposures		
On-balance sheet exposures (excluding derivatives SFTs, but including collateral)	998,169	607,209
Gross-up for derivatives collateral provided deducted from balance sheet assets (per accounting framework)	-	-
(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	-1,529	-1,673
Total on-balance sheet exposures	**996,640**	**605,535**
Derivative exposures		
Replacement cost of derivative transactions (net of eligible cash variation margin)	118	16
Add-on amounts for potential future exposure associated with *all* derivatives transactions	1,270	537
(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivative exposures	**1,388**	**553**
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
Counterparty credit risk exposure for SFT assets	-	-
Agent transaction exposures	-	-
Total securities financing transaction exposures	-	-
Other off-balance sheet exposures		
Off-balance sheet exposure at gross notional amount	21,587	11,189
(Adjustments for conversion to credit equivalent amounts)	-	-
(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
Off-balance sheet items	**21,587**	**9,093**
Capital and total exposures		
Tier 1 capital	**99,770**	**92,962**
Total exposures	**1,019,615**	**615,181**
Leverage ratio		
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**9.79%**	**15.11%**
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.79%	15.11%
National minimum leverage ratio requirement	**3.00%**	**3.00%**
Applicable leverage buffers	0.00%	0.00%

As mentioned in Section 2.7.1 above, the substantial on-and-off-balance sheet annual asset growth of the Bank during 2021, resulted in 66% higher "Sum of Total Exposures" and a Leverage Ratio of 9.79% as of 31.12.2021, from 15.06% in FY-2020

3.4. Important events after 31st December 2021

As mentioned in Section 2.7.1 above, in June 2022, the latest Supervisory Review Evaluation Process (SREP-22) decision of the BoG was announced to the Bank, which also included the assessment of the Bank's performance in the supervisory Stress Test conducted by the BoG during 2021, and the calculation of the P2G capital requirement thereof. Notably, the Bank's financial position as of 31.12.2020 and its FY-2020 financial performance formed the main basis for both the SREP-2022 and the supervisory stress test assessment.

As per the SREP-22 decision, in addition to the minimum capital requirement of 8% under Pillar I, ABBank is required to maintain internal capital under Pillar II of 3.08% (P2R), plus the Capital Conservation Buffer (CCB) of 2.5%, thus bringing the Overall Capital Requirement (OCR) to 13.58%. Moreover, the P2G capital requirement was set at 0.25%, thus bringing the Total SREP Capital Requirements of the Bank to 13.83%. Regarding capital composition, 56.25% thereof should comprise CET1 capital and no less than 75% should be Tier-1 capital, whereas the CCB and the P2G capital requirements should be covered through CET1 capital.

The SREP-22 Total Capital Requirement of the Bank improved against the previous (SREP-20) one, by 41 bps in total, comprising 16 bps lower P2R and 25 bps lower P2G. As per the previous SREP (based on the 31.12.2018 position and the FY-2018 financial performance), from April 2020 onwards, the Bank was required to cover a P2R of 3.24% (P2R), thus bringing the OCR at 13.74%, whereas the P2G was set at 0.50%, resulting in a Total Capital Requirement (OCR+P2G) of 14.24%.

3.4.1. SREP-22 Findings

The P2R decision of the BoG of 3.08% is the sum of the following results of the SREP-22:

- An overall SREP score of 3 (The risks identified pose a medium level of risk for the viability of the institution) which commands P2R add-on of 0.75% (same as in SREP-20). The SREP scoring scale ranges from 1 (Minimal Risks) through 5 (Failing or likely to Fail);
- NPE cover by provisions of 36.6% (as per 31.12.2020), in comparison to 44% on average in the Greek Banking sector, commanding a 0.50% add-on (Vs 0.75% in SREP-20);
- Concentration Risk corresponding to additional P2R of 1.48%, as per the Bank's own calculation (Vs 1.39% in SREP-20);
- Interest Rate Risk in the Banking Book (IRRBB) corresponding to additional P2R of 0.35% (same as in SREP-20).

3.4.2. Internal Capital Adequacy Assessment Process (ICAAP)

According to the EU Capital Requirements Directive, CRD IV Article 73, credit institutions shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the credit institution concerned.

The Internal Capital Adequacy Assessment Process (ICAAP) forms an integral part of Pillar II as set out by the Basel III regulatory framework. The scope of the ICAAP is to identify and measure all major risks a Credit Institution is or might be exposed to. Through the ICAAP, ABBank extends its risk exposure assessment beyond the risk types addressed within the regulatory requirements of Pillar I (Credit Risk, Counterparty Credit Risk, Market Risk and Operational Risk). Through the ICAAP exercise, the Bank develops more advanced

methodologies and metrics, to ensure that adequate capital is available according to the overall risk profile and appetite of the institution. All material risks are evaluated qualitatively and quantitatively, as appropriate. Furthermore, the ICAAP process ensures that the capital adequacy of the Bank is assessed on a forward-looking basis under a baseline and an adverse scenario.

Therefore, after considering the impact on capital and earnings stemming from the aforementioned scenarios, additional capital requirements (CRs) are calculated for all the risk types the Bank is exposed to, including those that are part of the Pillar I minimum capital requirements estimation.

Table 8: ICAAP - List of Additional Internally Calculated Capital Requirements

Additional ICAAP CRs for P1:
Additional CRs for Credit Risk – from Stress Tests
Additional CRs for Market & Operational Risk
A. Total ICAAP CRs for Pillar I Risk categories
Additional ICAAP CRs for P2:
Concentration Risk to Shipping
Strategic Risk – Deviation of BP Core Income & Expenses Vs Actual
IRRBB – Stress Test max negative impact in NII & EVE, combined
Risk CRs increase from USD - denominated RWAs FX Appreciation against the EUR
B. Total ICAAP CRs of Additional Risks Considered
TOTAL Additional Internal CRs for Pillar II from ICAAP (A+B)

4. RISK MANAGEMENT FRAMEWORK

The Risk Management Unit comprises a vital part of the Bank's Internal Control System, forming together with the Compliance function, the backbone of the "second Line of defense" in the corporate governance process, whereas Internal Audit comprises the "third line of defense".

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

4.1. The Risk Management Policy

The Bank's Risk Management framework and the role of the Risk Management Unit is documented and outlined in the Bank's Risk Management Policy.

Through its Risk Management Policy, the Bank aims to establish the framework within which the risks inherent to all its activities are effectively identified, assessed, and managed. The policy is adopted and implemented by all employees involved in the Bank's risk-taking activities (including Senior Management), with the following goals:

- To identify the main risks and the areas of the Bank that are exposed to these risks;
- To develop appropriate risk management methodologies;
- To establish adequate systems and controls that enable effective risk management (e.g., measurement, monitoring, reporting);
- To align the BoD's strategic goals with the risks assumed by the Bank;
- To obtain regular BoD review of risk management procedures and activities;
- To minimize the level of possible and/or actual losses stemming from credit, market, liquidity and operational risks through sound systems and internal controls.

In more detail, pursuant to the policy, the Bank ensures that:

- All risks embedded in the products and activities of the Bank are promptly and appropriately identified, measured and managed;
- The risks identified are managed through adequate procedures and internal controls, and are accepted in advance by the BoD and/or other appropriate committees (e.g., ALCO, Credit Committee etc.);
- Exposures to various types of risks are closely monitored and timely reported to appropriate internal authorities of the Bank, for appropriate measures to be taken with the aim to control such;
- Adequate systems (e.g., IT Risk Systems) have been developed and established to support the effectiveness and efficiency of risk management;
- Transparency and accountability are supported and promoted, through clear communication and reporting lines;
- The staff involved in Risk Management possesses the necessary skills and resources to manage risks effectively and has good understanding of its role and responsibilities within the Risk Management Framework;
- The risk identification, assessment, management, monitoring, reporting activities and systems are appropriately and timely documented;
- All types of risks are not managed independently but on a combined basis, thus reducing the possibility of overlaps among risk types;

- The Risk Management Policies are reviewed on a periodical basis and modified accordingly by the appropriate internal authorities, in accordance with the Bank's overall business and strategic objectives.

4.2. Risk Management Governance

Pursuant to the Risk Management Policy Framework, the following responsibilities exist for the governance of Risk Management:

- **BoD**: Sets goals, approves policies and limits for Risk Management at a "global level" (i.e., Bank-wide applicable limit for the assumption of credit risk, market risk etc., or of specific groupings and/or concentrations thereof), thus approving the overall strategic framework of the Bank's core risk limitations. It also ensures that pertinent executives take all required measures to effectively manage risks, according to the approved policies, and monitors risk management measures systematically;
- **Audit Committee**: Supervises and monitors the risk identification, assessment and monitoring processes related to the Bank's operation, it ensures the effectiveness and the application of risk management and other related processes and provides an assessment of the completeness of the impairment methodology of the Bank's loans or other assets;
- **Internal Audit:** Reviews the effectiveness of the risk management policies and processes, as well as the adherence of the Bank's units to those policies. It also reviews the completeness and accuracy of the impairment process and its outcome;
- **Legal & Compliance Departments:** Provide advice for the development of the Risk Management Policy and its update and ensures compliance with the legal and regulatory framework;
- **Senior Management:** Ensures that risk management policies and processes are incorporated in the decision-making process;
- **ALCO:** Formulates the organizational strategy of the Bank in terms of management and structuring of assets and liabilities with the purpose to maximize the risk-return balance of the Bank's activities given the risk policies, the business plan and the risk appetite framework approved by the BoD for the relevant period;
- **Credit Committee:** Analyzes all loans to customers of the Bank, at an individual or portfolio basis, approves new loans and the credit review and the extension-refinancing of existing ones and, when necessary (by internal regulations), seeks additional approvals by the BoD. It also considers and approves the revision and analysis of any events that may affect the Bank's loan portfolio and pre-approves the loan impairments calculation and write offs (for onward approval by the BoD). The Credit Committee may also make recommendations for the appropriate amendment of credit risk policies;
- **ANPLs Committee:** Analyzes all Arrears and Non-Performing loans and approves relevant action proposed by the ANPLM officer, in accordance with the NPLs Management Strategy and the NPL policy.

The above responsibilities are also included in the Bank's OR (Internal Operating Regulation) and are graphically outlined in the Bank's Organizational Chart which is available on the Bank's website.

4.3. The Risk Management Unit

The Organizational Chart clearly depicts the structure of the Bank's Risk Management Unit (RMU) in accordance with the Risk Management Policy. It consists of the CRO, the Credit Risk Manager, the Market & Liquidity Risk Manager, and the Operational Risk Manager.

