



AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2021

May 2022

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Board of Directors' Annual Management Report for the Financial Year 2021

Dear Shareholders,

We hereby submit for your approval the Financial Statements and the Annual Report of the Board of Directors of Aegean Baltic Bank S.A. (hereinafter "ABBank" or the "Bank") for the year ended 31 December 2021, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

ABBank is a Greek banking institution, specializing in corporate banking for the shipping sector. As of 2018 it has also engaged in non-shipping corporate banking through the financing of Greek SMEs and larger corporates. ABBank operates through its head office at Maroussi, Athens, Greece and its two branches located in Piraeus and Glyfada. The Bank does not maintain other offices, branches, subsidiary or affiliated companies in Greece or abroad.

Overview

In 2021, world GDP grew by 6.1% and Eurozone GDP by 5.3%, after shrinking by 3.1% and 6.4%, respectively, in 2020 due to the restrictions imposed by most countries against the spread of the Covid-19 pandemic. The volume of international trade increased by 9.3%, after an annual decline of 8.2% in 2020, and the freight markets of dry bulk carriers and containership vessels reached historically high levels of the last decade. The vaccination of a significant part of the population in 2021, allowed the gradual lifting of restrictions and the resurgence of global economic activity, leading to particularly enhanced demand for consumer goods, raw materials and energy, and a strong economic recovery. However, due to the sharp increase in demand, in the second half of the year strong inflationary pressures emerged on raw material and energy prices, and in particular gas prices.

Since February 2022, the world has been facing the humanitarian crisis, but also the geopolitical and economic challenges and uncertainties brought about by Russia's invasion of Ukraine and the economic and trade embargo measures taken by several countries against of Russia. In the economic domain, Europe is required to reshape its long-term supply chain of energy resources in order to become independent of Russian gas and oil, but also to deal, in the short-run, with the consequences of the cessation of grain supply from Ukraine. The Ukrainian crisis has caused peak inflationary pressures on energy prices and many raw materials, while new energy sources and investment in ancillary infrastructure necessary to process and store them, are expected to keep energy costs high in the long run, causing a new distress (after the pandemic) and challenges to global economic activity.

In 2021, the Greek economy recovered rapidly from the impact of the pandemic, as the rollout of vaccinations helped reduce social isolation measures and restart the economy. Real GDP grew by 8.3%, owing to the strong recovery in exports of goods and services, especially tourism. Inflationary pressures in the second half of 2021, which have intensified further due to the Ukrainian crisis, surround the economy and the financial sector with new concerns and uncertainties for 2022. Despite though the increased energy cost and the continuing fiscal burden for the handling of the pandemic, there is contained optimism that the economic recovery will continue in 2022, based on factors such as the growth of the employment rate, the accumulation of savings, the financing of business plans through the NGEU and the continuing growth of flows from tourism.

For ABBank, 2021 was another year of significant profitability and growth of its operations. Net Profit for the year amounted to €6.9 million, versus €4.1 million in 2020, recording an increase of 69%. Operating Income recorded an annual increase of 29%, to €23.4 million from €18.1 million and Profit before Taxes and Provisions amounted to €10.4 million from €5.9 million in 2020 (+75 %). Total Assets grew by €395 million or 65%, to € 1.0 billion from €605 million in 2020, incorporating a credit expansion of 54%, a reduction of NPL balances to 1.9% of total loans (2020: 6.5%) and an increase in NPL coverage by provisions to 49.7% (2020: 36.5%). In terms of liquidity and financing, customer deposits increased by €395 million or 88%, and liquidity ratios remained strong, with the Loans to Deposits ratio amounting to 67% (2020: 82%) and the Liquidity Coverage Ratio (LCR) to 187% (2020: 273%). Taking into account the Net Profit for the year 2021, on 31.12.2021 the capital adequacy ratio CET-1 amounted to 16.0%, from 20.6% in 2020, with application of the IFRS 9 on a fully loaded basis and without the Bank's funds including deferred tax asset against the Greek government.

World economic environment and developments

Global GDP grew by 5.9% in 2021, versus the unprecedented post-war drop of 3.1% in 2020 due to the effects of spread of the pandemic. In 2021, the world economy recovered dynamically, despite the significant challenges it faced, such as coronavirus variants and supply chain disruptions, as well as inflationary pressures and the energy crisis that emerged in the second half of the year.

Mass vaccination in the first half of 2021, especially in developed economies, led to the containment of the pandemic, the gradual lifting of restrictions and the restart of economies internationally, allowing for faster recovery of the 2020 losses. Yet, the significant supply chain problems, combined with the sharp increase in demand, led in 2021 most economies to high inflation with strong upward trends, especially in energy and fuel prices.

In the Eurozone countries, GDP grew by 5.2% in 2021, with the main factors being the restart of the services sector and the recovery of consumption, which is also fueled by the accumulated deposits during the pandemic. Inflation rose close to 5% at the end of 2021 due to very high gas prices and is estimated to fall marginally below 2% by the end of 2022, without however incorporating in such estimates the impact of the recent crisis in Ukraine which is likely to lead to higher-than-expected inflation during 2022 and slower de-escalation due to very high energy and food prices. The European Central Bank (ECB), at its December 2021 meeting, decided to slow down, in the first quarter of 2022, the pace of bond purchases under the Pandemic Emergency Purchase Program (PEPP), with the aim of terminating the program at the end of March 2022. The principal payments from maturing securities purchased under this program will be reinvested, at least, until the end of 2024.

The war in Ukraine is undoubtedly the biggest challenge for the European Union (EU) since the end of the Cold War as it disturbs the international geopolitical equilibrium, triggers a massive humanitarian crisis and calls for a radical rearrangement of the largest part of Europe's energy supply, which has been to date highly dependent on Russian gas and oil. The magnitude of the effects of the war on the European and world economies cannot be estimated at present and will depend on how quickly the war ends, the duration and intensity of inflationary pressures on energy and raw materials, and the response of the monetary and fiscal policy at European level.

The US economy grew by 5.7% in 2021 after shrinking by 3.4% in 2020. Inflation rose close to 6% at the end of 2021, the highest level since the early 1980s. For 2022, the growth rate is expected to slow down to 4.4%. The Fed has planned for 2022 to end its quantitative easing program and gradually reduce its assets, as well as increase its base interest rate by at least three times. Inflation is estimated to fall marginally below 3% by the end of 2022.

China's economy grew by 8.1% in 2021 while, unlike other major economies, inflation was kept low. For 2022 the growth rate is expected to slow to 5.0%. The People's Bank of China is expected to ease its monetary policy in 2022 to support the decelerating economic activity. The developing and emerging economies recorded a total growth of 6.5% in 2021, versus a contraction of 2% in 2020, while for 2022 a lower growth rate of 4.9% is expected.

According to the International Monetary Fund (World Economic Outlook Update January 2022), world GDP was initially expected to grow by 4.4% in 2022, but without taking into account the impact of the Russian invasion in Ukraine, which occurred after these forecasts. International trade will increase but at a slower pace, as supply distortions and uncertainty due to the pandemic remain, while Russia's invasion of Ukraine has further exacerbated the risks and uncertainties over the course of international trade, albeit the consequences are difficult to predict. According to the latest estimates of the OECD (March 17, 2022), these effects may deduct more than one percentage point from the rate of economic growth that was originally projected.

The Greek Economy

Despite the strong impact suffered in 2020 from the global spread of the pandemic, the Greek economy recovered rapidly in 2021. GDP grew by 8.3% as a result of the implementation of fiscal support measures, the progress of the vaccination program and the significant recovery of the tourism sector in the second quarter of 2021. Additional contributing factor in the GDP growth was the recovery of private consumption, which was also supported by the increase in real disposable income of consumers, as well as the increase in investment spending by businesses and public consumption, notwithstanding that the rise in manufacturing, investment and private consumption led to increased imports of goods.

Fiscal support remained in force in 2021, as the government adopted additional fiscal measures of €17 billion, while according to the Budget for 2022, additional fiscal interventions are projected, to address the consequences of the pandemic, amounting to €3.3 billion. The Greek Government bonds were eligible under the European Central Bank's (ECB) new Pandemic Emergency Purchase Program (PEPP), which helped keep borrowing costs low. The decision of the ECB (December 2021) to continue purchasing Greek Government bonds, after the end of the emergency program in March 2022, is expected to maintain favorable borrowing conditions for the Greek public and private sector. In addition, in 2021 Greece successfully proceeded with new issues of government bonds, in January, March, May, June and September, through a 10-year, a 30-year, and a 5-year issue, as well as the reissue of older titles, drawing a total of €14 billion. In April 2021, the international credit rating agency Standard & Poor's upgraded the debt of the Greek Economy to BB from BB-, with positive outlook.

According to the 2022 Budget Report, the General Government primary deficit, which had risen to 7.9% of GDP in 2020, is estimated to have fallen to 7.3% in 2021, and to fall further to 1.2% in 2022. In addition, the General Government debt amounted to 206.3% of GDP in 2020, but in 2021 it declined and is estimated to de-escalate to 197%, and to 190% in 2022, mainly due to the economic recovery.

According to the 2021 Report of the Governor of the Bank of Greece ("BoG", April 2022), before the Russian invasion of Ukraine real GDP was expected to increase by 4.8% in 2022. However, the war in Ukraine moderates the growth pace of the economy and surrounds any forecast with strong uncertainty. The report also points out that the escalation of the war in Ukraine, with the consequent sharp rise in uncertainty, the intensification of inflationary pressures on energy prices, the problems in the supply of production and the possible slowdown of the recovery in the tourism sector, are risks that may further detain economic growth. Recent estimates of the BoG, which incorporate the latest developments, project under the baseline scenario that economic activity will grow at a rate of 3.8% and inflation will accelerate to 5.2% in 2022, as consumption, investment and the tourism sector will continue to contribute positively but will be affected compared to the initial forecast. However, in the adverse scenario, the growth rate slows down by up to 2 percentage points and is limited to 2.8%, while a further increase in inflation to 7% is projected.

The Greek Financial Environment

The Report of the Governor of the BoG for 2021, states that the main factors which shaped the financial and regulatory figures of the banks in 2021 were (a) the transactions related to the reduction of the stock of NPLs which contributed to the recording of significant losses by the banks, deteriorating their capital adequacy ratios, and (b) the reduced, compared to 2020, non-recurring income from financial operations and other sources.

In 2021 both the CET1 Capital Adequacy Ratio and the Total Capital Adequacy Ratio (CAD Ratio) of Greek banks declined to 12.6% and 15.2% respectively (from 15% and 16.6% in December 2020). It is noted that, after taking into account the full impact of IFRS 9, the CET1 Ratio would be 10.7% and the Capital Adequacy Ratio 13.3%, i.e. 1.9% lower for both indices. In addition, the quality of the regulatory capital of Greek banks deteriorated further, as in December 2021 the final and cleared deferred tax credits (DTCs) represented 64% of total regulatory capital (compared to 53% in 2020). At European level, according to data from the European Banking Authority, in September 2021 the corresponding weighted average CET1 Ratio was 15.7%.

During the first nine months of 2021, there was a small decrease in the operating income of Greek banks compared to the corresponding period of 2020, mainly due to the decrease in income from financial operations and other sources, which was largely offset by the increase in net income from commissions. Net interest income remained at the same level as in the corresponding period of the previous year, mainly as a result of the decrease in the stock of NPLs and the further decline of the interest margins, despite the decrease of funding cost due to the downward deposit rates. Operating expenses increased, mainly due to extraordinary restructuring costs for some of the systemic banks, which burdened the results before provisions and taxes compared to the corresponding period of the previous year, while the impairment testing of NPLs and the need to mitigate credit risk contributed to the recording of additional losses.

The liquidity of Greek banks continued to improve in 2021, both in terms of balances and in terms of cost, despite the continuing uncertainty due to the pandemic. The improvement is due to the further increase of private sector deposits by €16.2 billion, following the increase of €20.6 billion recorded in 2020, resulting in the balance of private sector deposits amounting to €180 billion in December 2021, of which € 135.1 billion were household deposits and €44.8 billion corporate deposits. The increase is attributed both to "forced" savings due to the cessation of economic activity during the first months of the year, as well as to "preventative" savings due to high uncertainty about the future. Moreover, the measures adopted by the Greek government to support the economy, as well as the rise in employment rate in the second half of 2021, contributed to the expansion of the depository base.

Credit expansion continued, with the annual growth rate of bank financing to non-financial corporations reaching 3.8%. Regarding the key quality indicators of the loan portfolios of Greek Banks, at the end of December 2021 the ratio of NPLs to total loans decreased significantly to 12.8%, remaining however at particularly high levels compared to the 2.1% of the banks supervised by the SSM at European level. In December 2021, the NPLs of Greek Banks amounted to €18.4 billion, having reduced by €28.8 billion compared to the end of December 2020, which is mainly due to sales of €27.5 billion loans, under the utilization of the "Hercules" program. More precisely, according to the analysis presented in the report of the Bank of Greece (April 2022) on corporate loans, the NPL ratio stood at 13.0% from 27.7% in 2020. Among corporate loans, better NPL performance is observed in the portfolio of large corporates (7.0% from 15.0% in 2020) and in the shipping loan portfolio (6.2% from 13.9% in 2020). The NPL coverage ratio by accumulated provisions decreased slightly to 42.4% (from 44.4% in December 2020).

Shipping industry and shipping finance

Developments in the shipping markets

In 2021, seaborne transportation of raw materials, oil, goods and commodities recorded an annual total increase of 3.3% (in tonnage terms), recovering from the fall of 3.4% in 2020 caused by the impact of the pandemic on world production and international trade. The strong recovery is mainly due to the containership, bulk carrier and natural gas sectors, whose seaborne transportation (in tons) grew steadily, in contrast to the oil trade, which remained under pressure. Despite the downside risks mentioned above for global growth and international trade, the outlook for international seaborne transportation and trade for 2022 is positive. Growth was originally projected at 3.2%, while initial estimates about the impact of the Russia-Ukraine conflict have led to a revision to 2.6%.

The freight market in the tanker industry was maintained in 2021 at low/weak levels, following the downward trend that had begun in the second half of 2020, due to the effects of the pandemic on oil demand and production. But while demand recovered in 2021, this has not been enough to support a meaningful increase in transportation volumes and crude tanker freight rates. However, enhanced demand for tankers is expected in the 2nd half of 2022 (+ 4% to + 5%), supported by both expectations for increased oil demand and the gradual abolition of OPEC production cuts, while the Ukrainian crisis has already led to an increase in freight rates as seaborne oil transportation shifts to long-haul routes.

