



Pillar III Disclosures of the Bank

For the year end
31 December 2022

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") for the year ended 31.12.2022 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.

In 2022 ABBank established a fully owned subsidiary company, "Acqua Blue Properties Single Member S.A." (the "Subsidiary"), for the single purpose of owning and managing certain repossessed real estate property. Thus, hereinafter ABBank publishes consolidated ("Group") Financial Statements in addition to the customarily published "Bank" Financial Statements. Given the limited financial size of the Subsidiary, ABBank conducts all its supervisory and regulatory reporting at a Bank level, hence this report pertains to the Pillar III Disclosures of the Bank.

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 document 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 the significant risks it is exposed to and their management, supported by relevant underlying data and information. Material changes in risk exposures and relevant metrics between the reporting period and the previous one are 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-2022 and FY-2021 Audited Financial Statements of the Bank approved by the Board of Directors on 30 May 2022 and 31 May 2022, respectively, and the decisions of the relevant Annual Ordinary General Meeting of Shareholders of the Bank that followed such, in the summer of 2023 and 2022, 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 Single Resolution Fund (SRF).
- **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 BRRD 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 2023-2025

ECB Banking Supervision has defined the SSM supervisory priorities for 2023-2025, by drawing on an assessment of the main risks and vulnerabilities to the European banking sector. The three priorities for the 2023-2025 period are all equally important. The following points are briefly presented and aim to ensure that banks:

1. Strengthen resilience to immediate macro-financial and geopolitical shocks
 - Banks should improve their credit risk management frameworks, especially in loan origination, monitoring, and provisioning.
 - They should monitor exposures to vulnerable sectors, such as energy-intensive industries and real estate, particularly in light of the war in Ukraine and inflationary pressures.
 - Banks must address funding concentration risks by diversifying funding sources and preparing credible liquidity and funding plans, especially in light of the phase-out of TLTRO III.
 - Supervisors will conduct targeted reviews and on-site inspections (OSIs) on:
 - Loan origination and IFRS 9 compliance
 - Forbearance and unlikeliness-to-pay (UTP) policies
 - Internal models for vulnerable sectors
 - TLTRO III exit strategies and liquidity plans.
2. Address digitalization challenges and strengthen governance
 - Banks should develop and implement sound digital transformation strategies that support long-term business model sustainability.
 - Supervisors will assess the use of innovative technologies and the integration of IT and business strategies through targeted reviews and OSIs.
 - Banks must enhance operational resilience, especially in IT outsourcing and cybersecurity, to prevent disruptions and comply with regulatory expectations.
 - Supervisory activities will include:
 - Reviews of outsourcing registers and cybersecurity frameworks
 - OSIs on IT risk and cyber resilience
 - Banks should also address deficiencies in management bodies, including:
 - Board composition, diversity, and independence
 - Succession planning and strategic oversight
 - Risk data aggregation and reporting capabilities.
3. Step up efforts in addressing climate change
 - Banks must integrate climate-related and environmental (C&E) risks into their governance, strategy, and risk management frameworks.
 - Supervisors will follow up on gaps identified in the 2022 climate risk stress test and thematic review.
 - Activities will include:
 - Deep dives on physical and transition risks
 - Reviews of compliance with ITS reporting and Pillar 3 disclosure requirements
 - Assessment of transition planning capabilities and ESG readiness
 - OSIs on climate-related risks, including reputational and litigation risks

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 capital¹, 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.

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

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.

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 is directly supervised by the Bank of Greece (BoG) as one of the Less Significant Institutions (LSIs) of the Greek banking system.

ABBank operates through its head office in Maroussi, and two branches located in Piraeus and Glyfada, whereas no other offices are maintained in Greece or abroad. During 2022 the Bank established a 100% controlled subsidiary company, “Acqua Blue Properties Single Member S.A.” (the “Subsidiary”), which has as single purpose the ownership and management of certain repossessed real estate property. Hence, as of 31.12.2022, ABBank reports on both a Consolidated/Group and a Solo/Bank level. However, given the limited financial size of the Subsidiary relative to the Bank, ABBank conducts all its supervisory and regulatory reporting, including the Pillar III Disclosures, at a Bank level only. On 31.12.2022 the Group’s total assets amounted to €1,141.1 mil, standing only €1.4 mil higher than those of the Bank (€1,139.7 mil) and the Group’s Total Equity amounted €117.4 mil, standing €1.9 mil higher than that of the Bank (€115.5 mil).

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, onshore, 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 2/3rd – 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 in 2022 the first non-shipping/Greek corporate NPE was recorded.

ABBank historically maintains strong capital and liquidity adequacy, in both quantitative and qualitative terms. The Liquidity Coverage Ratio has distinctly hovered above the minimum required levels, apart from the mid-2015 through mid-2017 period. Regulatory capital entirely comprises CET1 capital, whereas the 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 106 in 2022.

In July 2022 Standard & Poor’s (“S&P”) affirmed once more ABBank’s B/B credit rating, upgrading the outlook to Positive, “on Improving Asset Quality and Earnings, and potentially less Funding Risk of Greek banks”, whereas in April 2023, following the regular assessment and the resulting upgrade of the Greek banking sector, S&P upgraded ABBank’s long-term issuer rating to B+, with Stable outlook, maintaining the short-term rating at B (B+/B/Stable).

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:

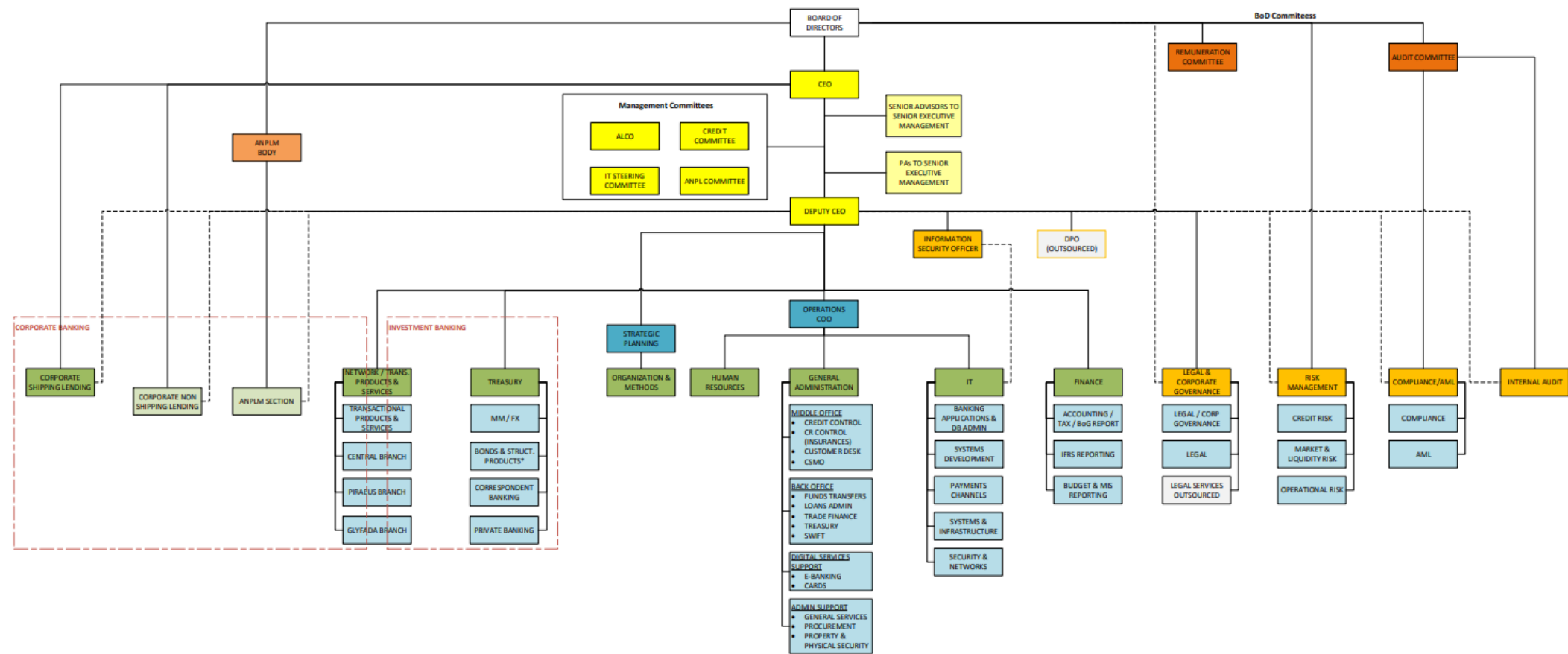
- The General Assembly of Shareholders,
- The Board of Directors (BoD),
- The BoD Committees,
- Senior Executive Management,
- The Management Committees,
- The Supervisory Entities reporting to BoD and/or Senior Executive Management,
- The External Auditors.

2.3. Board of Directors

Since 2018, the sole change was the appointment of a non-executive member in June 2022, following the resignation of a predecessor. 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.).