The RMU's operations are governed by the following principles (according to Governor's Act 2577/2006):

- Is administratively independent of executive units and units engaged with transactions or accounting activities and utilizing the risk analysis prepared by the RMU;
- Reports to the Senior Management, and the BoD, when appropriate;

- Is subject to Internal Audit Unit's review in terms of adequacy and efficiency of its procedures;
- Prepares reports/briefs the Senior Management and the BoD on matters within its responsibility, frequently (at least once a quarter);
- Has access to all activities and units, as well as to all the Bank's data and information required for its operations.

ABBank's risk management operations and those of the Risk Management Unit are outlined in detail in the Bank's Risk Procedures Manual. The Risk management unit has the following responsibilities:

- Oversees the appropriate implementation of the Risk Management Policy Framework and the detailed/specialized risk management policies across the Bank. Such detailed policies include:
    - The Credit Risk Management Policy;
    - The Market Risk Management Policy;
    - The Liquidity Risk Management Policy;
    - The Operational Risk Management Policy;
    - The Capital Management and Regulatory Reporting Policy.
- Develops and uses appropriate methodologies for all risks, including models for the identification, assessment, monitoring, controlling, reporting, and provisioning these risks, and evaluates the adequacy of the above on a regular basis, recommending corrective actions to then pertinent authorities of the Bank, where appropriate;
- Sets limits for each type of risk, monitors the above limits, and evaluates business lines' contribution in the Risk Management process;
- Determines the criteria which form the Bank's early warning system at the level of individual and consolidated exposures, and recommends appropriate procedures and monitoring rules for their treatment;
- Through the CRO, opines to the Senior Management, the ALCO and the BoD on the appropriate techniques for the maintenance of risks within acceptable levels;
- Performs stress tests, at least on an annual basis, based on specific scenarios, analyzes and reports the results and makes recommendations, where appropriate;
- Calculates capital requirements, using appropriate methodologies for their calculation in collaboration with the Finance, Accounting, and MIS Department;
- Participates in the development of procedures for business related issues, and in the evaluation process of major developments (e.g., mergers and acquisitions), to incorporate all appropriate risk management mechanisms and controls and ensure compliance with existing rules;
- Participates in business decisions and/or relevant approval processes where the Bank undertakes significant risks (e.g., granting new loans, restructuring of existing loans, investments, participations) related to matters and exposures that do not fall under predefined- general parameters;
- Monitors the overall portfolios' composition and performance and recommends any corrective actions to the Credit Committee or the ANPL Committee (e.g., restructuring/settlement of existing loans, examination of impairment indications of certain loans or portfolios, modification of the impairments policy etc.), whenever appropriate;
- Through the CRO, coordinates the evaluation of the Bank's internal and regulatory capital and participates in their evaluation by the supervisory authorities, acting also as a liaison between them and the Bank with regards to risk management, capital adequacy, and banking supervision issues.

The CRO is appointed by the BoD and such appointment (or replacement) is notified to the BoG. He/she is responsible for the supervision and coordination of the Risk Management operations of the Bank.

Moreover, together with the CFO and the Head of Treasury, the CRO is responsible for the monitoring and development of the Bank's Recovery Plan (members of the RP Team as well as the Crisis Management Team) and the monitoring and development of the Bank's Contingency Funding Plan (the "CFP", approved and oversighted by the ALCO and/or the Senior Management). Finally, the CRO is a core member of the Crisis Response Team (usually together with the CFO and the Treasurer, once more) under the CFP and the RP.

4.4. Risk Management Data and IT Systems

The Bank sources the granular data needed Risk Management from its Core Banking systems. Acknowledging the importance of ensuring data accuracy and quality, it has also set up control points and checks in all the steps of data extraction, manipulation, and aggregation processes.

In April 2020 the Bank agreed the acquisition and implementation of a Risk Management and Regulatory Reporting system, the OneSumX (OSX) of the Anglo-Dutch specialist firm Walters Kluwer. The implementation project commenced on June-20 and teams from Risk Management, IT, Finance as well as the vendor participated. Implementation of the first stage (Regulatory Reporting, covering all COREPs of the existing framework and the FINREP) was initially due for completion by February 2021, but due to certain drawbacks completion has now been postponed for Q4-21. The second stage shall commence thereafter and includes Pillar II capital applications and requirements (IRRBB, stress-testing etc.). The whole project comprises a major task for the standards of ABBank as it calls for upgrading of systems and processes, training, coordination, and reorganization of certain departmental and intra-departmental functions.

The new system processes for risk management and reporting purposes the data collected from (and appropriately bridged with) the Core Banking system, namely Globus/T-24. Until full implementation of OSX, for certain risk processing and reporting requirements the Bank uses its older application, RiskValue of Systemic. It is understood that full implementation of OSX will automate some of the processes/steps of data elaboration followed to date and outlined below:

For the information required for the Credit Risk Assessment (portfolio and account level), the Bank relies on:

- Loan information: Core Banking system (Globus T24, by Temenos), LD and SL modules;
- Collateral information: Core Banking system, Collateral module.

Granular data are recorded in Excel files to perform data quality checks, such as missing data or unexpected empty fields, to ensure consistency in the format of fields to allow proper operation of links between different accounts or collaterals, and to perform reconciliation checks of the raw data with the respective credit exposures data downloaded in the RV Credit module of RiskValue. Further reconciliation checks with accounting figures, corrections (if needed) and calculations performed by RV Credit follow, prior to downloading each COREP in the XBRL format required for regulatory reporting and submissions.

For stress-testing purposes of the Credit Risk portfolios, the reconciled data and calculations downloaded in the corresponding Excel Spreadsheet are used, and further processing is performed combining them with the models and data used for each stress test respectively.

For Market risk positions (per type, portfolio and itemized position level), the Bank relies on:

- For derivatives: Core Banking system (Globus T24, by Temenos), FX and Derivatives modules;
- For marketable securities: Core Banking system, Bonds module.

Reconciliation and data quality checks are also performed at a high level of granularity, by comparing the above with the dealing system's data and the working files of the Treasury Dept. as well as the Back Office. The raw data are then migrated to Excel Spreadsheets where data recalculation takes place, starting from the lowest available level of granularity i.e., per transaction, for reconciliation purposes with the accounting figures as well as the relevant COREP and FINREP requirements, before downloading the relevant COREP in the XBRL format required for regulatory reporting and submissions.

For the pricing of Market risk positions and stress-testing purposes, relevant Pricing and Risk Metric tools of the Bloomberg application are utilized.

For IRRBB the source data are obtained from the Core Banking systems outlined above and further analysis and calculations are performed for the evaluation of the Bank's NII and EVE under the pre-stress and stress scenarios applicable at each time.

The above analysis and refinement procedures are performed by the members of the RMU (each one dealing with the risk area he/she specializes in) and result checks and internal authorizations for reporting, by the Head of Risk.

4.5. Risk Management Strategy and Risk Appetite

The Risk Appetite Framework (RAF) outlines the levels and types of risk the Bank is prepared to undertake in the course of its corporate strategy and business development, providing for ordinary activity to be maintained in the case of occurrence of unexpected events that may have a negative impact on its capital, profitability and liquidity.

The Bank's RAF is set by the BoD, ensuring alignment with the Bank's strategy, while the overarching Risk Appetite principles and the detailed RAF targets and indicators are outlined in the Bank's Risk Management Policy Framework. Both the Risk Appetite principles and the RAF are applied by the business units and are overviewed by the Bank's Risk Management Unit.

The BoD does regularly revise the Bank's RAF in the context of Business Plan approvals, aiming to incorporate in the approved business and capital planning, the impact of unlikely but reasonable stress scenarios. Accordingly, the BoD defines a framework of specific key performance indicators (KPIs) and their risk-appetite level, together with the warning and trigger levels of possible pertinent countermeasures to such stresses. Consequently, the RAF is specifically depicted through a comprehensive set of KPIs, the number, nature and level of which has the purpose to indicate across the Bank the desired/targeted performance, being also sufficient to promptly alert the Bank in case of deteriorating conditions and possible need of corrective action in a variety of areas.

Specifically, for each selected KPI, the Bank has defined relevant thresholds that constitute a normal "green" performance as opposed to an "amber" or a "red" performance level. The "green" threshold defines the Bank's risk appetite level, the "amber" thresholds/zone define the Bank's risk bearing capacity and the "red" threshold defines the level beyond the Bank's risk bearing capacity i.e., the risk tolerance levels. When the risk tolerance levels are breached, i.e., the Bank operates beyond its risk bearing capacity, the entry of the Bank into the recovery zone is signified, meaning that is exposed to severe financial stress. Although the Bank may be able to continue its operations for a period of time this is not considered a sustainable situation. Therefore, adequate recovery actions need to be taken.

The selected indicators are considered adequate regarding the Bank's size and complexity and have been set by taking into consideration the Bank's characteristics, financial position, and possible changes in the economic environment.

5. CREDIT RISK

Credit risk is defined as the potential financial loss arising from the failure of an obligor or counterparty to meet its contractual obligation in accordance with the agreed terms. Credit risk is the most significant risk for the Bank and its effective identification, assessment, monitoring, and management constitutes an internally critical function.

ABBank's exposure to credit risk arises primarily from lending to corporate customers which largely consist of companies of the shipping industry and the service providers to that industry and, to a lesser extent, Greek SME, and larger companies active in major business sectors of the Greek economy, commercial real estate and renewable energy projects.

The Bank is not active in retail banking or leasing. The credit risk exposures classified as "Retail Exposures" exclusively refer to staff loans extended by the Bank to its employees.

ABBank's credit risk exposure also arises from its own investment activities, treasury management activities, trading operations in the derivatives market and foreign exchange markets as well as in the settlement of securities trades.

The Table below outlines the credit risk exposure per regulatory asset class/category:

Table 9: ABBank Credit Risk Exposures per Regulatory Asset Class/Category

Credit Risk Exposures *(€ '000)*	**2021**	**2020**
Gross Value of Exposure to:		
Central Governments and Central Banks	339.689	117.808
o/w Central Governments *– Investment Bonds/Marketable Securities*	*100.939*	*59.467*
Banks and Financial Institutions	69.985	94.828
o/w Banks & Fin. Institutions – Investment Bonds/Marketable Securities	-	*4.854*
Corporates - Performing	652.222	421.968
o/w Corporates – Investment Bonds/Marketable Securities	*6.438*	*6.784*
Corporates – Non-Performing	10.823	24.529
Retail	0.513	0.420
Other Assets	17.614	16.946
Total Credit Risk Exposures (Gross)	**1.090.846**	**676.499**

The amount of risk associated with the credit exposures depends on various factors such as:

- general economic conditions and financial stability;
- market developments;
- the overall financial condition of the debtor and its business activity;
- the amount of the exposure along with the duration and the type of exposure;
- the existence of collaterals and guarantees.