The bulk carrier sector has far exceeded initial expectations for a recovery in 2021, with freight rates in all segments of bulk carrier ships reaching the highest levels of the last decade. Dry bulk transport grew by 3.6% in 2021, while the bulk carrier fleet grew by 3.4%. The short-term outlook for the sector remains positive, as the trade recovery continues and disruption factors that support the high freight market may take time to de-escalate. Although a downward correction in freight rates is expected in 2022, they will remain strong as the sector's fundamentals (demand versus tonnage supply) remain supportive, with dry cargo trade expected to increase by 2% compared to 1.4% projected fleet growth. In the long run, industrial growth trends in China and the impact of the energy transition on coal trade may add demand-side pressures, but these pressures may be offset by the limited number of newbuilding orders.

The containership sector also recorded an extensive increase in demand and particularly strong freight rates, being the first sector to recover from the impact of the pandemic, benefitting from the need to fill supply chain gaps, combined with the mild containership fleet growth rates in previous years. Container seaborne transportation increased by 5.6% in 2021, compared to a fleet expansion of 4.5%, and the outlook remains stable for 2022, with projected trade growth of 3% and moderate fleet growth. Freight rate pressures are considered likely to arise from 2023 onwards, given the observed high rate of newbuilding contracting.

Shipping finance

In 2021, the dynamic return of Greek banks to ship-financing continued, with their shipping loan portfolios being strengthened not only quantitatively but also in terms of market share. It is worth mentioning that in December 2021 all four Greek "systemic" banks were among the 10 largest financiers of Greek-owned shipping, among more than 55 banks and financial institutions from around the world operating in the sector. Three of the Greek banks are among the top five, with portfolios of \$3.2- \$3.4 billion each.

According to data published by Petrofin Bank Research in its 21st Annual Report on Shipping Finance, total financing to Greek-owned shipping increased by 5.6% year-on-year in 2021, to \$52.6 billion, from \$49.8 billion in 2020, while the portfolios of Greek banks were the ones that recorded the largest growth, to the tune of 15% (2020/19: 20%) or by approximately \$1.7 billion, to \$13.0 billion, from \$11.3 billion in 2020. Thus, the market share of Greek banks amounted to 25%, from 23% in 2020 and 19% in 2019. European banks continue to provide about 74% of total financing to Greek shipping, followed by 15% from Far Eastern financiers and 9% from US and Canadian financiers. The above market shares have remained stable in 2021 compared to those of 2020. However, it should be noted that among financiers from the Far East, institutions specialized in lease financing for newbuilding vessels continue to gain ground over traditional banks, as these funding schemes are considered convenient by Greek ship-owners.

The dynamic pace of credit expansion of systemic Greek Banks in shipping loans has been combined with the offer of more competitive credit terms and pricing. Greek banks have a competitive advantage in ship financing over foreign banks, due to their "proximity" to Greek shipping and their ability to provide a number of ancillary/side banking products and services to shipping companies operating from Greece. The gradual clearance of the balance sheets of Greek banks from NPLs, the significantly lower share of shipping loans in the NPL stock, as well as the steadily improving credit rating of Greece, enable Greek banks to put more focus to shipping finance for the growth of their portfolios.

Developments concerning ABBank and financial results

Overview

In 2021 ABBank continued to grow its total assets and further improved its profitability at a strong pace. The asset growth reflects the maintenance of high rates of credit expansion, increasing at the same time customer deposits, so that liquidity ratios remain strong. The credit expansion significantly enhanced the total income, which in 2021 reached their highest level since the establishment of the Bank, while the Bank's regulatory metrics and ratios were maintained at healthy levels.

In 2021, total operating income increased annually by 29.0%, while total operating expenses increased by 6.0%, bringing the operating income before provisions and taxes to €10.4 million, from €5.9 million in 2020 and recording a growth of 75.4%. Following the formation of additional provisions for the impairment of financial assets of €1.6 million in 2021, Net profit after tax increased y-o-y by 69% and amounted to €6.9 million, versus €4.1 million in 2020.

Taking into account the Net Profit for the year 2021, on 31.12.2021 the Bank's CET1 capital ratio amounted to 16.0%, from 20.6% in 2020, with the application of IFRS 9 on a fully loaded basis. It is noted that the regulatory capital of ABBank does not include deferred tax asset towards the Greek State.

In December 2021, Standard & Poor's reaffirmed ABBank's B / B (long-term / short-term) credit rating with stable outlook, noting that "the 'Stable' outlook reflects the balance between risks over the next 12 months in the shipping industry, stemming from the deep global economic shock, and ABBank's sound capital position and good financial track record. We anticipate that ABB will preserve its solvency and maintain adequate funding and liquidity and high collateralization in its loan book".

Statement of Financial Position

The table below illustrates the Bank's Balance Sheet in an abridged form and the annual changes between 2021 and 2020 of the main asset and liability classes:

Statement of Financial Position (abridged)	31-12-21	31-12-20	+/-	%
	€ million	Restated € million		
Cash and balances with Banks and Central Bank	308	149	+159	+107%
Loans and customer advances (net of provisions)	566	367	+199	+54%
<i>Of which: Non-performing loans (NPL), after provisions</i>	5	16	-10	-65%
Marketable securities at fair value through OCI and profit & loss	68	20	+48	+235%
Marketable securities at amortized cost	39	51	-12	-23%
Other assets	19	18	+1	+6%
Total Assets	1,000	605	+395	+65%
Due to banks	49	58	-9	-16%
Due to customers	842	447	+395	+88%
Other liabilities	8	6	+2	+31%
Total Liabilities	899	510	+388	+76%
Total Equity	101	95	+7	+7%
Total Liabilities and Equity	1,000	605	+395	+65%

As at 31.12.2021, the Bank's Total Assets amounted to ca. €1.0 billion, increased by €395 million or 65% y-o-y (2020: €605 million), while Total Liabilities (excluding Equity) increased by €388 million or 76%, to €899 million (2020: €510 million).

The growth of total assets was the result of:

- the increase of the portfolio of Loans and Advances to Customers to €566 million, after provisions, on 31.12.2021, from €367 million on 31.12.2020, i.e. by €199 million or 54% y-o-y,
- the increase of the portfolios of Marketable Securities measured at Fair Value and those measured at Amortized Cost, to €107 million in 2021 from €72 million in 2020, i.e. by €36 million cumulatively, or 50% y-o-y, and
- the increase of Cash at hand, in Banks and at the Central Bank to €308 million in 2021, from €149 million in 2020, i.e. by €159 million or 107% y-o-y.

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

- On 31.12.2021, the total balance of Loans and Advances to Customers in the Bank's balance sheet consisted by 86% of shipping and by 14% of non-shipping corporate loans (2020: 90% and 10%, respectively), while in terms of total approved credit limits (i.e. including undrawn and off-balance sheet amounts) the distribution between shipping and non-shipping credits was 84% and 16%, respectively (2020: the same).
- The total gross balance of the Loans portfolio of 31.12.2021, includes gross NPL balances of €10.8 million or 1.9% of total loans, compared to €24.5 million or 6.5% in 2020, coming entirely from the shipping portfolio. The decline in the

NPL ratio is due both to the credit expansion carried out by the Bank in 2021 and the reduction of the NPL balances through recoveries, accounting write-offs and reclassification of exposures into the performing category. It is noted that during the year there were no defaults or inclusion of new borrowers in the NPL category. Cumulative loan loss provisions amounted to €7.6 million in total (2020: € 10.0 million), €5.4 million of which refer to NPLs (2020: € 9.0 million). At the end of 2021, the coverage of NPLs by loan loss provisions amounted to 49.7% (2020: 36.5%).

- The annual increase of Cash at hand, in Banks and at the Central Bank, totaling €159 million, consists of a decrease of €21 million in money market placements in the interbank market, and a simultaneous increase of €180 million of the cash with the Central Bank. At the same time, the liquid assets (bonds) under the portfolios measured at Fair Value and those held at Amortized Cost, increased by almost €36 million and reached €107 million, cumulatively. Approximately €102 million or 95% thereof (2020: €64 million) are eligible for funding by the ECB, with €40 million comprising government and corporate debt securities of Western EU countries (2020: €48 million), €45 million being Greek Government Treasury Bills (2020: €15 million) and €17 million being Greek Government Bonds (2020: €1 million). The remaining €5 million are marketable securities of Greek corporations, non-eligible by the ECB (2020: €8 million). On 31.12.2021 a provision of €182 thousand was formed against impairment losses for the Bank's debt securities (2020: € 290 thousand).

The growth of the assets was funded, on the Liabilities' side, mainly by the increase in customer deposits:

- On 31.12.2021 Customer Deposits amounted to €842 million from €447 million, recording an annual increase of €395 million or 88%. The total deposits of ABBank derive from the private sector, with 16% coming from individuals and 84% from businesses (2020: 32% and 68%, respectively). Regarding deposits of individuals, since 2019 the Bank has been cooperating with electronic retail deposit management platforms in Germany. On 31.12.2021 the balances of deposits from this source amounted to €75 million, accounting for 9% of total deposits, compared to €95 million and 21%, respectively, in 2020. The balances of corporate deposits, as at 31.12.2021, consisted by 87% of deposits from companies of the shipping sector and by 13% deposits from companies of other sectors, compared to 80% and 20%, respectively, in 2020.
- Liabilities to Financial Institutions decreased in 2021 by €9 million or 16% y-o-y, to €49 million from €58 million the previous year. As at 31.12.2021, 98% of the total amount relates to short-term interbank takings in US Dollars (2020: 99%). Throughout 2021, as well as on 31.12.2020, ABBank had not drawn liquidity from the Eurosystem.

The annual evolution of the gross loan and deposit balances described above, drove the Loans to Deposits Ratio to 67% in 2021, from 82% in 2020 and, in combination with the increased liquidity placed with the BoG and in high quality debt securities eligible for funding by the ECB, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained strong at 187% (2020: 273%) and 125% (2020: 116%), respectively.

The impact of COVID-19 on the quality of ABBank's customer loans portfolio was immaterial. Throughout 2020, only one non-shipping and two shipping obligors applied for, and the Bank proceeded to the short-term deferral of their scheduled principal repayment obligations (COVID-19 Moratoria). These loans amounted to €11.5 million in total, while the amount of their deferred obligations was €2.7 million in total. On 31.12.2020 only one of the above obligors remained under the COVID-19 Moratorium, with a loan obligation of €1.7 million, which was entirely repaid within the 1st semester of 2021.

Income Statement

Net operating profit (before provisions and taxes) amounted to €10.4 million compared to €5.9 million the previous year, while the net result after taxes and provisions was a profit of €6.9 million, versus €4.1 million in the previous year. The main figures of the Bank's Income Statement for FY-2021 and FY-2020 and the annual changes thereof, are presented in a tabular abridged form here below:

Income Statement (abridged)	2021 € mil.	2020 € mil.	+/-	%
Net interest income	17.9	13.6	+4.4	+32.1%
Net fees and commissions	3.8	3.0	+0.8	+28.8%
Net result from derivatives and investment securities	1.6	1.6	+0.1	+4.0%
Net Operating Income	23.4	18.1	+5.3	+29.0%
Personnel expenses	(8.2)	(7.3)	- 0.8	+11.5%
General administrative expenses	(3.8)	(3.8)	+0.1	-2.0%
Depreciation	(1.1)	(1.0)	- 0.0	+1.7%
Operating Expenses	(13.0)	(12.2)	- 0.8	+6.5%
Net Operating Profit (before provisions and tax)	10.4	5.9	+4.5	+75.4%
Impairment losses on financial assets	(1.6)	(0.6)	- 1.1	+193.4%
Income tax	(1.9)	(1.3)	- 0.6	+45.0%
Net Profit/(Loss) for the year	6.9	4.1	+2.8	+69.1%

Net Interest Income amounted to €17.9 million, recording an annual increase of €4.4 million or 32.1%, with gross interest income having increased by €3.0 million or 17.5%, mainly due to the credit expansion carried out, and gross interest expenses having decreased by €1.3 million or 35.2%, due to the fall in deposit and interbank borrowing rates despite the increase of the average annual balances of interest-bearing liabilities compared to the previous year. In particular:

- Interest on loans increased by 19.9% or €3.3 million mainly due to the increase in the average annual loan balances by €137.8 million or 43.4%, despite the decline in both US Dollar base interest rates, as well as credit margins (-90 bps, cumulative).
- Interest income from interbank placements decreased by 65.0% or €0.3 million, while their average annual balance remained stable, mainly due to the reduction of base interest rates, particularly in the US Dollar market (-15 bps, in total).
- Interest income from debt securities increased marginally by €0.03 million or 12%, as the growth of the average balance of the debt securities portfolio amounted to 48% or €29 million, but was accompanied by a change in its composition, with the entry of new securities with lower yields versus those which matured. In 2021, the interest rate yield of the Bank's debt securities portfolio declined by 9 bps.
- Interest expense on customer deposits declined by €1.0 million or 32% y-o-y, even though the average balances of 2021 were 38% higher than those of 2020. The decline in the deposit rates of the market improved/reduced the Bank's deposit funding cost by 38 bps.
- Interest expenses on interbank takings decreased by €0.3 million compared to the previous year (-60%), with the respective annual average balances of amounts due to Financial Institutions also recording a reduction by €7.8 million or 14%. Due to the fall in interest rates, the average funding cost from the interbank market decreased in 2021 by 45 bps.

Despite the increase in Net Interest Income (NII) by €4.4 million or 32.1% mentioned above, the Bank's Net Interest Margin (NIM) marginally increased in 2021 by 5 bps to 2.35% from 2.3% in 2020, as a result of the significant increase in the average annual balances of interest-bearing assets and liabilities in combination with the developments in the interest rate environment. The Bank's NIM is broken down to 2.67% from gross interest income and 0.32% from gross interest expenses (calculated on the annual average balance of total assets), versus 2.88% and 0.63% respectively in 2020.

Net Income from Fees and Commissions amounted to €3.8 million from €3.0 million in 2020, recording an annual increase of 27.8%. This was a result of the increase in commissions income by 25.6%, versus an increase in expenses for commissions by 7.7%. The higher income from Fees and Commissions is mainly due to the increase of revenue from commissions related to credit products (+28% y-o-y), as well as the revenue from fund transfers (+26% y-o-y).

In 2021 the Bank also recorded €1.6 million Net Income from Transactions in Derivatives and Debt Securities, at par with the respective amount in 2020. The cost of FX derivative transactions (mainly currency swaps for the purpose of hedging its FX position in dollars) amounted to €0.33 million from €0.32 million in 2020, while revenues from FX transactions for customers amounted to €1.3 million (2020: € 1.2 million). Moreover, a profit of €0.6 million was recorded from transactions in debt securities (sales) versus a profit of €0.7 million in 2020, from the sales and revaluation of debt and equity securities.

Should the aforementioned hedging cost for the open USD position on the Bank's total assets be included in the Net Interest Income in order to determine the assets' total funding cost, this would be estimated at €2.76 million or 0.36% in 2021, versus €4.1 million or 0.69% in 2020, and accordingly the Bank's adjusted NIM at 2.31% for 2021, compared to 2.23% in the previous year (i.e. annual improvement of 8 bps).