The following chart represents the organizational structure of the Bank as of 31.12.2022:

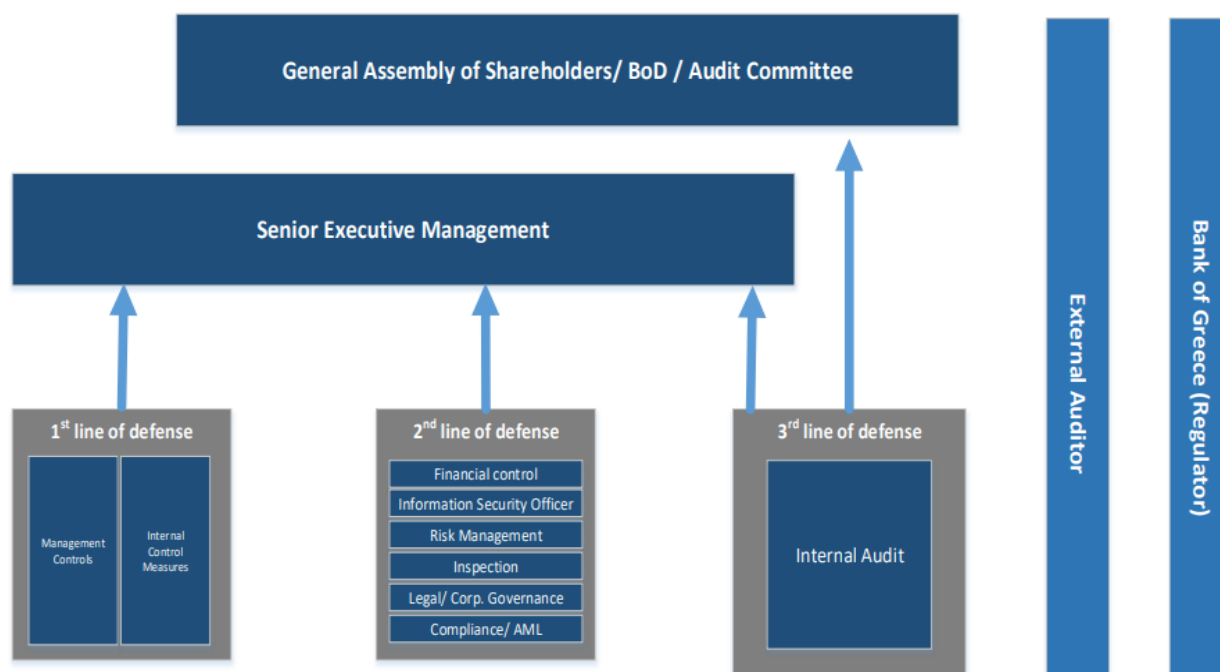
Figure 1: ABBank Organizational Chart



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 Department
- Compliance Department
- Internal Audit Department

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-2022 and FY-2021

FY-2022 Financial Performance Highlights:

- Net Profit after Tax of €15.6 mil (2021: €6.9 mil), increasing in full the Bank's shareholders' equity, given that no dividend was distributed.
- Asset growth of +€139.8 mil (+14% YoY), mainly funded by Customer Deposits, which increased by €169.2 mil or +20% YoY, whereas interbank funding/borrowing (Due to Banks), declined annually by €47.8 mil (-98% YoY).
- Customer loans (net) of €519.2 mil, declined by €46.8 mil or -8.3% YoY, comprising 46% of Total Assets (2021: 57%). Loans to Deposits Ratio softened further, to 51% from 67% in 2021.
- NPLs of €8.6 mil or 1.6% of Total Gross Loans (2021: €10.8 mil or 1.9%, respectively). NPE Provisions Cover of 86% (2021: 50%).
- Liquid and near-liquid Assets increased by €179.7 mil or 43% YoY, to €595.0 mil, comprising 52% of Total Assets (2021: €415.3 mil and 42%, respectively).

Table 1: Abridged FY-2021 and FY-2022 Bank Financial Performance and Relevant Indicators

Balance Sheet	(€ 'mil)	2022	2021
ASSETS			
Liquidity with Central Bank and Due from Banks		341.5	307.9
Customer loans (Net of Provisions)		519.2	566.0
<i>Thereof: NPLs (Net of Provisions)</i>		1.2	5.4
Marketable Securities (mainly Bonds)		253.5	107.4
Fixed & intangible assets		17.8	9.5
Other current assets		7.6	9.0
Total Assets		1,139.7	999.9
LIABILITIES			
MM takings (Due to Banks)		0.8	48.5
Customer deposits		1,011.6	842.4
Other current liabilities		11.8	7.6
Total Liabilities		1,024.2	898.5
Shareholders' Equity		115.5	101.4
Total Liabilities & Equity		1,139.7	999.9
Income Statement			
	(€ 'mil)	2022	2021
Net interest income		30.4	17.9
Net fees & commissions		4.8	3.8
Net income from trading and hedging		2.1	1.6
Total operating income		37.3	23.4
Staff, Administration and Depreciation Expenses		(14.9)	(13.0)
Gross operating profit (before tax and provisions)		22.4	10.4
Loans impairment / provisions		(2.4)	(1.6)
Net income (pre-tax)		20.0	8.8
Taxation & deferred tax		(4.4)	(1.9)
Net Income After Tax		15.6	6.9
Growth & Financial Indicators			
		2022	2021
Total assets growth		+14%	+65%
Customer loans (net) growth		-8%	+54%
Customer deposits growth		+20%	+88%
Loans - Deposits ratio		51%	67%
Total NPLs as % of total loans (gross)		1.6%	1.9%
PD>90d&Denounced loans as % of total loans (gross)		1.6%	1.9%
Total NPLs Provisions Cover ratio		86.0%	49.7%
Cost-income ratio (ex - provisions)		40%	56%
NIM (Net interest income/ aver. total assets)		2.73%	2.35%
Nr. of Full-Time Employees at Year-End		106	102

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-2022 and FY-2021, 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 2022 and 2021.

Table 2: KM1 - Key metrics template

<u>Amounts in € '000</u>	2022	2021
Available capital (amounts)		
Common Equity Tier 1 (CET1)	111,929	99,770
Tier 1	111,929	99,770
Total capital	111,929	99,770
Risk-weighted assets (amounts)		
Total risk-weighted assets (RWA)	622,496	623,997
Total risk-weighted assets (pre-floor)	-	-
Risk-based capital ratios as a percentage of RWA		
CET1 ratio (%)	17.98%	15.99%
Tier 1 ratio (%)	17.98%	15.99%
Total capital ratio (%)	17.98%	15.99%
Fully loaded ECL accounting model total capital ratio (%)	3.08%	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 (%)	6.90%	4.75%
Basel III Leverage ratio		
Total Basel III leverage ratio exposure measure	1,161.5	1,019.6
Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	9.64%	9.79%
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)	460,754	334,770
Total net cash outflow	160,778	179,462
LCR ratio (%)	286.58%	186.54%
Net Stable Funding Ratio (NSFR)		
Total available stable funding	640,363	571,817
Total required stable funding	487,996	459,303
NSFR ratio	147.25%	124.50%

The annual change in the capital adequacy and leverage ratios is mainly attributed to the substantial asset growth performed by the Bank in FY-2022. 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 31.12.2022, the Bank's Total Assets (on Balance Sheet) marked a €139.8 mil growth (+14% YoY) and total RWAs stood broadly in line with those of 2021 (2022: €622.5 mil, 2021: €624.0 mil), whereas Total Shareholders' Equity increased by €14.1 mil or +14% YoY and Total Regulatory Capital by €8.7 mil or +9.5% YoY, bringing the CET1 and CAD ratios of the Bank at 17.98%, compared to 15.99% the year prior;
- Further to the on-balance sheet growth noted above, the gross off-balance sheet items of FY-2022 stood approximately +€17.2 mil or 21% higher than those of FY-2021, resulting in 13.9% higher sum of Total Leverage Exposures and a Leverage Ratio of 9.63%, from 9.79% in FY-2021;
- The LCR as of December 2022 is equal to 286.6%, compared to 186.5% the previous year. This change is mainly driven by a large part of customers' deposits increase having been originated by corporate customers and be placed in short term deposits;
- As of December 2022, the Net Stable Funding Ratio (NSFR) improved to 147.2%, up from 124.5% in December 2021. This increase is primarily attributed to the significant increase in available stable funding, mainly driven by the rise in other wholesale funding during 2022.

2.7.2. Capital and Liquidity Adequacy Under Pillar II

The calculation of capital requirements and the dynamic management of the capital base are fully integrated into ABBank's business planning and annual budgeting processes. The primary component of the Bank's risk-weighted assets (RWAs) arises from credit risk exposures in the banking book, followed by operational risk, while market risk contributes only marginally to total RWAs.

As part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP), all material risk exposures are comprehensively identified, assessed, and consolidated to ensure a robust evaluation of capital adequacy.

In accordance with Council Regulation (EU) No. 1024/2013, the Bank of Greece conducts the Supervisory Review and Evaluation Process (SREP) on a biennial basis. Through this process, the regulator determines the prudential capital requirements for supervised institutions, setting both the Overall Capital Requirement (OCR) under Pillar II and the Pillar II Guidance (P2G). Together, these define the Total SREP Capital Requirements applicable to each bank.

In June 2022, the Bank received the latest Supervisory Review and Evaluation Process (SREP-22) results from the BoG. As of that date, in addition to the minimum capital requirement of 8% under Pillar I, ABBank was required to maintain a Pillar II Requirement (P2R) of 3.08% and a Capital Conservation Buffer (CCB) of 2.5%, resulting in an Overall Capital Requirement (OCR) of 13.58%.

Furthermore, a Pillar II Guidance (P2G) of 0.25% was imposed, bringing the Bank's Total SREP Capital Requirements to 13.83%, effective from June 2022 onwards.

Compared to the previous SREP cycle (SREP-20), the Bank's total capital requirement improved by 41 bps in total, consisting of a 16 bps reduction in the P2R and a 25 bps reduction in the P2G.

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 31.12.2021 and 31.12.2022, 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

<u>Amounts in € '000</u>	2022		2021	
	RWA	Minimum CR	RWA	Minimum CR
Credit risk (excluding counterparty credit risk)	572.627	45.858	589.269	47.142
<i>Of which: standardized approach (SA)</i>	572,627	45.858	589.269	47.142
Counterparty credit risk (CCR)	599	48	541	43
<i>Of which: Simplified SA- CCR</i>	599	48	541	43
Market risk	0	0	0	0
<i>Of which: standardized approach (SA)</i>	0	0	0	0
Operational risk	49,271	3,942	34,187	2,735
<i>Of which: basic indicator approach (BIA)</i>	49,271	3,942	34,187	2,735
Total Risk Weighted Assets and Capital Requirements	622,497	48,912	623,997	49,920

On 31.12.2022, the Bank's Total Assets (on Balance Sheet) marked a €139.8 mil growth (+14% YoY), the gross off-balance sheet items of FY-2022 stood approximately +€17.2 mil or 21% higher and total RWAs recorded a marginal decrease of 0.2% YoY, amounting to €622.5 mil versus €624 mil in the prior year total RWAs amounted to €611,3 mil, from €624,0 mil in 2021 (-2% YoY).