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

5.1. Loan Exposures to Corporates - Credit Risk Measurement

Given that the Bank's shipping loans portfolio mainly consists of unrated by External Credit Risk Assessment Institutions (ECRAIs) obligors of the shipping sector, the Bank has established and follows its own, ten-grade, credit risk rating system. Although some of the non-shipping loan customers/borrowers are rated by local ECAIs, for consistency and comparability purposes, the Bank also uses for them its internal ten-grade credit rating system.

5.1.1. Credit Rating and Credit Approval Process

For the purposes of assessing and rating its credit risk coming from loan exposures, the Bank has established and implements a 10-grade internal rating system, ranging from "1 - Excellent" to "10 - Loss". The evaluation is based on the financial strength and the appraised creditworthiness of each obligor. The Bank has also developed, in direct mapping to its original rating scale, a similar 10-grade rating system for its non-shipping exposures.

Credit evaluation and rating takes into account both the quantitative and qualitative characteristics of each obligor, including the performance it has demonstrated over its commitments, in conjunction with the characteristics of the credit proposal under consideration and the conditions and developments in the relevant market sector.

Evaluation and review of all credit limits and obligor groups, irrespective of amount, require the approval of the Bank's 5-member Credit Committee. If the total 'one-obligor/group' exposure exceeds 15% of the accounting value of the Bank's net worth, the cumulative approval of the Bank's BoD is also required.

Reviews are performed at least once a year for limits rated at "1-EXCELENT" through "5-SATISFACTORY" (inclusive). Limits rated as "6-ACCEPTABLE" or below "watch-listed" are reviewed more often (at least semi-annually). The proposal for evaluation of a new credit or the review of existing ones is compiled and submitted by the Business Units ("BUs", shipping and non-shipping sections) and it is also assessed "endorsed" by the Credit Risk Management section of the Risk Management Department. The Credit Committee considers both the proposal and evaluation of the proposing unit/officer and the endorsement of Credit Risk Management.

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 Unit 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 of lesser credit quality who have not defaulted on their contractual obligations, or who have undergone a mild 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 which is duly performed, 1 grade corresponds to obligors who have recorded continuing payment defaults or 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 (Denounced).

Table 10: Credit risk rating system

Rating	Creditworthiness	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 full collectability prospects through mild restructuring only.
7	Vulnerable	Limit exposure / Maintain relationship subject to strong collateral. Improve full collectability prospects through restructuring (distress restructuring included. as ultimate measure only).
8	Substandard	Limit exposure / Restructure (distress) subject to very strong collateral and/or much stronger debt servicing potential (NPE forborne/UTP)
9	Doubtful	Restructure / Terminate relationship through liquidation. Enforce legal rights with the aim to avoid incurring tangible loss (NPE/Denounced).
10	Loss	Terminate relationship through liquidation. Enforce legal rights or restructuring (distress/NPE forborne) with the aim to limit loss (NPE/Denounced).

Further to the above regular review procedure, at least once a year (usually following each year-end) the Credit Risk Management section performs a "portfolio-wide" review and reassessment of all obligors and limits. The purpose of this review is to operate as a "safety-net" for the Bank's credit evaluation process, whereby the as of year-end credit rating of all obligors is re-examined and finalized in order to cover cases of delays in the preparation and submission of ordinary reviews by the pertinent sections of the BUs, or review approvals performed duly but early in the year (e.g., Q1 of the referenced year) and material changes in market conditions and/or the financial standing of the relevant obligors that may have occurred since. The portfolio-wide review is also considered and approved by the Credit Committee.

Notably, exposures classified as Performing, are monitored, and handled by an independent unit (ANPLM Unit), and are discussed and approved by a separate committee, the ANPL Credit Committee. ANPLs may be credit-rated from "7-Vulnerable" and below and are certainly rated from "8-Substandard" and below (thus, the credits rated in the four lower levels may not necessarily all fall under the auspices of the ANPLM unit).

5.1.1.a Credit Rating Tool for Shipping Exposures

The Bank has developed its own credit rating model and rating tool for shipping exposures. The development of the credit rating model is based on the statistical analysis of the historical information and characteristics of the Bank's shipping portfolio, as evaluated through an existing scoring model that the Bank has been using for stress-testing purposes, which has been developed pursuant to the slotting criteria for object finance – Shipping, of the IRB-Foundation Approach. The model was completed and implemented complementarily to the Bank's judgmental approach in 4Q-2020, while it has been fully and exclusively incorporated in the credit rating process for shipping exposures as of 1.1.2021.

The shipping rating model comprises 15 criteria, of which 6 (six) are borrower/group-specific and 9 (nine) are facility-specific, with assigned fixed weights that have been determined through the statistical analysis mentioned above. The evaluation of such parameters produces a rating score for each facility and, consequently, for each obligor group, the latter being mapped to the internal 10-scale credit rating system. It is clarified that, for the time being, the produced scores have not been assigned with probabilities of default, as the model's development has been based on the Bank's individual credit datasets, referring to a historically low-default portfolio, which cannot produce statistically reliable default parameters (PD, LGD). The table below summarizes the characteristics evaluated in the Credit Rating Tool for the production of the shipping obligors' credit ratings:

Table 11: Table of the Shipping Credits Rating Tool Criteria

ABB Credit Rating Tool for Shipping Exposures Overview of Evaluation Criteria		
Group Criteria	1.	Group's history/experience in the operation of vessels
	2.	Size of Group's owned fleet (average last 3 years)
	3.	Group's cashflow diversification
	4.	Group's recent financial status and performance, including compliance with financial covenants
	5.	Group's capacity to mitigate financial shortcomings in next 2 years and remedy ACR breach under the facility (i.e., capacity to absorb market decline from present levels; incl. current assets/liabilities, contingencies and known free liquid assets held outside the financial statements)
	6.	Group's track record in servicing financial obligations (incl. reputation)
Facility Criteria	1.	Manager's technical and commercial track-record, reputation and capacity for such vessel and relevant licenses
	2.	Size of fleet under management in the subject shipping sector/segment (average last 3 years)
	3.	Vessel's relative characteristics vs. market norms (incl. design, additional equipment, maintenance, technical advantages etc.). For niche types, scale down
	4.	Current commercial and/or financial arrangements of vessel restricting "saleability" (e.g., unfavorable TCs, requirement to prepay additional amounts/tranches etc.)
	5.	Certainty of income flow (Charter duration, quality, strength, and reputation of charterer)
	6.	Projected debt servicing capacity (CF projections basis) throughout loan tenor and balloon refinancing risk
	7.	Facility's repayment curve (normal, backloaded, front-loaded, grace, bullet)
	8.	Facility asset cover ratio
	9.	Completeness of facility's security package

In both the previous (judgmental) methodology and under the Credit Rating Tool, the rating and classification is reported at the obligor group level. However, in certain cases the classification is maintained at loan facility

level, if the latter entails distinctly different risk characteristics from other exposures towards the obligor/group (e.g., fully cash-collateralized exposures, where the specific RWA as well as LGD and consequently EL are eliminated).

5.1.1.b Credit Rating Tool for Non-Shipping Exposures

During Q4-2021, the Bank commenced the implementation of a local external credit rating system for its non-shipping corporate exposures, considering the growth of such portfolio particularly during 2020-2021, and the diversity of the respective obligors/exposures. In cooperation with its service provider/credit rating agency, the Bank has completed the necessary tests and training, in order to ensure the smooth integration of the tool in its credit evaluation processes by the end of Q3-2022.

The credit model evaluates a number of quantitative and qualitative criteria by combining information input by the user, transactional behavior data obtained directly from the Bank's core system, as well as the latest publicly available information which is maintained in the provider's database. The final output is a credit score which is presented on a 10-scale grade scale, accompanied by an assigned probability of default. It is noted that such tool shall cover all obligors who maintain double-entry books (Category C) and therefore cannot be used to cover the full range of the Bank's non-shipping exposures, such as object/project finance limits (which, notably, include CRE facilities, loans for the construction of renewable energy production facilities etc.). The latter shall continue to be rated on the basis of the Bank's internal rating scale, following the synthesis and amalgamation of specific economic and technical factors relevant to such exposures.

5.1.1.c Credit Rating Status as of 31.12.2021 and 31.12.2020

The following table depicts the evolution of the internal credit rating distribution of all Bank's loan exposures to Corporates in the last three years. Total Amounts of the approved limits/exposures are quoted on the basis of the gross amounts of the on-and-off-Balance Sheet exposures – i.e., the approved credit limits – not including accrued interest and unamortized loan commissions, as at the relevant reference date.

Table 12: Table of the Shipping Credits Rating Tool Criteria

INTERNAL CREDIT RATING OF OBLIGORS	31st December 2021		31st December 2020	
	Total Original Credit Limits (€ '000)	% of Total Limits	Total Original Credit Limits (€ '000)	% of Total Limits
1 – Excellent	€ 0	**0.0%**	€ 0	**0.0%**
2 – Strong	€ 44,352	**6.5%**	€ 3,666	**0.8%**
3 – Very Good	€ 197,013	**28.8%**	€ 77,831	**17.6%**
4 – Good	€ 208,668	**30.5%**	€ 156,673	**35.5%**
5 – Satisfactory	€ 200,301	**29.3%**	€ 156,822	**35.5%**
6 – Acceptable	€ 22,862	**3.3%**	€ 19,209	**4.3%**
7 – Vulnerable	€ 0	**0.0%**	€ 7,364	**1.7%**
8 – Substandard	€ 0	**0.0%**	€ 3,413	**0.8%**
9 – Doubtful	€ 9,989	**1.5%**	€ 16,596	**3.8%**
10 – Loss	€ 843	**0.1%**	€ 0	**0.0%**
Total	**€ 684,027**	**100.0%**	**€ 441,574**	**100.0%**
Annual Difference:	***+€ 242,453***	***+54.9%***	***+€ 127,729***	***+40.7%***

From the above table's data, it is evident that the Bank's credit expansion over the last years has had a positive impact on the overall credit quality of the loan portfolio, as it was mostly focused on obligors of higher creditworthiness. In 2021, the allocation of obligors within the upper half of the credit risk classes increased further, accounting for 95% of total credit limits as of 31.12.2021 (89.5% in 2020 and 85% in 2019).

5.1.1.d Sectors Financed

The table below depicts the distribution of ABBank's loans portfolio per financed sector, split between the shipping and the non-shipping sub-sectors. The distribution is presented on the basis of total gross exposure principal amounts (approved credit limits for on-and-off-Balance Sheet exposures, without interest accruals and unamortized loan commissions), at the end of 2021 and 2020.