Total Operating Expenses amounted to €13.0 million in 2021, before the annual impairment loss provision for loans and debt securities, marking an increase of 6.0% y-o-y (2020: €12.2 million). More specifically:

- Personnel Expenses increased by 11.5% compared to the previous year and amounted to €8.2 million from €7.4 million in 2020. The increase in the average number of full-time employees by 7 people (+7.4%) versus the previous year and the full impact on an annual basis of the recruitments made during 2020, as well as the payment of previous years' deferred variable remunerations (due to update in the relevant legislation for the LSI's) concurrently with that of 2021, were the most important growth factors of this expense category.
- General Administrative Expenses stand at approximately the same level as in 2020 (annual change of -2%), mainly due to lower VAT that cannot be set off, in comparison to the previous year, despite the increased expenses towards the Deposit and Investment Guarantee Fund (deposit cover and resolution schemes), given the increased total assets of the Bank.
- Depreciation stands at approximately the same level as 2020.

During 2021, additional impairment loss provisions on loans, debt securities and off-balance sheet exposures were formed, amounting to €1.6 million, in total (2020: € 0.6 million), of which €1.7 million concern new loan loss provisions and €0.1 million concern reversal of the provisions on debt securities.

Shareholders' Equity – Capital Adequacy

On 31.12.2021, the book value of the Bank's Equity amounted to €101.4 million, from €94.7 million on 31.12.2020 (as restated), taking into account the application of IFRS 9 on a fully loaded basis. The above annual increase by €6.7 million or 7.1% is due to the positive result of the FY 2021 of €6.9 million, the increase of the revaluation reserve due to the positive revaluation of the fair value of the own-use building by €0.5 million and the negative adjustment of other reserves by €0.7 million.

If the result of the FY 2021 is taken into account, the total regulatory capital of ABBank amounts to €99.8 million (2020, restated: € 93.0 million), after deducting total adjustments of €1.6 million (2020: €1.7 million).

On 31.12.2021 the Risk Weighted Assets increased to €624.0 million from €451.1 million on 31.12.2020, mainly due to the growth of the Bank's Total Assets which led to an annual increase of Credit Risk Weighted Assets by 39%, but also the increase in total income for FY 2021, which led to an increase of the capital requirements for Operating Risk by 33%.

Therefore:

- Taking into account the profits of FY 2021, on 31.12.2021 the Common Equity Tier 1 Ratio (CET1 Ratio) of the Bank amounts to 15.99%, from 20.61% on 31.12.2020 (as restated), while
- Disregarding the profits of FY 2021, the distribution of which or not will be decided by the forthcoming Regular General Shareholders' Meeting, the Bank's regulatory capital amounts to €92.9 million and the CET1 Ratio to 14.89%.

It is noted that:

- a. the ratio is calculated with the fully loaded application of IFRS 9 as ABBank did not make use of the transitional provisions for the gradual recognition of the additional provisions that resulted from its initial application on 1.1.2018,
- b. ABBank's total regulatory capital consists exclusively of Common Equity Tier 1 or CET1 and therefore the CET1 capital adequacy ratio is equivalent to the Total Capital Adequacy Ratio, and
- c. the Bank's regulatory capital does not include deferred tax asset against the Greek State.

Important events after 31st December 2021

The most notable event, which however does not directly affect the Bank as the latter does not have any direct exposure towards the involved countries, is Russia's war against the Ukraine, which began in late February 2022 and is undoubtedly the biggest challenge for the European Union (EU) since the end of the Cold War, as it disturbs the international geopolitical equilibrium and causes a huge humanitarian crisis. The magnitude of the effects of the war on the European and world economies cannot be estimated at present and will be dependent on how quickly the war will terminate, the duration of inflationary pressures and the response of monetary and fiscal policy at European level.

On April 22, 2022, Standard & Poor's upgraded Greece's long-term credit rating to BB+ from BB and confirmed the short-term rating B with a stable outlook, noting that "the Greek economy continues to recover from the effects of the pandemic and the upgrade reflects the expectation of a continuous improvement in Greece's policy effectiveness, while the fallout from the war in Ukraine appears manageable in light of considerable buffers in both the private and public sectors."

In May 2022, the BoG announced to ABBank its preliminary assessment in accordance with the Supervisory Review and Examination Process ("SREP"), in which, among others, it points out that within the context of the Bank's participation in the Stress Test exercise conducted by the BoG during the third quarter of 2021, based on the exposure amounts as of 31.12.2020, the performance of ABBank, even under the Adverse Scenario of the exercise, was one of the best in the industry.

Disclosures pursuant to article 6 of Law 4374/2016

In the context of complying with the provisions of paragraph 4, Article 6 of Law 4374/2016 (Hellenic Government's Gazette A'50/1.4.2016) pertaining to the "Transparency in the relationship of credit institutions with media companies and sponsored persons or entities", ABBank is hereby disclosing information with regard to payments made to natural persons and/or legal entities in 2021. Specifically, during 2021 (a) no payments were effected for marketing, advertisement or promotion, in the context of paragraph 1, Article 6 of Law 4374/2016; and (b) the payments effected for donations, sponsorships or grants, in the context of paragraph 2, Article 6 of Law 4374/2016, were the following:

NAME	NET PAYMENT
SMILE OF THE CHILD	3,313.00 €
HOLY DIOCESE OF NEA IONIA & PHILADELPHIA	2,693.14 €
ELEPAP	200.00 €
GREEK RED CROSS	10,000.00 €
CHATZIKIRIAKEIO CHILD CARE INSTITUTION	100.00 €
GRAND TOTAL	16,306.14 €

In compliance with the current legislative, tax and regulatory framework, with respect to the above payments the Bank paid in addition the amount of €350.10 in total, for VAT and other.

Risk Management

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

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

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

Pursuant to their new responsibilities, the ECB and the SSM conduct European Comprehensive Assessment Tests for the systemic banks, including Asset Quality Reviews and Stress Tests under various macroeconomic scenarios. As a non-systemic bank, the Bank has not participated in such pan-European assessments. ABBank participates though in the respective Stress Test Exercises conducted by the BoG in respect of the less important Greek institutions (LSIs) under its supervision.

Detailed information about the core risks borne by the Bank through its financial exposures as of 31st December 2021 and 31st December 2020 are provided in Note 4 of the Financial Statements, whereas Note 4.8 makes specific reference to the Bank's capital adequacy calculation under both, Pillar I and Pillar II of the Basel-III regulatory framework currently in force.

Credit Risk

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

The Bank follows specific procedures for the continuing monitoring, measurement and assessment of credit risk and has compiled and documented relevant risk management policies. Given that until recently the Bank's loans portfolio exclusively consisted of unrated (by External Credit Agencies) obligors of the shipping sector, ABBank has established and follows its own, ten-grade, credit risk assessment and rating system. The Bank has also developed internally a credit evaluation and rating model for its shipping credit exposures, as well as the mapping of such rating system with that of the object finance slotting criteria methodology of the IRB-Basic approach included in the current regulatory framework for credit risk. Such mapping is used by the Bank's Risk Management Unit to back-test, validate and re-evaluate the credit ratings produced by the internal rating model, as well as to conduct credit risk stress-testing of its shipping loans portfolio. As of 2018, the Bank's credit policies and procedures have been expanded to also cover non-shipping corporate credits.

The Bank's methodologies for the monitoring and assessment of credit risk primarily aim at promptly identifying and optimizing the management of expected and unexpected loss which could possibly be incurred. With the view to contribute in the Bank's best possible protection against such losses, credit operations include specific lending policies and criteria, involving the purpose and type of each credit facility and its repayment sources, the formation of appropriate credit limits per obligor or group of obligors, limits of individual or sectoral concentrations, the use of credit risk mitigation techniques by obtaining security and guarantee covers and the implementation of risk-related credit pricing in order to improve the use and yield of the corresponding capital requirements. The Bank's credit operations also involve the regular screening and review of the relevant procedures, aiming at the efficient management of the credit function and the undertaking of corrective measures in the management of deteriorating exposures. For the same purpose, the credit procedures and credit risk management processes are subjected to regular independent assessment by the Internal Audit Unit.

The procedures of approving new credits and regularly reviewing and reassessing existing ones until their full repayment, are clearly set out and centralized, constituting an exclusive competence of the Credit Committee of performing credits.

Moreover, pursuant to the Acts of the Executive Committee of the Bank of Greece ("ECA/BoG") Nr. 175/2020 and Nr. 181/2021 regarding the management of non-performing and forborne exposures, the Bank has established relevant policies and procedures which also comply with best practices in relation to such exposures. The management of Non-Performing Exposures is conducted by a specific, dedicated Unit of the Bank, while relevant credit approvals are distinctly under the competence of the ANPL Credit Committee.

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

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

Liquidity Risk

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

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

The Bank's Risk Management Unit regularly performs stress tests for the Bank's liquidity, under mild and extreme volatility scenarios of both idiosyncratic (company-specific) and systemic nature. Moreover, it closely monitors customer deposit concentrations at individual or time zone level, depository behavioural trends of the Bank's clientele, as well as the evolution of the regulatory ratios LCR and NSFR, and other liquidity ratios such as the Loans to Deposits Ratio and others. The Risk Management Unit also analyses potential liquidity and refinancing gaps and has incorporated in its liquidity risk management strategy the expansion of funding sources and the maintenance of strong levels of liquid assets and assets eligible for liquidation or refinancing. Ongoing liquidity risk analysis, stress test results under certain scenarios and the results of monitoring the sources, uses and cost of funds are submitted to the Bank's Assets-Liabilities Committee (ALCO) for its consideration and the appropriate decision-making by the committee and/or the Senior Management.

Pursuant to the new regulatory framework of Basel III, the regulatory requirements for Liquidity Risk include the continuous calculation, monitoring and compliance with minimum acceptable liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) which have gradually come into effect since October 2014.

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

Market Risk

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

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

The Bank regularly conducts stress tests in relation to all major market risks, such as Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in the banking book as well as Market Value Risk for its marketable securities holdings etc. ABBank has selected the Standardized Approach for the calculation of market risk capital requirements and the relevant supervisory reporting.

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

Operational Risk

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

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

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

Targets and Prospects

ABBank is active in corporate banking, specializing in credit and banking services towards the shipping industry. Since 2018 it started, and has been gradually expanding, its activity in corporate banking towards medium and larger Greek enterprises, focusing on export activities, commercial real estate, digital technologies as well as renewable energy sources. As at 31.12.2021, the Bank's loans portfolio consisted by 86% of shipping loan exposures and by 14% of non-shipping loan exposures, while the three-year target is to reach a composition of 70% and 30%, respectively.

The impact of COVID-19 on the quality of the loans portfolio and the liquidity of the Bank was not significant. Also, in 2021 the Bank achieved a further reduction of its NPEs to 1.9% and an increase in their provision coverage ratio to approximately 50%, while it pursues its effort for further improvement of the quality of its loans portfolio.

The Bank's Senior Management believes that the prevailing challenges for the Greek and global economy, from the lingering effects of the coronavirus pandemic, the strong inflationary pressures and the uncertainty governing the supply chain, could increase the risks for all economic sectors. The Russia-Ukraine crisis poses additional risks and uncertainties, affecting - among others - the prices of energy, raw materials as well as agricultural products, resulting in peak inflationary pressures, both in intensity and duration. These factors are particularly likely to have a negative impact on consumption, tourism and business activity and, despite the possible implementation of coordinated support measures at European level, may lead to a slowdown in economic growth rates and the creation of new NPEs for banks.

The Senior Management is aware of the potential increase in credit risk. However, given the credit policy pursued both in the shipping finance and in the corporate finance to domestic large and small/medium enterprises, combined with the sectoral dispersion of the exposures among the sectors of the economy, it estimates that the current challenges will not have a significant impact on the quality of ABBank's exposures.

The dynamic return to growth of the Greek Economy in 2021 and the positive prospects for 2022, even under the adverse scenario, as well as the establishment and operation from 2021 of the European Recovery Fund, combined with the strong liquidity ratios and high level of capital adequacy maintained by the Bank, encourage the implementation of ABBank's strategy for the growth of its activities. At the same time, ABBank's investment in digital banking continues and its clientele already has at its disposal and utilizes the full-fledged WEB Banking electronic platform of the Bank.

ABBank's Senior Management believes that the strong fundamental and regulatory metrics of the Bank, the expertise of its staff, and the quality of its credit exposures, pave the way for the sustained implementation of its business plan for the further growth of its operations and the improvement of its profitability in 2022.

Athens, 31 May 2022

The Chairman of the BoD

The Managing Director

Konstantinos Hadjipanayotis

Theodore Afthonidis

TRUE TRANSLATION FROM THE ORIGINAL IN GREEK

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AEGEAN BALTIC BANK S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AEGEAN BALTIC BANK S.A. (the Bank), which comprise the statement of financial position as at 31 December 2021 and the income statement, the statements of comprehensive income and changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the Key audit matter
<p>Expected Credit Loss (ECL) on loans and advances to customers at amortized cost</p> <p>Loans and advances to corporations at amortized cost amounted to € 573,124 thousand as at 31 December 2021 (€376,735 thousand at 31 December 2020), and impairment loss on these loans amounted to €7,614 thousand for the year ended 31 December 2021 (€10,045 thousand for the year ended 31 December 2020). Out of the total of these loans amount of € 25.795 as at 31 December 2021 (€48.574 thousand at 31 December 2020) has been assessed at Stage 2 and Stage 3.</p> <p>The ECL estimate on loans and advances at amortized cost of Stage 2 and Stage 3 individually assessed loans, involves critical Management judgement with high level of subjectivity and complexity, and therefore is considered a key audit matter.</p> <p>The most significant Management judgements and accounting estimates in connection with the ECL measurement of individually assessed Stage 2 and Stage 3 loans relates to the assumptions used by Management to calculate the discounted future cash flows, including the forward freight rates, the expected operating expenses, the valuation and time to liquidation of the vessels as well as the macro economic scenarios and the weighted probability of these scenarios that are incorporated in the ECL measurement.</p> <p>Management has provided additional information regarding the accounting policies and principles when determining the allowance on impairment loss on loans and advances to customers at amortized cost, the management of credit risk and the evaluation of impairment losses in Notes 2.1, 2.9, 2.10, 3.1, 4, 11 and 16 to the financial statements, respectively.</p>	<p>Based on our risk assessment and following a risk-based approach, we have evaluated the impairment methodologies applied and assumptions made by Management in relation to this key audit matter, which included, inter alia, the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the design and implementation of internal controls relevant to the ECL estimate, including controls on methodologies applied, on accuracy and completeness of data used and significant assumptions made by Management for the ECL measurement of Stage 2 and Stage 3 individually assessed loans. • On a sample basis, we tested whether the criteria used for the timely identification of staging of loans with significant increase in credit risk and timely identification of credit impaired loans are appropriate and have been properly applied. • On a sample basis, we assessed whether the approach used by Management for the calculation of the estimated future cash flows of Stage 2 and Stage 3 individually assessed loans is appropriate and we examined the reasonableness of the significant assumptions used by Management, including the forward freight rates, the expected operating outflows, the valuation and the time to liquidation of collaterals as well as the macro economic scenarios and the weighted probability of these scenarios that are incorporated in the ECL measurement. <p>Given the complexity and granularity of the related disclosures, we assessed the completeness and accuracy of the disclosures in accordance with the relevant accounting standards.</p>

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. Board of Director's Report

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

- a) In our opinion, the Board of Director's report has been prepared in accordance with the applicable legal requirements of article 150 of Greek Law 4548/2018 and its content is consistent with the accompanying financial statements for the year ended 31 December 2021.
- b) Based on the knowledge we obtained during our audit of the Bank and its environment, we have not identified any material inconsistencies in the Board of Director's Report.