As of 31.12.2022, the total RWAs are broken down in 92% Credit (including Counterparty Credit Risk), 0.0% Market and 8% Operational RWAs, whereas in December 2021 total RWAs were broken down in 94.5%, 0.0% and 5.5%, 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 31.12.2022 CET1 capital amounted to €111.929 mil (2021: €99.77 mil as it was restated due to the adoption of IFRS19) i.e., €14.159 mil higher than the year before. This was mainly the result of FY-2022 net profit of €15.6mil (including the amount credited to the Statutory Reserve), a €0.06 mil reduction of other deductible adjustments (e.g. intangible assets) and a €1.49 mil decrease of the OCI Reserves, (FVOCI Bonds Portfolio, Actuarial, and Building Revaluation Reserve). The Annual General Meeting of Shareholders of the Bank, held in June 2023, decided in favor of distributing a €2.0 mil dividend, hence the CET1 capital was adjusted downwards accordingly to €111.93 mil.

The composition of the Bank's Regulatory Capital for 2022 and 2021 is outlined in the table below:

Table 4: CC1 - Composition of regulatory capital

Amounts in € '000	2022	2021
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus	88,187	88,187
Retained earnings	25,677	10,872
Accumulated other comprehensive income and other reserves	1,598	2,308
Common Equity Tier 1 capital before regulatory adjustments	115,462	101,368
Common Equity Tier 1 capital: regulatory adjustments		
Dividends declared/distributed to Shareholders	-2,000	-
Prudent valuation adjustments	-186	-68
Goodwill (net of related tax liability)	-1,347	-1,529
Total regulatory adjustments to Common Equity Tier 1 capital	-3,533	-1,597
Common Equity Tier 1 capital (CET1)	111,929	99,770
Capital adequacy ratios and buffers		
Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	17.98%	15.99%
Tier 1 capital (as a percentage of risk-weighted assets)	17.98%	15.99%
Total capital (as a percentage of risk-weighted assets)	17.98%	15.99%
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	7.23%	4.75%

The following table provides a reconciliation of the Bank's consolidated balance sheet on an accounting consolidation basis as of the 31st of December 2022 and 2021, 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	2022	2021
Assets		
Cash and balances at central banks	227,118	239,214
Items in the course of collection from other banks	114,420	68,714
Trading portfolio assets	-	-
Derivative financial instruments		18
Loans and advances to customers	519,212	566,022
Debt securities at amortized cost	67,380	39,314
Available for sale financial investments	186,064	68,067
Current and deferred tax assets	7,500	-
Prepayments, accrued income and other assets	7,607	9,000
Goodwill and intangible assets	1,347	1,529
Property, plant and equipment	9,004	8,000
Total assets	1,139,652	999,877
Liabilities		
Deposits from banks	750	48,546
Customer accounts	1,011,607	842,360
Derivative financial instruments	165	139
Accruals, deferred income and other liabilities	8,327	4,423
Current and deferred tax liabilities	1,761	1,279
Retirement benefit liabilities	1,580	1,762
Total liabilities	1,024,190	898,510
Shareholder's equity		
Share (premium + capital)	88,187	88,187
<i>Of which: amount eligible for CET1 capital</i>	<i>88,187</i>	<i>88,187</i>
<i>Of which: amount eligible for AT1 capital</i>	<i>-</i>	<i>-</i>
Retained earnings	25,677	10,872
Reserves	1,598	2,308
Total shareholders' equity	115,462	101,368

In 2022, the bank sustained its asset growth trajectory, albeit at a more moderate pace, with total assets increasing by 14% year-over-year. Assets reached approximately €1.14 billion, up from nearly €1 billion in 2021. This expansion was primarily driven by a robust 20% increase in Customer Deposits, which rose to €1.011 billion from €842.36 mil the previous year. In contrast, interbank borrowings saw a sharp contraction of 98%, declining by €47.8 mil to just €750 thousand, down from €48.6 mil in 2021. Notably, the balance sheet as of December 31, 2022, represents the largest in the ABB's history 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 31.12.2021 and 31.12.2022:

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

Amounts in € '000	2022	2021
Total consolidated assets as per published financial statements	1,139,650	999,877
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	0,856	1,270
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)	25,058	21,587
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
Other adjustments	-2,693	-3,119
Leverage ratio exposure measure	1,161,450	1,019,615

As of December 31, 2022, the Bank's leverage ratio edged down slightly to 9.64%, from 9.79% the previous year. Despite this marginal decline, the ratio remained well above the regulatory minimum threshold of 3% in both periods, underscoring the Bank's strong capital position.

Table 7: LR2 - Leverage ratio common disclosure

Amounts in € '000	2022	2021
On-balance sheet exposures		
On-balance sheet exposures (excluding derivatives SFTs, but including collateral)	1,136,717	998,169
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)	-1,346	-1,529
Total on-balance sheet exposures	1,135,370	996,640
Derivative exposures		
Replacement cost of derivative transactions (net of eligible cash variation margin)	165	118
Add-on amounts for potential future exposure associated with <i>all</i> derivatives transactions	856	1,270
(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	1,021	1,388
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	25,058	21,587
(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	25,058	21,587
Capital and total exposures		
Tier 1 capital	111,929	99,770
Total exposures	1,161,450	1,019,615
Leverage ratio		
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.64%	9.79%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.64%	9.79%
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 2022, resulted in 14% higher sum of Total Leverage Exposure and a Leverage Ratio of 9.64% as of 31.12.2022, from 9.79% in FY-2021.

3.4. Important events after 31st December 2022

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)

In accordance with Article 73 of the Capital Requirements Directive (CRD IV), credit institutions are required to establish sound, effective, and comprehensive strategies and processes to assess and maintain, on an ongoing basis, the amount, type, and distribution of internal capital deemed adequate to cover the nature and level of risks to which they are or may become exposed. These strategies must be subject to regular internal review to ensure they remain proportionate to the institution's nature, scale, and complexity.

The Internal Capital Adequacy Assessment Process (ICAAP) constitutes a core component of Pillar II under the Basel III framework. Its primary objective is to identify, assess, and quantify all material risks—beyond those captured under Pillar I (i.e., credit, counterparty credit, market, and operational risks)—to ensure that the institution maintains adequate capital in line with its overall risk profile and appetite.

Through the ICAAP, ABBank applies both qualitative and quantitative methodologies to evaluate its exposure to material risks, including those not explicitly covered by regulatory capital requirements. The process incorporates forward-looking capital planning under both baseline and adverse scenarios, enabling the Bank to assess its capital adequacy under stressed conditions.

Based on the scenario analysis and impact assessment on capital and earnings, the Bank determines additional internal capital requirements for all relevant risk types, including those already addressed under Pillar I. This ensures a comprehensive and risk-sensitive approach to capital management, aligned with the Bank's strategic objectives and regulatory expectations.

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 Department constitutes a key component of the Bank's Internal Control System and, together with the Compliance Function, forms the backbone of the second line of defense within the corporate governance framework. The Internal Audit Function represents the third line of defense, providing independent assurance.

The Risk Management Department is responsible for the design and implementation of the Bank's risk management framework, in line with the strategic direction set by the Board of Directors. The Head of the Risk Management Department reports directly to the Board, ensuring independence and oversight at the highest level.

The Department is structured into three main divisions:

- a) Credit Risk Management Division,
- b) Operational Risk Management Division,
- c) Market and Liquidity Risk Management.

4.1. The Risk Management Policy

The Bank's Risk Management framework and the role of the Risk Management Department 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 implemented by all employees involved in the Bank's risk-taking activities (including Senior Management), with the following goals:

- to promote a sound risk culture, and transparent organizational structure with clearly defined and allocated roles and responsibilities;
- to identify the main risks and the areas of the Bank that are exposed to these risks;
- to develop appropriate methodologies for managing risk;
- to require and establish adequate systems and controls that will enable effective Risk Management (e.g. measurement, monitoring, reporting).

Additionally, through the adoption of this Policy, the Bank seeks to:

- align the Board of Director's (BoD) strategic goals with the risks assumed by its businesses;
- require annual BoD review of Risk Management procedures and activities;
- minimize the level of possible and/or actual losses associated with market, credit, liquidity and operational risks through sound system of internal controls.

A list of interrelated risk type specific policies as well as overall documents linked to the current one, is presented below:

- Capital Management Regulatory Reporting Policy;
- Market Risk Management Policy;
- Credit Risk Management Policy;
- Liquidity Risk Management Policy;
- Operational Risk Management Policy;
- Contingency Funding Plan ("CFP");
- Recovery Plan ("RP");
- Business Continuity Plan;
- Internal Operating Regulation ("IOR").

All the above Policies and Plans, as well as their reviews and updates are subject to approval by the BoD of the Bank.

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. Additionally, it ensures that senior executives take all required measures to effectively manage risks, according to the approved policies, and monitors risk management measures systematically. BoD exercises the responsibilities of a Risk Committee, since the Bank according to law 4261/2013 and BoG Governor’s Act 2577/2013 (Chapter IV, Section B1, Paragraph 2.2), due to its size and complexity of its activities, is not required to establish a separate Risk Committee;
- **Audit Committee:** It is a BoD committee, as per BoG Governor’s Act 2577/2006. It 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 credit processes and it provides an assessment of the completeness of the impairment process/ methodology of the Bank’s loans/ 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:** It is an Executive Management Committee. ALCO’s main purpose is the formulation of the organizational strategy of the Bank in terms of management and structuring of assets and liabilities with the sole purpose to maximize the risk-return balance of the Bank’s activities given the risk policies and frameworks and the Business Plan approved by the BoD for the relevant period;
- **Credit Committee:** Both are Executive Management Committees. The Bank’s Credit Committees (both Performing and Non – Performing Loans Credit Committees) regularly analyze the relevant loans to customers (performing and non-performing, respectively) of the Bank, at an individual or portfolio basis, approve new loans or the management of non-performing exposures (in the case of the ANPL Credit Committee) and the credit review and/or extension-refinancing of existing ones, whereas, when necessary by internal regulations of the Bank, seek additional approvals by the BoD. In the aforesaid context of Credit Committees’ duties, it is also included (on a regular, at least once per annum, or on an extraordinary basis) the revision and analysis of any events that may affect the Bank’s loans portfolios (performing and non-performing), the approval of relevant recommended actions and if necessary, the onward approval of such by the BoD. Finally, the Credit Committees are also responsible for the making of recommendations for the appropriate amendment of the relevant 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 Department

The Organizational Chart clearly depicts the structure of the Bank’s Risk Management Unit (RMD) 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 RMD'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 RMD,
- Reports to the Senior Executive Management, to Management Committees or to the BoD, when appropriate,
- Prepares reports/briefs the Senior Executive Management and the BoD on matters within its responsibility, frequently (at least once a quarter),
- Is subject to Internal Audit Unit's review in terms of adequacy and efficiency of the Risk Management procedures,
- Has access to all activities and units, as well as to all of the credit institution's data and information required accomplishing its operations.