Both as of 31.12.2021 and 31.12.2020, the non-shipping exposures comprise ca. 17% of the total credit limits, with a significant increase in the Energy category, which recorded the largest growth YoY, both in absolute and

relative terms (+ €29.3 mil / +160%). The Construction sector followed the growth trend with an increase of +27% (€3.8 mil), while the Manufacturing and the CRE sectors expanded at a similar pace of +17% (€3.1 mil) and +16% (€3.0 mil) respectively. Given the slower growth rate, the CRE sector currently constitutes the second largest non-shipping exposure category, from being the first, a year ago. It is noted that, with the exception of the CRE and Energy sectors, which include the majority of the long-term non-shipping exposures, all other categories comprise mainly short-term overdraft facilities for working capital and issuance of letters of guarantee, secured primarily by pledged cash, trade and other receivables, real estate properties and corporate or personal guarantees.

With regard to the shipping exposures, which account for 83% of the total limits in both years, the loan portfolio is generally diversified among the various shipping sectors and correlates with the distribution of the world commercial fleet. Hence, the larger concentrations in the main tanker and the dry bulk markets have been maintained fairly stable year-on-year and are reasonable, as these constitute (i) the largest/main shipping sectors, but also (ii) the sectors with traditionally stronger presence of the Greek-owned shipping (as opposed for example to the Containership sector).

Table 13: Loans to Corporates - Credit Limits Segmentation per Sector

	Market / Sector financed	% of Original Total Exposures to Customers **as of 31.12.2021**	% of Original Total Exposures to Customers **as of 31.12.2020**
A.	***Shipping Exposures***	***83.4%***	***83.3%***
1.	*Crude Oil Tankers*	*10.3%*	*13.2%*
2.	*Oil Products Tankers*	*14.3%*	*10.9%*
3.	*Specialized / Bunkering Tankers*	*2.5%*	*6.0%*
4.	*Dry Bulk Carriers*	*34.1%*	*30.5%*
5.	*Containerships*	*2.5%*	*1.0%*
6.	*Passenger/Car Carriers (Ro-Pax, Ro-Ro)*	*3.6%*	*6.5%*
7.	*Pure Car/Truck Carriers*	*0.6%*	*1.0%*
8.	*Offshore Support Vessels*	*2.4%*	*2.7%*
9.	*Other Shipping & Shipping Services*	*13.1%*	*11.5%*
B.	***Non-shipping Exposures***	***16.6%***	***16.7%***
1.	*Commercial Real Estate*	*3.3%*	*4.4%*
2.	*Energy (including Renewable Energy)*	*7.0%*	*4.1%*
3.	*Manufacturing*	*3.1%*	*4.1%*
4.	*Construction*	*2.6%*	*3.1%*
5.	*Wholesale*	*0.6%*	*0.8%*
6.	*Retail*	*0.0%*	*0.1%*
7.	*Other*	*0.1%*	*0.0%*

It is noted that the Bank predominantly finances oceangoing shipping. As of 31.12.2021 the loan facilities for oceangoing vessels comprised 80% of the shipping portfolio and 67% of the total loan's portfolio, versus 81% and 65% respectively in 2020. Out of the balance, 4.4% concerns limit towards the Greek ferry sector (2020: 8.0%) and 13.1% financed shipping services and other shipping sectors (2020: 11.4%).

5.1.1.e Country Risk

As regards the shipping loans portfolio, despite the weight of the Greek-owned shipping companies, the offshore legal status of the obligors, their international activity and the vast presence of oceangoing shipping in the portfolio prevent the creation of concentrations by country, particularly in connection with Greece, and any impact of local economic developments on the quality of the portfolio. On the other hand, the non-shipping loans portfolio has a more direct correlation with Greek economic developments.

5.1.1.f Loan Securities and Collateral – Credit Risk Mitigation Techniques

The most common practice used by the Bank to mitigate credit risk is requiring collateral for loans and advances to customers.

The main types of acceptable collateral for loans and advances to customers are the following:

- vessel mortgages;
- immovable property prenotation/mortgages;
- assignment of earnings, insurances, and pledge of receivables;
- various forms of financial collateral;
- corporate and personal guarantees.

The collateral associated with a credit facility 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.

The securities and collateral of the Bank's loans portfolio remain heavily concentrated on shipping, due to the relevant focus on shipping exposures, although during 2020 and 2021 a significant increase of real estate collateral is observed, given the Bank's expansion in such sector.

The shipping loans portfolio is secured by ship mortgages, pledges and assignments of earnings, insurances, shipbuilding contracts, charter parties, corporate or personal guarantees, cash collaterals and/or pledges over customer accounts.

The non-shipping exposures are secured by corporate or personal guarantees, pledge and/or assignments of accounts receivable, as well as tangible collateral (mainly real estate). As of 31.12.2021, the Bank had thirteen (13) non-shipping corporate exposures secured by mortgage collateral over real estate properties (mainly commercial real estate properties).

At year-end 2021, the Bank's shipping credits financed and were secured by 99 mortgaged ships of various types (2020: 96), besides the other securities, collaterals and guarantees mentioned above. The mortgaged fleet had an average age of 16 years (2020: 16) and its total market value alone covered the respective net (on- and off-balance sheet) exposures by approximately 242%, if calculated after provisions & cash collateral (2020: 175%).

The exposures secured by immovable property at year-end 2021 are connected to non-shipping credits of the Bank, secured by 18 real estate properties (2020: 10), comprising mostly CREs (offices, shops, warehouses) as well as plots of land and a production facility. Their total market value alone covered the respective net (on- and off-balance sheet) exposures by approximately 226%, if calculated after provisions and cash collateral (2020: 190%).

Notwithstanding the above, the securities and collateral recognized for regulatory purposes to offer "credit protection" (eligible credit risk mitigation techniques) are only the financial collateral "funded credit protection" and certain guarantees "unfunded credit protection", under specific conditions and the utilization of predetermined methodologies (Basic Approach, Articles 192-241, EU Regulation 575/2013).

More precisely, the types of financial collateral which are recognized, in a regulatory context, as a form of credit risk mitigation, reducing the effective exposure to be weighted are:

- Cash or cash equivalent instruments;
- Equity securities included on a main index of a recognized stock exchange;
- Debt securities traded in recognized markets;
- Pledged securities or guarantees issued by the Greek government or other central governments or central banks and public sector entities;
- Guarantees and counter-guarantees of financial institutions.

It is noted that the shipping securities and collateral customarily obtained by the Bank for its shipping credits do not form supervisory eligible credit risk mitigation techniques. Consequently, the main form of Funded Credit Protection taken into account in the calculation of the portfolio's credit risk mitigation, the calculation of RWA and CR, is the cash pledge/collateral provided by the obligors/guarantors of the respective exposures.

As of 31.12.2021, the cash collateral pledged in favor of the Bank to secure credit exposures amounted to €65.2 mil, €28.6 mil thereof collateralizing on-balance sheet exposures (5.1% cover of post-impairments exposure) and the remaining €36.6 mil collateralizing off balance sheet exposures (44.0% cover of post-impairments exposure). On 31.12.2020 the total cash collateral amount stood at €16.6 mil, €10.2 mil thereof securing on balance sheet exposures (2.8% of post-impairments exposure) and €6.4 mil securing off balance sheet exposures (10.7% of post-impairments exposures). The annual change of +€48.5 mil and +290% in the total cash collateral value is mainly linked to the growth of the cash-collateralized exposures (off balance sheet) letters of guarantee.

5.2. Credit Quality of Financial Assets

Under paragraph 5.5.1 of the IFRS 9, financial institutions should recognize loss allowance for Expected Credit Losses (ECL) for every asset measured at Amortized Cost (AC) or Fair Value through Other Comprehensive income (FVOCI), irrespective of the existence of objective evidence of impairment. For credit impaired assets and assets that display a Significant Increase in Credit Risk (SICR), the Bank should recognize ECLs over their lifetime, whereas the remaining financial assets are measured for ECL over a period of twelve (12) months.

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.

5.2.1. ECL for Loans and Advances to Customers

Significant Increase in Credit Risk (SICR): The Bank uses a combination of criteria for the purposes of identifying a Significant Increase in Credit Risk, as follows:

(a) Relative rate thresholds: 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 result of such downgrade, fall within the credit ratings five (5) and seven (7) of the Bank's 10-scale internal credit rating system;

(b) Forbearance: The Bank classifies all forborne performing exposures (FPE) as having a SICR;

(c) Backstop indicators: The Bank applies the criterion of 30 days past due for the identification of SICR;

(d) Defaulted Exposures: 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" and BoG ECA 181/28.01.2021. 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.

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

- *Stage 1*: Includes exposures that do not exhibit a SICR and must: (i) be rated within the upper 4 ranks of the Bank's internal credit rating system or in rank 5 or below but without having been downgraded by more than 1 notch since their initial recognition, (ii) not be classified as forborne or defaulted exposures, and (iii) not have material obligations that are past due more than 30 days. The Bank calculates 12-month ECL for exposures allocated in Stage 1;
- *Stage 2:* Includes exposures that exhibit a SICR as per the aforementioned indicators and may fulfil any of the following conditions: (i) be classified as forborne performing, (ii) be rated at 5 or below in the Bank's internal credit rating system and exhibit a SICR, without being classified as forborne, or (iii) have material obligations which are between 30 and 90 days past due. The Bank calculates lifetime ECL for Stage 2 exposures;

- *Stage 3:* Includes all credit exposures which are defaulted or impaired and may fulfil any of the following conditions: (i) fall under the Bank's definition of default, (ii) are rated at the lower 3 categories of the Bank's internal credit rating system or are non-performing forborne exposures, (iii) a specific impairment loss has already been recorded for them (applicable only during the transition from IAS 39 to IFRS 9). The Bank calculates lifetime ECL for Stage 3 exposures.

The continuous credit monitoring and reassessment of the obligors' credit rating constitutes a fundamental principle of the Bank's credit policy and relevant procedures. Each obligor is reviewed and re-evaluated at least annually. Consequently, the reasons for which exposure may be allocated in another Stage have already been incorporated in the internal credit rating of the respective obligor.

Nevertheless, for the avoidance of any omissions during the regular annual review of each obligor and/or credit limit, as well as for prudency purposes towards any development in a market sector or the financial position of an obligor which may have occurred after the latest review, the Credit Committee and the ANPLs Committee conduct a specific meeting, within the first quarter following the year-end, with the purpose of reviewing and validating the internal credit ratings of all obligors and credit limits of the portfolio. During the review process, the Credit Risk Management Section of the Risk Management Department documents and proposes the approval of credit rating downgrades or (less frequently) upgrades for specific obligors or credit limits. The relevant approvals by the competent Committees formulate the final rating of all obligors as at the year-end and determine/confirm the allocation of the exposures in stages pursuant to the previous paragraphs.