2. Additional Report to the Audit Committee

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

3. Non-audit Services

We have not provided to the Bank any prohibited non-audit services referred to in Article 5 of EU Regulation 537/2014. The allowable non-audit services we have provided to the Bank during the year ended 31 December 2021 are disclosed in Note 37 to the accompanying financial statements.

4. Appointment

We were first appointed as statutory auditors by virtue of Bank's articles of association at incorporation, which was approved based on 25/9/2002 decision of Prefecture of Athens. Our appointment has been, since then, uninterrupted renewed by the Annual General Assembly of shareholders of the Bank for 19 consecutive years.

Athens, 31 May 2022

The Certified Public Accountant

Foteini D. Giannopoulou

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AEGEAN BALTIC BANK S.A

Financial Statements

In accordance with International Financial Reporting Standards

31 December 2021

May 2022

Income Statement

	Note	2021 €' 000	2020 €' 000 As restated
Interest and similar income		20,369	17,340
Interest expense and similar charges		(2,445)	(3,772)
Net Interest Income	5	17,924	13,568
Fee and commission income		4,228	3,365
Fee and commission expense		(394)	(365)
Net fee and commission income	6	3,834	3,000
Net result from derivatives and investment securities	7	1,597	1,559
Other operating income		34	10
Total Income		23,389	18,137
Personnel expenses	8	(8,187)	(7,340)
General administrative expenses	9	(3,754)	(3,831)
Depreciation and amortization	10	(1,062)	(1,044)
Impairment losses on loans and advances to customers	11 & 4	(1,733)	(278)
ECL of Investment securities	17 & 19	107	(277)
Profit/(Loss) before tax		8,760	5,367
Income Tax	12	(1,887)	(1,302)
Profit/(Loss) for the year		6,873	4,065

The notes on pages 26 to 79 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2021 €' 000	2020 €' 000 As restated
Profit /(Loss) for the year		6,873	4,065
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Financial assets at FVTOCI)	17	(790)	333
Related Tax	23	181	(80)
Total items that may be reclassified subsequently to profit or loss		(609)	253
Items that will not be reclassified subsequently to profit or loss			
Change in reserve of actuarial Gain / (Loss)	28	(68)	(97)
Related tax of retirement benefit obligation	23	3	25
Revaluation surplus (gain) from property & equipment		610	1,856
Related tax from revaluation surplus from property & equipment		(97)	(446)
Total items that will not be reclassified subsequently to profit or loss		448	1,338
Other comprehensive income / (expense) for the year, net of tax		(161)	1,591
Total comprehensive income / (expense) for the year		6,712	5,656

The notes on pages 26 to 79 are an integral part of these financial statements.

Statement of Financial Position

		€' 000	
	Note	31.12.2021	31.12.2020 As restated
ASSETS			
Cash and balances with Central Bank	13	239,214	59,382
Due from banks	15	68,714	89,441
Loans and advances to customers at amortised cost	16	566,022	367,110
Financial assets at fair value through other comprehensive income (FVTOCI)	17	68,067	19,852
Financial assets at fair value through profit or loss (FVTPL)	18	-	466
Debt securities at amortized cost	19	39,314	51,322
Derivative financial instruments	20	18	16
Intangible assets	21	1,529	1,673
Property and equipment	22	8,000	7,520
Other assets	24	9,000	8,347
Total assets		999,878	605,129
LIABILITIES			
Due to banks	25	48,546	57,568
Due to customers	26	842,360	447,103
Derivative financial instruments	20	139	4
Retirement benefit obligations	28	1,762	1,564
Deferred tax liabilities	23	1,279	867
Other liabilities	27	4,424	3,368
Total liabilities		898,510	510,474
EQUITY			
Share capital	29	37,980	37,980
Share premium	30	50,207	50,207
Reserves	31	2,308	2,124
Retained earnings	32	10,873	4,344
Total equity		101,368	94,655
Total liabilities and equity		999,878	605,129

The notes on pages 26 to 79 are an integral part of these financial statements.

Statement of Changes in Equity

	Note	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2020		37,980	50,207	331	239	88,757
Retained Earnings IFRIC/IAS 19 impact		-	-	-	243	243
Balance at 01.01.2020 (restated)		37,980	50,207	331	482	89,000
Movement in the OCI reserve – valuation, net of tax		-	-	253	-	253
Remeasurement of the defined benefit obligations, net of tax	31	-	-	(73)	-	(73)
Revaluation gain on property & equipment, net of tax		-	-	1,411	-	1,411
Statutory reserve		-	-	203	(203)	-
Profit / (Loss) for the year (restated)		-	-	-	4,065	4,065
Balance at 31.12.2020 (restated)		37,980	50,207	2,124	4,344	94,655
Balance at 01.01.2021		37,980	50,207	2,124	4,344	94,655
Movement in the OCI reserve – valuation, net of tax		-	-	(609)	-	(609)
Remeasurement of the defined benefit obligations, net of tax	31	-	-	(63)	-	(63)
Revaluation gain on property & equipment, net of tax		-	-	513	-	513
Statutory reserve		-	-	343	(343)	-
Profit (Loss) for the year		-	-	-	6,873	6,873
Balance at 31.12.2021		37,980	50,207	2,308	10,873	101,368

Cash Flow Statement

		€' 000	
		31.12.2021	31.12.2020
			As restated
	Note		
Cash flows from operating activities			
Profit before tax		8,760	5,367
<i>Adjustments for:</i>			
Depreciation and amortization charges	10	1,062	1,044
Credit provisions and other impairment charges	11,17,19	1,593	(555)
Provisions for retirement benefit obligations	28	130	100
(Gain) / Loss from sale of investment securities at FVTOCI	7	(164)	(598)
(Gain) / Loss from sale of investment securities at FVTPL	7	(125)	(71)
(Gain) / Loss from valuation of financial assets at fair value through P&L	7,18	-	(15)
Foreign exchange (profit) / loss on financial assets at fair value through P&L	18	-	46
Foreign exchange (profit) / loss on cash and cash equivalents		749	3,826
		12,005	9,144
<u>Net (increase)/decrease in operating assets:</u>			
Loans and advances to customers	11 & 16	(200,612)	(124,516)
Financial assets at fair value through P&L	18	466	381
Derivative financial assets		(2)	141
Other assets		(653)	(233)
<u>Net increase/(decrease) in operating liabilities:</u>			
Due to banks	25	(9,022)	23,234
Due to customers	26	395,257	70,545
Derivative financial liabilities		135	(11)
Other liabilities		1,056	906
Cash flow from operating activities before tax payment		198,630	(20,409)
Income tax paid		-	-
Net cash flow from operating activities		198,630	(20,409)
Cash flows from investing activities			
Acquisition of property and equipment	22	(442)	(108)
Acquisition of intangible assets	21	(322)	(785)
Acquisition of investment securities measured at FVTOCI	17	(188,488)	(122,008)
Acquisition of debt securities measured at amortised cost	19	(5,254)	(37,043)
Proceeds from disposal of investment securities	17,19	155,898	134,796
Net cash flow from investing activities		(38,715)	(25,148)
Cash flows from financing activities			
Cash payments of lease elements		(168)	(189)
Net cash flow from financing activities		(168)	(189)
Net increase / (decrease) in cash and cash equivalents		159,854	(45,747)
Cash and cash equivalents at beginning of period		148,823	198,396
Foreign exchange profit /(loss) on cash and cash equivalents		(749)	(3,826)
Cash and cash equivalents at end of period		307,928	148,823

The notes on pages 26 to 79 are an integral part of these financial statements.

Note 1: General Information

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

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

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

The current BoD constituted in body on 24 October 2018.

The composition of BoD as amended after the resignations and replacements of its members until 31.12.2021 is as follows:

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

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 31st May 2022.

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

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (the E.U.). E.U. endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board (IASB) if at any point in time, new or amended IFRSs have not been endorsed by the E.U. At 31 December 2021, there were no unendorsed standards effective for the year ended 31 December 2021, which affect these financial statements, and there was no difference between IFRSs endorsed by the E.U. and IFRSs issued by the IASB in terms of their application to the Bank. Accordingly, the Bank's financial statements for the year ended 31 December 2021 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, and all derivative contracts measured at fair value.

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

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

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

a) Standards, interpretations and amendments to published standards effective in 2021

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

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

IFRIC Agenda Decision: IAS 19 "Employee benefits" – Attributing to periods of service

An agenda decision was published in May 2021 by the International Financial Reporting Interpretations Committee (IFRIC) that includes material explaining how the applicable principles and requirements in IFRS Standards apply on attributing benefits to periods of service on a specific fact pattern of a defined benefit plan. According to the specific fact pattern, for those employees that are entitled to a lump sum benefit payment only upon retirement and that the retirement benefit depends on the length of employee service prior to retirement (capped to sixteen years of consecutive years of service), the retirement benefit is attributed to each of the last sixteen years of service prior to the retirement age.

The Bank has restated the comparative amounts with respect to the annual Financial Statements published for 2020 (retrospective application / change in accounting policy) as a result of this agenda. The retrospective application of the said accounting policy does not have a material effect on the information on the statement of financial position as at 1 January 2020.

According to IAS 8, the opening balance of each affected component of equity as at 1 January 2020 and the other comparative amounts for each prior period presented, have been adjusted as if the new accounting policy had always been applied. Specifically, the actuarial liability as at the beginning and end of the year 2020 was revised and the disclosures for the year 2020 were restated. Refer to Note 38 for the restatement of the comparative amounts.

Annual Improvements to IFRS Standards 2018-2020 Cycle**- IFRS 1 (Amendment) "First-time Adoption of International Financial Reporting Standards"**

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

- IFRS 9 (Amendment) " Financial Instruments "

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

- IFRS 16 (Amendment) "Leases"

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

The Bank have not yet adopted the above amendments, however it is not expected to have any material impact on the Bank's Financial Statements.

b) New standards, amendments and interpretations to existing standards, effective after 2021.

IFRS 3 (Amendment) "Business Combinations". The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IAS 16 (Amendment) "Property, Plant and Equipment". The amendment prohibits the deduction from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss.

IAS 37 (Amendment) "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs a company includes when assessing whether a contract is loss making.

2.2 Going Concern

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered the level of the Bank's Common Equity Tier 1 (CET1) ratio which is 16% at 31.12.2021 (see note 4.8) including the expected credit losses from the full adoption of the IFRS 9 (fully loaded), the high level of Liquidity Coverage Ratio (LCR) (186% at 31.12.2020), the materiality of the impact of Covid-19 and the very low Non performing Loans Ratio (NPL) at 31.12.2021 of 1.9% . The Board believes on the appropriateness of the use of going concern basis for the preparation of the financial statements.

The Board does not expect that the Bank will face liquidity issues as it remains in the high level of Liquidity Coverage Ratio (LCR) 189% during the first quarter of 2022 and has significant increase in deposits until the end of April 2021. Additionally, under the current circumstances, the Board does not expect significant impact in the quality of Loans portfolio and the funding of the Bank due to the war in Ukrain.

In December, 2021, Standard & Poor's re-affirmed ABBank's credit rating of B / B (long-term / short-term), with a stable outlook , noting that "The stable outlook on ABB reflects the balance between risks over the next 12 months in the shipping industry stemming from the deep global economic shock, and ABB's sound capital position and good financial track record. We anticipate that ABB will preserve its solvency, and maintain adequate funding and liquidity and high collateralization in its loan book.

2.3 Foreign currency transactions

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

2.4 Net Interest income and expense

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

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

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

As of 31st December 2021 the Bank did not purchased or originated credit impaired financial assets.

2.5 Net Fee and commission income

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

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

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

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

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

This category includes financial assets that do not meet the criteria of being measured at either amortised cost or fair value through other comprehensive income ("FVTOCI") (please refer to Note 2.7). All financial assets acquired principally for the purpose of selling in the short term or if so designated by the management, are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset and are classified under this category which has the following two sub-categories:

A1: Trading securities

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

A2: Designated at fair value through profit or loss

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

- I. The Bank estimates or significantly reduces a measurement or recognition in consistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.
- II. A group of financial assets, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel.
- III. This category is measured at fair value. The determination of fair values of financial assets at fair value through profit or loss securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Changes in fair value are included in net trading income.

B. Financial assets mandatorily at FVTPL

The financial assets that their contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI Fail) are classified mandatorily at FVTPL. This category is measured at fair value. As at 31st December 2020 the Bank did not have any financial instruments classified mandatorily at FVTPL.

C. Equity Securities

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

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

Debt securities measured at fair value through other comprehensive income “FVTOCI”

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

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

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

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

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

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

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

Default Definition

A key issue in measuring expected losses is identifying when a “default” may occur. For debt securities the Bank identifies that a default has occurred when:

- Significant financial difficulty of the issuer exists;
- A breach of contract, such as a default or past due event (i.e., an issuer has failed to make a payment when contractually due);
- The issuer, for economic or contractual reasons relating to the issuer’s financial difficulty, has granted a concession that the lender would not otherwise consider;
- It is becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties within such market.
- The purchase of a debt security at a deep discount that reflects incurred credit losses.

Impairment losses on Debt securities

In line with the IFRS 9 provisions the Bank in the process of calculating ECL, assesses if SICR of debt securities exist. The identification of SICR is based on qualitative and quantitative criteria depending on the availability, quality and quantity of the information. SICR is identified in the following cases:

- Investment grade debt instruments which experience a downgrade to the “non-investment grade” range of the relevant ECAIs (hereinafter External Credit Assessment Institutions.)
- Non-investment grade debt instruments that do not fall within the “default” rating range as provided by an ECAI and experience more than 2 notches credit rating downgrade.
- Debt instruments where the Probability of Default (PD) at each reporting date is higher than the PD at origination date by 200%.
- Should neither a credit rating nor a PD exist for a debt instrument but the instrument is traded in an organized market then SICR is considered when there is a significant increase of the credit spread by more than 5% in absolute terms at the reporting date vs the origination date.