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

- Oversees the effective implementation of the Bank's Risk Management Policy and related detailed policies, including the Credit Risk Management Policy, Market Risk Management Policy, Liquidity Risk Management Policy, Operational Risk Management Policy, and the Capital Management and Regulatory Reporting Policy.
- Develops and uses appropriate methodologies for all risks related to the Bank's activities, including models for the identification, assessment, monitoring, controlling, reporting, and provisioning these risks,
- Tailors risk related 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,
- Recommends to the BoD appropriate techniques for the maintenance of risks within acceptable levels,
- Evaluates the adequacy of the methods for risk identification, assessment, monitoring, and mitigation on a regular basis, and recommends corrective actions, where appropriate,
- Performs stress testing, at least on an annual basis, based on specific scenarios, analyzes and reports the results and makes recommendations, where appropriate,
- Prepares management information reports for Senior Executive Management and BoD on a regular basis, at least once a quarter,
- Calculates and accordingly reports to the regulatory authority the Bank's capital requirements (with regards to 'COREP') and collaborates with the Bank's Accounting, Finance and MIS Department (with regards to 'FINREP'), using appropriate methodologies for the calculation of capital requirements,
- Participates and consults in the structuring and assessment of new loans (such participation not constituting an approval), in the development of procedures for business related issues, and in the evaluation of operational risk in cases of major developments (e.g. mergers and acquisitions), in order to incorporate all appropriate controls, Risk Management mechanisms and ensure compliance with existing rules,
- Participates in the business decisions and / or relevant approval process 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 or general parameters,
- Cooperates with the Arrears and Non-Performing Loans Management Section to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquent bucket,
- Monitors overall portfolios' composition and performance and recommends any corrective actions to Credit Committees (e.g. restructuring/settlement of existing loans, examination of impairment indication of certain loans or portfolios, modification of the reserves policy etc.), whenever appropriate,
- Participates in the evaluation of the Bank's internal and regulatory capital by the regulatory authorities,

- Acts as a liaison between the Bank and regulatory authority with regards to risk management, capital adequacy, and regulatory supervision issues,
- Embed risk management into the Bank's culture and existing processes and raise awareness of risk management throughout the Bank.

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, jointly with the CFO, ensure the development and implementation of the ICAAP and ILAAP reports, the Risk and Capital Strategy and the Bank's Recovery Plan 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 in June-20 and teams from Risk Management, IT, Finance as well as the vendor participate. Implementation of the first stage (Regulatory Reporting, covering all COREPs of the existing framework and the FINREP) was initially due for completion in 2021, but due to certain drawbacks completion took place in Q4-22 and is currently in testing and error-checking mode.

In Q4-2022 the second stage commenced, which includes Pillar II capital and liquidity risk management and stress-testing applications, also covering the IRRBB and the CSRBB. The whole project comprises a major task for the standards of ABBank as it calls for upgrade 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 in the Credit risk (both 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

The granular data are recorded in Excel files in order to perform data quality checks, such as missing data or unexpected empty fields and consistency in format of fields to allow proper operation of links between different accounts or collaterals, reconciliation checks of granular 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 checks of those performed by RV Credit follow, prior to downloading each COREP in the XBRL format required for regulatory reporting and submissions (the XBRL module is built-in in the new OSX system).

For stress-testing purposes of the Credit Risk portfolios, the reconciled data and calculations downloaded in Excel are used, and further processing is performed by combining such with the models and data used for each particular stress test (as outlined in each relevant part of Section 3, above).

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 granular level, by comparing the above with the dealing system's data archived and the working files of the Treasury Dept. and back office. The granular data are input in excel files data recalculation take place, starting from the lowest available granular level 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 metrics tools of the Bloomberg system are used.

For IRRBB the granular 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 processing are performed by the members of the RMD (each one dealing with the risk area he/she specializes in) and final result checks and internal authorizations for reporting, by the CRO.

4.5. Risk Management Strategy and Risk Appetite

The purpose of risk appetite is to delimit, synthetically and explicitly, the levels and types of risk that the Bank is ready to assume in the development of its business. The risk appetite is defined as 'the amount and type of risks considered reasonable to assume for implementing its business strategy, so that the Bank can maintain its ordinary activity in the event of unexpected events that could have a negative impact on its level of capital, levels of profitability and / or its share price'.

The Risk Appetite the Bank is willing to accept can be verbally summarized in the following statement: *'The primary objective of risk management is to contribute to the activities of the Business Units in optimizing overall profitability – adjusted for risk – whilst ensuring the continuity of the Bank through the implementation of a suitable approach to risk management'.*

The Bank's Risk Appetite Framework ("RAF") is set by the BoD, ensuring it is aligned to the Bank's strategy, while its principles are applied by the Business Units, overviewed by the Bank's Risk Management Department. Specifically, through the approval of the Annual Business Plan by the BoD, the Bank defines and reviews regularly its Risk Appetite Framework, whereby specific measures and indicators are outlined for each material risk category and relevant limits/thresholds are set, signifying the Bank's risk appetite, early warning and recovery action trigger levels, for the effective management and monitoring of liquidity and funding risk. The Bank's Risk Appetite Framework (inclusive of both quantitative and qualitative elements such as limits and thresholds per risk type and sub-type) and its management framework is based, amongst other factors, in the analysis of the impact of unlikely but plausible tension scenarios performed by RMD and the adoption of pertinent measures to ensure that policies and business planning priorities set are met, as suggested by the Head of RMD to the Business Planning Working Team (where he/she is a member of) for further approval by the BoD.

The BoD regularly assesses and revises the RAF, at least on an annual basis, in the course of the regular business planning process, or more often if so required in cases that internal and/or external conditions have materially changed, following relevant proposal or consultation with the Business Planning Working Team or the Head of RMD.

Several important high level risk appetite statements that summarize the risk appetite of the Bank are qualitatively defined in each of the respective risk area Risk Management Policy, where **the quantitative limits and thresholds are defined and determined in the RAF KPIs presented in tabular form in Appendix I**, herein.

For each selected indicator (KPI) shown in the table, the Bank has defined relevant thresholds that constitute a normal ("green") performance vs an "amber" or a "red" performance level. The "green" threshold defines the Bank's risk appetite level, the "amber" threshold defines the Bank's risk bearing capacity and the "red" threshold defines the zone beyond the Bank's risk bearing capacity i.e. the risk tolerance levels of the Bank. 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 short period of time this is not considered a sustainable situation. Therefore, adequate recovery actions and options need to be taken.

Such recovery options and actions in the case that the capital and/or liquidity adequacy of the Bank is threatened are analyzed and scheduled in the Recovery Plan (the RP”) which is updated and approved by the Bank’s BoD on an annual basis. Moreover, in connection to liquidity and funding risks the Bank has in place a Contingency Funding Plan (the “CFP”) which is also annually updated and approved by the BoD. The CFP outlines the Bank’s scheduled actions to resist stressed liquidity and funding and has the purpose to provide for corrective actions prior to the Bank entering a recovery mode (tackled by the RP).

The selected indicators are considered adequate regarding the Bank’s size and complexity and have been set by taking into consideration the Bank’s position and changes in the economic environment. The Bank has developed an adequate IT and intradepartmental cooperation infrastructure that enables prompt and consistent information management, whereas within the Finance and Tax Department an independent MIS unit operates.

5. CREDIT RISK

Credit risk is defined as the potential risk that an obligor will fail to meet their financial obligations (principal, interest, fees) on time or in full, according to the contractually agreed terms. Credit risk arises from the possibility that an obligor is either unwilling to perform an obligation or its ability to perform such may be impaired, hence from the probability of defaulting on its obligation and creating an economic loss to the Bank. Moreover, in relation to credit exposures being traded and/or listed in an active securities market (e.g. a bond, warrant, etc.), credit risk may also arise from losses that may result from a reduction in the value of such an exposure/security due to actual or perceived by the market deterioration in the credit quality of the specific exposure/security or its obligor/issuer.

Credit Concentration Risk stems from large exposures to the same obligor, industry or geographical region i.e. exposures to sets which largely share common or correlated risk characteristics, which in case that stressed conditions prevail in such sets may negatively affect the credit quality and credit performance of the whole set, hence increasing the probability of the Bank realizing significant losses, endangering its financial solidity and possibly its ability to maintain its core activities. Any financial exposures of the Bank may generate concentration risk, by positions recorded as assets, liabilities on or off balance-sheet.

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)	2022	2021
Gross Value of Exposure to:			
Central Governments and Central Banks		475,160	339,689
o/w Central Governments – Investment Bonds/Marketable Securities		115,610	100,939
Banks and Financial Institutions		625,796	69,985
o/w Banks & Fin, Institutions – Investment Bonds/Marketable Securities		-	-
Corporates - Performing		8,586	652,222
o/w Corporates – Investment Bonds/Marketable Securities		0,777	6,438
Corporates – Non-Performing		23,861	10,823
Retail		0,475	0,513
Other Assets		115,610	17,614
Total Credit Risk Exposures (Gross)		1,249.8	1,090.8

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 Department, 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 primarily comprises obligors in the shipping sector who are not rated by External Credit Risk Assessment Institutions (ECRAIs), the Bank has developed and applies its own internal ten-grade credit risk rating system. For consistency and comparability, this internal rating system is also applied to non-shipping loan customers, even in cases where they are rated by local ECRAIs.

This part of the Report discusses the credit rating and credit approval process of the Bank, as well as the credit rating status of the corporate loans portfolio as of the reference date and the credit rating migrations that took place during FY-2022

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, since 2003, 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.

To date, 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 BoD is also required. Reviews are performed at least once a year for limits rated at "1-EXCELLENT" 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.

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).

In addition to the above regular review procedure, the Credit Risk Management section performs a "portfolio-wide" review and re-assessment of all obligors and limits following each year-end. 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 re-assess approvals which were 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 may have occurred since then. The portfolio-wide review is also assessed and approved by the Credit Committee.