ECL Calculation Methodology: The Bank assesses the impairment losses on individual facility level as, due to the small size and diversity of the Bank's loans portfolio, such approach is deemed to be the most accurate and efficient for the Bank's needs. Therefore, the stage allocation and expected credit loss calculation is conducted per borrower exposure. Exceptions to the above may include cases whereby certain exposures to a specific group are legally or commercially bound.

The Bank uses a discounted cash flow methodology to evaluate the expected credit loss on its exposures and estimates the present value of the cash flows that it anticipates to receive in respect of a loan over the applicable test horizon (including the present value of the collaterals' residual values), versus the net loan exposure (i.e., after giving effect to the credit risk mitigation provided by any relevant cash collateral). 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 assessment is performed under a baseline and an adverse scenario and the probability weighted average of the two scenarios (currently set at 60% for the base case and 40% for the adverse) results in the ECL for each exposure. In cases where no ECL is produced under either scenario, the Bank calculates a flat ECL by multiplying the net exposure amount by the Bank's actual loss rate derived from its historical data (currently standing at 0.33% but rounded upwards to 0.40% for the purpose of the impairment test).

Regarding its shipping corporate loan exposures, the Bank integrates future economic developments by using expected freight rates (the market's 1-year and 3-year Time Charter rates offered per relevant type of ship at the time of the impairment calculation/testing) to estimate the impact on expected cash flows and collateral liquidation values. Market value of collateral is assessed either through straight line depreciation after considering 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 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.

Regarding 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 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.

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 exposures into Stage 2 nor into Stage 3.

The impairment test is performed by the Credit Risk Management Section, based on the information and input obtained by the Bank's business units (Business Development Dept. and Corporate Finance Dept.) and the ANPLM unit. The results are reviewed and approved by the Bank's Credit Committee and ANPLs Committee and are ratified by the Bank's BoD together with the approval of the Bank's financial statements for the same year.

5.2.2. ECL for Debt Securities

The Bank's estimated ECL for debt securities is the output of a probability weighted model for each scenario with several 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. Moreover, There are two PD types that are used for the expected credit loss calculation (i) 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; and (ii) Lifetime PD: the PD over the remaining lifetime of the debt instrument, which is effectively the sum of the marginal PDs with the latter being the incremental probability of default in a specific time period - lifetime PD is used for the estimation of the lifetime ECL on Stage 2.

The impairment test is performed by the Market Risk Management Section. As in the case of loans, the ECL calculation is performed under a baseline and an adverse scenario and the probability weighted average of the two scenarios (currently set at 60% for the base case and 40% for the adverse) results in the ECL for each exposure. The baseline scenario considers the latest credit rating (and possible downgrade) assigned to each issuer by ECAIs and the PD and LGD factors assigned to each notch per type of issuer by same, whereas under the adverse scenario the above PD and LGD factors are increased by 200% and 20%, respectively. The results are reviewed and approved by the Bank's ALCO and are ratified by the Bank's BoD together with the approval of the Bank's financial statements for the same year.

5.3. Non-Performing and Forborne Exposures

The management of Non-Performing Exposures is conducted by a specific, dedicated unit of the Bank, while relevant credit approvals are distinctly under the competence of the ANPL Credit Committee.

The Executive Committee of the Bank of Greece (ECA/BoG) has issued Act 175/2020 and Act 181/2021 with regard to the management of non-performing and forborne exposures. Particularly, on the 28th of January 2021, the BoG issued the ECA 181/18.01.2021 to adopt the EBA/GL/2016/07 guidelines which set a more conservative and stricter framework regarding the recognition and classification of the Non-Performing Exposures of a Credit Institution.

ABBank has established relevant policies and procedures which also comply with best practices in relation to such exposures. Moreover, in the course of the revision of its Credit and NPE Policies, the Bank had already incorporated and implemented the new Definition of Default since 2020, in an effort to timely adjust and align its reporting information with the regulatory requirements. As a result, the Bank already recognizes and flags in its system as defaulted (non-performing) exposures, both those meeting the past due criterion, as well as those meeting the unlikely-to-pay criteria (including distressed restructuring) defined in the Bank's policies.

The following tables provide a summary of the credit quality of non-performing exposures and related impairments as of 31 December 2021 and 31 December 2020:

Table 14: CR1 - Credit quality of assets

Amounts in € '000 2021	Gross carrying values of		Allowances / impairments	Net Values
	Defaulted exposures	Non-defaulted exposures		
Total Loans & Advances	**10,823**	**631,588**	**-7,614**	**634,796**
To Banks and Fis	0,00	68,714	0,00	68,714
To Non-Financial Customers	10,823	562,874	-7,614	566,082
Total Debt Securities	**0,00**	**107,385**	**-251**	**107,134**
At Amortized Cost	0,00	39,318	-5	39,314
At FVOCI	0,00	68,067	*-246*	67,821
Total Off-balance sheet exposures	**0,00**	**68,699**	**-84**	**68,614**
Total	**10,823**	**807,671**	**-7,949**	**810,545**
Amounts in € '000 2020	Gross carrying values of		Allowances / impairments	Net Values
	Defaulted exposures	Non-defaulted exposures		
Total Loans & Advances	**24,506**	**444,972**	**-10,048**	**459,430**
To Banks and Fis	0,00	89,441	0,00	89,441
To Non-Financial Customers	24,506	355,531	-10,048	369,989
Total Debt Securities	**0,00**	**71,174**	**-290**	**70,884**
At Amortized Cost	0,00	51,322	-133	51,189
At FVOCI	0,00	19,852	*-156*	19,695
Total Off-balance sheet exposures	**0,00**	**29,476**	**-47**	**29,429**
Total	**24,506**	**545,622**	**-10,385**	**559,743**

As demonstrated in the above table, during 2021 the NPL balances declined by €13.7 mil, to €10.8 mil as of 31.12.2021, from €24.5 mil in 2020. This movement is mainly driven by recoveries and the reclassification of certain Forborne NPEs into Forborne Performing Exposures.

The following table provides an overview of the movements (inflows and outflows) of non-performing loans and advances as of 31 December 2021 and 31 December 2020.

Table 15: CR2 - Changes in stock of defaulted loans and debt securities

Amounts in € '000	Gross carrying amount	
	2021	**2020**
Defaulted loans and debt securities at end of the previous reporting period	24,506	26,067
Loans and debt securities that have defaulted since the last reporting period	0,00	711
Returned to non-defaulted status	-10,626	-1,193
Amounts written off	-3,315	0,00
Other changes	257	-1,079
Defaulted loans and debt securities at end of the reporting period	10,823	24,506

5.4. Analysis of Collaterals

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. In more detail, it should be mentioned that collateral amount has been reported according to IFRS standards (not CRR standards), since all Shipping Loans are secured by mortgages on ships (collateral which not included in the supervisory recognized) and their amounts are capped to the total exposure of each loan, considering that their market value at the reporting date may be greater.

The below tables provide an analysis of the closing balance as of 31.12.2021 and 31.12.2020 of collaterals held for all stages of loans and advances to customers at amortized cost and off-balance sheet exposures:

Table 16: CR3 - Analysis of the closing balance & Collateral and guarantees breakdown.

Amounts in € '000 **Analysis of the closing balance as of 31.12.2021**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Collateral amount				
Loans and advances to shipping corporations	521,431	11,604	10,028	543,063
Loans and advances to corporate sector	57,014	3,373	-	60,387
Other loans & Staff loans	-	-	-	-
Total Loans and advances to customers	578,445	14,977	10,028	603,450
31.12.2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Collateral amount				
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**

Amounts in € '000 **Breakdown of collateral and guarantees as of 31.12.2021**	**Real estate collateral**	**Financial collateral**	**Other collateral / Vessels**	**Total value of collateral**
Collaterals and guarantees of loans and advances	40,929	99,262	463,259	603,450
Total	**40,929**	**99,262**	**463,259**	**603,450**
31.12.2020	**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**

5.5. Standardized Approach - Capital Requirements

The Bank applies the Standardized approach for the assessment of its credit risk exposure to the entire part of its credit facilities. Moreover, the Standardized approach is applied for credit exposures with sovereign and financial institutions counterparties, as well as with corporate bond issuers.

It is of note that on both 31.12.2021 and 31.12.2020 the Bank's exposures to financial institutions in the form of liquidity placements and balances in nostro accounts with correspondent banks (of €68.7 mil and €89.4 mil respectively) refer to Bank deposits/placements of mainly overnight maturity and, to a lesser extent, much lesser extent, one week maturity and no ECL has been calculated thereof.

Credit ratings are retrieved from the Bank's credit risk rating system as it is described in Section 5.1 above.

The table below provides an analysis of credit risk exposures (excluding CCR) before and after the application of CCF and CRM techniques, as well as RWA and RWA densities broken down by regulatory exposure classes and a split in on-and-off-balance sheet exposures for the Standardized Approach:

Table 17: CR4 - SA – credit risk exposure and credit risk mitigation (CRM) effects.

Amounts in € '000 2021	Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Asset classes	On balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and central banks	339,513	-	339,513	-	-	0.0%
Banks	68,715	1,270	68,715	1,270	14,861	21.3%
Corporates	566,493	83,340	537,714	12,414	550,128	100.0%
Of which: specialized lending (Shipping)	*482,246*	*54,052*	*454,995*	*6,787*	*461,782*	*100.0%*
Retail	513	-	513	-	384	75.0%
Defaulted exposures	5,441	-	5,441	-	8,161	150.0%
Other assets	17,614	-	17,614	-	16,275	92.4%
Total	998,288	84,610	969,510	13,684	589,809	59.9%

Amounts in € '000 2020	Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	117,726	-	117,726	-	-	0.0%
Banks	94,096	537	94,096	537	25,611	27.1%
Corporates	360,814	60,026	350,606	9,093	359,698	100.0%
Of which: specialized lending (Shipping)	*315,012*	*27,892*	*304,954*	*4,648*	*309,602*	*100.0%*
Retail	420	-	420	-	315	75.0%
Defaulted exposures	15,549	-	15,539	-	23,309	150.0%
Other assets	16,946	-	16,946	-	15,698	92.0%
Total	605,551	60,563	595,334	9,630	424,631	70.2%

The following table provides an analysis of credit risk exposures (after the application of CCF and CRM techniques) per regulatory exposure class, assigned to the standardized approach risk weights.

Table 18: CR5 - Standardized approach – exposures by asset classes and risk weights.