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

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

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

Equity instruments

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

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

2.8 Reclassification of financial assets

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

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

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

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

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

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

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

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

Reclassification of equity instruments is prohibited.

2.9 Default

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

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

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

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

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

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

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

Impairment losses on loans and advances to customers

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

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

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

The Bank evaluates expected credit losses (ECL) for all its loan exposures through a discounted cash flow model, whereby the present value of the cash flows that the Bank anticipates to receive in respect of a loan (including the present value of the collateral's residual value) are compared to the loan exposure (netted against any cash collateral). The present value estimations are made using each facility's effective interest rate as discounting factor (recalculated annually at each impairment testing, given the variable interest rate contained in the Bank's facilities). The ECL calculation has been based on information obtained by the submitted credit applications, reviews or internal update memos, data and information obtained from and/or confirmed directly by the officers, as well as the available market reports and databases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Modifications of financial assets

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

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

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

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

- The continuation of the original loan if loan terms have not been modified substantially, with modification gain or loss recognized as a consequence of the restructuring, in this case the Bank recognizes modification gain or loss as the difference between the cash flows of the loan after modification discounted by the effective interest rate of the original loan and the carrying amount of the original financial asset; or
- A new loan which replaces the original loan that is hence derecognized if the Loan terms have been modified substantially. In this case the bank would recognize a gain or loss based on the difference between the fair value of the new loan and the carrying amount of the original financial asset.

Derecognition of financial assets

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

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

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

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

Derecognition of financial liabilities

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

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or substantial modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Income Statement.

2.13 Derivative financial instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value and subsequently are re-measured at their fair value.

All derivatives are presented in assets when favorable to the Bank and in liabilities when unfavorable to the Bank.

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

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

2.14 Intangible assets

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

2.15 Property and equipment

Includes land, buildings, additions and improvements cost to leased property and other equipment. Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any. The Bank decided to change its accounting policy voluntary from cost to revaluation model under IAS 16, as at 31 December 2020, in the entire class of property and equipment. This change provides reliable and more relevant financial information as the carrying amount of property and equipment as at 31 December 2021 does not differ materially from its fair value.

As at 31 December 2020 and onwards property and equipment are measured at fair value based on periodic valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses if any. A revaluation surplus is credited to other reserves in shareholders' equity. As at 31 December 2021 the fair values of property and equipment have been determined by external, independent, certified valutors.

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

Depreciation is charged to the income statement on a straight-line basis to allocate their cost or revalued amounts, net of their residual value, over the estimated useful life of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

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

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

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

2.16 Deferred and current income Tax

Deferred tax

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

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

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

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

Current income tax

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

2.17 Provisions and other liabilities

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

2.18 Employee benefits

Defined contribution plan

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

Defined benefit plan

The net liability of the Bank, in respect of defined benefit plans, is calculated based on the amount of the future benefits, for which the employees are entitled to and is dependent on their present and former service. The present value of the defined obligation is determined by the estimated future cash outflows using interest rates of high credit rating company securities, which have terms to maturity approximating the terms of the related liability. The obligation deriving from benefit plan has been calculated and recognized on the basis of an independent actuarial study using the "Projected Unit Credit Method". The current service cost is the increase in the present value of a defined benefit obligation arising from employee service during the current period. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment and is recognized directly to profit or loss, when the plan amendment occurs. Actuarial gains and losses are recognized directly to the equity of the Bank, as they occur. These gains and losses are not recycled to profit or loss.

The Bank's policy for the indemnities aligns with the 2021 IFRIC decision of IAS 19 fact pattern, concerning the method of attributing benefits to period of service. The change in the attribution methodology constitutes a change in accounting policy. For further details of the impact from the change in accounting policy refer to Note 2.1

2.19 Offsetting

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

2.20 Share issue expenses

Incremental costs of share capital increase

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

Share premium

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

2.21 Related party transactions

Related parties include:

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

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

2.22 Cash and cash equivalents

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

2.23 Leases

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

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

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

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

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

Note 3: Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRSs requires management to make subjective judgments, estimates and assumptions, which affect not only the carrying amount of assets and liabilities, but also the level of the income and expenses recognized in the financial statements and the notes which are an integral part of the financial statements. Management considers that the subjective judgments, estimates and assumptions, made for the preparation of the financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2020. The accounting principles, estimates and judgments adopted by the Bank which are material for the understanding of the financial statements are as follows:

3.1 ECL Estimation

Determination of ECL of loans and advances to customers

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

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

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

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

Determination of ECL of debt securities

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

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

Determination of a significant increase of credit risk (SICR)

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

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

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

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

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

3.2 Retirement benefit obligations

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

3.3 Property and equipment

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

Note 4: Financial risk management

4.1 Introduction and overview

The Bank is exposed to the following risks:

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

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

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

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

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

4.2 Credit risk

4.2.1 Credit risk management strategies and procedures

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

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

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

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

4.2.2 Credit risk measurement and reporting systems

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

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

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

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

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

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

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

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

Significant Increase in Credit Risk

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

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

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

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

Expected Credit Loss Estimation

Loans and advances to customers

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

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

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

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

Going Concern

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

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

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

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

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

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

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

Gone Concern

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

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

Provided that the obligor's activity and cash-flow generating capacity has greatly diminished or ceased (thus the use of the "gone concern" methodology can be applied) if the contractual maturity of the relevant facility has expired, the impairment test horizon is usually set at twelve (12) months from the test reference date, or at an earlier or later date which represents a reasonable time frame for the liquidation of the collateral depending on the case and the prevailing liquidation scenario.

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

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

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

Macroeconomic Scenario Integration

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

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

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

Debt Securities

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

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

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

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

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

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

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

Purchased or Originated Credit Impaired

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

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

Write-offs

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

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

The following tables depict the expected credit loss per loan category, financial Guarantees and Undrawn commitments of the closing balance 31.12.2021 and 31.12.2020, based on the weighted probability of two different macroeconomic scenarios, as described above:

	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping corporations	(1,700)	(45)	(5,381)	(7,126)
Loans and advances to corporate sector	(474)	(14)	-	(488)
Other loans & Staff loans	-	-	-	-
Total on Balance sheet Credit Losses	(2,174)	(59)	(5,381)	(7,614)
Financial Guarantees	(32)	-	-	(32)
Undrawn Commitments	(51)	-	-	(51)
Total off Balance sheet Credit Losses	(83)	-	-	(83)
Total Credit Losses	(2,257)	(59)	(5,381)	(7,697)

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

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

The below table shows the gross amounts of the Bank's credit exposures for financial instruments at amortised cost as well as the off balance credit exposures as at 31 December 2021 and 31 December 2020.

	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping corporations	430,657	11,599	10,823	453,079
Loans and advances to corporate sector	116,671	3,374	-	120,045
Other loans & Staff loans	512	-	-	512
Total Loans and advances to customers (on Balance sheet exposure)	547,840	14,972	10,823	573,636
Financial Guarantees	46,618	18	9	46,645
Undrawn Commitments	19,434	-	-	19,434
Total off Balance sheet Exposure	66,052	18	9	66,079
Total Exposure	613,894	14,990	10,832	639,715

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

The following table presents the Bank's maximum credit risk exposure as at 31 December 2021 and 31 December 2020, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported in the statement of financial position.

	31.12.2021 €' 000	31.12.2020 €' 000
ASSETS		
Due from banks	68,714	89,441
Loans and advances to customers at amortised cost	566,022	367,110
Investment securities – FVTOCI	68,067	19,852
Financial assets at fair value through P&L	-	466
Debt Securities at amortised cost	39,314	51,322
Derivative financial instruments	18	16
Other assets	9,000	8,347
Maximum exposure from assets	751,135	536,554
OFF BALANCE SHEET ITEMS		
Undrawn commitments	19,434	13,722
Financial guarantees	46,645	15,342
Maximum exposure from off balance sheet items	66,079	29,064

4.2.5 Collaterals and guarantees

The collaterals are measured at fair value. When the value of the collateralized property exceeds the loan balance, the value of collateral is capped to the total exposure (on & off balance sheet) before allowance for impairment.

The below tables provide an analysis of the closing balance 31.12.2021 and 31.12.2020 of collaterals held for all stages of loans and advances to customers at amortized cost and Off balance sheet Exposures.

Collateral amount	31.12.2021			(€' 000)
	Stage 1	Stage 2	Stage 3	Total
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

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

Breakdown of collateral and guarantees as at 31.12.2021

	31.12.2021			(€' 000)
	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

Breakdown of collateral and guarantees as at 31.12.2020

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

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

Particular consideration is given to the value and strength of the collateral securing each credit facility, and especially the asset to be financed or being financed and mortgaged (e.g. ship type, age, condition, and technical characteristics, present and prospect market value). The Bank has defined categories of acceptable collaterals in its credit policy such as ship mortgage, real estate mortgage, bills of exchange, pledged depositions etc.

4.2.6 Concentration risk management

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

In order to comply with the regulatory limits, the Bank sets specific limits for concentration risk, mostly in group concentration. These limits are set in absolute terms (maximum exposure).

Credit risk concentration arising from a large exposure to a counterparty or group of connected clients whose probability of default depends on common risk factors, is monitored through the Large Exposures and Large Debtors reporting framework.

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

4.2.7 Loans and advances to customers

4.2.7.1 Credit quality of loans and advances to customers

The Bank performs quality analysis of Loans and advances to customers at amortised cost on an individual basis. The below tables present the closing balance 31.12.2021 and at 31.12.2020 of quality analysis with IFRS 9 of impaired loans and advances to customers at amortized cost:

	31.12.2021			(€' 000)
	Satisfactory	Watchlist	Unrated	Total
Stage 1				
Loans and advances to shipping corporations	429,562	1,095	-	430,657
Loans and advances to corporate sector	105,319	11,353	-	116,672
Other loans & Staff loans	-	-	512	512
Total loans and advances to customers stage 1	534,881	12,448	512	547,841
Stage 2				
Loans and advances to shipping corporations	5,497	6,103	-	11,600
Loans and advances to corporate sector	2,424	948	-	3,372
Total loans and advances to customers stage 2	7,921	7,051	-	14,972
Stage 3				
Loans and advances to shipping corporations	-	10,823	-	10,823
Total loans and advances to customers stage 3	-	10,823	-	10,823
Total Loans and advances to customers	542,802	30,322	512	573,636

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

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

	31.12.2021 (€' 000)		
	Loans and Advances to customers at amortised cost	Of which: Forborne Loans and Advances to customers at amortised cost	% of Forborne Loans and Advances to customers at amortised cost
Stage 1	547,841	-	0%
Stage 2	14,972	6,103	40.8%
Stage 3	10,823	-	0%
Total Gross exposure	573,636	6,103	1.1%
Stage 1 ECL allowance	(2,174)	-	0%
Stage 2 ECL allowance	(59)	(23)	39.9%
Stage 3 ECL allowance	(5,381)	-	0%
Total ECL allowance	(7,614)	(23)	0.3%
Stage 1	545,667	-	0%
Stage 2	14,913	6,080	40.8%
Stage 3	5,442	-	0%
Total Loans and advances to customers at amortised cost (net amount)	566,022	6,080	1.1%
Value of collateral	603,450	6,107	1%

	31.12.2020 (€' 000)		
	Loans and Advances to customers at amortised cost	Of which: Forborne Loans and Advances to customers at amortised cost	% of Forborne Loans and Advances to customers at amortised cost
Stage 1	328,581	-	0%
Stage 2	24,044	5,369	22.3%
Stage 3	24,530	4,526	18.5%
Total Gross exposure	377,155	9,895	2.6%
Stage 1 ECL allowance	(994)	-	0%
Stage 2 ECL allowance	(72)	(16)	22.3%
Stage 3 ECL allowance	(8,979)	(90)	1%
Total ECL allowance	(10,045)	(106)	1.1%
Stage 1	327,589	-	0%
Stage 2	23,972	5,353	22.3%
Stage 3	15,551	4,436	28.5%
Total Loans and advances to customers at amortised cost (net amount)	367,112	9,789	2.7%
Value of collateral	377,278	9,909	2.6%

The below tables presents the movement of forborne loans and advances to customers at amortised cost for the year ending 31.12.2021 and 31.12.2020:

Shipping corporations	31.12.2021 (€' 000)	31.12.2020 (€' 000)
Opening balance under (net amount) 01.01	9,789	10,577
Forbearance measures during the year	-	2,492
Repayment of loans and advances (partial or total)	(1,235)	(2,631)
Loans and advances that exited forbearance status	(3,117)	(1,400)
ECL allowance / Allowance for Impairment	91	94
Foreign exchange differences and other movements	552	657
Closing balance (net amount) 31.12	6,080	9,789

4.2.7.3 Ageing analysis of loans and advances

Shipping industry	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Performing	430,657	9,801	-	440,458
1-30Days	-	1,798	-	1,798
Past due Over 180 days	-	-	10,823	10,823
Total	430,657	11,599	10,823	453,079

Corporate Sector	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Performing	116,671	3,374	-	120,045
Total amount corporate sector	116,671	3,374	-	120,045

Other Loans & Staff Loans	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Performing	512	-	-	512
Total amount Other Loans & Staff Loans	512	-	-	512
Total Corporate, Other loans & Staff Loans	117,183	3,374	-	120,557

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

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

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

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

	31.12.2021 (€' 000)			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to shipping industry	17,446	937	334	18,717
Loans and advances to corporate sector	1,194	-	-	1,194
Other loans and staff loans	10	-	-	10
Total	18,650	937	334	19,921

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

4.2.7.5 Movement of loans and advances to customers

The tables below present the movement in stages of gross loans and advances to customers for the year 2021 and 2020:

Movement of Loans and advances to customers stage 1	2021 (€'000)	2020 (€'000)
Gross Loans and advances to customers 01.01	328,581	198,458
Repayments	(126,845)	(75,369)
Additions	293,673	208,494
Transfer from stage 1 to stage 2 Gross Loans	(2,288)	(2,089)
Transfer from stage 2 to stage 1 Gross loans	13,590	-
Interest Income	18,650	14,437
FX difference	22,481	(15,350)
Total gross amount of Loans and advances to customers 31.12, Stage 1	547,841	328,581

Movement of Loans and advances to customers stage 2	2021 (€' 000)	2020 (€' 000)
Gross Loans and advances to customers 01.01	24,044	27,977
Repayments	(4,687)	(6,359)
Additions	136	1,198
Transfer from stage 1 to stage 2 Gross Loans	2,288	2,089
Transfer from stage 3 to stage 2 Gross Loans	4,305	-
Transfer from stage 2 to stage 1 Gross Loans	(13,590)	-
Interest Income	937	1,112
FX difference	1,539	(1,973)
Total gross amount of Loans and advances to customers 31.12, Stage 2	14,972	24,044