Notably, exposures classified as Non-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 necessary all fall under the auspices of the ANPLM unit).

5.1.1.a Credit Rating Tool for Shipping Exposures

Since 1.1.2021, the Bank has fully incorporated in its credit evaluation process for shipping exposures a credit rating model which was created with the assistance of external advisors. The development of the model was based on the statistical analysis of the historical data and characteristics of the Bank’s shipping portfolio, as these were evaluated through a scoring model used by the Bank for stress-testing purposes since 2008, which follows the slotting criteria for object finance – Shipping, of the IRB-Foundation Approach. The shipping credit rating model comprises 15 criteria, 6 (six) of which are borrower/group-specific and 9 (nine) are facility-specific, with fixed assigned weights which have been determined through the statistical analysis mentioned above. The evaluation of the said 15 parameters produces a rating score for each facility and, consequently, for each obligor group, the latter being mapped to the Bank’s internal 10-scale credit rating system. For the time being, the produced scores do not carry probabilities of default, as the development of the model has been based on the Bank’s individual credit datasets, which refer to a historically low-default and low-loss portfolio, and thus cannot produce statistically reliable default parameters (PD, LGD).

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 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).

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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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 "salability" (e.g. unfavourable 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

It is noted that during 2022 (the second full year of implementation of the Shipping credit rating Tool):

1. A total of 40 evaluations were performed, concerning 36 of 48 borrowing groups with ship-financing facilities (i.e. excluding those with overdraft limits against receivables) (2021: 68 evaluations for 51 out of 52 borrowing groups).
2. Out of the total evaluations, 2 credit scores, concerning 5% of total evaluations (and, in terms of YE-2022 balances, 4% of the ship-financing limits which were evaluated and 3% of the total shipping credit limits),

were overridden by the proposing Account Officers (with the overriding score ultimately approved by the competent Credit Committee), as it was deemed that certain characteristics of the exposures could not be fully captured by the parameters of the tool (more specifically, reputation and co-operation of principal/guarantor in one case and limited experience of the principal/guarantor, as successor at the group's helm, in the other). In both cases, the overriding adjustment was of 1 notch, where the credit rating Tool produced a more favorable credit score than the one proposed by the Account Officers (2021: 3 credit scores were overridden, concerning 4% of total evaluations and 5% of the total YE-2021 ship-financing limits).

3. Out of the total evaluations, 12 assessments, representing 30% of total evaluations (and, in terms of YE-2022 balances, 23% of the ship-financing limits which were evaluated and 17% of the total shipping credit limits) produced a credit score of more than x.75 (e.g. higher than 2.75, 3.75 etc) in the respective rating grade (2021: 25 assessments, representing 37% of total evaluations and 34% of the total YE-2021 ship-financing limits). In such cases, the Bank's Credit Risk Management Policy provides the flexibility to the analyst to propose the rounding of the group's final rating to the closest lower and more conservative grade (e.g. a score between 1.75-1.99 which conventionally corresponds to Credit Rating 1, may, with the justified proposal of the officer, be rounded to Credit Rating 2 without it constituting an overriding action). Out of these 12 cases, 8 (or 67%, concerning 15% of the ship-financing limits which were evaluated and 11% of the total shipping credit limits) were indeed rounded to the immediately lower rating category for prudence (2021: 21 out of 25 evaluations, i.e. 84%, concerning 31% of the YE-2021 ship-financing limits).
4. Overall, 6 continuing shipping groups were upgraded during 2022 through the credit rating Tool and 1 was downgraded. This is attributed, in the former case, to the improved market conditions and financial/credit profile of the respective obligors and in the latter, to the weaker market conditions prevailing at the time of the review of the downgraded exposure.

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 2023.

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.

5.1.1.c Credit Rating Status as of 31.12.2022 and 31.12.2021

The following table presents the evolution of the internal credit rating distribution of the Bank's loan exposures to Corporate clients over the past two years.

Total approved credit limits are reported based on the original amounts of both on- and off-balance sheet exposures, excluding accrued interest and unamortized loan fees, as of the respective reference dates. These figures also include approved but unadvised (i.e., non-committal) exposures. As a result, minor discrepancies may arise when comparing these amounts with other tables that reference committed or reported exposures.

The data clearly indicate that the Bank's credit expansion has positively influenced the overall credit quality of its loan portfolio. In particular, the allocation of obligors within the upper half of the internal credit rating scale increased further in 2022, reaching 96.4% of total approved credit limits as of 31.12.2022, compared to 95.1% in 2021. Notably, despite the portfolio contraction observed in 2022, the distribution of credit ratings remained largely unaffected.

Table 12: Table of the Shipping Credits Rating Tool Criteria

INTERNAL CREDIT RATING OF OBLIGORS	31 st December 2022		31 st December 2021	
	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	€ 43,395	6.8%	€ 44,352	6.5%
3 – Very Good	€ 211,295	32.9%	€ 197,013	28.8%
4 – Good	€ 165,052	25.7%	€ 208,668	30.5%
5 – Satisfactory	€ 198,493	30.9%	€ 200,301	29.3%
6 – Acceptable	€ 14,826	2.3%	€ 22,862	3.3%
7 – Vulnerable	€ 2,626	0.4%	€ 0	0.0%
8 – Substandard	€ 0	0.0%	€ 0	0.0%
9 – Doubtful	€ 0	0.0%	€ 9,989	1.5%
10 – Loss	€ 5,951	0.9%	€ 843	0.1%
Total	€ 641,637	100.0%	€ 684,027	100.0%
Annual Difference:	- € 42,390	-6.2%	+€ 242,453	+54.9%

The internal credit rating distribution of the Bank's shipping loan portfolio in 2022 reflects a continued emphasis on higher credit quality, despite the overall contraction in portfolio size by 6.2% year-on-year.

- The combined share of obligors rated within the upper five internal credit grades (1–5) increased slightly to 96.4% in 2022 (from 95.1% in 2021), driven by new credit limits primarily allocated to categories “4 – Good” and “5 – Satisfactory”, which largely offset the impact of repayments and prepayments;
- The two largest rating concentrations were observed in “3 – Very Good” and “5 – Satisfactory”, which together accounted for 64% of total approved credit limits as of 31.12.2022, with a relatively balanced distribution between them;
- Exposure in the lower four rating categories (7–10) declined both in relative and absolute terms, representing 1.3% of total limits in 2022 (down from 1.6% in 2021), and totaling €8.6 mil (vs. €10.8 mil in 2021). This reduction was primarily attributed to lower balances of non-performing exposures (NPEs), which decreased by approximately 21% year-on-year;
- On an individual basis, only categories “3 – Very Good”, “7 – Vulnerable”, and “10 – Loss” recorded increases in absolute amounts (a combined rise of €22 mil, or +11%), exclusively due to internal rating migrations. Conversely, “4 – Good” experienced the largest absolute decline (–€43.6 mil, or –21%), driven by a combination of rating migrations and prepayments, which were not fully offset by new exposures.

5.1.1.d Sectors Financed

The table below illustrates the sectoral distribution of AB Bank's corporate loan portfolio, distinguishing between shipping and non-shipping exposures. The non-shipping segment includes exposures to Greek medium and large-sized enterprises, companies with international or export-oriented activity, as well as entities active in Commercial Real Estate (CRE) and Renewable Energy.

The distribution is based on total principal exposure amounts — i.e., the approved credit limits for both on- and off-balance sheet exposures — excluding accrued interest and unamortized loan fees, as of year-end 2022 and 2021.

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

Market / Sector financed	% of Original Total Exposures to Customers as of 31.12.2022	% of Original Total Exposures to Customers as of 31.12.2021
A. Shipping Exposures	79.4%	83.4%
1. Crude Oil Tankers	10.6%	10.3%
2. Oil Products Tankers	10.8%	14.3%
3. Specialized / Bunkering Tankers	3.9%	2.5%
4. Dry Bulk Carriers	32.0%	34.1%
5. Containerships	1.5%	2.5%
6. Passenger/Car Carriers (Ro-Pax, Ro-Ro)	3.3%	3.6%
7. Pure Car/Truck Carriers	0.6%	0.6%
8. Offshore Support Vessels	3.7%	2.4%
9. Other Shipping & Shipping Services	13.0%	13.1%
B. Non-shipping Exposures	20.6%	16.6%
1. Commercial Real Estate	3.4%	3.3%
2. Energy (including Renewable Energy)	7.0%	7.0%
3. Manufacturing	4.3%	3.1%
4. Construction	3.7%	2.6%
5. Wholesale	2.1%	0.6%
6. Retail	0.0%	0.0%
7. Other	0.1%	0.1%

As of year-end 2022, shipping exposures continued to dominate AB Bank's corporate loan portfolio, accounting for 79.4% of total approved credit limits, despite a year-on-year contraction of €61 mil (–11%). The portfolio remained well-diversified across shipping segments, with the Dry Bulk and Tanker sectors representing the largest concentrations (32.0% and 25.4% of total exposures, respectively). Notable growth was recorded in the Specialized Tankers and Offshore segments, while the Containership sector experienced the steepest decline (–42%) due to vessel sales and related prepayments.

Non-shipping exposures increased to 20.6% of the total portfolio (from 16.6% in 2021), driven by new lending primarily in the Wholesale, Manufacturing, and Construction sectors. The Energy sector remained the largest non-shipping segment (7.0% of total exposures), maintaining a stable share despite a slight reduction in absolute terms. The Commercial Real Estate (CRE) sector declined marginally and moved to fourth position among non-shipping sectors. Most non-shipping exposures, excluding Energy and CRE, consist of short-term working capital facilities secured by receivables, real estate, and guarantee.

5.1.1.e Country Risk

Despite the significant presence of Greek-owned shipping companies in the Bank's portfolio, the offshore legal status of obligors, their international operations, and the predominance of oceangoing exposures mitigate any material country risk concentration, particularly in relation to Greece. Conversely, the non-shipping portfolio maintains a stronger correlation with Greek economic conditions. As of 31.12.2022, approximately 24.6% of total loan exposures were linked to Greece (up from 21.7% in 2021), primarily through non-shipping sectors such as Energy, Commercial Real Estate, Manufacturing, and Construction. These sectors have shown resilience and growth, supported by favorable macroeconomic conditions, despite isolated cases of borrower-specific stress. Overall, the Bank's exposure to Greek country risk remains contained and well-monitored.