Amounts in € '000 2021	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Exposure Classes									
Sovereigns and their central banks	339,513								
Banks			67,106	2,879					14,861
Corporates						550,128			550,128
Of which: specialized lending (Shipping)						*461,782*			*461,782*
Retail					513				384
Defaulted exposures							5,441		8,161
Other assets	1,339					16,275			16,275
Total	339,513		67,106	2,879	513	669,836	5.441		589,809

Amounts in € '000 2020	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Exposure Classes									
Sovereigns and their central banks	117,513								
Banks			87,883		2,091		4,659		25,611
Corporates						359,698			359,698
Of which: specialized lending (Shipping)						*309,602*			*309,602*
Retail					420				315
Defaulted exposures							15,539		23,309
Other assets	1,248					15,698			15,698
Total	339,513		67,106	2,879	513	669,836	5.441		424,631

5.6 Sovereign Exposures Breakdown

In 2021 the *gross* exposures to Central Governments and Central Banks increased by €221.9 mil or 188% YoY, to €339.7 mil on 31.12.2021 from €117.8 mil on 31.12.2020, now representing 31.1 % of the total gross balance of the Bank's credit risk exposures (2020: 17.4%). Total ECL/impairment amounts charged to this asset class stood at €0.176 mil as of 31.12.2021 and €0.082 mil as of 31.12.2020.

The table below presents an abridged position of the *gross* value of the different types of sovereign exposures of the Bank on 31.12.2021 and 31.12.2021:

Table 19: Credit Exposures to Central Banks and Central Governments

Gross Exposures to: Central Banks and Central Governments (€' 000)	Gross Value 31.12.2021	% of Total 2021	Gross Value 31.12.2020	% of Total 2020
Greek Government T-Bills	€ 45,030	13.3%	€ 15,001	12.7%
Greek Government Bonds	€ 16,591	4.9%	€ 887	0.8%
Government Bonds of other EU Members	€ 39,318	11.6%	€ 43,579	37.0%
Other Exposures to Greek State (VAT, Income tax assets)	€ 875	0.3%	€ 207	0.2%
Balances with the Central Bank (BoG)	€ 237,876	70.0%	€ 58,134	49.3%
Total	**€ 339,690**	**100%**	**€ 117,808**	**100%**

The table below has a breakdown of ABBank's sovereign exposures, by country with values expressed net of ECL/Impairment charges (CRM).

Table 20: SOV1 - Sovereign Exposures Breakdown

Amounts in € '000	Banking book sovereign exposures [2] (after CCF and CRM)	
Country[3] (in alphabetical order)	2021	2020
Austria	2,124	2,166
Cyprus	11,129	11,172
France	-	2,001
Germany	-	2,072
Greece	300,199	74,153
Italy	11,915	11,976
Portugal	6,091	6,101
Spain	8,055	8,085
Total	339,513	117,726

2 Amounts refer to On and Off-Balance Sheet exposures. All exposures comprise EUR-denominated exposures, EUR being the domestic currency of each of the above counterparties.

3 Significant jurisdiction where the counterparties are located

6. COUNTERPARTY CREDIT RISK

Counterparty Credit Risk refers to the possibility that the Bank may suffer a loss when a counterparty in an off-balance sheet transaction (derivative transaction) with a positive value, default on its obligations towards the Bank before the contract expires. According to the current regulatory framework, transactions involving counterparty risk are:

- Over the counter (OTC) interest rate or currency derivative transactions;
- Securities or commodity financing, lending or borrowing transactions;
- Margin lending transactions;
- Transactions with a long settlement period.

For the calculation of the relevant CCR, the Bank calculates the exposure value using the valuation methodology based on Current Market Prices, i.e., the sum of any positive, current replacement cost of the relevant transaction/contract and the potential future exposure resulting from it.

The main technique for reducing counterparty credit risk is the use of netting agreements (based on standard ISDA contracts) which allow the netting of the positive and negative replacement values of the related derivative products in the event of an early default by the counterparty. The Bank's policy on counterparty credit risk acts as a deterrent to the execution of derivative instruments whose value shows a high correlation with the credit rating of the counterparty (wrong way risk). For cases of derivative transactions that do not have CI as counterparties, the Bank's exposure to risk from the specific products is included in the Credit Risk of the customer/creditor and the receipt or retention of similar collateral is carried out.

With the aim of monitoring and effectively managing counterparty credit risk, ABBank has determined relevant risk limits per counterparty and per product. The Bank's Asset-Liability Committee (ALCO) is responsible for setting and approving the limits, while the Risk Management Unit is responsible for monitoring compliance with the limits. The limits are reviewed and adjusted according to the prevailing conditions in the international markets, the credit re-evaluation of the counterparties, and the operational needs of the Bank.

ABBank's counterparty credit risk limits mainly cover derivative financial products with a short settlement period, in which the Treasury and Money Market Management Department is active in the interbank market (i.e., with other CIs) with the aim of hedging risks that may arise from the Bank's open positions in foreign exchange. The main criterion for the allocation of counterparty limits against CIs is their creditworthiness, and for this purpose their credit rating by the supervisory recognized ECRA is examined, in combination with other information evaluated by the Bank. For non-graded by ECRA FIs, the evaluation is done internally by the Risk Department and is approved by ALCO.

For the calculation of capital requirements for Counterparty Credit Risk, the Bank uses only and exclusively the Simplified Standardized Approach (Simplified SA-CCR):

Table 21: CCR1 - Analysis of CCR exposures by approach

Amounts in € '000 2021	Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
EU - Simplified SA-CCR (for derivatives)	118	895	907	1.4	1,270	541
Total					1,270	541

Amounts in € '000 2020	Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
EU - Simplified SA-CCR (for derivatives)	16	368	384	1.4	537	107
Total					537	107

The following table presents the Counterparty Credit Risk exposures calculated using the standardized approach, as of December 2020 and 2021. The provided breakdown highlights the risk weights attributed to each exposure amount for the total credit exposure estimation.

Table 22: CCR3 - CCR exposures by regulatory portfolio and risk weights.

Amounts in € '000 2021	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (RWA)
Exposure Classes									
Sovereigns									
Non-central government public sector entities									
Multilateral development banks									
Banks			315	955					541
Securities firms									
Corporates									
Regulatory retail portfolios									
Other assets									
Total			315	955					541

Amounts in € '000 2020	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (RWA)
Exposure Classes									
Sovereigns									
Non-central government public sector entities									
Multilateral development banks									
Banks			537						107
Securities firms									
Corporates									
Regulatory retail portfolios									
Other assets									
Total			537						107

7. MARKET RISK

Market risk is the possibility of the Bank reporting losses due to movements in general market factors like interest rates, stock, bond, commodity and derivative instrument prices and currency exchange rates.

As per ABBank's Market Risk Management Policy, "The Bank maintains a policy of aversion to the assumption of Market Risk whereby relevant financial exposures and open positions should be kept to the minimum and a trading intent is not generally accommodated in business activities". Consequently, the Bank does not maintain an active Trading Book and any Market Risk positions may occur only due to the hedging of physical positions ensued in the Banking Book (Bonds, Interest Rates, Currency Exchange Rates) or as result of holding marketable securities, which cannot be classified in the Banking Book for technical reasons (e.g., IFRS constraints). Specific ALCO decisions designate the nature, limits, and actions framework of any such positions.

According to the Bank's Risk Appetite Framework, the risk appetite level for Market Risk Capital Requirements has been set at up to 2% of the Bank's Total Capital Requirements under Pillar I.

The Bank's interest rate risk is largely hedged naturally as most the Bank's interest-bearing assets with longer term interest fixings are governed by floating interest rate contracts, the fixed rate ones referring to very short-term interest periods, so that their re-fixing/re-pricing largely follows the floating interest rate curve movement. On the side of interest-bearing liabilities, the vast majority comprises fixed-rate customers' and banks' deposits which, nevertheless, are again of short-term fixing.

Notably, ABBank has not issued any interest-bearing securities or other similar instruments.

Market Risk may also occur from the Bank's FX positions. FX Trading is not included in the Bank's policy, and it is not actively pursued. Any FX-Hedging positions mainly comprise cross-currency Swap transactions (EUR-USD) aiming to cover the FX risk arising out of the Bank's liquidity/funding mismatch between EURs and USDs in the Banking Book. Such FX swap positions are of a very short tenor (mainly O/N and up to 2 weeks), having other banking institutions as counterparties. As at 31.12.2021 the FX-Swap amounted to €119.9 mil Notional Value, producing a CCR exposure of €1.27 mil (calculated in accordance with the Simplified SA-CCR approach), and having a Net Fair Value of €118.4 tsd.

In 2021 the Bank sold the only item previously classified in the trading book (a bond position classified at the FVTPL book). Thus, as at 31.12.2021 the Bank's trading book had a zero value.

ABBank uses the Standardized approach for the measurement of capital requirements for Market Risk, through the Remaining Maturity method. As of 31.12.2021 the Capital Requirement for Market Risk was zero (2020: €71 tsd), thus no RWAs for Market Risk were reported (2020: €0.868 mil or 0.2% of Total RWAs).

Table 23: MR1 - Market Risk Under the Standardized Approach.

Amounts in € '000	Capital Requirements for Market Risk (SA)	
	2021	2020
General interest rate risk	-	17
Equity risk	-	-
Commodity risk	-	-
Foreign exchange risk	-	-
Credit spread risk – non-securitizations	-	-
Credit spread risk – securitizations (non-correlation trading portfolio)	-	-
Credit spread risk – securitization (correlation trading portfolio)	-	-
Default risk – non-securitizations	-	53
Default risk – securitizations (non-correlation trading portfolio)	-	-
Default risk – securitizations (correlation trading portfolio)	-	-
Residual risk add-on	-	-
Total	-	71

8. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book (IRRBB) is the current and prospective risk of a negative impact to the bank's economic value of equity, or to the bank's net interest income, taking market value changes into account as appropriate, which arise from adverse movements in interest rates affecting interest rate sensitive instruments, including:

- Gap or repricing risk: Risk resulting from the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- Basis risk, Risk arising from the impact of relative changes in interest rates on interest rate sensitive instruments that have similar tenors but are priced using different interest rate indices. Basis risk arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate sensitive instruments with otherwise similar rate change characteristics;
- Option risk, Risk arising from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate sensitive instruments, such that changes in interest rates may affect a change in the behavior of the client (embedded behavioral option risk).

On a regular basis, the Bank measures the effect of adverse movements in interest rates on the Net Interest Income (NII) and the Economic Value of Equity (EVE) measures by applying several specified interest rate scenarios.

The stress test results of the two components of the IRRBB, namely the NII and the EVE, if regarded individually, suggest that the risk borne by the Bank emanates from the scenario of upward parallel shift of the yields curve, due to the size of its negative impact to EVE. This is calculated at a €5.32 mil loss, boiling down to a capital impact of -0.85% i.e., producing an additional internal capital requirement of 0.85% (as % of the Bank's RWAs as of 31.12.2021). However, under the same scenario, the Bank's NII would increase at the same time by €8.82 mil boiling down to a +1.41% capital impact, which corresponds to internal capital contribution rather than requirement, of a scale exceeding the requirement connected to the EVE.