Movement of Loans and advances to customers stage 3	2021 (€'000)	2020 (€'000)
Gross Loans and advances to customers 01.01	24,530	26,130
Repayments	(7,184)	(2,183)
Additions	100	754
Transfer from stage 3 to stage 2 Gross Loans	(4,305)	-
Write-off	(3,798)	-
Interest Income	334	1,072
FX difference	1,146	(1,243)
Total gross amount of Loans and advances to customers 31.12, Stage 3	10,823	24,530

The tables below present the movement in stages of ECL of loans and advances to customers for the year 2021 and 2020:

Movement of ECL stage1	2021 (€'000)	2020 (€'000)
ECL of Loans and advances to customers 01.01	(993)	(655)
Transfer from stage 1 to stage 2 ECL	10	6
Transfer from stage 2 to stage 1 ECL	(49)	-
Reversal of provisions	230	227
Additional provisions	(1,305)	(619)
FX difference	(67)	48
ECL of Loans and advances to customers 31.12 Stage 1	(2,174)	(993)

Movement of ECL stage2	2021 (€'000)	2020 (€'000)
ECL of Loans and advances to customers 01.01	(73)	(280)
Transfer from stage 1 to stage 2 ECL	(10)	-
Transfer from stage 3 to stage 2 ECL	(97)	-
Transfer from stage 2 to stage 1 ECL	49	-
Reversal of provisions	81	202
Additional provisions	(5)	(3)
FX difference	(4)	14
ECL of Loans and advances to customers 31.12, Stage 2	(59)	(73)

Movement of ECL stage 3	2021 (€'000)	2020 (€'000)
ECL of Loans and advances to customers 01.01	(8,979)	(9,591)
Transfer from stage 3 to stage 2 ECL	97	-
Reversal of provisions	169	1,332
Additional provisions	(433)	(1,838)
Other technical adjustments	333	707
Write off	3,798	-
FX difference	(366)	411
ECL of Loans and advances to customers 31.12, Stage 3	(5,381)	(8,979)

4.2.8 Bond portfolios

The table below presents an analysis of the Bank's bond portfolios, using the higher of the two lower rating of Moody's, Standard & Poor's and Fitch as at 31 December 2021 and 2020:

Bond portfolios as at

	31.12.2021 (€' 000)			
	At Fair Value Through OCI	At Fair Value Through P&L	At Amortised Cost	Total
A- till AAA	-	-	2,124	2,124
B- till BBB+	66,622	-	37,190	103,812
Unrated	1,445	-	-	1,445
Total interest Income	68,067	-	39,314	107,381

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

4.3 Liquidity risk

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

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

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

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

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

Contractual undiscounted cash outflow as at 31.12.2021

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
ASSETS					
Due to banks	40,644	7,068	834	-	48,546
Due to customers	636,076	114,615	90,657	1,012	842,360
Derivatives financial instruments	139	-	-	-	139
Total on balance sheet	676,859	121,683	91,491	1,012	891,045
Off Balance sheet (Loan Commitments)	526	6,710	10,999	1,200	19,435
Total (On & Off Balance sheet)	677,385	128,393	102,490	2,212	910,480

Contractual undiscounted cash outflow as at 31.12.2020

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Due to banks	50,144	6,528	919	-	57,591
Due to customers	296,026	85,854	112,064	7,652	501,596
Derivatives financial instruments	4	-	-	-	4
Total on balance sheet	346,174	92,382	112,983	7,652	559,191
Off Balance sheet (Loan Commitments)	6,142	7,146	2,056	-	15,342
Total (On & Off Balance sheet)	352,315	99,528	115,039	7,652	574,533

4.4 Market risks

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

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

4.4.1 Interest rate risk

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

Interest Rate Risk as at 31.12.2021

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing / Other	Total
ASSETS							
Cash and balances with Central Bank	239,214	-	-	-	-	-	239,214
Due from banks	68,714	-	-	-	-	-	68,714
Loans and advances to customers	236,146	309,601	24,345	7,337	10	(11,417)	566,022
Investment securities – FVTOCI	15,000	12,005	18,026	4,077	18,959	-	68,067
Debt securities at amortised cost	-	-	2,010	31,213	6,091	-	39,314
Other remaining assets	-	-	-	-	-	18,547	18,547
TOTAL ASSETS	559,074	321,606	44,381	42,627	25,060	7,130	999,878
LIABILITIES							
Due to banks	40,644	7,068	834	-	-	-	48,546
Due to customers	636,076	114,615	90,657	921	-	91	842,360
Other remaining liabilities	-	-	-	-	-	7,604	7,604
TOTAL LIABILITIES	676,720	121,683	91,491	921	-	7,695	898,510
Total interest sensitivity gap	(117,646)	199,923	(47,110)	41,706	25,060	(565)	101,368

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

Interest Rate Risk as at 31.12.2020

As restated (€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing / Other	Total
ASSETS							
Cash and balances with Central Bank	59,382	-	-	-	-	-	59,382
Due from banks	89,441	-	-	-	-	-	89,441
Loans and advances to customers	169,190	192,010	18,441	418	-	(12,949)	367,110
Investment securities – FVTOCI	-	2,002	14,220	1,679	1,951	-	19,852
Debt securities at amortised cost	5,001	4,989	2,738	32,010	6,583	-	51,322
Financial assets at FVTPL	-	-	466	-	-	-	466
Other remaining assets	-	-	-	-	-	17,556	17,556
TOTAL ASSETS	323,014	199,001	35,865	34,107	8,534	4,607	605,129
LIABILITIES							
Due to banks	50,138	6,524	906	-	-	-	57,568
Due to customers	253,806	83,091	102,576	7,538	-	92	447,103
Other remaining liabilities	-	-	-	-	-	5,803	5,803
TOTAL LIABILITIES	303,944	89,615	103,482	7,538	-	5,895	510,474
Total interest sensitivity gap	19,070	109,386	(67,617)	26,569	8,534	(1,288)	94,655

4.4.2 Foreign exchange risk

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

The foreign exchange position of the Bank as at 31 December 2021 and 31 December 2020 respectively is as follows:

Foreign exchange position as at 31.12.2021

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	284	238,794	136	239,214
Due from banks	36,670	27,406	4,638	68,714
Loans and advances to customers	458,125	107,897	-	566,022
Investment securities – FVTOCI	-	68,067	-	68,067
Debt securities at amortised cost	-	39,314	-	39,314
Other remaining assets	14	18,533	-	18,547
TOTAL ASSETS	495,093	500,011	4,774	999,878
LIABILITIES				
Due to banks	37,713	10,833	-	48,546
Due to customers	521,265	317,350	3,745	842,360
Other remaining liabilities	321	7,283	-	7,604
TOTAL LIABILITIES	559,299	335,466	3,745	898,510
Net balance sheet position	(64,206)	164,546	1,029	101,368
Off balance sheet net notional position	64,234	(64,241)	7	-
Total FX position	28	100,305	1,036	101,368

The measurement of foreign exchange risk sensitivity of the Bank's Statement of Financial Position items in respect to a parallel shift of 5% in foreign currency rates showed no material effect on the net position of the Bank.

Foreign exchange position as at 31.12.2020

As restated (€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	395	58,896	90	59,382
Due from banks	2,604	84,283	2,553	89,441
Loans and advances to customers	296,778	70,332	-	367,110
Investment securities – FVTOCI	-	19,852	-	19,852
Debt securities at amortised cost	-	51,322	-	51,322
Financial assets at FVTPL	-	466	-	466
Other remaining assets	21	17,536	-	17,556
TOTAL ASSETS	299,798	302,687	2,643	605,129
LIABILITIES				
Due to banks	56,747	821	-	57,568
Due to customers	207,652	237,472	1,978	447,103
Other remaining liabilities	163	5,902	29	5,803
TOTAL LIABILITIES	264,563	244,196	2,007	510,774
Net balance sheet position	35,236	58,491	635	94,655
Off balance sheet net notional position	(35,236)	35,248	(12)	-
Total FX position	-	93,739	623	94,655

4.5 Operational Risk

Operational risk involves the possibility of generating losses as a result of implementing inadequate or unsuccessful internal procedures and systems, of external events and/or the human factor. The Bank has established a policy framework for the management of operational risk which includes the procedure of self-assessment of operational risks and the related area of control, the procedure of loss data collection and the development and update of action plans for the mitigation of operational risks. For the calculation of the capital requirements for operational risk, the Bank follows the Basic Indicator approach.

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

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at 31 December 2021 and 2020:

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

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

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

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

31 December 2021

(€' 000)	Level-1	Level-2	Level-3	Fair value	Carrying value
ASSETS					
Loans and advances to customers	-	-	566,022	566,022	566,022
Debt Securities measured at amortised cost	39,541	-	-	39,541	39,314
Total assets not measured at fair value	39,541	-	566,022	605,563	605,336

31 December 2020

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

The fair value of the remaining financial assets and liabilities which are measured at amortised cost and include mainly due from banks and central banks as well as due to banks, does not differ materially from their respective carrying amount.

4.7 Financial assets and liabilities measured at fair value

Determining the fair value of financial instruments

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

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

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

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

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

31 December 2021

(€' 000)	Level-1	Level-2	Level-3	Total
ASSETS				
Investment securities – FVTOCI	68,067	-	-	68,067
Derivatives	-	18	-	18
Total assets measured at fair value	68,067	18	-	68,085
LIABILITIES				
Derivatives	-	139	-	139
Total liabilities measured at fair value	-	139	-	139

There were no transfers between Level 1 and Level 2 in the year ended 31 December 2021.

31 December 2020

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

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

4.8 Capital Adequacy

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

The new regulatory framework requires financial institutions to maintain a minimum level of regulatory capital related to the undertaken risks. The minimum capital adequacy ratios, as per article 92 of the CRR, are as follows:

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

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

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

Presented below, are the year-end capital adequacy ratios of 2021 and 2020 (as restated). The figures have been calculated using CRD IV rules.

	2021 €' 000 Including Current Year's Profit	2021 €' 000 Excluding Current Year's Profit	2020 €' 000 As restated
Tier I capital			
Share capital	37,980	37,980	37,980
Share premium	50,207	50,207	50,207
Retained earnings	10,872	10,872	4,344
Statutory reserve	1,189	1,189	845
Revaluation Reserve Land & Building (Net of Tax)	1,924	1,924	1,411
Reserve from remeasurement of the defined benefit obligations	(464)	(464)	(400)
OCI reserve	(340)	(340)	269
	101,368	101,368	94,655
Regulatory adjustments on Tier I capital			
Less: intangible assets	(1,529)	(1,529)	(1,673)
Less: Adjustment for Retained earnings not yet recognized	-	(6,873)	-
Less : other adjustments	(68)	(68)	(20)
Total regulatory adjustments on Tier I capital	(1,597)	(8,470)	(1,694)
Total Core Tier I capital	99,770	92,898	92,962
Risk weighted assets			
Risk weighted assets (credit risk)	589,810	589,810	424,631
Risk weighted assets (market risk)	-	-	868
Risk weighted assets (operational risk)	34,187	34,187	25,632
Total Risk Weighted Assets	623,997	623,997	451,131
Common Equity Tier 1 Ratio (CET1)	15.99%	14.89%	20.61%
Tier 1 Ratio (T1)	15.99%	14.89%	20.61%
CAD Ratio	15.99%	14.89%	20.61%

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

Note 5: Net interest income

	2021 €' 000	2020 €' 000
Interest and similar income		
Interest from debt securities measured at FVTOCI	163	145
Interest from debt securities at amortized cost	106	95
Interest due from banks	166	476
Interest from loans and advances to customers	19,921	16,622
Other	13	2
Total Interest and similar income	20,369	17,340
Interest expense and similar charges		
Interest due to customers	(2,230)	(3,284)
Interest due to banks	(205)	(476)
Interest expense from lease liabilities	(10)	(12)
Total Interest expense and similar charges	(2,445)	(3,772)
Net interest income	17,924	13,568

The increase in Interest from loans and advances to customers mainly derives from expand in loan portfolio during year 2021.

Note 6: Net fee and commission income

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

	2021 €' 000			
	Shipping Corporations	Corporate Sector	Other sectors	Total
Fees and commission income				
Loan origination fees and commissions	1,042	367	313	1,722
Funds transfers	718	26	988	1,732
Other	156	240	378	774
Total Fees and commission income	1,916	633	1,679	4,228
Fees and commission expense				
Banks	-	(2)	(260)	(262)
Other	-	(20)	(112)	(132)
Total Fees and commission expense	-	(22)	(372)	(394)
Net fee and commission income	1,916	611	1,307	3,834

The increase in origination fees and commissions mainly derives from expand in loan portfolio during year 2021.

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

The commissions received by the Bank from loans and advances to customers at amortised cost are capitalized, then amortized over the life of the loan with the effective interest rate method and included in the interest from loans and advances to customers. The commissions received by the Bank and amortized over the life of the financial instrument with the effective interest rate method are for the year 2021 € 2,293 thousands (€ 2,249 thousands for 2020). The commissions received by the Bank as an arranger and as an agent of syndicated loans are recognized in the income statement when a performance obligation is satisfied.

Note 7: Net result from derivatives and investment securities

	2021	2020
	€' 000	€' 000
Foreign exchange contracts and derivatives	982	875
Net results from sale of financial assets measured at FVTOCI	164	598
Net results from sale of financial assets measured at FVTPL	125	71
Net results from debt securities at amortised cost	326	-
Net result from financial instruments at fair value through profit or loss	-	15
Net result from derivatives and investment securities	1,597	1,559

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

For further information about net results from debt securities at amortised cost please refer to Note 19.

Note 8: Personnel expenses

	2021	2020
	€' 000	€' 000 As restated
Wages and salaries	(6,207)	(5,529)
Social security contributions	(1,188)	(1,113)
Defined contribution plans	(186)	(173)
Defined benefit plans (see Note 28)	(130)	(100)
Other	(476)	(425)
Personnel expenses	(8,187)	(7,340)

The number of employees of the Bank at 31 December 2021 was 102 (95 as at 31 December 2020). The average number of employees for the period 1 January 2021 to 31 December 2021 was 98 (95 for the year 2020).