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

The Bank employs a comprehensive and risk-sensitive collateralization framework as a key component of its credit risk mitigation strategy. Collateral requirements are tailored to the nature of each exposure, the credit profile of the obligor, and the underlying transaction structure, with a strong emphasis on maintaining conservative loan-to-value (LTV) ratios and robust security coverage.

Shipping Portfolio Collateralization

Given the Bank's strategic focus on shipping finance, the majority of its loan portfolio is secured by shipping-related collateral. As of 31.12.2022, the Bank maintained ship mortgages over 99 oceangoing vessels, consistent with the previous year. These mortgages are complemented by a suite of additional securities, including:

- Pledges and assignments of earnings and insurances;
- Assignments of shipbuilding contracts and charter parties;
- Corporate and personal guarantees;
- Pledged customer accounts and cash collateral.

The mortgaged fleet had an average age of 16 years, and its total market value provided a collateral coverage ratio of approximately 332% over the net exposures (post-provisions and cash collateral), significantly improved from 245% in 2021. This increase reflects both the strengthening of vessel valuations—particularly in the tanker segment—and the reduction in loan balances due to scheduled and voluntary prepayments.

Non-Shipping Portfolio Collateralization

The Bank's non-shipping exposures, which have grown in recent years, are secured by a diverse range of collateral types, including:

- Mortgages over commercial real estate (CRE);
- Pledges and assignments of receivables and contracts;
- Tangible assets such as industrial equipment;
- Corporate and personal guarantees.

As of 31.12.2022, 21 real estate properties (up from 18 in 2021) secured non-shipping loans, primarily comprising offices, retail spaces, warehouses, land plots, and a production facility. The market value of these properties covered the respective net exposures by 204%, slightly down from 226% in 2021, reflecting market dynamics and portfolio composition.

Regulatory Credit Risk Mitigation (CRM) Recognition

Under the Standardized Approach for calculating Risk-Weighted Assets (RWA), only specific forms of collateral qualify as eligible credit risk mitigation techniques. These include:

- Cash and cash-equivalent instruments;
- Marketable securities (equity or debt) traded on recognized exchanges;
- Guarantees from eligible financial institutions or sovereign entities.

Shipping-related collateral (e.g., ship mortgages) is not recognized for regulatory CRM purposes. Therefore, the Bank's primary form of eligible funded credit protection is cash collateral.

As of 31.12.2022, total cash collateral pledged in favor of the Bank amounted to €64.2 mil, of which:

- €28.3 mil secured on-balance sheet exposures (covering 5.5% of post-impairment exposures);
- €35.9 mil secured off-balance sheet exposures (covering 66.0% of post-impairment exposures).

This compares to €65.2 mil in total cash collateral at year-end 2021, reflecting a marginal annual decrease of €1 mil (–1.5%), primarily due to changes in the composition of the secured portfolio.

Ongoing Monitoring and Risk Management

The Bank places strong emphasis on the continuous monitoring of collateral values and the financial condition of obligors. Dedicated units—including Credit Control, Business Development, General Administration, ANPLM, and the Risk Management Division—are responsible for:

- Assessing compliance with contractual collateral coverage requirements;

- Revaluing tangible collateral in response to market developments;
- Monitoring early warning indicators and borrower cash flow projections.

While current collateral coverage levels are considered robust, the Bank acknowledges that market volatility, geopolitical risks, and macroeconomic uncertainty may impact asset values. As such, proactive risk management and close monitoring remain central to the Bank's credit risk mitigation strategy.

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:

- 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;
- Forbearance:** The Bank classifies all forbore performing exposures (FPE) as having a SICR;
- Backstop indicators:** The Bank applies the criterion of 30 days past due for the identification of SICR;
- 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 forbore 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 forbore performing, (ii) be rated at 5 or below in the Bank's internal credit rating system and exhibit a SICR, without being classified as forbore, 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 forbore 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.

Following the above, it becomes apparent that the continuous credit monitoring and re-assessment of the obligors' credit rating constitutes a fundamental principle of the credit policy and relevant procedures followed by the Bank. Each obligor is reviewed and re-evaluated at least annually. It is therefore inferred that the reasons for which an 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 prudence 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 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 RMD/Credit Risk Management Division 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 with reference date the end of the year 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 receiving 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). The assessment for the shipping exposures is based on assumptions regarding mainly (i) the prospective levels of freight rates, which are determined by the prevailing 1-year and 3-year time-charter rates as well as the historical time-charter rates, and (ii) the residual ship values, which are determined through straight-line depreciation from their current levels.

Considering the international profile of the shipping industry and the difficulty in identifying strong correlations with particular macroeconomic factors, the applicable stress assumptions used in the adverse scenario have been determined on the basis of the average historically observed annual negative changes of the 1-year time-charter rates for the basic ship types/sizes, taking into account the present level of the freight market for the underlying ship type. The stress factors gradually reduce to 0 during the projection period, reflecting the inherent cyclicity of the shipping markets and the assumption that the market will tend to absorb shocks over time and adjust to a demand/supply equilibrium. For the non-shipping exposures, the assessment is similarly based on the expected residual value of the collateral at varying recovery rates and/or the estimated corporate cash flows from the obligors/guarantors which are considered feasible for the relevant financed projects as well as the liquidity position of the relevant groups. Considering the small size and diversity of its non-shipping 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) and depend on the particular characteristics of each obligor and the sector within which it operates, as well as on the existence and strength of legal rights to specific cash flows or assets in favor of the Bank, including,

where applicable, assessment of potential economic impact on the counterparties through which such cash flows are originated.

The impairment test is performed by the RMD/Credit Risk Management Division, 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.

5.2.3. Non-Performing and Forborne Exposures

The management of Non-Performing Exposures (NPEs) is carried out by a dedicated unit within the Bank, ensuring focused oversight and specialized handling of such exposures. Credit decisions related to NPEs fall under the exclusive competence of the ANPL Credit Committee, in line with the Bank's internal governance framework.

In accordance with the Executive Committee Acts 175/2020 and 181/2021 of the Bank of Greece, which incorporate the EBA Guidelines on the management of non-performing and forborne exposures (EBA/GL/2018/06), the Bank has adopted a conservative and structured approach to the classification, monitoring, and resolution of NPEs. The regulatory framework was further reinforced by the EBA Guidelines on the Definition of Default (EBA/GL/2016/07), which the Bank has fully implemented since 2020.

As part of its compliance efforts, the Bank has revised its Credit Policy and NPE Policy, embedding the new Definition of Default and ensuring that exposures are flagged as defaulted when they meet either:

- the past-due criterion (i.e., more than 90 days past due), or
- the unlikely-to-pay criterion, including cases of distressed restructuring.

The Bank's systems and reporting infrastructure have been aligned accordingly, enabling timely and accurate recognition of default events and regulatory reporting.

As of 31 December 2022, the Bank maintained a prudent stance in the classification and provisioning of NPEs, applying forward-looking assessments and conservative assumptions. The Bank also ensures that forborne exposures are monitored closely throughout their probation periods, in line with regulatory expectations.

The following tables provide a detailed breakdown of the Bank's non-performing exposures and related impairment provisions as of 31 December 2022 and 31 December 2021, reflecting the Bank's ongoing efforts to maintain a high-quality loan portfolio and a robust credit risk management framework.

Table 14: CR1 - Credit quality of assets

Amounts in € '000 2022	Gross carrying values of		Allowances / impairments	Net Values
	Defaulted exposures	Non-defaulted exposures		
Total Loans & Advances	8,580	634,646	-7,381	635,844
To Banks and Fis	0,00	114,420	0,00	114,420
To Non-Financial Customers	8,580	520,226	-7,381	521,424
Total Debt Securities	0,00	253,444	-567	252,877
At Amortized Cost	0,00	67,380	-5	67,374
At FVOCI	0,00	186,064	-561	185,502
Total Off-balance sheet exposures	0,00	1,198	-122	1,076
Total	8,580	889,288	-8,070	889,797
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

As shown in the table above, the Bank's Non-Performing Loan (NPL) balances declined by €2.2 mil during 2022, reaching €8.6 mil as of 31.12.2022, down from €10.8 mil at year-end 2021. This reduction was primarily driven by recoveries and the reclassification of certain forborne NPEs into performing forborne exposures, reflecting improved borrower performance and effective credit management.

The following table provides an overview of the movements (inflows and outflows) of non-performing loans and advances as of 31 December 2022 and 31 December 2021.

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

Amounts in € '000	Gross carrying amount	
	2022	2021
Defaulted loans and debt securities at end of the previous reporting period	10,823	24,506
Loans and debt securities that have defaulted since the last reporting period	2,763	0,00
Returned to non-defaulted status	-5,004	-10,626
Amounts written off		-3,315
Other changes	-2	257
Defaulted loans and debt securities at end of the reporting period	8,580	10,823

5.3. Analysis of Collaterals

The collaterals are measured at fair value. When the market value of the collateralized property exceeds the loan balance, the collateral value is capped at the total exposure (including both on- and off-balance sheet items), prior to any allowance for impairment.

It should be noted that the collateral amounts are reported in accordance with IFRS standards, rather than CRR supervisory standards, as all shipping loans are secured by mortgages on vessels — a form of collateral that is not recognized under CRR for credit risk mitigation purposes.

Consequently, while the market value of these collaterals may exceed the exposure at the reporting date, the reported collateral amount is conservatively capped at the exposure level of each loan.

The tables below provide a detailed analysis of the closing balance as of 31.12.2022 and 31.12.2021, including collaterals held across all stages of loans and advances to customers at amortized cost, as well as off-balance sheet exposures:

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

Amounts in € '000	Stage 1	Stage 2	Stage 3	Total
Analysis of the closing balance as of 31.12.2022				
Collateral amount				
Loans and advances to shipping corporations	417,599	8,447	228	426,274
Loans and advances to corporate sector	129,298	3,641	2,632	135,571
Other loans & Staff loans	-	-	-	-
Total Loans and advances to customers	546,897	12,088	2,860	561,845
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
Amounts in € '000	Real estate collateral	Financial collateral	Other collateral / Vessels	Total value of collateral
Breakdown of collateral and guarantees as of 31.12.2021				
Collaterals and guarantees of loans and advances	33,716	122,141	405,989	561,846
Total	33,716	122,141	405,989	561,846
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

5.4. 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.