The table below includes the Bank's sensitivity impact to EVE and NII measures as of 31 December 2020 and 31 December 2021.

Table 24: IRRBB1 - Quantitative information on IRRBB.

Amounts in € '000	Δ in EVE		Δ in NII	
Period	2021	2020	2021	2020
Parallel up	-5,324	-1,733	8,817	3,252
Parallel down	6,250	1,319	93	-320
Steepener				
Flattener				
Short rate up				
Short rate down				
Maximum Negative Δ	-5,324	-1,733	-	-320

9. OPERATIONAL RISK

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

The Bank acknowledges its exposure to operational risk, which stems from its day-to-day operations and the implementation of its business and strategic goals and aims towards the continuous improvement of operational risk management, through the implementation and the ongoing development of an integrated and effective operational risk management framework that conforms to best practices and regulatory requirements.

The operational risk management framework of ABBank is documented through policies and procedures and covers the identification, assessment, measurement, mitigation, control, and monitoring of the operational risk, across all its business activities and supporting functions. Furthermore, it ensures the diffusion of a common and comprehensible perception of operational risk management to all the parties involved.

Additionally, given the fact that the Bank is engaged in e-banking activities, the level of cyber risk has risen significantly. The Bank has developed a relevant framework, including specific policies (E-Banking Policy, Information Security Policy, Privacy & Information Incident Management Policy), procedures and systems, to mitigate the risks that arise from the e-banking activities.

The Bank follows the Basic Indicator Approach for the calculation of the CRs for Operational Risk, whereby the minimum capital requirement comprises 15% of the last three-year average of the Bank's Total Operating Income. The 2019-2021 average operating income stood at €18.23 mil (2018-20: €13.67 mil) bringing the CR for Operational Risk as of 31.12.2021 at €2.74 mil (2020: €2.05 mil) and the RWA-equivalent at €34.19 mil (2020: €25.63 mil).

10. 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 Bank’s framework of liquidity risk management comprises of systems and procedures that enable the identification, measurement, management, monitoring and reporting of liquidity and funding risk. The Bank identifies and quantifies the primary sources of liquidity risk in a timely manner for both existing and new business lines or individual transactions. Liquidity risk management also includes the timely identification of existing and projected liquidity and funding needs under normal and adverse conditions, the identification of all available sources to cover these needs and the raising of liquidity and funding in the most cost-effective way for the Bank.

The above framework encompasses the specific procedures, systems, metrics, controls, internal and external reporting, as well as the plans (e.g., Funding Plan, Business Plan, CFP, RP) prepared and being available to be deployed by the Bank, for the efficient and effective management of liquidity risk, under normal or various degrees of strained liquidity conditions.

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 of 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.

10.1. Liquidity Coverage Ratio

The scope of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of a bank’s liquidity risk profile over a 30-day stress scenario. According to the EBA guidelines that are incorporated into the European law via the Commission Delegated Regulation (EU) 2015/61, LCR is defined as the amount of High-Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows due within 30 days following the reporting date, arising from both contractual and modelled exposures, in a stressed scenario. Notably, the stress assumptions are reflected through specific haircuts applicable to each type of HQLA, cash inflow and outflow. Hence, the ratio is calculated by using the post-haircuts cash value of the HQLAs, as the nominator, and the post-haircut 30-day net cash flow as the denominator.

As of December 2021, the Bank’s LCR was equal to 186.54%, well-above the supervisory minimum of 100%, comprising HQLAs of €334.8 mil and Total Net Cash Flows of €179.5 mil (post haircut). The ratio is still at a solid level, albeit lower than the previous year (FY-2020) whereby LCR stood at 272.95%. The change was mainly driven by the increase of total customer deposits by 88% year-on-year’, leading to a two-fold increase of the 30-day Outflows (ratio’s denominator), whereas the amount of HQLAs (ratio’s nominator) increased substantially, albeit to a lower extent in the same period (ca. 1.85 times).

The table below shows the level and components of the Liquidity Coverage Ratio as of 31.12.2021 and 31.12.2020:

Table 25: LIQ1 - Liquidity Coverage Ratio (LCR).

Amounts in € '000 *2021*	Total unweighted value	Total weighted value
High-quality liquid assets		
Total HQLA		334,770
Cash outflows		
Retail deposits and deposits from small business customers, of which:	35,946	4,088
Stable deposits	18,469	923
Less stable deposits	17,477	3,165
Unsecured wholesale funding, of which:	580,940	248,670
Operational deposits (all counterparties) and deposits in networks of coop. banks	7,844	1,857
Non-operational deposits (all counterparties)	573,096	246,813
Unsecured debt	-	-
Secured wholesale funding	-	-
Additional requirements, of which:	28,966	3,022
Outflows related to derivative exposures and other collateral requirements	139	139
Outflows related to loss of funding on debt products		
Credit and liquidity facilities	28,827	2,883
Other contractual funding obligations	1,426	476
Other contingent funding obligations	30,941	12,424
TOTAL CASH OUTFLOWS		268,680
Cash inflows		
Secured lending (e.g., reverse repos)	-	-
Inflows from fully performing exposures	88,954	77,778
Other cash inflows	36,465	11,440
TOTAL CASH INFLOWS		89,218
		Total adjusted value
Total HQLA		334,770
Total net cash outflows		179,462
Liquidity Coverage Ratio (%)		186.54%

Amounts in € '000 *2020*	Total unweighted value	Total weighted value
High-quality liquid assets		
Total HQLA		117,171
Cash outflows		
Retail deposits and deposits from small business customers, of which:	41,271	5,288
Stable deposits	5,155	258
Less stable deposits	36,116	5,030
Unsecured wholesale funding, of which:	246,858	122,218
Operational deposits (all counterparties) and deposits in networks of coop. banks	8,159	2,007
Non-operational deposits (all counterparties)	238,699	120,212
Unsecured debt	-	-
Secured wholesale funding	-	-
Additional requirements, of which:	32,870	3,291
Outflows related to derivative exposures and other collateral requirements	5	5
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	32,865	3,287
Other contractual funding obligations	1,043	93
Other contingent funding obligations	28,939	10,391
TOTAL CASH OUTFLOWS		141,280
Cash inflows		
Secured lending (e.g., reverse repos)	-	-
Inflows from fully performing exposures	89,022	87,873
Other cash inflows	26,664	10,480
TOTAL CASH INFLOWS		98,354
		Total adjusted value
Total HQLA		117,171
Total net cash outflows		42,927
Liquidity Coverage Ratio (%)		272.95%

10.2. Net Stable Funding Ratio

The scope of the Net Stable Funding ratio (NSFR) is for the Bank to maintain a stable funding profile in relation to their on- and off-balance sheet activities, thus reducing the likelihood that disruptions to the bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure and potentially lead to broader systemic stress.

NSFR as of December 2021 is equal to 124.57% vs 119.96% as of December 2020 and above the supervisory minimum of 100%. The improvement of the NSFR ratio against the 2020 figure is attributed to the higher rate of increase of the Bank's liquidity buffer, in comparison to that of the loans portfolio which has long maturities and hence, funding requirements.

The table below shows the level and components of the Net Stable Funding Ratio:

Table 26: LIQ2 - Net Stable Funding Ratio (NSFR).

Amounts in € '000 2021	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted Value
Available stable funding (ASF) item					
Capital:	99,770				99,770
Regulatory capital	99,770				99,770
Other capital instruments					
Retail deposits and deposits from small business customers:		107,618	22,669	921	122,671
Stable deposits		71,120	18,715	921	86,264
Less stable deposits		36,498	3,954		36,407
Wholesale funding:		665,708	88,535	5,456	342,299
Operational deposits					
Other wholesale funding		665,708	88,535	5,456	342,299
Liabilities with matching interdependent assets					
Other liabilities:					
NSFR derivative liabilities					
All other liabilities and equity not included in the above categories		1,984		7,076	7,076
Total ASF					571.817
Required stable funding (RSF) item					
Total NSFR high-quality liquid assets (HQLA)					542
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		142,345	77,123	420,629	439,782
Performing loans to financial institutions secured by Level 1 HQLA					
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		68,714			6,871
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		68,270	77,123	420,629	430,231
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk					
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		5,360			2,680
Assets with matching interdependent liabilities					
Other assets:		240,742	59	15,857	16,650
Physical traded commodities, including gold					
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties					
NSFR derivative assets					
NSFR derivative liabilities before deduction of variation margin posted					
All other assets not included in the above categories		240,742	59	15,857	16,650
Off-balance sheet items		20,784		10,157	2,055
Total RSF					459,030
Net Stable Funding Ratio (%)					124.57%

Amounts in € '000 2020	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted Value
Available stable funding (ASF) item					
Capital:	92,690				92,690
Regulatory capital	92,690				92,690
Other capital instruments					
Retail deposits and deposits from small business customers:		103,640	31,380	7,538	130,103
Stable deposits		12,164	8,783		19,900
Less stable deposits		91,476	22,596	7,538	110,203
Wholesale funding:		346,746	9,892	5,456	143,484
Operational deposits					
Other wholesale funding		346,746	9,892	5,456	143,484
Liabilities with matching interdependent assets					
Other liabilities:					
NSFR derivative liabilities					
All other liabilities and equity not included in the above categories		1,769	859	5,145	5,575
Total ASF					371,852
Required stable funding (RSF) item					
Total NSFR high-quality liquid assets (HQLA)					2,099
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		157,218	42,551	267,642	291,605
Performing loans to financial institutions secured by Level 1 HQLA					
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		89,437			8,944
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		59,873	42,551	267,642	278,707
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk					
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7,908			3,954
Assets with matching interdependent liabilities					
Other assets:		60,262	45	13,674	14,137
Physical traded commodities, including gold					
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties					
NSFR derivative assets					
NSFR derivative liabilities before deduction of variation margin posted					
All other assets not included in the above categories		60,262	45	13,674	14,137
Off-balance sheet items		15,347		13,597	2,128
Total RSF					309,969
Net Stable Funding Ratio (%)					119.96%

10.3. Internal Liquidity Adequacy Assessment Process (ILAAP)

ILAAP is the internal process for the identification, measurement, management, and monitoring of liquidity risk as implemented by the institution according to Article 86 of Directive 2013/36/EU.

The Bank's ILAAP focuses on the assessment of the implementation of the Bank's processes for the identification, measurement, management and controls of the Bank's current and prospective liquidity position and liquidity adequacy, on a continuous basis. It spans across a wide range of related activities, from the definition of the Bank's risk appetite at a BoD level, down to activities such as the daily management of collateral, the management of intraday liquidity risk and the monitoring of various liquidity risk indicators.