Note 9: General administrative expenses

	2021	2020
	€' 000	€' 000
Rental expense for buildings	(4)	(14)
Rental expense for cars	(21)	(1)
Third party fees	(1,043)	(1,031)
IT expense	(786)	(805)
Telecommunication – mail expense	(140)	(140)
Promotion and advertising expense	(16)	(7)
Office material	(25)	(29)
Utilities	(127)	(97)
Taxes and duties	(560)	(731)
Maintenance and other related expenses	(85)	(84)
Subscription expenses	(83)	(76)
Donations	(16)	-
Contributions	(526)	(449)
Officers and directors insurance	(191)	(151)
Other general administrative expenses	(131)	(216)
General and administrative expenses	(3,754)	(3,831)

Note 10: Depreciation and amortization

	2021	2020
	€' 000	€' 000
Property and equipment	(596)	(536)
Intangible assets	(466)	(508)
Depreciation and amortization	(1,062)	(1,044)

Note 11: Impairment losses on loans and advances to customers

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

	2021 €' 000	2020 €' 000
Impairment losses on loans and advances for the year (on BS) (a)	(1,743)	(2,461)
Amounts reversed (b)	480	1,760
Effect of foreign currency movements (c)	(437)	474
Impairment losses/gains on loans and advances (off BS)	(33)	(51)
Impairment losses/gains on loans and advances charged in Income statement	(1,733)	(278)

Movement of Impairment losses on loans and advances to customers

	31.12.2021 €' 000	31.12.2020 €' 000
ECL of Loans and advances to customers 01.01	(10,045)	(10,526)
Impairment losses on loans and advances for the year (on BS) (a+b+c above)	(1,700)	(226)
Write off	3,798	-
Other technical adjustments (Note 4.2.7)	333	707
ECL of Loans and advances to customers 31.12	(7,614)	(10,045)

Note 12: Income tax

	2021 €' 000	2020 €' 000 As restated
Income tax for the year	(1,388)	(659)
Deferred income tax	(499)	(643)
Income tax	(1,887)	(1,302)

The calculation of the income tax expense is as follows:

	2021	2020
Profit / (Loss) before tax	8,760	5,350
IAS 19 - IFRIC decision impact- restatement	-	17
Profit / (Loss) before tax (restated)	8,760	5,367
Tax calculation at 22%	(1,927)	(1,284)
Non tax deductible expenses	(14)	(14)
Impact of tax change rate on Deferred Tax	54	-
IAS 19 - IFRIC decision impact	-	(4)
Income tax	(1,887)	(1,302)

The corporate tax rate is 22% for the year 2021 and 24% for the year 2020.

Further information concerning the income tax contingent liabilities is presented in Note 34.

According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years.

There was no tax loss carried forward by the Bank at 31.12.2021.

Further information concerning deferred tax is presented in Note 23.

Note 13: Cash and balances with Central Bank

	31.12.2021 €' 000	31.12.2020 €' 000
Cash in hand	1,338	1,248
Balance with Central Bank	237,876	58,134
Cash and balances with Central Bank	239,214	59,382

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

BoG requires all banks established in Greece to maintain deposits with BoG equal to 1% of total customer deposits as these are defined by the European Central Bank. From 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (0.00% at 31.12.2021). It is at the Bank's discretion to withdraw the total amount of the balance with Central Bank under the condition that the average balance during the period (month) will not be less than the minimum required amount. As at 31.12.2021 the minimum required amount of the Bank amounts to € 8,247 thousands (At 31.12.2020, € 4,241 thousands).

Note 14: Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following outstanding balances as at 31.12.2021 and 31.12.2020:

	31.12.2021	31.12.2020
	€' 000	€' 000
Cash on hand	1,338	1,248
Non-restricted placements with Central Bank	237,876	58,134
Short-term balances due from banks	68,714	89,441
Cash and cash equivalents	307,928	148,823

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

Note 15: Due from banks

	31.12.2021	31.12.2020
	€' 000	€' 000
Current accounts	51,056	26,442
Money Market Placements	17,658	62,999
Due from banks	68,714	89,441

Included within Current accounts is restricted amount €4,592 thousands as of 31.12.2021 (31.12.2020: €22,936 thousands) related to guarantees provided to credit institutions for swaps. As of 31.12.2021 no restricted cash was used for swaps.

Note 16: Loans and advances to customers at amortised cost

	31.12.2021	31.12.2020
	€' 000	€' 000
Loans and Advances to shipping corporations at amortised cost	445,953	327,717
Loans and advances to corporate sector at amortised cost	119,557	38,973
Other Loans and staff loans	512	420
Total Loans and advances to customers at amortised cost	566,022	367,110

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

Loans and advances to customers at amortised cost are analyzed:
31.12.2021 €' 000

	Gross amount	Impairment amount	Net amount
	€' 000	€' 000	€' 000
Loans and Advances to shipping corporations	453,079	(7,126)	445,953
Loans and advances to corporate sector	120,045	(488)	119,557
Other Loans and staff loans	512	-	512
Total Loans and advances to customers at amortised cost	573,636	(7,614)	566,022

31.12.2020 €' 000

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

Note 17: Financial assets at fair value through other comprehensive income (FVTOCI)
Analysis per Issuer for the year ended 31.12.2021

	31.12.2021 €'000			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at FVTOCI				
Domestic Corporate Entities Bonds	61,621	-	-	61,621
Banks - Financial institutions	-	-	-	-
Foreign Government Bonds	6,446	-	-	6,446
Total Investment securities at FVTOCI	68,067	-	-	68,067

	31.12.2021 €'000			
	Stage 1	Stage 2	Stage 3	Total
Movement in Gross Carrying amount of investment securities				
Investment securities at FVTOCI				
Balance 01.01.2021	19,852	-	-	19,852
Additions	188,324	-	-	188,324
Disposals/ Maturities	(139,298)	-	-	(139,298)
Gains / (losses) from changes in fair value	(790)	-	-	(790)
ECL charge for the year	(21)	-	-	(21)
Closing Balance 31.12.2021	68,067	-	-	68,067

	31.12.2021 €'000			
	Stage 1	Stage 2	Stage 3	Total
Movement in ECL allowance for the year ended 31.12.2021				
ECL for investment securities at FVTOCI				
Balance 01.01.2021	157	-	-	157
Domestic Corporate Entities Bonds	56	-	-	56
Banks - Financial institutions	(81)	-	-	(81)
Foreign Government Bonds	46	-	-	46
ECL charge for the year	21	-	-	21
ECL 31.12.2021	178	-	-	178

Analysis per Issuer for the year ended 31.12.2020

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

	31.12.2020 €'000			
	Stage 1	Stage 2	Stage 3	Total
Movement in Gross Carrying amount of investment securities				
Investment securities at FVTOCI				
Balance 01.01.2020	21,871	-	-	21,871
Additions	122,606	-	-	122,606
Disposals/ Maturities	(124,667)	-	-	(124,667)
Gains / (losses) from changes in fair value	190	-	-	190
ECL charge for the year	(148)	-	-	(148)
Closing Balance 31.12.2020	19,852	-	-	19,852

	31.12.2020 €'000			
	Stage 1	Stage 2	Stage 3	Total
Movement in ECL allowance for the year ended 31.12.2020				
ECL for investment securities at FVTOCI				
Balance 01.01.2020	9	-	-	9
Domestic Corporate Entities Bonds	5	-	-	5
Banks - Financial institutions	81	-	-	81
Foreign Government Bonds	61	-	-	61
ECL charge for the year	148	-	-	148
ECL 31.12.2020	157	-	-	157

All the debt securities in the FVTOCI portfolio are traded in public markets. The ECB eligible securities included in the Banks portfolios (FVTOCI) amounted to €62,7 million as at 31.12.2021 versus €15 million the end of previous year.

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

	31.12.2021	31.12.2020
	€' 000	€' 000
Banks - Financial institutions	-	466
Total Investment securities – FVTPL	-	466
Movement for the year:		
Balance as 1 January	466	847
Additions	199,496	312
Disposals (Sales and redemption)	(200,087)	(662)
Profit /(loss) from disposal & changes in fair value	125	15
Exchange differences	-	(46)
Balance as 31 December	-	466

The Bank had no ECB eligible securities included in its portfolio (FVTPL) as at 31.12.2021 & 31.12.2020.

Note 19: Debt Securities at amortized cost

	31.12.2021	31.12.2020
	€' 000	€' 000
European Governments	39,314	44,489
Banks - Financial institutions	-	2,738
Corporate Entities Bonds	-	4,095
Total debt securities at amortized cost	39,314	51,322

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

Analysis per Issuer for the year ended 31.12.2021
2021 €'000

	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2021	51,322	-	-	51,322
European Governments	(5,175)	-	-	(5,175)
Banks - Financial institutions	(2,738)	-	-	(2,738)
Corporate Entities Bonds	(4,095)	-	-	(4,095)
Total amount Debt Securities at AC	39,314	-	-	39,314

Movement in Gross Carrying amount of debt securities

	Stage 1	Stage 2	Stage 3	Total
Debt securities at AC	51,322	-	-	51,322
Balance 01.01.2021	51,322	-	-	51,322
Additions	4,929	-	-	4,929
Disposals/ Maturities	(17,391)	-	-	(17,391)
Trading Profit / (loss)	326	-	-	326
ECL impairment charge for the year	128	-	-	128
Closing Balance 31.12.2021	39,314	-	-	39,314

Movement of ECL for debt securities at AC

	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2021	133	-	-	133
European Governments	(17)	-	-	(17)
Banks - Financial institutions	(110)	-	-	(110)
Corporate Entities Bonds	(1)	-	-	(1)
ECL impairment charge for the year	(128)	-	-	(128)
ECL for debt securities at AC as at 31.12.2021	5	-	-	5

Analysis per Issuer for the year ended 31.12.2020	2020 €'000			
	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	24,539	-	-	24,539
European Governments	23,122	-	-	23,122
Banks - Financial institutions	2,738	-	-	2,738
Corporate Entities Bonds	922	-	-	922
Total amount Debt Securities at AC	51,322	-	-	51,322
Movement in Gross Carrying amount of debt securities				
Debt securities at AC	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	24,539	-	-	24,539
Additions	37,043	-	-	37,043
Disposals/ Maturities	(10,129)	-	-	(10,129)
ECL impairment charge for the year	(129)	-	-	(129)
Closing Balance 31.12.2020	51,322	-	-	51,322
Movement of ECL for debt securities at AC				
	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.2020	4	-	-	4
European Governments	14	-	-	14
Banks - Financial institutions	115	-	-	115
Corporate Entities Bonds	-	-	-	-
ECL impairment charge for the year	129	-	-	129
ECL for debt securities at AC as at 31.12.2020	133	-	-	133

The ECB eligible securities included in the Banks portfolios (amortised cost) amounted to €39 million as at 31.12.2021 and €49 million as at 31.12.2020.

During 2021 two debt securities with nominal value €10 million matured and three debt securities with nominal value €6.8 million have been sold recording a profit of €0.3 million.

Concerning the debt securities sold during 2021. Although the initial objective of the Bank's business model was to hold these debt securities in order to collect contractual cash flows until maturity, it was decided that, due to their characteristics (i.e high capital consumption due to the fact that are corporate Bonds, potential risk for non-acceptance for refinancing by the Central bank for one of them due to its issuance (GB-Brexit) and high ECL), they no longer meet the Banks criteria for this categorization (ie. eligibility low haircut, low capital consumption) and had to be replaced.

Note 20: Derivative financial instruments

	31.12.2021 (€' 000)			31.12.2020 (€' 000)		
	Nominal value	Fair value		Nominal value	Fair value	
		Assets	Liabilities		Assets	Liabilities
FX swaps / forwards	120,007	18	139	35,818	16	4
Derivative financial instruments	120,007	18	139	35,818	16	4

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

Note 21: Intangible assets

	31.12.2021	31.12.2020
	€' 000	€' 000
Acquisition cost:		
Opening balance as at 1 January	4,993	4,207
Additions	322	785
Closing balance as at 31 December	5,315	4,993
Accumulated amortization:		
Opening balance as at 1 January	3,320	2,812
Amortization charge for the year	466	508
Closing balance as at 31 December	3,786	3,320
Net book value:		
Opening net book value as at 1 January	1,673	1,396
Closing net book value as at 31 December	1,529	1,673

Intangible assets include only software.

Note 22: Property and equipment
Property and equipment as at 31.12.2021:

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Right of use assets	Total
Opening balance as at 01.01.2021:	1,820	4,780	341	-	1,055	1,258	686	9,940
Additions	-	-	-	-	70	163	209	442
Elimination of accumulated depreciation on revaluation	-	(284)	-	-	-	-	-	(284)
Revaluation surplus	210	424	-	-	-	-	-	634
Closing balance at FV	2,030	4,920	-	-	-	-	-	6,950
Closing balance at cost	-	-	341	-	1,125	1,421	895	3,782
Closing balance PPE as at 31.12.2021	2,030	4,920	341	-	1,125	1,421	895	10,731
Accumulated depreciation:								
Opening balance as at 01.01.2020	-	-	194	-	766	1,130	330	2,420
Depreciation	-	284	27	-	61	72	152	596
Disposals and write offs	-	(284)	-	-	-	-	-	(284)
Closing balance as at 31.12.2021	-	-	221	-	827	1,202	482	2,731
Closing net book value as at 31.12.2021	2,030	4,920	120	-	298	218	413	8,000

Property and equipment as at 31.12.2020:

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

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

No property and equipment has been pledged as collateral.

Note 23: Deferred tax assets / liabilities

	31.12.2021 €' 000	31.12.2020 €' 000 As restated
Deferred tax assets		
Loans and advances to customers	332	698
Defined benefits obligations	388	376
Derivatives and financial instruments	155	-
Greek Government Bonds (PSI)	979	1,115
Other temporary differences	169	143
Total Deferred tax assets	2,023	2,332
Deferred tax liabilities		
Loans and advances to customers	2,751	2,704
Revaluation of assets	551	446
Derivatives and financial instruments	-	49
Total Deferred tax Liabilities	3,302	3,199
Net Deferred tax (Liabilities) / Assets	(1,279)	(867)

The increase in deferred tax liabilities balance amounting € 1,279 thousands as of 31.12.2021 compared to a net deferred tax assets balance of € 876 thousands as of 31.12.2020 (as restated reflecting the impact of IFRIC decision agenda IAS 19) is arising from revaluation of property and equipment as well as movements in loans and advances to customers deferred tax balance.

Movement of temporary differences analyzed as follows:

Movement for 2021 (€'000)	Balance	Restatement	Balance	Recognized	Recognized	Balance as
	as at 1.1.2021	IFRIC / IAS 19	as at 1.1.2021 (restated)	through income statement 2021	through OCI 2021	at 31.12.2021
Revaluation of assets	(446)	-	(446)	-	(105)	(551)
Loans and advances to customers	(2,006)	-	(2,006)	(413)	-	(2,419)
Defined benefits obligations	467	(91)	376	8	4	388
Derivatives and investment Securities	(49)	-	(49)	156	48	155
Greek Government Bonds (PSI)	1,115	-	1,115	(136)	-	979
Other temporary differences	143	-	143	26	-	169
Total	(776)	-	(867)	(359)	(53)	(1,279)

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

Note 24: Other assets

	31.12.2021	31.12.2020
	€' 000	€' 000
Prepaid expenses	555	358
Hellenic Deposit and Investment Guarantee Fund	6,770	6,783
Tax Prepayments and other recoverable taxes	835	169
Other	840	1,037
Other assets	9,000	8,347

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

Note 25: Due to banks

	31.12.2021	31.12.2020
	€' 000	€' 000
Time deposits due to credit institutions	48,546	57,568
Due to banks	48,546	57,568

Note 26: Due to customers

	31.12.2021	31.12.2020
	€' 000	€' 000
Sight deposits	451,141	190,785
Term deposits	391,128	256,226
Other	91	92
Due to customers	842,360	447,103

The increase in 2021, of due to customers' balance of amount € 395 million, compared to the prior year, mainly derives from new deposits of the private sector with the major part coming from shipping and the rest from corporate sector.