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.

<u>Amounts in € '000</u> 2022	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	474,652	-	474,652	-	-	0.0%
Banks	114,412	1,198	114,412	1,198	30,273	26.2%
Corporates	525,714	100,687	494,563	12,164	506,727	100%
Of which: specialized lending (Shipping)	437,793	52,715	408,070	5,601	413,672	100%
Retail	777	-	777	-	582	75.0%
Defaulted exposures	1,200	-	1,200	-	1,798	150%
Other assets	16,361	-	16,361	-	15,096	92.3%
Total	1,130,117	101,881	1,101,965	13,361	554,476	49.7%
<u>Amounts in € '000</u> 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 their central banks	339,513	-	339,513	-	-	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%
Of which: specialized lending (Shipping)	482,246	54,052	454,995	6,787	461,782	100%
Retail	513	-	513	-	384	75%
Defaulted exposures	5,441	-	5,441	-	8,161	150%
Other assets	17,614	-	17,614	-	16,275	92.4%
Total	998,288	84,610	969,510	13,684	589,809	59.9%

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.

<u>Amounts in € '000</u> 2022	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Exposure Classes									
Sovereigns and their central banks	474,652								0
Banks			91,772	23,838					30,273
Corporates						506,727			506,727
Of which: specialized lending (Shipping)						435,593			435,593
Retail					776				582
Defaulted exposures							1,199		1,798
Other assets	1,266					15,096			15,096
Total	475,918		91,772	23,838	776	669,836	1,199		554,476
<u>Amounts in € '000</u> 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	566,403	5,441		589,809

5.5. Sovereign Exposures Breakdown

In 2022 the *gross* exposures to Central Governments and Central Banks increased by €135.5 mil or 40% YoY, to €475.2 mil on 31.12.2022 from €339.7 mil on 31.12.2021, now representing 34.7 % of the total gross balance of the Bank's credit risk exposures (2021: 31.1%). Total ECL/impairment amounts charged to this asset class stood at €0.508 mil as of 31.12.2022 and €0.176 mil as of 31.12.2021.

The table below presents an abridged position of the gross value of the different types of sovereign exposures of the Bank on 31.12.2022 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 31.12.2022	% of Total 2022	Gross Value 31.12.2021	% of Total 2021
Greek Government T-Bills		€ 111,168	23.4%	€ 45,030	13.3%
Greek Government Bonds		€ 13,581	2.9%	€ 16,591	4.9%
Government Bonds of other EU Members and the USA		€ 123,043	25.9%	€ 39,318	11.6%
Other Exposures to Greek State (VAT, Income tax assets)		€ 1,515	0.3%	€ 875	0.3%
Balances with the Central Bank (BoG)		€ 225,852	47.5%	€ 237,876	70.0%
Total		€ 475,159	100%	€ 339,690	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)	
Country³ (in alphabetical order)	2022	2021
Austria	2,082	2,124
Cyprus	11,087	11,129
Greece	351,677	300,199
Italy	11,928	11,915
Luxembourg	30,172	-
Portugal	6,081	6,091
Spain	6,030	8,055
USA	55,595	-
Total	474,652	339,513

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 (CCR) refers to the possibility that the Bank may incur a loss if a counterparty in an off-balance sheet transaction (e.g., a derivative contract with a positive value) defaults on its obligations before the contract's maturity. According to the current regulatory framework, transactions subject to counterparty credit risk include:

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

To calculate CCR exposure, the Bank applies a valuation methodology based on current market prices, which includes:

- The current replacement cost (i.e., the positive mark-to-market value of the transaction), and
- The potential future exposure (i.e., the estimated increase in exposure over the life of the contract).

A key risk mitigation technique is the use of netting agreements, typically based on standard ISDA contracts. These agreements allow the offsetting of positive and negative replacement values across related derivative transactions in the event of a counterparty default.

The Bank's policy discourages entering into derivative contracts that exhibit wrong-way risk—where the exposure increases as the counterparty's credit quality deteriorates.

For derivative transactions with non-CI counterparties, the associated exposure is incorporated into the customer's overall credit risk, and appropriate collateral is obtained or maintained accordingly. To ensure effective monitoring and management of CCR, ABBank has established risk limits per counterparty and per product. These limits are set and approved by the Asset-Liability Committee (ALCO) and are monitored by the Risk Management Department for compliance. Limits are reviewed and adjusted based on prevailing international market conditions, credit re-evaluation of counterparties, and the Bank's operational requirements.

ABBank's CCR limits primarily cover short-term derivative financial instruments used by the Treasury and Money Market Management Department in the interbank market (i.e., with other CIs), primarily for hedging foreign exchange risk arising from open positions. The allocation of counterparty limits is primarily based on the creditworthiness of the counterparty and it is assessed through Credit ratings from externally recognized credit rating agencies (ECRAs), and supplementary internal assessments conducted by the Risk Department for non-rated financial institutions (FIs), subject to ALCO approval.

To calculate capital requirements for Counterparty Credit Risk, the Bank applies the Simplified Standardized Approach (Simplified SA-CCR) exclusively. The following table presents an analysis of CCR exposures by approach):

Table 21: CCR1 - Analysis of CCR exposures by approach

<i>Amounts in € '000</i> 2022	Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
EU - Simplified SA-CCR (for derivatives)	165	856	856	1.4	1,198	599
Total					1,198	599
<i>Amounts in € '000</i> 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

The following table presents the Counterparty Credit Risk exposures calculated using the standardized approach, as of December 2022 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.

<u>Amounts in € '000</u> 2022	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				1,198					599
Securities firms									
Corporates									
Regulatory retail portfolios									
Other assets									
Total				1,198					599
<u>Amounts in € '000</u> 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

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 hedging 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.

Interest rate risk is largely hedged naturally as the largest single portfolio in the Bank's interest-bearing assets is fully governed by floating interest rate contracts, all other portfolios are fixed rate ones but largely refer to short-term interest periods, so that their re-fixing/re-pricing follows the floating interest rate curve movement. On the side of interest-bearing liabilities, the vast majority comprises fixed rate customer 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 to USD and vice versa) 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 have other banking institutions as counterparties and are of very short tenor (mainly O/N and up to 1 week), thus not resulting in Market Risk capital requirements and maintaining the CVA at minimal levels. As at 31.12.2022 the FX-Swap amounted to €116.8 mil Notional Value, producing an CCR of €1.2 mil (included in Credit Risk Exposures, calculated in accordance with the Simplified SA-CCR approach), and having a Net Fair Value of €165.3 thousands.

In mid-2021 the Bank sold its last item classified in the trading book, thus, as at 31.12.2022 as well as on 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, the Remaining Maturity method. As of 31.12.2021 the Capital Requirement for Market Risk was zero (2021: same), thus no RWA for Market Risk were reported (2021: same).

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

Amounts in € '000	Capital Requirements for Market Risk (SA)	
	2022	2021
General interest rate risk	-	-
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	-	-
Default risk – securitizations (non-correlation trading portfolio)	-	-
Default risk – securitizations (correlation trading portfolio)	-	-
Residual risk add-on	-	-
Total	-	-

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

Interest Rate Risk in the Banking Book (IRRBB) refers to the current and prospective risk of adverse impacts on a bank's Economic Value of Equity (EVE) or Net Interest Income (NII), arising from unfavorable movements in interest rates. This risk affects interest rate-sensitive instruments and incorporates market value changes where appropriate. IRRBB comprises the following components:

- **Gap or Repricing Risk:** This arises from mismatches in the timing of interest rate changes across assets and liabilities. It includes both parallel shifts (uniform changes across the yield curve) and non-parallel shifts (differential changes across maturities);
- **Basis Risk:** This results from imperfect correlation between interest rates that are used to price instruments with similar maturities. Even when tenors match, differences in reference indices can lead to divergent rate adjustments;
- **Option Risk:** This stems from explicit or embedded options in financial instruments, where either the bank or the customer can alter the timing or amount of cash flows. It includes:
 - Automatic options (e.g., prepayment rights, early redemption clauses), which are exercised when financially beneficial;
 - Behavioral options, where customer behavior (e.g., early withdrawals, loan refinancing) changes in response to interest rate movements.

The Bank regularly assesses the impact of adverse interest rate movements on both NII and EVE through a range of prescribed interest rate shock scenarios.

In the latest stress testing exercise, the results for the two IRRBB components indicate that under a parallel upward shift of the yield curve the EVE would decline by €5.81 mil, corresponding to a capital impact of -0.95% (as a percentage of the Bank's Risk-Weighted Assets as of 31.12.2022). This translates into an internal capital requirement of 0.95%.

Conversely, the NII would increase by €12 mil, resulting in a +1.96% capital impact, which represents an internal capital contribution rather than a requirement. This positive effect more than offsets the EVE-related capital need.

Consequently, the table below includes the Bank's sensitivity impact to EVE and NII measures as of 31 December 2022 and 31 December 2021.

Table 24: IRRBB1 - Quantitative information on IRRBB.

Amounts in € '000		Δ in EVE		Δ in NII	
Period	2022	2021	2022	2021	
Parallel up (+2%)	-5,813	-5,324	11,998	8,817	
Parallel down (-2%)	6,436	6,250	-11,151	93	
Maximum Negative Δ	-5,813	-5,324	-11,151	-	

9. OPERATIONAL RISK

Operational risk refers to the potential for losses resulting from inadequate or failed internal processes and systems, external events, or human factors. ABBank recognizes its exposure to operational risk as an inherent aspect of its daily operations and strategic initiatives. The Bank is committed to continuously enhancing its operational risk management capabilities through the development and implementation of a comprehensive and effective framework aligned with industry best practices and regulatory standards.

This framework is formally documented through a set of policies and procedures that encompass the full lifecycle of operational risk management—identification, assessment, measurement, mitigation, control, and monitoring—across all business lines and support functions. It also promotes a shared and clear understanding of operational risk among all stakeholders.