The Bank's robust liquidity buffer entirely consists of Extremely and Very High-Quality Liquid Assets. In 2021, despite the still lasting concerns of the COVID-19 pandemic's impact on liquidity, the Bank experienced a significant inflow of new customer deposits and uninterrupted availability of funds from the interbank wholesale market. Additionally, the liquidity and funding target ratios under the Risk Appetite Framework and related KPIs were overperformed.

The Stress Testing of Liquidity in ILAAP demonstrates that under both Baseline and Adverse scenarios, the Bank maintains its liquidity and funding capacity at satisfactory levels and even under the severe liquidity shock assumed under the Adverse scenario, the resulting LCR may enter the "Warning/Watch" zone of the Risk Appetite Framework, remaining though well above the minimum tolerance level.

11. ASSET ENCUMBRANCE

The following table presents the disclosure of on-balance sheet encumbered and unencumbered assets for the year end 2020 and 2021.

Table 27: ENC - Asset encumbrance.

Amounts in € '000 2021	Encumbered assets	Unencumbered assets	Total
Loans on demand	0	288,931	288,931
Equity instruments	0	0,00	0,00
Debt securities	0	107,381	107,381
Loans and advances other than loans on demand	0	583,680	583,680
Amounts in € '000 2020	Encumbered assets	Unencumbered assets	Total
Loans on demand	0	84,575	84,575
Equity instruments	0	0,00	0,00
Debt securities	0	71,640	71,640
Loans and advances other than loans on demand	0	430,109	430,109

12. REMUNERATION POLICIES

12.1. Introduction

ABBank recognizes the decisive role played by its human resources in the achievement of the business objectives set by the Board of Directors and the Executive Management and the implementation of the corresponding policies and practices established within the organization.

The Remuneration Policy established by the Bank is an integral part of its Corporate Governance and constitutes a key pillar in shaping the operational framework for the financial, business, and professional development of the organization and its members, in line with the interests of the shareholders.

The Bank attaches particular importance to the quality of its personnel and to the creation of an appropriate working environment which encourages collective work, communication, and transparency, regardless of position, grade, or title, in combination with taking the corresponding initiative and responsibility.

12.2. Remuneration Policy – Applicable Perimeter – Main Characteristics

The Remuneration Policy has been drawn up based on the principle of proportionality and with a view to the proper and effective management of the risks undertaken by the Bank in accordance with its respective strategic objectives and the risk-taking framework adopted, its financial and organizational size, the nature and the complexity of its tasks.

The Remuneration Policy covers all personnel, regardless of position, grade, or title, including senior management, risk management and other persons or executives paid in accordance with the aforementioned, and persons or executives with audit duties.

The Remuneration Policy is governed by the principles of fair reward, motivation to increase productivity and elicit professional satisfaction, while responding to the principles of retaining talent, providing transparency in evaluation and reward, avoiding conflicts of interest, and avoiding taking excessive risks.

According to the Remuneration Policy, staff remuneration is divided into regular and variable. No type of remuneration (regular or variable) is linked to personal financial objectives and the individual contribution to risk-taking, but to the achievement of individual qualitative criteria in combination with collective qualitative and quantitative objectives at the level of the Bank or organizational units, such as the achievement of satisfactory financial results, maintaining a healthy capital base and adequacy, qualitative and quantitative liquidity adequacy, regulatory and supervisory compliance, etc. The Bank does not pay variable remuneration in the form of shares, rights to acquire shares or options.

Primarily, staff remuneration consists of regular remuneration. This may also include additional benefits that are either linked to positions of responsibility (e.g., company car, mobile phone) or provided to all staff, indiscriminately (e.g., meal vouchers).

12.3. Remuneration Committee

Competent for the formulation of the Remuneration Policy is the Remuneration Committee of the BoD. The Remuneration Committee consists of three BoD members, two of which are independent and non-executive members. The Remuneration Committee is also responsible for monitoring the implementation of the Remuneration Policy as well as its periodic review. The Remuneration Committee recommends and documents to the Supervisory Function of the Board of Directors (consisting of the non-executive members of the Board of Directors) any readjustment of the salaries of the Executive Members of the Board of Directors and other senior executives, as well as other benefits and bonuses, together with all other matters previously defined by Governor's Act (ΠΔ/ΤΕ 2650/2012) and now governed by Regulation EU/604/2014.

12.4. Remuneration Disclosures

The annual remuneration and number of the members of the Bank's Board of Directors (BoD), the Senior Management Employees and the Other Material Risk-Takers (as defined in Regulation EU/604/2014) as of 31.12.2021 and 31.12.2020, respectively, is outlined in Table 28, below. Table 28 follows the format, abridged, of the Common Regulatory Reporting 22 (COR-22), submitted by the Bank to the banking supervisory authorities for each year hereby reported, as per the aforementioned regulation.

It is noted that, during either 2021 or 2020 no changes occurred in the composition of the Bank's BoD, whereas none of the BoD members, the Senior Management Members or other members of the Bank's staff employed by the Bank belongs in the category of "highly remunerated", as defined in the above Regulation (i.e., with total annual remuneration in excess of €1.0 mil).

Table 28: Total Remuneration

Total Remuneration FY-2021 *Amounts in € '000*	Non-Executive BoD Members	Executive BoD Members	Investment Banking	Retail Banking	Support Functions[3]	Independent Control Functions	Other Functions	Totals
BoD Members (Nr. Of Individuals)	7	2						9
Employees (Nr. Of Individuals)			4	18	39	13	26	100
Total Annual Net Profit/Loss of the Bank								€ 6,872.5
Total Annual Remuneration	€ 225.0	€ 937.8	€ 367.2	€ 1,185.1	€ 2,331.8	€ 840.7	€ 1,198.4	€ 7,086.0
Of which: Total Annual Variable Remuneration	-	€ 60.0	€ 12.5	€ 50.0	€ 95.9	€ 36.2	€ 24.7	€ 279.3
Nr. Of Employees, as per Regulation EU/604/2014[4]	7	2	1	4	7	7	1	20
Of Which: Senior Management Employees (as per Regulation EU/604/2014)[5]			-	-	-	3	-	3
Total Annual Fixed Remuneration: Cash-based	€ 225.0	€ 807.0	€ 113.2	€ 462.3	€ 715.7	€ 559.4	€ 112.4	€ 2,995.0
Total Annual Fixed Remuneration: Other means		€ 70.8	€ 14.3	€ 40.2	€ 79.1	€ 52.0	€ 13.6	€ 270.0
Total Annual FY-2021 Variable Remuneration: Cash-based		€ 60.0	€ 10.0	€ 31.5	€ 51.7	€ 33.7	€ 8.0	€ 194.9
Total Deferred Variable Remuneration, Previous Years: Cash-based		€ 24.0	€ 4.0	€ 12.6	€ 20.3	€ 13.5	€ 3.2	€ 77.6
Total Fixed or Variable Remuneration in company shares or similar rights/instruments		-	-	-	-	-	-	-
Total Annual Remuneration	€ 225.0	€ 961.8	€ 141.5	€ 546.6	€ 866.8	€ 658.6	€ 137.2	€ 3,537.4

Total Remuneration FY-2020 *Amounts in € '000*	Non-Executive BoD Members	Executive BoD Members	Investment Banking	Retail Banking	Support Functions[6]	Independent Control Functions	Other Functions	Totals
BoD Members (Nr. Of Individuals)	7	2						9
Employees (Nr. Of Individuals)			4	20	35	9	25	93
Total Annual Net Profit/Loss of the Bank								€ 4,052.1
Total Annual Remuneration	€ 225.0	€ 829.0	€ 327.7	€ 1,109.8	€ 1,998.8	€ 712.5	€ 1,010.4	€ 6,213.1
Of which: Total Annual Variable Remuneration	-	-	-	-	-	-	-	-
Nr. Of Employees, as per Regulation EU/604/20141	7	2	1	9	6	7	1	24
Of Which: Senior Management Employees (as per Regulation EU/604/2014)2			-	-	-	3	-	**3**
Total Annual Fixed Remuneration: Cash-based	€ 225.0	€ 758.3	€ 102.4	€ 661.0	€ 612.2	€ 520.8	€ 105.4	€ 2,985.1
Total Annual Fixed Remuneration: Other means		€ 70.7	€ 14.2	€ 62.7	€ 70.9	€ 51.6	€ 13.1	€ 283.3
Total Annual FY-2021 Variable Remuneration: Cash-based		-	-	-	-	-	-	-
Total Deferred Variable Remuneration of Previous Years: Cash-based		€ 4.2	€ 2.0	€ 4.6	€ 9.4	€ 5.0	€ 1.6	**€ 26.8**
Total Fixed or Variable Remuneration in company shares or similar rights/instruments		-	-	-	-	-	-	-
Total Annual Remuneration	**€ 225.0**	**€ 833.2**	**€ 118.6**	**€ 728.4**	**€ 692.6**	**€ 577.4**	**€ 120.1**	**€ 3,295.3**

[4] *Employees with managerial duties or material participation in the risk assumption and risk management*

[5] *Employees with managerial duties reporting to the BoD of the Bank*

[6] *Back Office, Cards Department, Correspondent Banking, Credit Control, Customer Desk, Customer Services - Middle Office, Funds Transfers, General Administration, Loans Administration, SWIFT, Documentary Credit Back Office*

13. Appendix: Abbreviations

Abbreviation	Definition
ABBank / The Bank	Aegean Baltic Bank
AC	Amortized Cost
ALCO	Asset-Liability Committee
ANPLMB	Arrears & Non-Performing Monitoring Body
ANPLMS	Arrears & Non-Performing Monitoring Strategy
ASF	Available Stable Funding
AT1	Additional Tier 1
BoD	Board of Directors
BoG	Bank of Greece
BRRD	Bank Recovery and Resolution Directive
CAD	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CI	Credit Institution
CR	Capital Requirements
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital requirements Regulation
EAD	Exposure at Default
EBA	European Banking Author
EC	European Commission
ECL	Expected Credit Loss
ECRA	External Credit Risk Assessment
EVE	Economic Value of Equity
FIs	Financial Institutions
FTE	Full Time Employee
FVOCI	Fair Value through Other Comprehensive Income
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LOD	Line of Defense
Mil	Millions
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCR	Overall Capital Requirement
OSX	OneSumX
OTC	Over The Counter
P2G	Pillar II Guidance
P2R	Pillar II Requirement
PD	Probability of Default
PSE	Public Sector Entities

RMU	Risk Management Unit
RSF	Required Stable Funding
RWAs	Risk Weighted Assets
SA	Standardized Approach
SAP	Supervisory Assessment Procedure
SICR	Significant Increase in Credit Risk
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
Tsd	Thousands
YoY	Year on Year