Due to customers include blocked deposits of:

	31.12.2021	31.12.2020
	€' 000	€' 000
Blocked deposits for the issuance of Guarantee Letters	36,487	6,483
Blocked deposits for loans granted	98,012	32,761
Total	134,499	39,244

The only concentration relates to deposits of five (5) customers that represent approximately 22% of the amounts due to customers (€ 182 Million out of € 842 Million). In 2020 five (5) customers represented approximately 26% of the amounts due to customers (€ 118 Million out of € 447 Million).

Note 27: Other liabilities

	31.12.2021	31.12.2020
	€' 000	€' 000
Taxes – duties (other than income tax)	1,804	1,063
Amounts due to social security funds	304	254
Accrued expenses and deferred income	180	348
Suppliers	250	336
Hellenic Deposit and Investment Guarantee Fund	200	204
Lease liabilities	432	372
Other payables	1,254	791
Other liabilities	4,424	3,368

The movement of the lease liability is summarized as follows:

Lease liabilities movement	2021	2020
	€' 000	€' 000
Opening balance, 01/01	372	503
Additions	209	33
Interest Expense	10	13
Payments during the year	(159)	(177)
Closing balance, 31/12	432	372

Further information for the lease liabilities is also disclosed in note 33.

Note 28: Retirement benefit obligations
Defined benefit plans

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

The lump sum amount depends on the salary of the employees and the years of service up to the date of retirement. In the event that an employee voluntarily leaves before his retirement date he is not entitled to receive such a retirement benefit. This retirement benefit meets the definition of a defined benefit plan according to provisions of IAS 19 & IFRIC decision and at 31 December 2021 the present value of this liability amounted to €1,762 thousand (in 2020 € 1,564 thousand as restated). The Bank's policy for the indemnities aligns with the 2021 IFRIC decision of IAS 19 fact pattern, concerning the method of attributing benefits to period of service and such change in the attribution methodology has been treated as a change in accounting policy. For further details of the impact from the change in accounting policy refer to Note 2.1

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

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

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

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

	2021 €' 000	2020 €' 000 As restated
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,762	1,564
Net Liability in SOFP	1,762	1,564
Amounts recognized in the Income Statement		
Service cost	126	108
Net interest on the net defined benefit liability	5	9
Regular P&L Charge	130	117
Recognition of Past Service Cost	-	(17)
Total P&L Charge	130	100
Reconciliation of benefit obligation		
Defined Benefit Obligation "DBO" at start of period	1,564	1,367
Service cost	126	108
Interest cost	5	9
Past service cost arising over last period	-	(17)
Actuarial (gain)/loss - financial assumptions	22	59
Actuarial (gain)/loss - experience	45	38
DBO at end of period	1,762	1,564
Remeasurements		
Liability gain/(loss) due to changes in assumptions	(22)	(59)
Liability experience gain/(loss) arising during the year	(46)	(38)
Total actuarial gain/(loss) recognized in OCI	(68)	(97)
Other adjustments recognized in OCI	-	-
Total amount recognized in OCI over the period	(68)	(97)
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	1,564	1,685
Adjustments due to IFRIC / IAS 19	-	(318)
Benefits paid directly	-	-
Total expense recognized in the income statement	130	100
Total amount recognized in the OCI	68	97
Net Liability in SOFP	1,762	1,564
Cash flows		
Expected benefits paid by the plan for next financial year	554	544
Assumptions:		
Discount rate	0.88%	0.35%
Price inflation	2.00%	1.30%
Rate of compensation increase	3.00%	2.30%
Plan duration	8.41	7.91

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

	2021	2020	2019	2018	2017
		as restated			
	€' 000	€' 000	€' 000	€' 000	€' 000
Present value of obligations	1,762	1,564	1,685	1,526	1,386
Total obligation	1,762	1,564	1,685	1,526	1,386

Sensitivity analysis for 2021 for the significant assumption (discount rate):

- If the discount rate used were 0.5% higher, (i.e. 1.38% pa rather than 0.88% pa) then the DBO would be lower by about 3.92%.
- If the discount rate used were 0.5% lower, (i.e. 0.38% pa rather than 0.88% pa) then the DBO would be higher by about 4.24%.

Sensitivity analysis as restated for 2020 for the significant assumption (discount rate):

- If the discount rate used were 0.5% higher, then the DBO would be lower by about 3.85%.
- If the discount rate used were 0.5% lower, then the DBO would be higher by about 4.17%.

Note 29: Share capital

Share capital for the year ended at:

(Amounts in €)

	31.12.2021			31.12.2020		
	Number of Shares	Nominal Value	Share Capital	Number of Shares	Nominal Value	Share Capital
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 30: Share premium

	31.12.2021	31.12.2020
	€' 000	€' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (net of tax)	(306)	(306)
Share premium	50,207	50,207

Note 31: Reserves

	Note	31.12.2021	31.12.2020
		€' 000	€' 000
Statutory reserve		1,189	845
Valuation of FVTOCI portfolio	Note 17	(436)	354
Deferred tax on valuation of FVTOCI portfolio	& OCI	96	(85)
Actuarial Gain / (Loss) of Retirement Benefit Obligations	Note 28	(595)	(528)
Deferred tax on Remeasurement of the defined benefit obligations	& OCI	131	128
Revaluation reserve property & equipment	Note 22	2,465	1,856
Deferred tax on revaluation reserve property & equipment	& OCI	(542)	(446)
Reserves		2,308	2,124
Movement of Reserves		2021	2020
		€' 000	€' 000
Opening Balance 01.01		2,124	331
Statutory reserve		343	203
Net gain/(losses) from changes in fair value of OCI investments		(790)	333
Deferred tax on valuation of FVTOCI portfolio		181	(80)
Net change in Fair value		(609)	253
Actuarial Gain (Loss) of Retirement Benefit Obligations		(66)	(97)
Deferred tax on Remeasurement of the defined benefit obligations		3	25
Net change from the remeasurement of the defined benefit obligations		(63)	(72)
Revaluation surplus (gain) from property & equipment		610	1,856
Deferred tax on revaluation surplus (gain) from property & equipment		(97)	(446)
Net change in revaluation surplus		513	1,410
Closing Balance 31.12		2,308	2,124

Note 32: Retained earnings

	2021	2020
	€' 000	€' 000
Opening balance 01 January	4,344	239
Retained Earnings IFRIC / IAS 19 impact	-	243
Opening balance 01 January (as restated)	4,344	482
Statutory reserve movement	(343)	(203)
Profit / (Loss) for the year	6,873	4,065
Closing balance 31 December	10,873	4,344

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

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

Note 33: Lease Liabilities

Leases

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

The table below presents the contractual undiscounted cash flows of the Bank's gross lease liabilities as at 31 December 2021 and 31 December 2020. The bank has elected to take a recognition exemption for short-term and low-value leases (contracts that were on hold of contract renewal with an annual rental expense of €20 thousands), hence the analysis below does not include any leases with a residual term lower than 12 months and any leases with value less than €5 thousands, as of 31 December 2021 and 31 December 2020. Lease liabilities are included within the line item "Other liabilities".

	31.12.2021	31.12.2020
	€' 000	€' 000
No later than 1 year	137	145
Later than 1 year and no later than 5 years	301	236
Total undiscounted gross liabilities	438	381
Less discount effect (IFRS 16)	6	9
Total discounted lease liabilities	432	372

Note 34: Contingent liabilities and commitments

Legal issues

There are no material legal claims against the Bank as at 31.12.2021 that require disclosure in the Financial Statements.

Tax issues

The Bank has been audited by the tax authorities for the financial years up to and including 2009 while the financial year 2010 remains unaudited by the tax authorities. For the financial year 2010, it is expected that no additional taxes and penalties can be imposed based on the legislative framework with respect to the expiration of the time limitation period of the Greek State's right to impose additional taxes and penalties as of 31.12.2021.

The financial years 2011, 2012, 2013 and 2014 have been audited by its certified auditors, Deloitte Certified Public Accountants S.A. (the statutory auditor), in accordance with article 82 of Law 2238/1994. The relevant tax audit certificates were issued at 11.07.2012 at 26.09.2013 at 10.07.2014 and at 29.09.2015 respectively.

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

The financial years 2015, 2016, 2017, 2018, 2019 and 2020 have been audited by the Bank's statutory auditor in accordance with article 65A of law 4174/2013. The relevant tax audit certificates were issued with no qualifications at 28.09.2016, 23.10.2017, 29.10.2018, 30.10.2019, 30.10.2019, 29.10.2020 and at 25.10.2021 respectively. For the financial year 2021 the audit from the statutory auditor is in progress and the relevant tax compliance report is expected to be issued after the publication of the financial statements of the year ended. If any additional tax liabilities arise after the completion of the tax audit, we estimate that they will not have significant effect on the financial statements.

Based on Ministerial Decision 1006/05.01.2016, there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the statutory auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books.

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

Capital commitments

	31.12.2021	31.12.2020
	€' 000	€' 000
Undrawn commitments	46,645	15,342
Financial guarantees	19,434	13,722
Total	66,079	29,064

Syndicated Loans

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

	31.12.2021	31.12.2020
	€' 000	€' 000
Participation of other banks in drawdown syndicated loans	662,555	507,804
AB Bank's participation in drawdown syndicated loans	-	5,307
Total amount of drawdown syndicated loans	662,555	513,111
Other banks participation in unused credit facilities of syndicated loans	23,000	84,300
Total amount of unused credit facilities of syndicated loans	23,000	84,300
Total amount of syndicated loans administrated with the participation of AB-Bank	685,555	597,411

Note 35: Events after the reporting period

Recent events between Ukraine and Russia are expected to negatively affect the European and global economies. In particular, the sanctions imposed so far against Russian banks, companies and individuals, Russia's exclusion from the SWIFT system, as well as the closure of the airspace of the 27 members of the European Union for Russia, is expected to particularly affect the energy sector of the economy whereas a prolonged increase in geostrategic risks could impose significant pressure to the performance of other sectors of economic activity, including tourism. Preliminary estimates indicate that these events will negatively affect the course of European GDP. The Bank has no direct exposure to these two countries and, currently, is not expecting to have significant effect in the quality its loan portfolio and funding. However, the management of the Bank is closely monitoring the developments and continuously evaluates the possible effects and the Bank's financial statements.

Note 36: Related party transactions

Related parties include:

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

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

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

Outstanding balances and results of related transactions are as follows:

	2021 €' 000	2020 €' 000
Assets		
Loans and advances to customers	119	2,910
Total assets	119	2,910
Liabilities		
Due to customers	2,921	10,477
Total liabilities	2,921	10,477
Income		
Interest and similar income	37	211
Fees and commission income	104	249
Total income	141	460
Expenses		
Interest expense and similar charges	3	32
General administrative expenses	-	90
Impairment losses on loans and advances	-	9
Total expenses	3	131

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

	2021 €' 000	2020 €' 000
Remuneration	1,873	1,705
Short Term employee and post-employment benefits	108	105
Total	1,981	1,810

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

Note 37: Independent auditor's fees

On 1 July 2021, the Ordinary General Meeting of the Shareholders appointed Deloitte Certified Public Accountants S.A. as the statutory auditor for the year ended 31 December 2021. The following table presents the total fees for statutory audit, other audit and non-audit related rendered in 2021 and 2020:

	31.12.2021	31.12.2020
	€' 000	€' 000
Statutory audit fees	96	85
Tax audit fees	24	22
Other audit related fees	6	4
Total	126	111

Note 38: Restatements of comparative year

The restatements reflected in the Income Statement and in the Statement of Financial Position of the year 2020 are presented in the below tables. These restatements represent solely the impact of the adoption of the IFRIC decision of IAS 19 "Employee benefits", published in May 2021, as it is also explained in Note 2.18

	Year Ended 31.12.2020		
	As published	Restatements	As restated
Income Statement			
Interest and similar income	17,340	-	17,340
Interest expense and similar charges	(3,772)	-	(3,772)
Net Interest Income	13,568	-	13,568
			-
Fee and commission income	3,365	-	3,365
Fee and commission expense	(365)	-	(365)
Net fee and commission income	3,000	-	3,000
Net result from derivatives and investment securities	1,559	-	1,559
Other operating income	10	-	10
Total Income	18,137	-	18,137
Personnel expenses	(7,357)	17	(7,340)
General administrative expenses	(3,831)	-	(3,831)
Depreciation and amortization	(1,044)	-	(1,044)
Impairment losses on loans and advances to customers	(278)	-	(278)
ECL of Investment securities	(277)	-	(277)
Profit/(Loss) before tax	5,350	17	5,367
Income Tax	(1,298)	(4)	(1,302)
Profit/(Loss) for the year	4,052	13	4,065

Statement of Financial Position	Year Ended 31.12.2020		
	As published	Restatements	As restated
ASSETS			
Cash and balances with Central Bank	59,382	-	59,382
Due from banks	89,441	-	89,441
Loans and advances to customers	367,110	-	367,110
Financial assets at fair value through other comprehensive income (FVTOCI)	19,852	-	19,852
Financial assets at fair value through profit or loss (FVTPL)	466	-	466
Debt securities at amortized cost	51,322	-	51,322
Derivative financial instruments	16	-	16
Intangible assets	1,673	-	1,673
Property and equipment	7,520	-	7,520
Other assets	8,347	-	8,347
Total assets	605,129	-	605,129
LIABILITIES			
Due to banks	57,568	-	57,568
Due to customers	447,103	-	447,103
Derivative financial instruments	4	-	4
Retirement benefit obligations	1,947	(383)	1,564
Deferred tax liabilities	776	91	867
Other liabilities	3,368	-	3,368
Total liabilities	510,766	(292)	510,474
EQUITY			
Share capital	37,980	-	37,980
Share premium	50,207	-	50,207
Reserves	2,087	37	2,124
Retained earnings	4,089	255	4,344
Total equity	94,363	292	94,655
Total liabilities and equity	605,129	-	605,129

Athens, 31 May 2022

The Chairman of the BoD

The Managing Director

The Chief Financial Officer

Konstantinos Hadjipanayotis

Theodore Afthonidis

George Kalantzis