Given the Bank's active involvement in e-banking services, the associated cyber risk has become increasingly significant. To address this, ABBank has established a dedicated cyber risk management framework, supported by targeted policies such as the E-Banking Policy, Information Security Policy, and Privacy & Information Incident Management Policy. These policies, along with corresponding procedures and systems, are designed to effectively mitigate risks arising from digital 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 2020-2022 average operating income stood at €26.28 mil (2019-21: €18.23 mil) bringing the CR for Operational Risk as of 31.12.2022 at €3.94 mil (2021: €2.74 mil) and the RWA-equivalent at €49.27 mil (2021: €34.19 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 Liquidity Coverage Ratio (LCR) is designed to enhance the short-term resilience of a bank's liquidity risk profile under a 30-day stress scenario. In accordance with the European Banking Authority (EBA) guidelines, as incorporated into EU law via Commission Delegated Regulation (EU) 2015/61, the LCR is defined as the ratio of High-Quality Liquid Assets (HQLA) to net cash outflows expected over the next 30 calendar days in a stressed environment. HQLAs are assets that can be readily converted into cash with minimal loss of value. The stress scenario is reflected through prescribed haircuts applied to each category of HQLA, as well as to projected cash inflows and outflows. These haircuts adjust the value of assets and flows to account for potential market and liquidity risks. The LCR is calculated as follows:

- Numerator: The post-haircut value of HQLAs;
- Denominator: The post-haircut net cash outflows over the 30-day horizon.

This ratio ensures that the bank maintains a sufficient buffer of liquid assets to withstand short-term liquidity disruptions, thereby supporting financial stability and regulatory compliance.

As of December 2022, the Bank's LCR was equal to 286.5%, well-above the supervisory minimum of 100%, comprising HQLAs of €460.7 mil and Total Net Cash Flows of €160.8 mil (post haircut). The ratio demonstrates a notable increase relative to FY 2021, during which the LCR was stood at 186.54%.

This improvement is primarily driven by the substantial growth in the Bank's stock of High-Quality Liquid Assets (HQLA), which rose by approximately +€126 mil YoY. Additionally, a moderate reduction in net cash outflows further supported the ratio's upward movement. The combined effect of a strengthened liquidity buffer and stable funding requirements reflects the Bank's enhanced short-term liquidity resilience and prudent liquidity risk management.

The table below shows the level and components of the Liquidity Coverage Ratio as of 31.12.2022 and 31.12.2021:

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

Amounts in € '000	Total unweighted value	Total weighted value
2022		
<u>High-quality liquid assets</u>		
Total HQLA		460,754
<u>Cash outflows</u>		
Retail deposits and deposits from small business customers, of which:	36,309	8,372
Stable deposits	10,055	502
Less stable deposits	26,253	7,869
Unsecured wholesale funding, of which:	652,371	254,545
Operational deposits (all counterparties) and deposits in networks of coop. banks	4,392	971,393
Non-operational deposits (all counterparties)	647,979	253,573
Unsecured debt	-	-
Secured wholesale funding	-	-
Additional requirements, of which:	29,107	3,059
Outflows related to derivative exposures and other collateral requirements	165	165
Outflows related to loss of funding on debt products		
Credit and liquidity facilities	28,941	2,894
Other contractual funding obligations	2,946	1,746
Other contingent funding obligations	35,434	8,784
TOTAL CASH OUTFLOWS		276,506
<u>Cash inflows</u>		
Secured lending (e.g., reverse repos)	-	-
Inflows from fully performing exposures	106,751	102,962
Other cash inflows	42,786	12,769
TOTAL CASH INFLOWS		115,731
		Total adjusted value
Total HQLA		460,754
Total net cash outflows		160,775
2022 Liquidity Coverage Ratio (%)		286.58%
<u>Amounts in € '000</u>		
2021		
<u>High-quality liquid assets</u>		
Total HQLA		334,770
<u>Cash outflows</u>		
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
<u>Cash inflows</u>		
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
2021 Liquidity Coverage Ratio (%)		186.54%

10.2. Net Stable Funding Ratio

The objective of the Net Stable Funding Ratio (NSFR) is to ensure that the Bank maintains a stable funding structure in relation to its on- and off-balance sheet activities. This reduces the likelihood that disruptions to

the Bank's regular funding sources could undermine its liquidity position, potentially increasing the risk of failure and contributing to broader systemic stress.

As of December 2022, the NSFR stood at 147.25%, compared to 124.57% in December 2021, remaining well above the regulatory minimum of 100%. The improvement in the NSFR to 147.25% in 2022 is primarily attributed to the significant increase in available stable funding, mainly driven by the rise in other wholesale funding. This strengthened the Bank's long-term funding profile relative to its required stable funding.

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

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

<u>Amounts in € '000</u> 2022	Unweighted value by residual maturity				Weighted Value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item					
Capital:	115,462				115,462
Regulatory capital	115,462				115,462
Other capital instruments					
Retail deposits and deposits from small business customers:		71,913	41,357	38,214	71,677
Stable deposits		34,166	3,610	467,590	36,355,1
Less stable deposits		37,747	1,500	-	35,322
Wholesale funding:		770,251	164,606	-	456,017
Operational deposits					
Other wholesale funding		770,251	164,606	-	456,016
Liabilities with matching interdependent assets					
Other liabilities:					
NSFR derivative liabilities					
All other liabilities and equity not included in the above categories		3,686	122,110	7,802	7,863
Total ASF					651,019
Required stable funding (RSF) item					
Total NSFR high-quality liquid assets (HQLA)					421
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		167,670	79,702	393,237	412,173
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		114,411	-	-	11,441
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		48,441	79,702	393,237	398,324
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		4,817	-	-	2,408
Assets with matching interdependent liabilities					
Other assets:		2,119	37,970	25,721	26,800
Physically 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		2,120	37,971	25,721	26,800
Off-balance sheet items		17,139	-	18,461	2,728
Total RSF					442,122
Net Stable Funding Ratio (%)					147.25%

Amounts in € '000 2021	Unweighted value by residual maturity				Weighted Value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
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
Physically 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%

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 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 risk indicators.

The Bank's robust liquidity buffer almost entirely consists of Extremely High-Quality Liquid Assets. The Bank's Counterbalancing Capacity (i.e. the stock of unencumbered assets or other liquidity and funding sources which

are legally and practically available to cover potential funding gaps) also enhanced by €222.8 mil or +62% YoY, now accounting for 57% of Net Total Liabilities (2021: 42%).

The liquidity stress tests demonstrate the Bank's resilience to increasing degrees of shocks (Baseline and Adverse), the size and quality of the liquidity buffer as well as the counterbalancing capacity being a significant contributor to such effects, given that the influx of new deposits was mainly invested by the Bank in EHQLAs in order to mitigate the funding risk arising from the relatively strong concentrations observed in Sight Deposits and the free balances of the Top-10 Depositors (such concentrations being a historical and endemic characteristic of the Bank's business model. In 2022, most of the liquidity and funding target ratios under the RAF and related KPIs set out in the applicable Business and Funding plans were overperformed. Finally, the Stress Testing of Liquidity presented ILAAP report FY-2022, demonstrates that under both Baseline and Adverse scenarios, the Bank maintains its LCR at satisfactory levels and even under the severe liquidity shock assumed under the Adverse scenario, the resulting LCR remains well within the Risk Appetite zone and does not enter the "Warning/Watch" zone of the RAF.

11. ASSET ENCUMBRANCE

The following table presents the disclosure of on-balance sheet encumbered and unencumbered assets for the year end 2022 and 2021.

Table 27: ENC - Asset encumbrance.

<u>Amounts in € '000</u> 2022	Encumbered assets	Unencumbered assets	Total
Loans on demand	0	239,278	239,278
Equity instruments	0	7,500	7,500
Debt securities	0	253,444	253,444
Loans and advances other than loans on demand	0	620,205	620,205
<u>Amounts in € '000</u> 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

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 31.12.2022 and 31.12.2021, respectively, is outlined in Table 28 and aligns with the new European framework applicable as of reference date 31.12.2022, and replaces the previously used COR22 structure.

Following the adoption of the new EBA Guidelines (EBA/GL/2022/06 and EBA/GL/2022/08), and the subsequent abolition of the national template COR22, the format of Table 28 has been updated to reflect the revised reporting requirements on remuneration benchmarking and high earners under Directive 2013/36/EU and Directive (EU) 2019/2034.

Table 28: REM1 – Remuneration awarded during the financial year

Total Remuneration 2022	MB Supv. function	MB Mgmt. function	Investment banking	Retail banking	Corporate functions	Ind. control functions	All other staff	Total
Total number of staff								113*
- Of which: members of the MB	7	2						
- Of which: MB Management function			2	21	41	13	27	
Total remuneration	€ 252.3	€ 978.2	€ 241.5	€ 1,440	€ 2,662	€ 974.2	€ 1,251	€7,799
- Of which: variable remuneration	€ 0	€ 93.0	€ 17.4	€ 78.5	€ 138.0	€ 50.0	€ 47.6	
-Of which: fixed remuneration	€ 252.3	€ 885.2	€ 224.1	€ 1,361	€ 2,523	€ 924.2	€ 1,203	
Total Annual Remuneration	€ 252.3	€ 978.2	€ 241.5	€ 1,440	€ 2,662	€ 974.2	€ 1,251	€7,799
Total Remuneration 2021	MB Supv. function	MB Mgmt. function	Investment banking	Retail banking	Corporate functions	Ind. control functions	All other staff	Total
Total number of staff								109*
- Of which: members of the MB	7	2						
- Of which: MB Management function			4	18	39	13	26	
Total remuneration	€ 225.0	€ 937.8	€ 367.2	€ 1,185	€ 2,331	€ 840.7	€ 1,198	€7,086
- Of which: variable remuneration		€ 60.0	€ 12.5	€ 50.0	€ 95.9	€ 36.2	€ 24.7	€279.3
-Of which: fixed remuneration	€ 225.0	€ 877.8	€ 354.7	€ 1,135	€ 2,236	€ 804.5	€ 1,174	€6,807
Total Annual Remuneration	€ 225.0	€ 937.8	€ 367.2	€ 1,185	€ 2,332	€ 840.7	€ 1,199	€7,086

* The "Total" includes seven (7) non-executive members of the BoD

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

RAF	Risk Appetite Framework
RMD	Risk Management Department
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